AN EXPLORATION OF FAILURE IN GLOBAL COLLABORATIVE ALLIANCES: UNDERSTANDING ITS MAGNITUDE AND IMPLICATIONS

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Since the popularity of collaborative alliances in business appears to be on the rise, the potential for failed alliances may also be increasing. This paper explores patterns of failure in global collaborative alliances from a macro perspective. Results indicate that from 1985 to 1991, the majority of failed alliances were cross-border ones; that firms from North America were most likely to be involved in failed alliances; and that equity participation did not improve the potential for a successful alliance.

In recent years, collaborative alliances have become a legitimate, and often necessary, means of competing in today's global business environment. Many companies engage in multiple, cross-border alliances as they seek to expand or protect markets, develop new products and technologies, and minimize risks and costs. This phenomenon has spawned large amounts of research exploring such issues as the strategic motivations behind collaboration (Contractor, 1981; Harrigan, 1987; Ohmae, 1989; Jorde and Teece, 1989; Hamel et al., 1989; Lorange and Roos, 1991; Goldhar and Lei, 1991), how to choose a partner for collaboration (Berg and Friedman, 1980; Killing, 1983; Business International Corporation, 1987; Schillaci, 1987; Hamel, 1989; Hamill and Young, 1990), and the trends in alliance formation (Cory, 1982; Ghemewat et al., 1986; Osborn

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and Baughn, 1987; Morris and Hergert, 1987; Ellram, 1990; Terspstra and Simonin, 1990; Horton, 1992). One area that has received relatively little attention, however, is alliance failure, defined here to include alliances that are not successful because they have not met the objectives the participants set out to accomplish.

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This paper seeks to explore patterns of failure in collaborative alliances in order to begin to comprehend the magnitude of alliance failure, the lower rate of success of certain types of alliances, the impact of the geographic location of the alliance on its chances for success and the nationality of the participants that are most likely to be involved in failed alliances. The objective of the study is to better understand the trends in collaborative alliance failure, and provide the basis for further research in the area. The paper begins with a review of the rather limited research on collaborative alliance failure and a discussion of the difficulty in defining exactly when an alliance has failed. Then, the results of this study exploring the patterns of alliance failure from 1985 to 1991 are presented. Finally, the implications of the study are considered and areas for future research are proposed.

This research defined collaborative alliances to be long-term agreements to mutually share assets for a specific purpose (Horton, 1992). Alliances meeting this definition included joint ventures, minority equity investments, non-equity investments and consortia. An alliance was considered to be a failure if (a) the alliance had been liquidated, taken over by one partner or control had passed from one partner to the other (Killing, 1982, page 120), and (b) if there was some indication that the objectives of the alliance had not been fulfilled, and that at least one participant was not satisfied with the alliance (Beamish and Banks, 1987; Schaan and Beamish, 1988; Harrigan, 1988; Doz, 1988, Geringer and Hebert, 1991).

OVERVIEW OF THE LITERATURE

A collaborative alliance by definition involves two or more parties working together toward some mutually beneficial goal. Thus, the added complexities involved in operating collaborative alliances as compared to wholly owned subsidiaries have the potential to directly influence the success of the particular goal. Lorange and Roos (1991) suggested that since collaborative alliances involve more than one firm, decision making is more complex and slower than in wholly owned subsidiaries. Differing corporate cultures and strategic goals between participants also have the potential to complicate the operation of alliances. The researchers also noted that because some organizations have multiple, ongoing alliances, management may be overburdened, a factor that may be detrimental to the success of the alliance. The negative implications of alliance failure are potentially very high. In fact, Hamill and Young (1990, page 9) pointed out that "strategic alliance failure will have an adverse effect not only on short-run financial performance, but may threaten the participants' international competitive position." Yet the research on alliance failure has been rather limited thus far, perhaps because of the difficulty in characterizing exactly what constitutes a failed alliance. This section will initially examine various efforts at defining alliance success and failure and then consider empirical studies exploring alliance failure.

IN SEARCH OF A DEFINITION OF ALLIANCE FAILURE

The measurement of collaborative alliance failure has not received adequate attention from researchers, perhaps because of the difficulty in defining exactly what makes an alliance successful or unsuccessful. Several researchers have chosen to consider alliance "instability" rather than actual failure (Franko, 1971; Gomes-Casseras, 1987; Harrigan, 1986, 1988). One of the first researchers to consider the instability of alliances was Franko (1971) who explored the survival rate of 1,100 joint ventures. Franko defined a joint venture to be unstable when equity control of the venture passed to one party, effectively creating a wholly owned subsidiary, or when one partner increased its equity share of the venture to a majority position (but the venture remained in operation), or when the venture was liquidated.

The definition of joint venture instability set forth by Franko (1971) was later used by Killing (1982) in his study of joint venture failure. Killing regarded those ventures that had been drastically reorganized or that had completely collapsed to be failures. Dymza (1988) qualified this statement arguing that "successful joint ventures are those that survive over a reasonable period of time, generally over eight years, and the major parties involved...perceive sufficient benefits in relation to cost" (page 403).

However, many researchers (Harrigan, 1986, 1988; Beamish and Banks, 1987, Schaan and Beamish, 1988; Doz, 1988; Hamel et al., 1989) suggest that collaborative alliance success and failure should not be measured in terms of longevity, as proposed by Franko, Killing, and Dymza. Rather, it has been proposed that collaborative alliance performance be assessed by each participant (Beamish and Banks, 1987; Schaan and Beamish, 1988; Harrigan 1988; Doz, 1988). According to this proposal, alliances in which each partner is satisfied should be considered successful, while alliances in which satisfaction is not mutual among participants should be considered unsuccessful. Killing (1983) employed managerial assessments of joint venture performance in his research, as well as measures of longevity. Interestingly, he found that both measures of failure gave the same result. Hamel et al. (1989) proposed that collaborative alliance quality should revolve around the change in competitive strength of each partner.

Geringer and Hebert (1991) attempted to clarify the reliability and comparability of various measures of collaborative alliance performance by empirically testing both objective and subjective measures of performance. Objective measures that were tested included survival rates, duration rates and instability rates. Subjective measures that were tested included levels of satisfaction with performance and perceptions of partner satisfaction levels. Like Killing (1983), Geringer and Hebert found that the objective and subjective measures of alliance performance were positively correlated, and thus concluded that "the use of objective measures as reliable performance surrogates may be justifiable" (page 258). Furthermore, the researchers found a significant correlation between one partner's satisfaction with an alliance and that partner's perception of the other partner's satisfaction, thus implying that one partner's response represents a reliable source for analyzing the success of an alliance.

The idea that a joint venture may in fact be a transitional form of governance, thus implying that survival rates are a poor indication of success, has been recognized in the literature in recent years (Harrigan, 1986; Hamel et al., 1989). Gomes-Casseras (1987) argues that while a change in ownership could be an indication that a joint venture is an inappropriate governance mode, it could also indicate that a transaction has been successfully completed. Hence, while the former case implies failure, the latter case implies success. Moreover, he pointed out that ownership changes may be influenced by government policies.

Berg and Friedman (1978) suggested that in some cases a joint venture may be terminated because of its success. In certain instances, a joint venture may prove to be extremely successful, and thus make up an increasingly large share of its parents' earnings. According to Berg and Friedman, companies may be uncomfortable with this type of situation and consider the possibility of merger. If merger goes against antitrust regulations, and one company cannot afford to purchase the other firm's equity in the venture, the joint venture may be divided between the participants, and thus is terminated in its original form.

According to a theory proposed by Gomes-Casseras, a determination of joint venture performance depends on how one interprets the role of a joint venture. If one considers it to be a temporary structure, existing in a sequence of events, then the change in ownership will be viewed as an adaptation to changing environmental conditions. However, if one merely associates change in ownership with failure, then the ownership change will be indicative of an error in the choice of governance mode, and will in effect, be a corrective strategy.

Koot (1988) suggested that it may be impossible to develop a common definition of alliance success. He argued that each participant will have different expectations of collaboration and thus, will evaluate alliance performance differently. Moreover, he proposed that since objectives are typically a result of negotiations, they represent feasible actions, and thus are not illustrative of success.

It has been proposed that the structural design of a joint venture may have an impact on its potential for success (Lorange and Probst, 1987; Berg and Friedman, 1978). This theory argues that many joint ventures fail because they lack the necessary properties to manage a changing environment. Lorange and Probst suggested that a careful analysis of the motivation behind a joint venture from the perspectives of both companies take place. Then, appropriate organizational forms and management practices can be chosen, potentially leading to a more successful venture.

Harrigan (1988) argued that mismatches in partner cultures, collaborative experience and expertise in relation to alliance activities can also contribute to alliance instability. These incompatibilities can affect expected partner contributions, lead to conflict and, ultimately, potential alliance failure.

Finally, Doz (1988) considered the use of collaborative alliances to block competitors. In this situation, the alliance itself may not succeed in terms of the proposed activities involved, but, if the alliance effectively slows the moves of competitors, then it should be considered valuable.

This section has considered various efforts at defining success and failure in alliances. The overview clearly demonstrates not only the difficulty in measuring alliance performance, but also indicates the problems that may arise in research exploring alliance performance. Since researchers have not agreed upon a common definition of alliance failure, caution must be used when interpreting and comparing research results. The next section explores studies analyzing the patterns of alliance performance.

EMPIRICAL RESEARCH ON ALLIANCE FAILURE TRENDS

A study of joint venture survival in multinational companies was done by Franko (1971). The study involved 1,100 joint ventures, each of which involved an American partner and a foreign partner. The research explored joint ventures during the years 1961 to 1968. Franko reported that 182 of the 1,100 joint ventures became wholly owned subsidiaries, 84 joint ventures were terminated either "because the American partner sold its equity stake to the foreign partner or because the venture was liquidated by mutual consent" (page 4). Finally, in 46 of 1,100 joint ventures studied, the joint venture remained in operation however, control passed from the foreign partner to the American partner. Franko termed these changes on ownership structure "joint venture instability" and subsequently addressed the topic of joint venture longevity. As mentioned in the previous section, Franko measured alliance success in terms of ownership transformations, and thus survival of the original structure.

Berg and Friedman (1978) studied joint ventures formed between 1924 and 1969 in American industry. Their research focused primarily on collaboration between American partners, and in particular on ventures in the chemical industry. Of the 123 joint ventures in the domestic chemical industry formed between 1950 and 1969, 50 were categorized as failures. Of the 50, 22 were sold to one partner, four were sold to an outside firm and two were merged into another joint venture operated by the same parent companies. Berg and Friedman reported that joint ventures involving three participants were relatively unstable as compared to ventures involving more than three participants. Moreover, Berg and Friedman reported that joint ventures are unlikely to remain in their original form for more than a few years. Of a sample of 40 of the 50 joint ventures categorized as being failures, 12 lasted only three years or less, and all but 6 had a duration of 10 years or less.

Gomes-Casseras (1987) explored the instability of joint ventures formed between 1900 and 1975. Each joint venture studied involved a local partner and a multinational company. Of the 884 joint ventures involving less than 50% multinational company equity at their outset, 10.1% later became wholly owned subsidiaries, 1.8% were liquidated and 13% were sold. Hence, 24.9% of the joint ventures involving less than 50% equity participation by the multinational firm were considered to be unstable.

As multinational company equity participation increased to 50% joint venture instability rose. Six hundred seventy two joint ventures involved equal equity participation between partners. Of these joint ventures, 1.6% were liquidated, 12.1% were sold and 16.2% became wholly owned subsidiaries. Thus, total instability was found to be 29.9%. Similarly, as the multinational firm became the majority owner in the venture, instability continued to increase. The multinational firm had majority ownership in 822 joint ventures. Of these joint ventures, 2.1% were liquidated, 8.3% were sold and 26.9% became wholly owned. Hence, joint venture instability was found to be highest, 37.3%, when the multinational firm was a majority owner.

Gomes-Casseras suggests that caution be used in interpreting these results, pointing out that although in many cases ownership changed, control did not. Moreover, he proposes that while joint venture success can be associated with joint venture survival, there are instances when the termination of a venture indicates success. Further discussion of this point can be found in the previous section on defining collaborative alliance failure.

Joint venture performance in lesser developed countries was empirically tested by Beamish and Banks (1987). Each of the twelve joint ventures studied involved a local company from a lesser developed country and a multinational firm from a developed country. The quality of a joint venture was associated with the long-term viability of the venture. Following Schaan (1983), a joint venture was considered successful only if both partners were satisfied with its performance. Beamish and Banks found that under this classification scheme, seven of the 12 ventures studied could be considered successful, five could be considered unsuccessful.

An interesting finding by Beamish and Banks (1987) involved the debate of associating collaborative alliance success with alliance longevity (Franko, 1971; Harrigan, Gomes-Casseras, 1987; Geringer and Hebert, 1991). Beamish and Banks found no correlation between age of a joint venture and performance of a joint venture.

Kogut (1988) explored joint venture success in the United States and found that joint venture instability is at its highest in the fifth and sixth years of collaboration. Joint venture failures were found to be less common in ventures formed for manufacturing, financial services and/or the development of new products, and more common in ventures motivated by marketing and after-sales service. The legal form of joint venture termination differed according to the motivation behind collaboration. Joint ventures formed to develop new products were more likely to dissolve, while ventures to develop existing products were more likely to be terminated through acquisition. Finally, Kogut found that international joint ventures, defined to be ventures located in the United States involving a foreign partner, were more likely to fail than ventures involving only American partners.

Harrigan (1988) explored the relationships and similarities of joint venture participants and the effect of these two elements on venture performance. The data set used by Harrigan consisted of 895 joint ventures, formed across 23 industries from 1974 to 1985.

Harrigan found that 59.6% of the joint ventures in the data set represented a related diversification for the parent firms. Of these ventures, only 51.4% were considered to be successful from both parent companies' perspectives. Hence, it was concluded that related diversification does not necessarily imply joint venture success. However, Harrigan did find that horizontally related diversification is more likely to imply success than other types of ventures. Finally, Harrigan found that ventures that represented unrelated diversification for both parent companies were more likely to be considered unsuccessful from the parent's perspectives than other ventures.

Harrigan also studied the impact of the relationship between joint venture parents on joint venture performance. The results indicated that ventures are considered to be more successful by both partners when they are similar to each other. Hence, partners with similar cultural backgrounds, size and experience are more likely to be successful working together than firms that are dissimilar in these areas. Finally, Harrigan found that joint ventures involving activities related to the parents' activities were found to have a longer life than ventures in which activities were unrelated to participant activities.

In summary, researchers have explored alliance performance from various perspectives. It is difficult to draw specific conclusions from these empirical studies because each study was conducted using a different definition of failure and a different situation. For example, depending on which perspective was used, the magnitude of failure ranged from approximately 25% of the sample studied to as high as 49%. In addition, some of the studies considered variables such as industry, levels of economic development, the role of parent firms, or partner type, while others did not. Until there is a common definition of collaborative alliance failure, care must be exercised when comparing the results of these studies. The definition of alliance failure that was used in this study is presented in the next section on research methodology.

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RESEARCH METHODOLOGY

The purpose of this research is to explore the patterns of global collaborative alliance failure from a macro perspective. Data for this study were compiled by examining all issues of the *Wall Street Journal*, the *Financial Times*, and the *Japan Economic Journal* published during the period 1985 to 1991 announcements of failed alliances. The three publications were chosen to represent each area of the Triad countries of North America, Europe and the Pacific Rim, and thus provide a global perspective on alliance failure. Information was collected on the number of alliances that failed, where they failed, the nationality of the participants involved and the legal form of the alliance. If an announcement of a failure appeared in more than one publication, it was only included in the data set once.

As stated previously, collaborative alliances were defined as long-term agreements to mutually share assets for a specific purpose. The definition excludes agreements in which one partner does not share the benefits of the arrangement, agreements designed for investment purposes only and one-time agreements. An alliance was identified as a failure if (a) it had been liquidated, taken over by one partner or control had passed from one partner to another, and (b) there was some indication in the announcement of an alliance break-up that the objectives of the alliance had not been met. The definition thus incorporated the research on alliance failure discussed in the literature review section. The data collection process yielded 228 alliances, involving nearly 500 companies, meeting the definition of alliance failure.

It is important to recognize the limitations associated with this type of methodology. Specifically, the research explored the flow of alliances rather than the stock. Thus, the study does not identify the number of alliances in operation from 1985 to 1991, rather, it only identifies the number of alliances meeting the definition of failure during this time. Secondly, the data collection method involves the implicit assumption that the three publications under analysis report most alliance failures. However, since some companies may attempt to disguise failed alliances, this research probably under-represents the actual number of failed alliances. In addition, it is important to note that the publications may be biased to reporting on large, "newsworthy" firms at the expense of smaller, lesser known companies. Third, the research is limited because it does not explore interactions that may be occurring within or between research variables. Finally, the research is limited to the information provided in the public announcements of alliance failure.

RESEARCH FINDINGS ON PATTERNS OF ALLIANCE FAILURE

Since the popularity of using collaborative alliances as a means of doing business appears to be increasing, the potential for failed alliances was expected to likewise increase. The results of the research related to the magnitude of alliance failure however, indicated that while the number of alliances that failed between 1985 and 1986 rose, a sharp drop in alliance failure occurred between 1986 to 1989, followed by a small rise in failures between 1989 and 1991 (see Figure 1). Alliances that failed were found to be more likely to involve participants from different countries than partners from the same country. In fact, nearly two-thirds of the alliances that were identified as failures were found to be cross-border alliances (see Figure 2).

These results are particularly interesting in that during the time periods when the number of failures was rising, 1985 to 1986 and 1989 to 1991, more cross-border alliances failed than within-border alliances. However, during the time period in which the number of failures dropped, 1986 to 1988, the number of cross-border alliances that failed remained relatively steady, while the number of within-border alliances that failed decreased. This suggests that cultural and physical distance may play a role in the success rates of collaborative alliances, and that these added complexities make it more difficult to operate a cross-border alliance as compared to a domestic alliance.

Since national cultures have the potential to influence corporate cultures, one would expect that decision-making and management styles would be quite different between partners from different countries, while partners from the same country might have more similar corporate cultures. Furthermore, this suggests that the meshing of corporate cultures that is implied by a collaborative alliance would thus be more difficult to achieve in a cross-border alliance as compared to a within-border alliance, hence increasing the potential for cross-border alliances to fail. The results of this research provide support for this hypothesis and for previous studies that argued that physical and psychic distance can lead to difficulties in business situations (Prahalad and Doz, 1987; Doz 1988; Harrigan, 1988).

While cultural and physical distance associated with the nationality of the participants appeared to increase the potential for an unsuccessful alliance, the research results revealed that distance did not increase the potential for failure when the location of the failed alliance was considered. An examination of the location of each failed alliance (see Figure 3) indicated that more than three-quarters of the alliances that failed were located in the home country of at least one of the participants, while less than a quarter were located outside the participants' home countries in "third countries."

It was anticipated that the findings related to the location of failed alliances would reveal exactly the opposite results, that an alliance taking place in a third country location would face difficulties arising from a lack of knowledge of the environment. Transaction cost theory argues that the ex ante costs of operating in another country include the costs of establishing a physical presence and of learning a new culture and market (Hill and Kim, 1988). Hence, it was expected that these additional costs would lead to greater difficulties for firms operating in third countries, and thus, potentially lead to failure. These findings suggest that knowledge of the environment may not be as critical as has been previously thought, or it may imply that firms are recognizing the difficulties of operating in third country locations and are making a greater commitment to third country ventures.

"[O]f all the alliances that were recognized as failures, 89% involved two partners, while just 11% involved three or more participants."

An examination of the participants involved in alliances that met the definition of failure revealed that most alliances that failed involved just two partners. In fact, of all the alliances that were recognized as failures, 89% involved two partners, while just 11% involved three or more participants. These results imply that firms that seek to reduce the challenges of multi-firm decision making and corporate culture influence by forming alliances involving just one other firm rather than multiple firms may not be achieving their objective, and may in fact be missing the opportunities that could arise from the inclusion of more firms in some types of alliances.

Companies from North America were found most likely to be participants in failed alliances. In fact, of the companies involved in failed alliances, slightly more then half were from North America, more than a quarter were from Europe, while less than a fifth were from the Pacific Rim. Companies from the Pacific Rim, particularly those from Japan, have, through kieretsus, traditionally operated in cooperation with other companies, and thus, may be better able to cope with the challenges inherent in collaborative alliances. Thus, the relatively small number of Pacific Rim companies involved in failed alliances is not surprising. In contrast, the finding that companies from North America were most likely to be involved in failed alliances may be a reflection of the fact that North America firms have traditionally operated independently of other companies and may find it more difficult to work in an atmosphere of collaboration and cooperation.

The hypothesis that firms from North America have difficulty working in cooperation with other companies is further supported by the findings related to the combinations of partners involved in failed alliances. As was stated previously, the research revealed that alliances that failed were more likely to involve a participant from North America than a participant from either the Pacific Rim or Europe. In fact, nearly a third of the failed alliances under examination were between companies from North America, approximately a fifth were between firms from North America and Europe, and a seventh involved a North American company and a firm from the Pacific Rim. In contrast, alliances involving only European partners accounted for less than one seventh of the failed alliances under study, and alliances involving only Pacific Rim companies accounted for less than seven percent of all failed alliances.

Some researchers have suggested that a company's level of commitment to an alliance is related to its level of performance (Bell, 1990; Bronder and Pritzl, 1992; Mason, 1993; Spiegel, 1993). The results of this study, however, indicated that at least one form of commitment, an equity participation, may not improve an alliance's potential for success. It was found that nearly two-thirds of the alliances that were defined as being failures took the legal form of joint venture (see Figure 4). Non-equity agreements were the next most frequent form of alliance to fail, accounting for approximately one-fifth of all alliance failures. These results imply that although equity involvement may give the impression of a higher level of commitment to an alliances, this does not ensure alliance success.

"[T]he finding that companies from North America were most likely to be involved in failed alliances may be a reflection of the fact that North America firms have traditionally operated independently"

The results related to equity involvement should be viewed cautiously. The methodology used in this research involved scanning various publications for public announcements of alliance failures. The number of failures reported by the newspapers may be considerably lower than the actual number of failures because firms may try to disguise their failures. The definition of failure used in this research required that at least one partner express dissatisfaction with the alliance because alliance objectives were not met. Accordingly, information on "disguised failures" was not collected. Since it is probably easier to quietly end a relationship that does not involve equity, it is probable that the number of non-equity alliances that failed during the time period studied is greater than the number reported.

In summary, this study tracked collaborative alliance failure over time. While it was concerned with the flow rather than the stock of alliance failure, it found that there was an upward trend in alliance failure during the years 1985-1986 and 1989-1991, but a downward trend in alliance failure from 1986-1988. The research also revealed that the legal form most likely to fail was the joint venture, that cross-border alliances failed more often than within-border alliances and that participants from North America were likely to be involved in failed alliances.

IMPLICATIONS OF THE RESEARCH

This research focused on exploring the magnitude and patterns of collaborative alliance failure. Although if focused on the negative aspects of collaboration, its implications should be seen as positive since the findings of the study have the potential to alert companies to situations in which alliances may not be successful, and allow them to take steps to avoid or minimize the circumstances that may lead to failure.

The findings of this paper revealed that the number of failed alliances that crossed borders was nearly twice as great as the number of failed alliances that took place within borders, and that when the number of failed alliances was on the rise, the proportion of failed alliances that crossed borders also rose. This suggests that companies should exercise great care in the partner selection process. When choosing alliance partners, companies should not only consider the objectives of collaboration, but also the nationality of potential partners. This research has shown that companies appear to have more difficulty succeeding in cross-border alliances than in within-border alliances, and that the challenges presented by cultural and physical distance may lead to failure. Companies that select partners in their home country, and avoid collaborating with foreign partners, may have a better chance for a successful alliance. Extending or creating new agreements with current partners, whether domestic or foreign, may also increase success rates because the essential meshing of corporate cultures will have already been achieved through an existing alliance, thus minimizing a potential barrier to success in the new agreement.

In fact, this study suggests that all firms, and North American firms in particular, should strive to identify potential partners with which there is not only a strategic fit, but also a cultural fit; and that not only should the objectives and expectations of the alliance be considered, but also operational issues. Bell (1990) proposed that two negotiating teams be used at the start-up of alliances. The first team should be concerned with objectives of the agreement while the second team focuses on the day-to-day operation of the alliance. Thus, both strategic and cultural fit become part of the alliance.

Companies from North America were found to be much more likely to be involved in failed alliances than companies from either Europe or the Pacific Rim. In fact, North America companies were found to have difficulty not only in collaborating with European or Pacific Rim companies, but also with each other. It appears that firms from North America involved in collaborative alliances are facing challenges beyond the anticipated difficulties in dealing with cultural and physical distance. This situation could negatively affect the global competitiveness of North American companies. If, as has been suggested by numerous researchers and practitioners, collaboration has become an important part of successful strategies, North American companies must learn how to collaborate, or risk their future competitiveness.

One potential reason for the lack of alliance success among companies from North America may be their perspective of why an alliance should be formed. Mason (1993) and Robert (1992) caution against using alliances as a means of correcting firm-specific weaknesses. In fact, Robert (1992) argues that an alliance in which both partners are trying to correct for weaknesses is sure to fail. If North American firms perceive that their competitiveness is being jeopardized, they may be attracted to collaborative alliances as a quick-fix solution, and thus, set themselves up for failure. Further research into the motivations and expectations behind collaboration is necessary to determine if this type of quick-fix mentality is contributing to the failure rate of alliances in which firms from North America participate.

A second potential reason behind the high failure rate of North American collaborators may be associated with commitment to, and trust within alliances. Since American companies have traditionally operated independently of each other, they may have difficulty committing themselves to, and trusting firms that have formerly been viewed as competitors. However, if North American companies are to gain the benefits associated with collaboration, they should make a strong effort to commit themselves to the success of alliances. At the very least, efforts should be made to encourage managers to think of alliance partners as being essential to the long term well-being of their company. If management can be encouraged to view alliances as an essential part of a company's strategy, rather than as a separate, perhaps less important entity, more commitment to alliance success may be fostered.

Newman (1992) proposed that trust between partners can be increased if senior management who negotiate agreements remain involved with the alliance not only for the initial bargaining stage, but also for the planning and execution stages. This type of involvement by senior management may also act as a signal of commitment to the venture. Additionally, if an alliance involves foreign partners, it may be necessary for North American companies to provide managers with training in cross-cultural sensitivity. If such training is warranted, it should be provided at all levels of management including not only those managers involved in the day-to-day operations of the alliances, but also to senior level managers involved in making corporate wide decisions.

Finally, it should be noted that research on collaborative alliance failure is still in its infancy. Until common definitions of both collaborative alliance and alliance failure have been established, issues limiting research comparability will remain. By using a broad definition of collaborative alliance that included multiple forms of collaboration, this research has taken a broader perspective of alliance failure than previous studies, yet taken a narrower perspective of failure than other research through its more restrictive definition of when failure actually occurs. While this study did not consider topics such as whether certain industries and/or motivations are more likely to be involved in failed alliances, whether there is a relationship between alliance formation and alliance failure, or whether alliance success rates depends on the achievement of primary objectives to the exclusion of secondary objectives, this exploratory study should, at the minimum, act as a signal to firms to act cautiously when forming alliances.

Figure 1

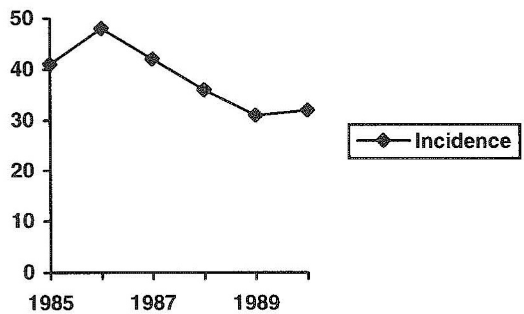

Figure 1

Collaborative Alliance Failure

1985-1991

Figure 2

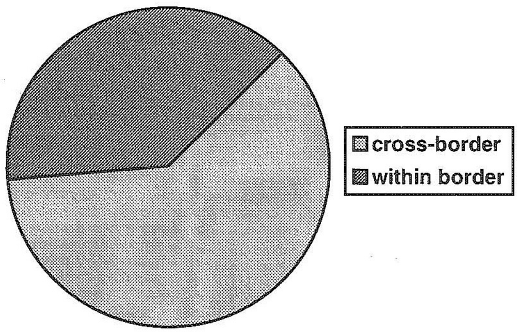

Figure 2

Type of Collaborative Failure

1985-1991

Figure 3

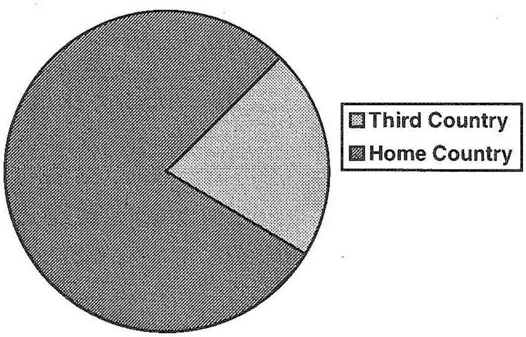

Figure 3

Location of Collaborative Alliance Failure

1985 - 1991

Figure 4

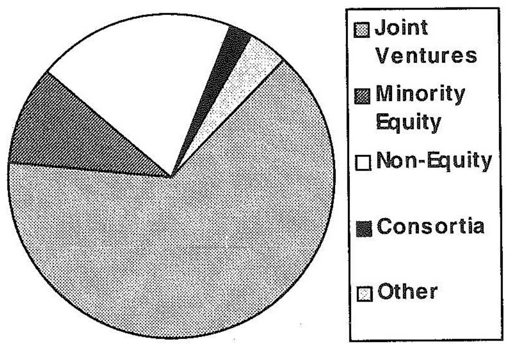

Figure 4

Legal Form of Collaborative Alliance Failure

1985-1991

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