

## THE IMPORTANCE OF LEARNING

The first strategic goal ... is to add value to an activity. The second goal of a partner is to augment its strategic competencies by learning from its opposite. Learning is an implicit, if not explicit, strategic objective of every firm that strives to maintain its competitive position. Willingness to learn leads to product and process innovation.<sup>10</sup>

Qualitative criteria can be just as vital to the assessment of an alliance. An important criteria for assessing the success of an alliance is often what was learned from it. An alliance may be valued because it adds to company prestige or because it helped the company gain the confidence of the financial community. Improvement in strategic position, improved relations with other firms, enhanced product recognition, improvements in the quality of a product, and the building of a long term profit base, are all important alliance accomplishments. Sometimes alliances may be unsuccessful in terms of objective criteria, but nevertheless still meet the essential goals of a partner.

In evaluating an international partnership, it is best to take a long-term view of the venture since it is likely to take several years before significant financial returns materialize. There should, however, be clear financial targets established at the outset, and the evaluation should determine whether or not these targets have been met.

## IS YOUR COMPANY READY TO COMMUNICATE?

- Is your corporate culture favourably disposed toward alliances? It goes without saying that your alliance team must be fully committed to the project, but what about the attitudes of the rest of the company? Your company will need to promote a long-term, positive attitude among all those who work with and within the alliance structure. For example, the activities of the alliance should be viewed as just as important as those of a subsidiary.
- Have you created an organizational structure that will support the proper functioning of the alliance? Have you designated contact points at all levels within your company and the alliance?
- How is information disseminated and absorbed within each firm? How will the information be shaped and who will receive it? It is important to keep in mind that how information is interpreted and distributed will have a powerful effect on alliance activities and on the attitudes people bring to bear on them.
- Have you set up appropriate ways for participants to meet? Have you considered formal or informal meetings, staff visits or exchanges, or teleconferencing?

## COORDINATION AND COMMUNICATION ISSUES

Careful attention should be paid to fostering mutual trust and joint commitment. Exchange programs have been rated highly by participants and sponsors for short-term efforts that involve both companies or for longer-term, cross cultural training programs. In a joint venture, it is often an excellent idea if the general manager consults with senior management in both parent companies on major decisions, regardless of whether or not they have any real expertise in the particular issue at hand. Those consulted are reassured by their ongoing involvement and are far more likely to be on-side when the actual decision is made.

There are different schools of thought concerning how much and what kinds of communication are appropriate between a joint venture and its parents. Some managers feel that joint ventures fail because the parents did not nurture it properly in its formative years. According to them, managers in the parent companies should carefully supervise and support the activities of the joint venture.

Other managers feel that too many joint ventures are smothered by over-protective, interfering parents who are unable to trust the new child. Or it may be that the parameters of communication and the purpose of the relationship need to be better defined. For example, managers in a large parent company may deluge a small joint venture with more requests than it can handle. Sometimes the attempted solution to this problem is worse than the disease: managers in the parent company, frustrated that they are not getting the response they expected, add new layers of management to the venture, and what was once intended as a small, flexible vehicle becomes yet another bureaucracy.

<sup>10</sup> Michael S. Yoshino and U. Srinivasa Rangan. *Strategic Alliances. An Entrepreneurial Approach to Globalization*. Boston: Harvard Business School Press, 1995. p. 18.