



Successful alliance management in a developing country

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Managing strategic alliances in the West is difficult, with a failure rate as high as 70 per cent. Managing strategic alliances in developing countries is made much more difficult by a lack of resources, a shortage of appropriate alliance management training and high environmental turbulence and an information-void environment. Although the failure rate might be higher in developing countries, there are a few emerging success cases. Case study data obtained through in-depth interviews from two successful alliances in Papua New Guinea are presented that point up the lessons that could be learned by alliance managers in the West interested in forging strategic alliances with partners in developing countries. Research data indicates that in addition to managing the alliance environment, organisation context, management culture and processes, coping strategies have to be developed to keep the alliance on track.

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The use of strategic alliances has become common among both commercial and not-for-profit organisations as a means to reduce uncertainty, provide flexibility, provide capacity, provide speed, provide access to resources and skills not owned, and provide information. According to Peter Drucker

[t]he greatest change in corporate culture—and in the way business is being conducted—may be the

accelerating growth of relationships based not on ownership but on partnership; joint ventures; minority investments; cementing a joint marketing agreement or an agreement to do joint research; semiformal alliances of all sorts (1996:1).

Similarly, Rosabeth Moss Kanter observes that '[a]lliances between companies, whether they are from different parts of the world or



different ends of the supply chain, are a fact of life in business today' (1994:96). Pursuing growth and entering new markets were the top reasons for forming strategic alliances identified by a Coopers and Lybrand study (Coopers and Lybrand 1997, cited in Elmuti and Kathawala 2001). This echoes Ohmae's assertion that companies simply do not have the time to establish new markets one-by-one, that

[t]oday you have to be in all important markets simultaneously if you are going to keep competitors from establishing their positions. Globalisation will not wait. You need alliances and you need them now. But not the traditional kind [joint ventures] (Ohmae 1992:147).

According to the Coopers and Lybrand study, 50 per cent of firms involved in alliances market their goods and services internationally compared to 30 per cent of non-allied participants (Elmuti and Kathawala 2001). Indeed, strategic alliances have become increasingly popular

[t]hey have moved from being a way to enter foreign markets of peripheral interest, or of gaining some returns from peripheral technologies, to become a part of the mainstream of corporate activity (Beamish and Killing 1996:1,613).

Coopers and Lybrand (cited in Elmuti and Kathawala 2001) more specifically identify the following types of alliances amongst their clients

- joint marketing/promotion (54 per cent)
- joint selling or distribution (42 per cent)
- production (26 per cent)
- design collaboration (23 per cent)
- technology licensing (22 per cent)
- research and development contracts (19 per cent)
- other outsourcing purposes (19 per cent).

This paper presents research findings on two successful corporate-level development and cooperation alliances in Papua New Guinea, drawn from a sample of five cases of alliance management studied in 2000–02. The reason for presenting only the two most successful cases here is to demonstrate that alliances can work in a developing country experiencing high environmental turbulence and information void.

Definitions, research method and case studies

The importance of strategic alliances to developing countries in business and development has been highlighted elsewhere by Kavanamur (2002). Concepts such as cooperation, networking, competitive cooperation, relationship, trust and synergy all underpin the concept of strategic alliance management. In developing countries such as China and Papua New Guinea personal connections and relationships in business transactions are captured by concepts such as *guanxi*, *face*, *reciprocity*, *renqing*,¹ and *wantokism*.² Kavanamur (2003) offers a holistic definition of strategic alliance management that reflects the dynamism of the concept rather than stasis.

Strategic alliance management is the *process of strategically managing dynamic cooperative-competitive relationships between two or more partners involved in a simultaneous network of alliances, in order to capture synergy thereby enhancing the competitive position of each partner. This process assigns the task to an alliance manager who must regularly take cognisance of the influence of external factors on the alliance, namely the partners' culture, organisational and environmental contexts* (Kavanamur 2003:28).



This working definition guided the research leading to the findings presented herein. Using this working definition as a guide to our research, we adopted a research paradigm of interpretivism and, more specifically, phenomenology as posited by Max Weber and Edmund Husserl respectively (Giddens 1979; Husserl 1999; Stewart and Mickunas 1974). At the research level, the case study method propounded by Yin (1989, 1994) using in-depth interviews and data analysis through within-case and cross-case analyses was employed. A total of five alliance cases were studied, but this paper evaluates only the success cases.

Bougainville Microfinance Scheme³

The Bougainville Microfinance Scheme is a strategic alliance between the Australian Agency for International Development (AusAID), its Australian managing contractor the Australian Volunteers International, and the Bougainville Transitional Government through the Bougainville Division of Commerce. The alliance partners created a separate entity known as the Bougainville Haus Moni as a way to achieve their main objective of establishing a financial intermediary to rebuild Bougainville after the region's 10-year war with the PNG government. Essentially, AusAID was the main financial backer of the project alliance and capacity builder of Bougainville Haus Moni via the Australian managing contractor, while the Commerce Division was the main initiator of the alliance. The Commerce Division also provided finance for the project through counterpart funding. Australian Volunteers International, as the Australian managing contractor, provided a team of advisers to Bougainville Haus Moni and visited Buka three times a year to supervise the implementation process.

NASFUND-AON⁴

The second case study is a strategic alliance between the National Superannuation Fund (NASFUND) of PNG, formerly the National Provident Fund (NPF), and AON Consulting (PNG) Ltd, a global corporation specialising in employee benefits administration. The alliance agreement was finalised on 2 May 2001 through an Administration Services Agreement (ASA) for an initial five years. The alliance agreement stated that NASFUND would outsource its backroom operations to AON Consulting, retaining the key functions of compliance and client servicing.

Alliance management

Kavanamur (2003) provides a succinct overview of alliance management in the West and developing countries, respectively, concentrating on key systems variables—organisation environment, organisation context, management culture and management process. What follows here is a brief summary to provide the background to the findings reported in this paper.

Environment context

Alliance management in the West fully appreciates the influence that environmental changes bring to bear on alliance strategy, structure and process. Dominant strategies for alliance management, such as the strategic management approach and the network approach, appreciate the need for a culture of continuous learning, as environments evolve from stable to dynamic states, and vice versa. Managers in the West recognise that the key skills and resources necessary for a company's success increasingly lie outside the firm's boundaries. Through the network approach, alliance managers perceive the environmental field as containing not only factors such as



politics and economics, but also other organisations with which an organisation must transact and, hence, the overall pattern of relationships.

Unlike in the West, alliance management in developing countries like Papua New Guinea has to contend with higher environmental turbulence, infrastructure deficiencies, inadequate input markets and a strong traditional culture of 'subsistence affluence'. The governmental factor also strongly impacts on the business environment, therefore demanding greater political skills from alliance managers.

Organisational context

Alliance managers in the West recognise the importance of leveraging organisational context variables such as strategic intent, people, structure design, and communication for relationship building and learning in order to ensure alliance success. Alliance management involves assigning the alliance

management responsibility to a specific individual(s) or group who is expected to manage both the soft issues and hard processes. The alliance manager's job is distinct from that of a general manager because it is complicated by the presence of multiple principals and cultural heterogeneity. Certain key competencies conducive to the alliance manager's task, namely thinking and perception, are unteachable (Table 1)—managers with an innate alliance mindset see the world as a series of connections; they can focus on process and yet not neglect the need for perspective, they draw information from many sources, but sometimes rely on intuition. Alliance management also recognises the danger of overextending and overloading the network form beyond its operating logic.

On the other hand, alliance management in developing countries such as Papua New Guinea is made more difficult by the dysfunctional development of organisational

Table 1 Alliance manager characteristics

1. Unteachable competencies

The alliance perspective—good managers 'think' and 'see the world' differently

| | |
|---|-------------------------------------|
| Willing to change self to accommodate others | Virtual thinking |
| Willing to consider other person's point of view | Optimism |
| Simultaneously consider multiple points of view | Creativity |
| Learn from past but are not constrained by it | Eagerness to embrace other cultures |
| Willing to take losses in return for future gains | Pragmatism |
| | Vigilance |
| | Questioning |

2. Teachable competencies

| | | |
|------------------------|-------------------------|--------------------------|
| Functional | Earned | Interpersonal |
| Line skills | Credibility and respect | Social skills |
| Staff skills | Extensive networks | Process skills |
| Educational background | - organisational | Tact/sensitivity |
| General knowledge | - alliance | Cross-cultural awareness |
| | - industry | |

Source: Spekman et al., 1996. 'Creating strategic alliances which endure', *Long Range Planning*, 29(3):354.



components due to lack of requisite resources such as quality human capital. Cultural values, attitudes and behaviour at the organisational level also condition alliance ownership strategy and organisational design and processes. Thus it is easy for alliance goals and strategic intent to misalign during the life-cycle of an alliance. Alliance managers, moreover, have to overcome traditional work cultures and practices based on inflexible Weberian and scientific management principles.

Management culture

Alliance management in the West considers strategic intent as more important than cross-cultural managerial differences at the formation stage. However, culture heavily impacts alliance strategy implementation, making cultural fit an important factor. Cultural-fit strategies range from synergy or cultural integration of the partners, to complete domination by a single partner, selective domination of certain alliance spheres by each partner according to competence, and complete withdrawal from the alliance if cultures radically differ. Overall, the Western cultural and communication mindset is inherently transaction-based rather than relationship-based.

On the other hand, culture plays a pivotal role at the management level and invariably determines performance outcomes in developing countries, where cultural influence is particularly strong. Culture therefore cannot be treated as a residual factor to be relegated to backstage as merely part of the remote macroenvironment, but should instead be accepted as an important organisational component.

Management process

Western alliance management strategists appreciate that the structural features of alliance strategy, contractual agreements, governance structure and consequent control

and coordination requirements relating to ownership issues do not alone determine success of an alliance. The management of dynamic processes and the soft issues involving relationship capital need to be managed too, primarily because alliance outcomes are inseparable from the quality of process management. Alliance managers appreciate that it takes at least three years to lay the foundations of a good relationship amongst partners. Process issues include recognising that there is a positive correlation between the presence of an appropriate manager and the management process, maintaining both strategic-fit at top-management level and operating-fit at middle-management level, developing appropriate alliance management skills for managing the interfaces of human behaviour, the need for alliance management skills to be present at all levels, the need to vary management practices at each stage of an alliance's life-cycle, managing alliances as a portfolio of relationships and hence as a 'whole' rather than as dyadic relationships, the need for alliance managers to act as a moderator of conflicts and prioritiser of value-adding relationships, the need to focus on interaction processes rather than rely on initial compatibility at the negotiation stage, utilisation of relationship management tools such as Key Account Management (KAM) and demand-chain management, and the early recognition that not all relationships can be managed through strategic alliances.

Process management in developing country alliances is based on factors such as the quality of organisation components, including human capital, environmental instability, and strong cultural orientations to relationship building. Process management is particularly constrained by the volatile and information-poor environment and absence of clearly established performance evaluation measures. It also suffers from difficulties in integrating pockets of positive



organisational cultures as developing countries are made up of loose tribal cultures. Alliance managers have to take account of organisations' coping strategies to deal with the volatile and information-poor environment, such as the need for hands-on experience among managers that allows them to make fast decisions on the basis of qualitative information gained from trusted business associates rather than detailed analysis or hard data.

Cross-case data

Due to space limitation only the cross-case data is presented. The two cases are evaluated along five systems variables: environment, organisation, alliance skills, alliance culture and alliance process.

Environmental context

Table 2 summarises the environmental influences on the two cases. It also shows how the alliance managers handled these factors.

Several themes and issues run across the two cases. First, all alliance managers, including those of alliances not presented in this paper, identified the effects of a prolonged economic downturn since 1994 on the performance of their alliances. At least two of the alliances, not presented here, had to be terminated because macroeconomic instability had prevented a partner from honouring its financial commitment to the alliance (Kavanamur 2003). These partners were dependent on PNG government budgetary support.

Table 2 Cross-case summary: environmental context

| | Alliance environmental context |
|--------------------------------------|--|
| NASFUND-AON | <p>Alliance mainly concerned with negative effects of three consecutive years of economic downturn on partner earnings.</p> <p>Alliance benefit from state-of-the-art technology offered by AON Consulting; NASFUND deficient in this competency, but trying to build in-house competency.</p> <p>Privatisation of NASFUND helped contain political interference.</p> <p>Firewalls through good corporate governance minimise negative effects of broader cultural and social environment.</p> <p>Law and order remains an issue.</p> <p>Women employees preferred due to high productivity.</p> <p>Macroeconomic instability has bearing on membership numbers.</p> |
| The Bougainville Microfinance Scheme | <p>A 10-year war from 1989-99 left few locational amenities on the island.</p> <p>Financial vacuum left behind generates high demand on BMFS services.</p> <p>Cross-cultural alliance portrays strong political negotiations and networking.</p> <p>Absence of legal framework constrains outright deposit mobilisation.</p> <p>Evidence of emerging cultural-fit.</p> <p>Pressure for gender equality to reflect matrilineal society.</p> <p>Macroeconomic instability is a concern for local economy.</p> |

Source: Kavanamur, D., 2003. Exploring strategic alliance management issues in the financial services sector in Papua New Guinea, PhD thesis, School of Marketing and International Business, College of Law and Business, University of Western Sydney, Sydney:219.



Second, two partners were compelled to enter into partnerships in order to have access to the technological competence of a partner. Of these, only NASFUND, the lead partner in the NASFUND-AON alliance, is seeking to retain a degree of technological competence in-house as a risk strategy against technological incapacity in the event the alliance is not renewed at the end of the current five-year agreement. Clause 13.3 of that agreement prevents the transfer to NASFUND of any software technology documentation.

Third, the cases studied indicated the significant negative effects of the politico-legal environment, but both developed effective strategies to mitigate these effects. NASFUND, the most politically influenced entity prior to alliance formation, built an effective firewall to prevent political interference through its adoption of good corporate governance principles and by instigating reforms in the superannuation industry. The reforms facilitated its eventual privatisation and allowed it to serve only stakeholder interests.

Finally, all cases identified dangers posed by Papua New Guinea's societal culture. Both successful cases, however, had developed strategies to cushion the negative effects of these factors. Good corporate governance helped minimise the negative effects of broader cultural and social environment and, most importantly, female employees were preferred due to their high work productivity. In the case of the Bougainville Microfinance Scheme, there was strong pressure for gender equality to reflect Bougainville's matrilineal society.

Overall, the alliance environment was dominated by concerns about the negative effects of government dominance and sociocultural issues, a dominant component of which is *wantokism*. The successful alliances appear to have developed effective strategies to cushion the effects of change

management processes. This is largely due to the alliance managers' skill and both alliances' exposure to international best practice, strong political and networking activity, and appropriate culture-fit.

Organisational context

Table 3 summarises the organisational context of the two cases and its impact on alliance management.

Several organisational themes and issues run across the two cases. First, all the cases have alliance agreements signed by each partner. In terms of formal governance structures, both success cases had a common structure from which alliance work was coordinated while the failed alliances reviewed in Kavanamur (2003) merely had an agreement managed from a distance by alliance coordinators. Indeed, the cases with formal governance structures were relatively successful in alliance management, as partners interacted directly with their clientele. Considering Papua New Guinea has a relationship-oriented culture, personal contact through governance structures appears to have enhanced the alliance management process. The presence of formal governance structures also facilitated satisfactory alliance control and reporting mechanisms in the two relatively satisfactory cases.

In terms of goals and values compatibility, the two cases with formal alliance governance structures scored well compared with those without the structures. Hence, for NASFUND-AON and the Bougainville Microfinance Scheme their respective alliance businesses were central to the partners' core businesses, and efforts were expended on realigning their values and cultures.

It would seem that alliances created with formal governance structures, in which the partners share compatible goals and values, are the ones most likely to realign their



strategic intents continuously, establish and maintain structures, develop planning and control mechanisms, and foster a positive culture and environment.

Another important organisational component is human resources. The success cases were satisfied with the skills possessed by their personnel in alliance management while interacting with each other and with their respective clientele. The less-satisfactory

cases complained about lack of alliance management skills. They had junior officers appointed as alliance liaison officers whose credentials did not meet those of their counterparts, who obviously were senior executives.

Communication can be measured in two ways: frequency (between alliance managers) and degree (depth of communication). The NASFUND-AON alliance recorded optimal

Table 3 Cross-case summary: organisational context

| | Alliance organisational context |
|----------------------------------|--|
| NASFUND-AON | <p>Governance structure embodied in agreement and Strategic Plan 2002–06.</p> <p>AON Consulting is represented on NASFUND’s board of directors and trustees.</p> <p>Reporting clearly spelt out in agreement and thus far satisfactory.</p> <p>Constant realignment and monitoring of agreement.</p> <p>Alliance central to core business of partners.</p> <p>Early positive results have pleased partners.</p> <p>Human resources well trained and more than sufficient.</p> <p>AON Consulting re-employed 24 of NASFUND’s staff to manage NASFUND’s portfolio.</p> <p>Communication reflected at strategic and operational levels and considered optimal.</p> <p>Sharing of intranet facilitates smooth and open communication.</p> <p>Strong interpersonal relationships enhance conflict resolution.</p> |
| Bougainville Microfinance Scheme | <p>Bougainville Finance Scheme has a board and management structure.</p> <p>Capacity at board and management level promising.</p> <p>Vacuum in capacity building at district and regional level.</p> <p>Constant, but slow, realignment due to absence of legal framework for deposits.</p> <p>Concern about reporting accuracy by Grassroots Microfinance Institutions (GMFIs) to Bougainville Haus Moni head office.</p> <p>Signs of compatibility between partners <i>vis-à-vis</i> rural financial intermediation goals and community service obligation.</p> <p>Alliance central to partners’ core business.</p> <p>Budgetary constraints restrict capacity building to Bougainville Haus Moni.</p> <p>Differences of opinion on communication effectiveness.</p> |

Source: Kavanamur, D., 2003. Exploring strategic alliance management issues in the financial services sector in Papua New Guinea, PhD thesis, School of Marketing and International Business, College of Law and Business, University of Western Sydney, Sydney:222.

Table 4 Cross-case summary: alliance management skills

| | Alliance management skills |
|-------------|---|
| NASFUND-AON | Strong alliance management skills. Both alliance managers were senior. Both involved from negotiation stage. Presence of cross-cultural management skills. |
| BMFS | Satisfactory alliance management skills. Australian Volunteers International's alliance manager senior; Bougainville Haus Moni's alliance manager junior and under training. Both involved from negotiation stage. Cross-cultural tensions among alliance managers are manageable. |

Source: Kavanamur, D., 2003. Exploring strategic alliance management issues in the financial services sector in Papua New Guinea, PhD thesis, School of Marketing and International Business, College of Law and Business, University of Western Sydney, Sydney:225.

communication at strategic and operational levels through a shared intranet facility, strong interpersonal relationships and informal ties amongst staff at the operational levels. All 22 personnel at AON Consulting working on the NASFUND portfolio were former NASFUND staff, re-employed by AON. Communication at BMFS was considered satisfactory.

In sum, it appears that formal alliance governance structures greatly enhance the work of alliance managers and the overall alliance-management process. Only the cases considered in the broader study (including our success cases) that considered respective strategic alliances as strategic to their core businesses established formal governance structures. These cases also continuously realigned strategic intention to structure, plan, culture and environment.

Alliance management skills

The alliance manager will determine the extent to which the alliance environment is managed, organisational components are leveraged towards goal attainment, culture

is managed and the alliance-management process is developed (Table 4).

The study reveals several key themes. First, each of the success partners appointed senior executives with at least 10 years of experience and industry knowledge in their respective organisations to manage the alliance. There was, therefore, continuity in the alliance-manager's position, allowing for corporate, or institutional memory, and continuous learning. Seniority also enabled multiple and multilayer communication with partners, whereas in the less satisfactory cases, the junior officers who were appointed did not match the skills and experience of their counterparts, who were often senior executives.

Second, in the satisfactory cases, all alliance managers were involved in the process of negotiating the arrangement. This, according to the literature, is good practice because it involves the manager early on, encouraging that person to become the alliance's ambassador (Yoshino et al. 1995; Lorange and Roos 1992; Cauley De La Sierra 1995).

Third, the presence of cross-cultural management skills is vital in cross-cultural



and global alliances. Both NASFUND-AON and the BMFS had such skills, and it seems this contributed to the NASFUND-AON alliance's success and to a lesser extent the success of BMFS, where cross-cultural differences in terms of management and personality style and personality seemed to be emerging between the alliance managers towards the end of the study period.

Finally, in the BMFS case, Australian Volunteers International's alliance manager pointed out that Bougainville Haus Moni's alliance manager suffers from an exaggerated view of hierarchy, possibly because of being a former public servant. Given that the weak alliances reviewed

elsewhere entailed at least one public-sector organisation as a partner, it would seem that public-private sector alliances present special challenges for overall alliance management. These challenges stem from the hierarchical Weberian management principles prevalent in public sector organisations that are opposed to the flexible and less hierarchical management principles necessary for alliance success. In this regard, partners who are exposed to international management best practice and cross-cultural management are better placed to manage alliances, but the problems pertaining to public-private sector alliances are not necessarily insurmountable.

Table 5 **Cross-case summary: alliance management culture**

| | Alliance management culture |
|----------------------------------|---|
| NASFUND-AON | Change management program introduced by NASFUND in 2000 has improved management culture. Strong service-oriented culture with improvements at front desk service. Strong corporate governance culture with emphasis on transparency through implementing firewalls against corruption and political interference. |
| Bougainville Microfinance Scheme | Alliance culture influenced by Australian Volunteers International's philosophy of building grassroots capacity, effective communication with stakeholders, sensitivity of local culture, local ownership of projects, and gender balance. Growing professional work culture within Bougainville Haus Moni. The Australian managing contractor concerned with inability of board to make fast decisions. Bougainville Haus Moni concerned with Australian Volunteers International's tendency to pressure board in decision making, reflecting differing cultural orientation. Australian managing contractor feels Bougainville Haus Moni's alliance manager has an exaggerated sense of hierarchy being a former public servant. |

Source: Kavanamur, D., 2003. Exploring strategic alliance management issues in the financial services sector in Papua New Guinea, PhD thesis, School of Marketing and International Business, College of Law and Business, University of Western Sydney, Sydney:229.

Alliance management culture

The importance of alliance management to an organisation's culture is confirmed in the extant literature. Culture has a significant impact on alliance implementation and performance, much more than on strategy formulation.

Key themes and issues of management culture run across the cases (Table 5). Most involve the challenges alliances face in developing a culture-fit between the partners' organisations while taking into account the dominant societal cultures. A common theme that emerges is that all alliance management processes were affected by the negative influence of Papua New Guinea's societal culture, including corruption, political interference and *wantokism*. These influences interfere with decision making, are apparent in slow decision making at management-board level, and reflect strong social culture rather than business culture, emerging loan default culture and 'bigman-ship' resulting in strong respect for hierarchy.

It must be noted here that, in relation to issues of corruption, it is not really the dangers of Papua New Guinea's social culture per se that give rise to corruption. Rather it is corruption and the lack of transparency that poses the gravest problem for alliance management because it is allowed under the guise of Papua New Guinea's social culture, captured in the concepts of 'bigman-ship' and *wantokism* (Kavanamur et al. 2004; Okole and Kavanamur 2004; see www.transparency.org).

Alliance managers who devised strategies to filter these influences or blend the positive aspects of societal culture with organisational culture were able to improve alliance performance. In the NASFUND-AON alliance, NASFUND, given its excellent alliance-management skills, undertook a change-management process that improved the organisational culture prior to entering

into its alliance with AON Consulting, a global company. While implementing the alliance, the organisation erected firewalls to protect it from political interference and the associated potential for corruption. Thus, whilst the negative influences of societal culture were filtered out, the partners developed a strong cultural fit based on a strong service-oriented culture, particularly in its front desk service, and a strong corporate governance culture that emphasised transparency. The firewalls, built by NASFUND, the lead partner, separated the board from management and outsourced a number of functions.

- Chairman of the Audit & Remuneration Committee to PriceWaterhouse Coopers
- Investment Fund Manager to Capital Brokers/ANZ joint venture
- Chief Accountant to Deloitte
- External auditors to KPMG
- Fund Controller to AON Consulting.

To remove political interference, NASFUND became a private company after performing as a government statutory body since its inception in the 1980s. Conflicts of interest were minimised by having board members declare any such conflicts at the beginning of meetings and board minutes were published on the NASFUND website to increase transparency. This website also posted the employment terms and conditions of staff, from CEO to desk officer.

In the BMFS alliance, Australian Volunteers International's strong community service orientation and grassroots culture seemed to dominate the alliance. The partners used local societal structures such as clans and promoted the positive aspects of *wantokism*, such as sharing, to develop local trust and derive a sense of ownership of the grassroots microfinance institutions (GMFIs) that spread at the local grassroots level. In terms of work culture and ethics, however,



Australian Volunteers International continued to inculcate a professional work culture and networking skills at Bougainville Haus Moni.

A common thread can therefore be observed across all cases, revealing that cultural fit could be reached when the partners shared values. In both NASFUND-AON and BMFS, common goals accelerated the process of achieving cultural fit. Organisations that are poles apart in terms of values are, of course, far less likely to achieve cultural fit. In this regard, public-private sector alliances present special problems and cross-cultural alliances add further challenges. Moreover, when one adds the pressures of societal culture on alliance

management—a strong influence in developing countries—the alliance managers’ task looks even more challenging and unenviable.

Alliance-management process

Organisational environment and context, alliance skills, and management culture are all important to strategic alliance management, but dynamic processes and the soft issues of relationship capital also need to be managed because alliance outcome—success or failure—is inseparable from the quality of process management. Table 6 summarises the alliance management process of the two cases.

Key themes run through the cases. First, in all cases someone was appointed

Table 6 Cross-case summary: alliance management process

| | Alliance management process |
|-------------|--|
| NASFUND-AON | <p>Alliance management process akin to international best practice as confirmed by international rating.</p> <p>Alliance management skills present amongst alliance managers and at operational levels.</p> <p>Administration Services Agreement accommodated partners’ strategic interest.</p> <p>Solid personal relationships enable alliance to be managed beyond legal document.</p> <p>Partners’ optimistic that alliance agreement will be extended for another five years.</p> |
| BMFS | <p>Partners optimistic that alliance relationship building has future.</p> <p>The Australian managing contractor feels AusAID’s revision to initial capacity-building design, hence operating logic, has undermined district-level capacity.</p> <p>The Australian managing contractor resents AusAID’s tendency to bypass it and micromanage the project.</p> <p>Project alliance being managed beyond the legal document but reflects tensions.</p> <p>Bougainville Haus Moni feels nothing wrong with AusAID liaising directly with it to verify the Australian managing contractor’s reporting accuracy.</p> |

Source: Kavanamur, D., 2003. Exploring strategic alliance management issues in the financial services sector in Papua New Guinea, PhD thesis, School of Marketing and International Business, College of Law and Business, University of Western Sydney, Sydney:232.



specifically as alliance manager. In the two satisfactory cases, senior executives were appointed to perform this task, while in the weak cases reviewed elsewhere some partners relegated this function to junior officers and often did not even perceive them as performing such roles.

Second, those cases that placed emphasis on relationship-building skills had more favourable alliance outcomes than those that did not. All cases recognised that Papua New Guinea's relationship culture is characterised by personal contact and reciprocity, or exchange obligations. Partners in the NASFUND-AON and BMFS alliances derived benefits from their investment in personal relationships, which were aided by the geographic proximity of personnel on the ground.

Moreover, all the satisfactory cases demonstrated that solid personal relationships at both the strategic and operational levels enabled alliances to be managed beyond the legal documents. Indeed, the existence of an alliance governance structure tended to facilitate such close interactions. Close personal ties tended to cause partners to overlook minor conflicts and enabled alliance managers to focus on the big picture or to maintain perspective while keeping track of operational issues. Personal ties also broke down barriers to communication, encouraging partners to deal with emerging conflicts early.

Finally, all cases had alliance agreements in place. The difference in performance arose, however, in alliance-management skills. Those organisations that did not inculcate alliance-management skills at all levels only paid lip service to such agreements and failed to manage beyond these documents. Such cases suffered from accusations and counter-accusations.

In addition to the common themes noted above, a number of issues emerged from the cross-case analysis table. The first is related

to cross-cultural exposure. In the NASFUND-AON alliance it seemed that cross-cultural exposure increased alliance managers' understanding of managerial issues peculiar to Papua New Guinea and therefore allowed them to design effective strategies to overcome barriers. On the other hand, while cross-culture exposure enhanced the BMFS alliance, certain conflicts emerged from cultural differences between alliance managers.

A final issue is that a satisfactory alliance outcome does not necessarily depend on initial partner compatibility. Instead, what matters most is the actual management of the interaction process as postulated by network theory (Duysters et al. 1999; Sharma 1998). Thus, two weak cases' well-designed alliance agreements did not save them from failure because the alliance management process faltered as partners started defaulting on their commitments, such as paying out on default-guarantees (Kavanamur 2003). In the BMFS case, however, the alliance simply evolved over five years until a formal agreement was signed much later. Even after it had been approved, the project's initial operating logic was adjusted to accommodate budgetary constraints. Therefore, even though the alliance had not completely achieved its goals, the tensions were adequately managed, and the need for continuous realignment was perceived as a given rather than an option in such a volatile and information-poor environment. This point underscored the critical role of alliance managers in the actual management process.

The role of the alliance managers in the alliance management process can never be undervalued. In volatile and information-poor environments such as that prevalent in Papua New Guinea, the demands on alliance managers' skills and patience are much more pronounced than for their developed-country counterparts. As



demonstrated by the two success cases, what matters most are not the nicely worded legal agreements and initial partner compatibility, but how interaction is actually managed, with continuous strategic realignment essential.

It is important for an alliance to demonstrate some early satisfactory results in order to keep partners on side. The examples studied here generally indicate that alliances in volatile business environments should have clear sunset clauses and should be terminated once their goals have been reached. Alliance agreements should also be shorter, preferably 3–5 years, to counter the danger of strategic drift in volatile business environments.

Coping strategies

Table 7 summarises the coping strategies adopted by the two successful cases. A typical developing-country context requires alliance managers to adopt coping strategies in order to overcome deficiencies in the business environment.

The coping strategies adopted in the five cases were aimed at overcoming environmental challenges as well as

organisational component deficiencies. One difference is that, whereas the satisfactory cases adopted coping strategies to ensure their alliance's survival, the weak cases adopted strategies primarily to cut losses.

NASFUND, the lead partner in the NASFUND-AON alliance, had to build solid firewalls by implementing good corporate governance mechanisms to prevent political interference by the PNG government, which had caused massive corruption in the old National Provident Fund prior to 2000. The Bougainville Microfinance Scheme adopted a coping strategy to avoid breaking Papua New Guinea's strict banking laws—under which mobilising deposits without a license is illegal—by on-lending GMFI's deposit funds at interest rates of between 20–25 per cent. This allowed the GMFIs to earn interest income and at the same time avoids the legal constraints. For the moment, the Bank of Papua New Guinea is turning a blind eye to this practice.

All the cases, including NASFUND-AON to an extent, agreed that, given the volatile and information-poor operating environment, alliance managers have had to rely on qualitative information and/or

Table 7 Cross-case summary: coping strategies

| | Alliance coping strategies |
|----------------------------------|--|
| NASFUND-AON | Solid firewalls via good corporate governance mechanisms built around NASFUND as main alliance player against political interference from the PNG government. Proper and fit person test is keeping out inefficient managers and board members. |
| Bougainville Microfinance Scheme | Alliance management generally smooth. Absence of legal framework and security concerns prompted alliance to encourage GMFIs to on-lend bulk of deposit taken. |

Source: Kavanamur, D., 2003. Exploring strategic alliance management issues in the financial services sector in Papua New Guinea, PhD thesis, School of Marketing and International Business, College of Law and Business, University of Western Sydney, Sydney:235.

business associates and reference groups to acquire information and determine strategy.

In sum, the alliance cases adopted a range of coping strategies to deal with environmental turbulence, complexity, and organisational component dysfunctions. The threats and shortcomings included political interference, and therefore corruption where a partner remained within the public sector sphere, absence of appropriate legal framework, an information-poor environment, road infrastructure dilapidation and *wantokism*.

Conclusion

This article has evaluated the research findings of two relatively successful cases of alliance management in Papua New Guinea. By presenting the data along the lines of five systems variables, namely environment, organisation, alliance skills, alliance culture and alliance processes, we were able to draw out common threads that ran across the cases. From a developing country perspective, coping strategies are important because of high environmental turbulence and the prevalence of an information-poor environment. The common threads that emerged from the cross-case data could serve as lessons for those involved in building and managing alliances for business and development. The lessons are also important for alliance managers in the West who may be thinking of entering new frontier markets in developing countries.

Notes

- ¹ In the People's Republic of China *renqing*, or the performing of favours, is a necessary component of *guanxi*, which is the building of relationships with a network of business people through which influence is brokered (Buttery and Wong 1999).

- ² *Wantokism* refers to a social network comprising people from the same location or clan who speak the same language or, at a much broader level, those who are brought together because of proximity, familiarisation and regular contact. Such networks are held together by exchange obligations (Hess 2001; de Renzio and Kavanamur 1999).

- ³ This case analysis is based on data derived from in-depth interviews with alliance officials of both Australian Volunteers International as AusAID's Australian managing contractor of the Bougainville Microfinance Scheme and the Bougainville Haus Moni at varying dates in 2002. Interviews were conducted in Bougainville, Port Moresby and Balmain, Sydney (Australia) with Australian Volunteers International's alliance manager, who is the team leader of the Australian managing contractor, and Bougainville Haus Moni's alliance manager, who was Bougainville Haus Moni's project coordinator in Buka until 2003. Secondary data sources were used to triangulate the data.

- ⁴ This case analysis is based on data derived from in-depth interviews with alliance officials of both the National Suprannuation Fund and AON Consulting (PNG) Ltd at varying dates in 2002. All interviews were undertaken in Port Moresby. Interviews were conducted with NASFUND's alliance manager, who is currently the General Manager, and with its Managing Director. For AON Consulting, the alliance manager responsible for the NASFUND portfolio was interviewed. Secondary data sources have been used to triangulate the data.

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