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AN INVESTIGATION INTO FACTORS INFLUENCING INTERNATIONAL STRATEGIC ALLIANCE PROCESS

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Empirical research indicates that strategic alliances, like other organisational forms, emerge as an adaptive mechanism to market uncertainty, and their developments over time reflect the co-evolution of distinctive firm capabilities and of industry and market activities. Interestingly, most strategic alliances go through similar coevolutionary cycles in terms of their motives and capabilities toward the cooperative relationship. Studies in this area show that alliance failure is an outcome of the co-evolutionary adjustment to changes in the market, the competitive dynamics between partners, and assessment of efficiency of the alliance as an alternative governance structure. It is thus critical to adopt a dynamics perspective and historical observations of cooperative process. This paper attempts to distil, derive and integrate theories across different perspectives into a unified framework that offers a better understanding of alliance process development. Our analysis shows that we can divide strategic alliance development into three phases of development: formation, operation and evaluation. We further endeavour to seek the important factors that should be taken into account in each stage of their life.

Keywords: cross-culture differences; important factors; life cycle; negotiation; strategic alliances; trust

Introduction

The growing literature on strategic alliance suffers from imbalance. While the importance of evolutionary processes is well recognized in many subfields of management and organization theory (see for instance Cameron et al. 1988; Baum and Singh 1994; Burgelman 1994; Teece et al. 1997), studies of strategic alliances as evolutionary processes are scarce. Most researchers have focused either on explaining pattern of alliance formation (e.g. Gabrielli 1986; Haklisch 1986; Pisano 1987; Tyebjee 1988; Doz 1992) or on relating alliance outcomes to initial characteristics of the alliance or of its partners. However, little is known about the managerial aspects (such as partner selection and coping with conflict) of the different life stages through which alliances pass. Integrating research that tries to link the process development of strategic alliances to these managerial aspects has less been done. This article is devoted to bridge this gap.

In this paper, we sketch out the process development of strategic alliances (especially international ones) and identify a set of managerial aspects that should be taken into account in each phase of the alliance development. Strategic alliances are here defined as agreements to cooperate between two or more firms, that are of strategic importance to their competitive viability (Mockler 1999). In giving a basic understanding on the process development of strategic alliance, this paper starts with an overview of the alliance life cycle literature. We believe that a study of the alliance development will not be complete without taking into consideration the life cycle and the development of their relationship. The life-cycle concept is helpful in differentiating phases of collaboration that arise during an alliance life span, from seeking a partner to terminating the alliance. Subsequently, literature on the strategic alliance development will be considered and compared to the literature on alliance life cycle, alliance relationship and their strategy development. From this comparison, a framework of the strategic alliance process development will be proposed and discussed. This paper ends with a short conclusion.

Research on the Process Development of Strategic Alliance

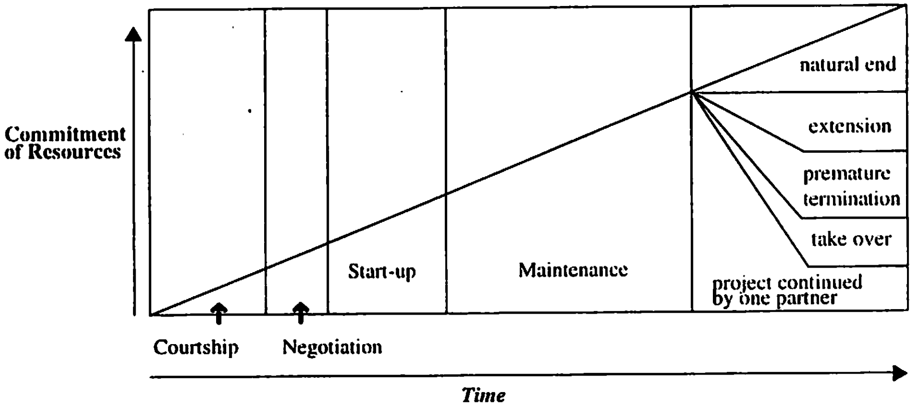
In this section, we will start the discussion with the life cycle of alliances. Section "Development of an Alliance Relationship" goes into the literature on development of an alliance relationship. In Section "Studies on Strategic Alliance's Development" we discuss previous studies on strategic alliance's development. Finally, section "Summing up" offers a summing up of the literature review on strategic alliances.

The Life Cycle of Strategic Alliance

Alliances do not stand still, at least if they are to survive. As partnerships, often are formed in response to challenging competitive conditions, they are founded upon relationships that are dynamic of their own and are subject to the influence of external changes bearing not only directly upon the alliance but also on the partners separately. They have to transform and adapt with a sense of direction. For most alliances, however, the choice appears to be to evolve or to fail.

The evolution of alliances can proceed along different paths, which ulti-

Figure 1. **A Life Cycle Model of Strategic Alliance**



Source: Muray and Mahon (1993); Dussauge and Garrete (1998)

mately lead to the continuity or discontinuity of the cooperation. Experiences of joint ventures with US partners suggest that there are two critical periods in their existence (Bleeke and Ernst 1995). The first comes about two or three years after the start of the alliance, by which time any unsatisfactory relationship should have become evident. The second comes after about five or six years of alliance life, by that time one partner may be ready to move onto another arrangement. This could be disengagement from, continuity of the partnership or take over of the other partner. It has been estimated that the median life span for alliances is only about seven years and that nearly 80 percent of strategic alliances eventually end in a sale by one of the partners. There is ample evidence for all these possible outcomes, and no one particular outcome is inevitable. Outcomes depend crucially upon the ongoing relationships between the partners and the changing strategic intent of the partners. Muray and Mahon (1993) depict alliances as exhibiting a life cycle as illustrated in Figure 1.

The two axes of Figure 1 indicate time and commitment of resources by the alliance partners. Alliances begin with a courtship stage, as does any relationship. If this goes well, detailed negotiations follow to develop an agreement. Then they move up to stage three, the start-up phase in which joint activity begins, and substantial resources are committed. Muray and Mahon describe the next stage as the maintenance phase, which involves the routine of operations and reporting relationships, as the organizations continue to work together on an operational basis. This is, of course, the phase in which the ultimate success of the alliance will be tested, as it gains in responsibilities, continues in steady mode, or declines in importance and becomes marginalized by the partners. The fifth stage of the life cycle is described as the ending, which can take a number of forms:

1. the end of the specific relationship with extensions into other areas of mutual interest ;
2. an amicable separation with no immediate further joint activity;

3. a hostile parting, inhibiting the likelihood of any future joint activity.

The time line for the fourth stage may, of course, be short or extended to an infinite length, depending on circumstances.

While Muray and Mahon (1993) suggest three possibilities of development, Dussauge and Garrette (1998) propose more options of development. They identify five major developments leading to reorganization or termination of an alliance with examples as follows:

1. The alliance comes to a "natural end" once the objectives for which it was created have been achieved. For example, Dassault and British Aerospace, which had jointly designed and manufactured the Jaguar fighter aircraft, terminated their alliance once the program was over and no more planes were being ordered.
2. The alliance is extended or expanded. The partner firms choose to prolong their collaboration over successive generations of the joint product or expand it to new products or projects. Thus, Renault and Matra collaborated on three successive generations of the Espace minivan, while the Airbus cooperation has been expanded to include a complete family of aeroplanes.
3. Premature termination. The partner firms break up the alliance before the initial goals have been achieved. Matra-Harris and Intel, for example, broke up their Cimatel alliance in 1987, before any of the VLSI chips Cimatel meant to produce were actually manufactured.
4. One partner continues the joint project alone, while the other partner pulls out before any tangible results have been achieved. For example, Fairchild and Saab were designing a commuter aircraft (the SF-340) together when Fairchild, who was having problems of its own, decided to drop the projec which was continued by Saab (th project was renamed Saab 340).
5. Takeover of one partner firm by th other. The alliance comes to an en when the other acquires one of the a lies. ICL, the British computer gian was taken over by Fujitsu in 1990, aft almost ten years of collaboration in th area of mainframe computers.[1]

Another study conducted by Buche and Killing (2002) discerns three stages c alliance life cycle. These are initial condi tions, executing conditions and evaluatin conditions. According to them, alliance develop through the *initial conditions* o commitment and negotiation with, ide ally, all parties involved perceive that the are creating an efficient and equitable or ganizational form. Initial conditions are the outcome of the formation stage where the partners negotiate the agreement and these conditions have an important impac on performance, leaving an imprint on the organization at birth by imparting a unique character which affects subsequent structure and performance. Once the alliance is formed, the final agreement is translated into *execution*. As the ISA managers execute this agreement, change in either partner's environment may affect their strategy or organizational setup. This can lead to a situation of *evaluation*. In this situation, the initial agreement is reassessed as a result of an imbalance in the partners' perception of value generated from the ISA. When this occurs, the affected partners attempt to restore this imbalance by adjusting their contribution to the ISA and thereby restoring equity in the relationship. The important variables in these three stages are described in Table 1.

[1] All examples on these trends of development are taken from Dussauge and Garrette (1998).

Table 1. Strategic Alliance Development: Comparison of Different Perspectives

Area of Interest	Stages	Characteristic on Each Stage	Authors	Exchange of Relevant Literature
Life Cycle of alliances	1. Courtship 2. Negotiation 3. Start-up 4. Maintenance 5. Evolution	Only the development of relationship explanation. no further information on important elements in each stages. The alliances will evolute on five types of relationship: natural ends. extension. take over by one partner. premature termination. project continued by one partner.	Muray and Mahon (1993)	Dussauge and Garrette (1998): Ring and Van de Ven (1994).
	1. *) Initial conditions <imprinting> 2. Executing conditions 3. Evaluating conditions	1. *) Initial relational quality. initial employee involvement. initial staffing 2. Ongoing investment into relational quality. conflict-resolution mechanism. extensive information exchange. strong partner interfaces. 3. Equity (economic calculation and social indebtedness)	Buchel and Killing (2002)	Buchel (2000): Arino and dela Torre (1998): Ring and van de Ven (1994).
Development of relationship	1. Anticipation 2. Engagement 3. Valuation 4. Coordination 5. Investment 6. Stabilization 7. Decision	1. Pre-alliance. competitive need and motivation emerge → partner search 2. High energy. complementarily. strategic potential → partner identification 3. Financial focus. business 4. Operational focus. task orientation → coordination interfacing 5. Commitment. resource reallocation. broadening scope → expansion growth 6. High interdependence. assessment of relative worth and contribution → adjustment 7. Where now? → reevaluation	Spekman et al. (1998)	Dweyer et al. (1987): Muray and Mahon (1993)
	1. Alliance formation 2. Alliance create value 3. Interorganization dynamic	1. Trust. commitment. recognized interdependence. level of communication. strategic alliances. partner selection. relationship configuration and alliance implementation. negotiating the legal and contractual parameter. equity issue 2. Permit partners to talk with a "louder voice" and quickly grow market share. develop synergy. problem arise when expectation differ 3. High-level of efficiency and profitability. control (formal and informal). trust. development of informal network and information	Spekman.et al. (1998)	Larson (1992) Lei and Slocum (1991)

Continued from Table 1

Area of Interest	Stages	Characteristic on Each Stage	Authors	Exchange of Relevant Literature
	1. Formation 2. Operation 3. Outcome	1. High level of collective strength. low level of inter-partner conflict. high level of interdependencies 2. Two possibilities: negative development (collective strength will downturn. the increasing opportunistic behavior. conflict increases) and positive (interdependencies will go down. increase collective strength. conflict decreases) 3. Four possible outcomes: stabilization. reformation. decline. termination	Das and Teng (2002)	Ring and Van de Ven (1994) Das and Rahman (2002)
Strategic Alliance Development	1. Formation 2. Management 3. Evolution	1. Form of alliances. motivation. partner selection 2. Managing conflict. cross culture differences. commitment and trust. system information 3. Perception of balance benefit. development of strong bonding power. development of new project. organizational learning	Faulkner (1995)	Lorange and Roos (1992) Das and Teng (2002)
	1. Formation 2. Adjustment 3. Evaluation	1. Informal (internal negotiation and stakeholder blessing) and formal phase (negotiation with partner. internal support and establishment of personnel relationship) 2. How to fulfil the objective of their cooperation. the process socialization. the adaptation of the changes in the environment. and the exchange process between the partners and the joint venture 3. The evaluation process and decisions for the future cooperation.	Buchel et al. (1998)	Lorange and Roos (1991)
	1. The nature of cooperation 2. Establishing cooperation 3. Managing cooperation 4. Maturing Relationship	1. Different perspectives. trust. motives 2. Partner and form selection. network and virtuality. negotiation and valuation 3. General management. control. human resources management. culture. emerging economies 4. Organizational learning. the evolving alliance	Child and Faulkner (1998)	Berquist et al.(1995)

Continued from Table 1

Area of Interest	Stages	Characteristic on Each Stage	Authors	Exchange of Relevant Literature
Strategy	1. Learning 2. Reevaluation 3. Readjustment	1. Environment. task. process. skills. goals 2. Efficiency. equity. adaptability 3. Task definition. partners routines. interface structure. expectation of: performance. behavior. motives	Doz (1996)	Pitts and Lei (1997)
	1. Courtship and Commitment 2. Day to day relationship 3. Transformation	1. Motives. partner selection. dangers of whirlwind courtship 2. Managing relationship and conflict: respect difference opinion. open communication. shared vision. partnership maintenance: maintaining trust. differentiation and integration of function. enjoyment of the work. 3. In sickness and health; changing in partnership status. internal environment. external needs and sources. market place. terminating a partnership. short-term partnership. end of partnership	Berquist. et al. (1995)	Arino and de la Torre (1998)
	1. Identification 2. Valuation 3. Negotiation 4. Implementation	1. Define strategy and objective. screening for partners 2. Assessing tradable and leverage. defining opportunity. assessing impact on stakeholders 3. Assessing bargaining power. planning integration 4. Planning integration. implementing	Harbinson and Pekar (1998a)	Bell and Boersma (2000)
	1. Rethinking the business 2. Crafting an alliance strategy 3. Structuring alliances 4. Evaluating alliances	1. Strategic reassessment. establishing a role for alliances 2. Evaluating each firms value activities. distributing value chain activities. leveraging in-house and partners resources. creating fall-back positions. maintaining strategic options 3. Importance of structures. framework for structures. key considerations. role of bargaining 4. Assessing alliances. learning about alliances. rethinking the alliance strategy.	Yoshino and Rangan (1995)	Bruce and Steve (1994)

*) The same number between these two columns represents the important factors that need to be taken into account in each stage of an alliance life.

Development of an Alliance Relationship

The wide acceptance of the life cycle approach also stimulated some researchers to explore the phases through which the relationships emerge, grow and dissolve (e.g. Dwyer et al. 1987; Larson 1992ab; Murray and Mahon 1993; Ring and Van de Ven 1992). An interesting life cycle alliance study done by Spekman et al. (1998) shows that there are seven subsequent main managerial activities:

1. *Anticipating* is the preliminary activity in which the organization envisions the possibilities, ideas and dreams of alliances. Managers begin to articulate a strategic intent for the alliance and requisite criteria for potential partner.
2. *Engaging* follows and the partners begin to shape their mutual expectation and steering committees are formed. Here begins the process of converting the dream into reality.
3. *Valuing* is the period when the business exchanges are finalized. Partners bring in both skills and resources and each attempt to measure the relative worth of these assets.
4. *Coordinating* describes the activity in which a more permanent governance structure begins to emerge and integration/coordination becomes a focus.
5. *Investing* captures the hard realities of the alliance in which partners must "invest" (i.e. commit) in the future course of the alliance. Assets are formally committed and resources are dedicated to the alliance's mission.
6. *Stabilizing* is the activity, which indicates that the alliance is mature and realizes its potential. In this stage, performance is measured against objectives, financial targets and operational milestones rather than less tangible measures.

Each activity is built on a changing alliance landscape as the vision becomes reality and then grows into a mature business. Each activity is presented as a discrete event although, in reality, such boundaries are not so clear. It is hard, for instance, to mark with precision where one activity begins and the other one ends. The activities proposed by Spekman et al. (1998) are intended to reflect key activities that account for differences in managerial behavior and which are thought to apply to alliance management.

However, it should also be realized that simply enumerating a set of activities might not be equivalent to the full impact of examining an alliance through the lens of the life cycle perspective. There is also a dynamic interplay of activities, people and processes. Furthermore, the research carried out by Spekman et al. (1998) also shows that the development of relationship in an alliance could be sketched out in three stages: the alliance formation, creation of value and inter-organizational dynamics.

The studies of Spekman et al. (1998) and Muray and Mahon (1993) indicate that a critical path of alliance life cycle normally arises in their mid-life. Figure 1 shows that if firms can manage successfully their alliance relationship during the maintenance stage, they will go further and extend their relationship. Conversely, if they failed in managing this stage, they will end up with the discontinuity of cooperation. The same holds for the valuation and coordination stages proposed by Ŝpekman et al. (1998).

A similar analysis is forwarded by Das and Rahman (2002) who propose three generic stages: formation, operation and outcome. They emphasize the possibility of opportunistic behavior. In the formation stage, prospective members focus on the preparation for establishing the alliance. A firm has to select partners and conduct extensive negotiation before finalizing a partnership agreement. There is both formal deal making and informal relationship building in this first stage of the alliance. Nevertheless, the potential for a partner's opportunism would always mitigate alliance formation in varying degrees, because firms need to have a certain minimum level of confidence in their partners to forge an alliance. Depending on the firm's perception of potential opportunistic behavior by the partner, certain substantive deterrence mechanisms can be instituted. Preventive mechanisms in the formation stage include contractual provision and resource commitment.

According to Das and Rahman (2002), a strategic alliance comes to life in the operation stage as members collaborate to achieve alliance objective. Arguably, the operation stage is the most critical in alliance development. The nature of interdependence, which initially triggers the member firms to forge the alliance, often changes during this stage, tending potentially towards alliance instability (Das and Teng 2002). In the operation stage the focal firm would strive to detect signs of partner opportunism so that it could have time to protect itself from adverse consequences. Operational mechanisms are needed to shield the focal firm from such opportunism during this action-oriented stage of alliance development. Deterrence mechanisms in the operation stage include monitoring and participatory decision-making.

When collaboration efforts are implemented to accomplish the alliance objectives, the results are produced in the final phase or the outcome stage. Alliance members evaluate the actual result and depending on their assessment, either reform or terminate the alliance (Das and Rahman 2002). Opportunistic behavior in the outcome stage will pose a threat only when preventive and operational mechanisms have failed.

Studies on Strategic Alliance's Development

The previous discussion centered on the life cycle approach and how the relationship is developed. In this section, the literature on the process development of alliances is sketched out. There are various findings that share almost the same approach towards strategic alliance development (see e.g. Lorange and Roos 1992; Faulkner 1995; Buchel et al. 1998; Child and Faulkner 1998).

Lorange and Roos (1992) propose a generic model for an ISA's development, which consists of formation, implementation, and evolution. This model is based on their assumption that strategic alliances are relatively similar with an organic entity that grows and develops in nature. Like the birth and growth of a child until it becomes an adult, when the influence of the parents become less dominant and it is ready to be an independent entity. This type of development normally happens in joint venture cooperation. A successful joint venture commences with responsibilities firmly in both partners' hands, developing into a situation in which the venture claims more responsibilities for itself. At this stage, one partner may become a freestanding entity with its own independent management. In strategic alliances, the hands-on coordination between two parties may lead to a natural search by a partner to gradually "extradite" itself by transferring more and more functions to the alliance itself. It commonly happens that one partner becomes more important and the other is relegated to secondary status. This condition could be stressful for both partners. As a result, there is a great number of alliances, which are terminated after a period of time if partners cannot adapt to the new conditions of their cooperation. Therefore, a careful future plan and flexible adaptation to the various possible evolutions need to be prepared for even at the beginning of their partnership.

Whereas Lorange and Roos (1992) stress the process of alliance development, Faulkner (1995) proposes a more detailed framework by trying to sketch out the important aspects in each phase of the alliance process. He distinguishes alliance development in three phases: alliance formation, management and evolution. The formation of an alliance is one of the first issues to be addressed, once the prospective partners have agreed to embark upon a collaborative agreement. It consists of the selection of an alliance form, the motivation of an alliance, and partner selection. After this formation phase, the question arises: "what is the best way to manage the alliance?" Faulkner (1995) labeled this second step as the management phase. The important factors that should be considered in this stage are control, dispute resolution mechanism, clarity of authority, divorce procedure, information dissemination, congruent goals and positive partners' attitude (mutual trust, commitment and cultural sensitivity). The last phase is evolution. Faulkner indicates the relative importance of the various significant evolution variables by establishing new projects such as flexible adjustment, balanced development, partner bonding, and organizational learning.

Based on a study of joint ventures, Buchel et al. (1998) identify three phases of development, namely, formation, adjustment and evaluation. In the formation phase, the relationship between the partners is of central importance because this is the phase in which they work together to decide the future form of the joint venture. This phase has been split up into two subphases: the informal (internal negotiation and stakeholder blessing) and the formal phase (negotiation with partner, internal support and establishment of personnel relationships). In the adjustment phase, the emphasis is on the way to fulfill the objective of their cooperation, the socialization process, adaptation to the changes in the environment, and the exchange processes between the partners and the joint venture itself as an independent entity. In the evaluation phase, the whole joint venture system is assessed. This includes the evaluation of whether they have achieved their objectives, and decisions for future cooperation.

Child and Faulkner (1998) identify more detailed phases and relevant factors in each phase of an alliance life. According to them, there are four phases in alliance development: nature of cooperation, establishing cooperation, managing cooperation, and maturing relationship. The nature of cooperation is the foundation for the beginning of an alliance relationship, which is colored by the different perspectives, trust and motivation of parties. In the second step, alliance strategies are concerned with how cooperation between firms is established and the various forms it can take. It consists of partner and form selection, networks and virtuality, negotiation and valuation. The third phase consists of the overall management of strategic alliances. The management of strategic alliances differs in its essential nature compared to integrated companies. The ability to give instructions is replaced by the need to seek areas of mutual agreement and to develop constituencies behind a course of action (Kanter 1989). Control, management of human resources and cultural problems are also important factors in this phase. The last phase, the maturing relationship, deals with what is perhaps ultimately the most important factor in the creation of a lasting mutually beneficial cooperative arrangement between companies —namely, how to stimulate the relationship to evolve and mature, and how to ensure that organizational learning remains its primary purpose. Thus, organization learning and the development of cooperation are ultimately the concerns of every cooperation.

Another study conducted by Doz (1996) explores the development of cooperation in alliances between firms, and in particular how this development is constrained by the conditions at the inception of the alliance and influenced by the collaboration that takes place subsequently. He developed a framework of alliance development that reveals patterns of interactions between initial conditions, learning processes, reevaluation and adjustment on the part of the alliance partners and outcomes. Initial conditions (set in terms of task definition, partners' organizational routines, interface structure and partners' expectation) facilitate or hamper partner learning along five dimensions: environment, task, process, skills and goals. Learning, in turn, allows the partner to reevaluate their partnership on the basis of perceived efficiency, equity and adaptability. Reevaluation then leads to readjustment of initial conditions, and hopefully, to a new cycle of learning and reevaluation. Partners in more successful alliances are engaged in such a series of iterative and interactive learning cycles over time, typically characterized by increasing trust and adaptive flexibility, as well as the willingness to make larger and larger, as well as increasingly specific and irreversible, commitments.

Doz's (1996) study indicates that there are four driving factors in an alliance development. *First*, the two partners enter their relationship with a definition of the task to be performed. In this phase, each partner has a mutual understanding of their expectation of performance, behavior and motives. *Second*, each partner projects onto the other, through the interface in their alliance, a set of organizational action routines borrowed from its owned organizational context, that becomes baffling, disconcerting and ultimately aggravating to members of the partner firm. In particular, while the "top" and "bottom" cooperate, the middle management ranks are not (sufficiently) involved. This increases counterproductive behavior such as jealousy and a hierarchical organization. *Third*, the interface between the two partners is initially "light" and does not allow for the recognition and the appreciation of differences between the ways the two firms operate. During the development of the relation, the interface becomes more substantive and leads to share understanding. Doz proposes three determinant factors in this respect that are the definition of the task to be jointly performed, the partner's respective organizational routines, and the interface between them. *The fourth* factor plays a rather obvious role: expectation. Each partner has its own expectation, which leads to its strategies in entering the alliance form. Therefore, managers need to know what kind of action should be taken in each phase of development.

Harbinson and Pekar (1998a) compiled a management practice guide in four phases of alliance formation —identification, valuation, negotiation, and implementation— and break them down into eight practically and actionable steps. They discuss what occurs in each step of alliance formation and the kinds of best practices each step typically calls for. Yoshino and Rangan (1995) stress strategy in each phase of alliance development. They discern three key lessons to be learned:

1. Only after its overall strategy is set can a firm decide what types of alliances to engage in and what role they will play in the broader corporate strategy. Having decided to forge an alliance, a firm must consider its choice of partners and manner of negotiating, undertake the often complex and time-consuming task of structuring the alliance, and commit adequate talent and resources to its ongoing management.
2. It refers to the manner in which alliances are forged, structured and managed over time and how it impinges on the conception, and, if necessary, a revision of a company's overall strategy itself. This is as it should be. Strategy is not fashion design, intended to change recurrently. As an alliance progresses, it invariably influences a firm's choice of future strategies.
3. The ultimate lesson of alliances concerns managing both the strategic development and the changing role of alliances. That is to say, managers must not only worry about the effects of their alliance on their strategies and the changing role of different types of alliances employed in particular strategies, but also ensure that changes in strategies and the role of the alliances occur in tandem. As a network of alliances develops, this becomes an exacting task that if not executed effectively can spell disaster for a firm.

Yoshino and Rangan (1995: 42) also formulate four stages of alliance strategy: rethinking the business, crafting an alliance strategy, structuring, and evaluating alliances (the detailed strategic actions is described in Table 1).

Summing Up

In this section, we sketched the process development of strategic alliances from the perspective of its life cycle, the development of their relationships, the general development of strategic alliances, and the strategies needed throughout an alliance life. Even though each perspective analyzes those developments from a different point of view, we can see that there is a striking similarity with one another. All of them portray the sequential development of strategic alliances from an initial phase, to a development phase, till alliance maturity. The process development of alliances is not sequential and linear, but rather iterative and circular.

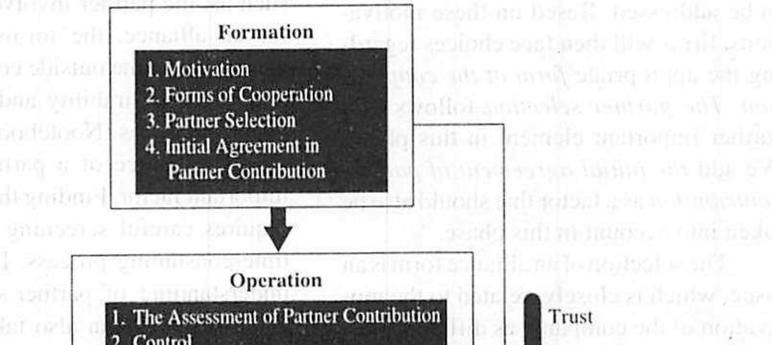
Our research literature in this section also showed the same evidence that after the alliance formation, firms often face a difficult time in their cooperation. A characteristic question that arises in this phase is about the best way to manage their alliance. In this operational phase, people experience working on a daily basis with their alliance partner, in which many differences might become manifest (both in culture, organization, behavior, etc.). They need to cope with conflict that might appear during their partnership, the commitment to the alliance, the exchange process with the partners and also the changes in the environment and strategy. This midlife phase of the alliance could be considered critical to further alliance development. This phase is so fragile that it determines the continuity and discontinuity of the alliance. If the involved managers successfully manage this phase, they can continue their partnership but if they cannot manage it properly then a divorce or an ending of cooperation might be the best option they might take. Findings discussed in this section are summarized in Table 1.

The Framework of an Alliance Development

Based on the literature review in the previous section, we can draw the conclusion that the process development of strategic alliances can be divided into three main phases: formation, operation and evaluation. Figure 2 illustrates our framework in the process development of strategic alliances. Each phase is built on a changing alliance landscape as the vision becomes reality and the alliance grows into a mature relationship. Each phase is presented as a discrete event although, in reality, such boundaries are not so clear. It is hard, for instance, to mark with precision where one phase begins and where the other ends. Clearly phases 2 (operation) and 3 (evaluation) overlap in time, as phase 3 emerges from phase 2.

We can see from Figure 2 that there is a line that goes back from the evaluation phase to the operational phase. It means that if both partners decide to continue their relationship after the evaluation phase, then the strategic alliances will encounter the variables in the operational phase, which might have a different nature from

Figure 2. Framework of Strategic Alliance Development



Based on: Faulkner (1995); Child and Faulkner (1998); Bichel et al. (1998); Parkhe (1996) the previous cooperation. It all depends on the type of the new cooperation, partner objective and strategic change of both partners where their future is concerned.

Our literature review also indicates that there are three elements, which cannot put specifically in one of these three phases, namely: trust, negotiation and cross-culture differences. These three factors are significant and should be kept in mind during the whole process of strategic alliance development. The various elements of the framework will be discussed below.

Formation Phase

Alliances are formed for a wide variety of reasons. The different structural situations require the preferred use of different forms of alliances. Therefore, the recognition of *motives* in establishing strategic alliances is the first issue that needs to be addressed. Based on these motivations, firms will then face choices regarding the appropriate *form of the cooperation. The partner selection* follows as a further important element in this phase. We add *the initial agreement of partner contribution* as a factor that should also be taken into account in this phase.

The selection of an alliance form is an issue, which is closely, related to the motivation of the company, as different situations favor different forms. Like Lorange and Roos (1992) stated: "No particular type of strategic alliances is better or universally more correct than others; what matters is to make the appropriate choice of strategic alliance form given the particular conditions at hand." The collaboration form, for example, may be most appropriate for situations in which there is a high uncertainty and a high need for flexibility between partners (Faulkner 1995). Joint ventures are often formed where the alliance covers a distinct business area, generally not the core area of the companies, where the assets are distinct and separable from the partners feel the need to be committed to each other (Gupta and Singh 1991). On the other hand, consortia may be formed where the task is too large to be undertaken by only two companies from the level of financial commitment required to the variety of skills and competencies and, perhaps credibility with major clients, especially governments. However, most defence and aerospace enterprises and other industries requiring very high levels of research and development (R&D) have these characteristics, and the consortium form is most frequently met in these sectors (Collins and Doorley 1991; Lei and Slocum 1991; Dussauge and Garrette 1998,2000). Finally, multiple causes should be taken into account in deciding a proper form of cooperation, such as: the partner involved, their goals for an alliance, the forms and designs available and the outside condition which affects the desirability and feasibility of goals and forms (Nooteboom 1999).

The choice of a partner is also an important factor. Finding the right partner requires careful screening and can be a time-consuming process. Developing an understanding of partner's expectations and objectives can also take time. In an international setting, informal brokering of an alliance can be fraught with problems (Dacin and Hitt 1997). Firms need to be cautious in selecting partners because there is considerable risk and investment involved. The success of strategic alliances is partially the result of the partner selection process.

The last element, the initial agreement in partner contribution, is related to the difficult issue of how to place value on partner's initial contribution to the alliance. Presently, there are not many researchers that suggest a specific partner contribution valuation in this phase. Due to the importance that inter ally with the difficulty of this assessment, it is, however, necessary for a company to make a clear distinction of each partner's contribution in the beginning of their cooperation. Child and Faulkner (1998) note that it is far more difficult to calculate the value of a partner in a strategic alliance than in an acquisition. In an acquisition, after all, the market will decide the ultimate price in most cases, and opportunities, will be afforded for other bidders to enter the process. This is far less the case in strategic alliances, as most alliances are largely outside the view of the market, as a result of confidential negotiations carried out over a period of time. The form of the alliance also affects the valuation. If no joint venture company is formed, it is, for example, very difficult to determine where the boundaries of the alliance start and stop. Thus, the assessment of a partner's value to the alliance will depend on an estimation of its present and future likely contribution (e.g. net present value), and will vary in its measurability on the choice of alliance form and the nature of the asset involved. It is also important to take a note that the initial agreement is frequently based on the mutual benefits that each company is likely to realize from the union of efforts. As the time progress, one party may find that it no longer needs the skills that are duplicable. Therefore, this partner contribution needs to be assessed further in the second phase of the alliance development.

Operation Phase

The interesting issue that arises in this stage is the paradox that to gain from an alliance, a partner needs to establish the ability to appropriate a substantial proportion of the value created by the alliance in the form of the successful internalization of new core competencies learned from the partner. However the more successfully the firm can do this, the less it appears to need its partner and, hence, the bonds of the alliance become weaker (Child and Faulkner 1998).

Fortunately for the inherent value of alliances, like all good paradoxes, this is only an apparent contradiction and it arises from too static a view of an alliance. It assumes a finite set of competencies and skills, and that appropriation of value by one partner diminishes the pool available for the future. In fact it is likely that a successful alliance will, at the very least, produce value for the partner companies in the form of organizational learning, and also, at least in joint venture alliances, retain further value within the venture itself.

A strategic alliance is formed for the long term to achieve strategic objectives. For this, a management system needs to be established and operationalized efficiently. Harrigan (see Faulkner 1995), one of the most voluminous writers on joint ventures comments: "Alliances fail because operating managers do not make them work, not because the contracts are poorly written." Analyses of how strategic alliances are managed indicate that they should be managed as hybrid organizations in which all companies cooperate to share investment, costs and risk, but remain independent with different motivations and objectives (Borys and Jemison 1989). Faulkner (1995) addresses some important factors that need to be pointed out during the management stage of strategic alliances:

- managing the conflict. This includes a good dispute resolution mechanism, and also a procedure to cater for possibilities that the alliance may cease to meet the expectations of the parties.

- the establishment of systems to disseminate information throughout the company. In the absence of such systems there is a high risk that vital information, especially "know how," will remain with the partner and merely be used but not absorbed, or that it will go no further than the executives directly interfacing with their alliance partners and that it not becomes embedded in the partner companies tacit knowledge fabric.
- managing cross culture differences to smooth the way for harmonious working relationships. As many strategic alliances are built in the international area, there is a need to understand the cross culture differences of our parties.
- managing commitment and trust. These relationships should provide a mechanism to limit opportunism. The more organizational complex an alliance is, the more it demands trust and commitment.

The last two factors, cross culture differences, commitment and trust, are so essential and should be kept in mind and applied properly throughout the whole life of alliances. Therefore, we discuss it separately from this stage.

In addition, few researchers consider *human resource management* (HRM) as an important item on the agenda in this phase (Child and Faulkner 1998; Yoshino and Rangan 1995). A carefully considered set of HRM policies and practices can make significant contributions to the success of strategic alliances. In the case of strategic alliances, the situation is further complicated by the presence of different national cultures and practices conditioned by different home-country institutions. Each party of an alliance normally brings to their cooperation their own cultures and associated HRM practices. A proper HRM plan can assist the adjustment of control promote organizational learning, and foster the selection and development of staff who are capable of working effectively in a milieu of interorganizational collaboration. In these and other ways, HRM can help to enhance the productivity of alliances, as well as the ability of partners to benefit from them.

Evaluation Phase

Central to this phase is the evaluation process and its consequences. This consists of the alliance performance, alliance evolution and the organizational learning partner's derive from their cooperation. As an outcome of the alliance process, there is a need to know about the overall performance. Measurement of performance is important because partners have certain expectations. Strategic alliances often operate in highly uncertain, risky settings and are used for purposes, which may result in ambiguous and sometimes even conflicting goals of the partners. This may imply that different partners have different performance criteria (Hyder 1988), especially if partners have different expectations about their alliance. It becomes apparent that performance measurement is a complex and controversial topic even at the individual firm level.

Still, scholars have grappled with performance measurement issues, often using "objective measures". Objective measures include financial indicators, market share, alliance survival and alliance duration. The main advantage of this type of measurement is its ability to provide reliable information regarding the extent to which the alliance has achieved its overall objectives (Geringer and Hebert 1991). This includes the financial performance, the achievement of goals such as technology transfer, organizational learning and equitable division of rewards. Some authors indicate 'satisfaction' as an indicator in this respect (see for example Beamish 1984; Geringer and Hebert 1991; Lee and Beamish 1995; Inkpen and Birkenshaw 1994). Satisfaction provides an indication of the effectiveness and quality of the day-to-day interaction between the partners.

The ability to learn is probably the most intangible asset that a company can possess. The transfer of knowledge is a frequent and important motive for entering into a collaborative strategy. The process has come to be known as the "grafting" of new associates whom possess knowledge not previously available within the organization. The underlying attitude behind organizational learning of alliances can be collaborative or competitive. Collaborative learning allows for joint learning by both partners and is likely to be more productive over the long run. On the other hand, competitive learning creates a situation in which each partner intends to learn as much as possible from the other, while at the same time offering as little knowledge as possible (to prevent spillover). Organizational learning becomes a political football in the competitive process between firms and this is not a sustainable situation in the long run (Child and Faulkner 1998). If this situation endures, the termination of the cooperation might be the best option in the end. Therefore, it is not surprisingly that the alliance performance evaluation and the organization learning they get from an alliance partnership have a great influence on the decision making process for the future cooperation.

The last aspect of an alliance is the evolution of their cooperation. The management may start loosing their interest as nothing-new results. To be continued thus an alliance needs to continuously develop and realize synergies. In other cases an alliance may, over time and through continuous evolution, develop a structure of its own, this is even more evident in the joint venture form of an alliance. Evolution is about continued value creation, which will, in successful collaboration alliance, be appropriated by the partners in a balanced fashion. Some value will emerge in terms of increased profits for shareholders, or for future investments, and some will emerge in the form of increased core competencies. Faulkner (1995) proposes the following conditions for evolution:

- perception of balanced benefits from the alliance by both partners,
- the development of strong bonding factors,
- the regular development of new projects and responsibilities between partners,
- the adoption of a philosophy of constant learning by the partners.

Some studies (Lorange and Probst 1987; Nonaka 1989) emphasize that many alliance failures are due to the fact that they have not had sufficient adaptive properties built into them to cope with evolutionary pressure. Therefore, it is essential to understand the various types of strategic initiation situation as well as the potential evolutionary partners that might lie ahead. By understanding where one starts and what the evolutionary options and pressures are likely to be, one can be better prepared to allow the evolution to be a harmonious one.

Trust, Negotiation and Cross Culture Differences

Some researchers (e.g. Spekman et al. 1998; Faulkner 1995; Child and Faulkner 1998) identify trust, negotiation and cross culture differences in a particular phase of the alliance development. In order to succeed in international cooperation, organizations need to build and develop trust, to be aware of and overcome the cross culture differences and properly manage the process of negotiation with their partners, not just only during the certain stage of their life but throughout the whole life of their cooperation.

The results of the strategic alliance consultants' research in 1995 (see Ellis 1996) suggest that successful strategic alliance managers are much like diplomats. Unlike line managers, who must concentrate on immediate profit-and-loss issues, effective strategic alliance managers make their main focus, bridge building. They act as a shuttle between the new partners, creating relationship, reminding their own team to focus on a big picture, and explaining opposing viewpoints. Their role is pivotal particularly in the early phases of the alliance and during a crisis. But the overarching goal of the strategic alliance manager's diplomacy is to create an atmosphere that fosters cooperation for years to come. Trust, negotiation and the awareness of cross culture differences are their key weapons for this creation. Our next description particularly aims at discussing the process development of these three elements in the span life of strategic alliances. With regard to our framework of strategic alliance development above, we can also analyze the development of trust, negotiation and cross culture awareness in three phases: formation, operation and evaluation.

Trust

During the engagement of their alliance, in fact partners learn about each other motives, capabilities, and attitudes towards conflict, control, cooperation and competition. Trust may deepen as a relationship matures, but this process is hardly automatic. Trust must be nurtured continually because, like a house of cards, trust is hard to build and easy to destroy. After all, trust is person and time dependent, and parties have to make a long-term effort to develop it. No person can be trusted right from the beginning; there is always a possibility of opportunism. Trust in strategic partnership could be defined as the expectation that the delegates of the other will behave cooperatively (Boersma 1999: 46). A qualitative research conducted by Boersma (1999) shows that trust entails three dimensions:

- promissory-based trust, the expectation that a party can be relied upon to keep a verbal or written promise;
- competence-based trust: the expectation that the other party will perform its role competently;
- goodwill-based trust: the expectation that the other party will take care of the other party's interest and may be willing to do more than is formally expected.

An unfulfilled expectation on one of those dimensions could decrease or even destroy trust of the other parties, which subsequently has a negative impact on the alliance relationship. Therefore, trust needs to be nurtured during the whole life of strategic alliances (Boersma 1999; Nooteboom 1999). Our analysis below discusses how trust develops in each phase of alliances.

In the formation phase, normally the potential partners try to find information as much as possible about each other (Geringer 1991; Faulkner 1995; Mollering 1997). This is similar to the analogue of marriage. If two people want their marriage to succeed, they often need to know each other well, before the wedding, disclosing enough information to each other about their real qualities and "the rest." Cooperation at this preparation phase will help both partners to strengthen qualities and to overcome weaknesses during their life together. This is a condition which we call "courtship phase', as each partner tries to get to know each other and tries to build a foundation of trust among them. In reality, however, information about prospective partners will be limited, especially that relating to their internal cultures, competence's and values. This means that judgement will have to be made on the basis of the partners' reputations, including those for trustworthiness.

The next step, *the operation phase*, is a condition when there is a need of mutual understanding to work together. Once the alliance is in the process of implementation, the people working together from the partner organizations have the opportunity to know each other more intensively than before. The growing ability of each partner's staff to understand and predict the thinking and actions of the other can provide a further basis for trust between them. This mutual understanding should reduce the sense of uncertainty that partners experience about each other.

Once the alliance enters the *evaluation phase*, normally there is also an increasing concern with one another's interest as well as the growing emotional ties congruence with the over time development of their relationship. In this way, bonding can exist between partners. A virtuous cycle may be established, which reinforces both trust and the cooperation that it nurtures. This cycle can, of course be broken or reversed.

Negotiation

Negotiation is one of the essential elements in strategic alliances. As Child and Faulkner (1998) stated, a strategic alliance in this respect differs from an acquisition. In particular, acquisitions involve the transfer of ownership, which make the acquirer having the right to make any changes in the operations of its new subsidiary that it thinks will fit, constrained only by law and specific conditions of sale involved in the deal. This condition is not obtained in strategic alliances. Therefore, strategic alliance negotiations should be and are likely to be conducted in a different fashion compared to acquisitions. Far more attention will be given to the fact that the negotiators need to work closely together once the alliance is successfully concluded. Thus, the negotiation in alliance seeks to achieve a relationship between partners that can enable them to achieve business success, without either partner's needing to accept loss of identity or ultimate independence. The negotiation process during each stage of alliance partnership can be depicted as below.

The formation phase has been defined by Mollering (1997) as the "information stage", when the prospective partners try to find out as much as possible about each other. In this phase, normally each partner precedes the entry into negotiation on a contract basis. During this initial phase, Lorange (1992) suggests that it is important, from a negotiation point of view, to create a clear and easily understood 'win-win situation' for the alliance, which can only be achieved if all parties feel reasonably equal. It is also important that all stakeholders in both organizations endorse the basic joint venture philosophy and approach, explicitly or implicitly. They should develop a clear analytical plan for who does what and when, together with the resource commitments needed. This formation phase has been recognized as an arduous and risky process, as attests the high number of failure of new strategic alliances (Contractor and Lorange 1988). The primary difficulty resides in finding the right partners, agreeing on the methods for running the negotiations, and on the methodological organizations of the steps involved in the negotiation. Therefore, each party should have an initial strategy, which is dependent on the information attained so far and expectations. The negotiators should list the problems and issues, especially the conflicting issues and form strategies and choices for all possible solutions they or the other party could suggest. Solutions should be ranked in terms such as preferred, desired, expected and not acceptable. If a solution is not acceptable, a solution that could be acceptable to the other party should then be suggested. It is, thus, important to have several alternative solutions for each problem and issue (Cavusgil and Ghauri 1990).

The situation in *the operation phase* is completely different from the former stage. In this phase, the organization of the alliance is developed, high cohesion and interaction occurs. During this situation, normally confrontation, conflict and tension will emerge. Therefore, it is necessary to find ways of resolving the conflicts that are likely to arise in the course of working together. This is also called by Urban (1996) as a conflict resolution stage for the negotiation area. He discusses two types of conflicts: those that relate to management decisions, and those that relate to the rights and duties of the participating companies, which are the interpretation of the alliance agreement and the assessment of the partner's contribution.

The *evaluation phase* is a stage where the decision for the continuation of the relationship should be undertaken. In the negotiation process, the parties face a dilemma whether they should dissolve or strengthen their alliance relationship. If difficulties such as these can be avoided or overcome, and if the alliance proves to be an economic success, then normally the tie of this alliance will be stronger or might result in a different form such as an acquisition or joint venture. If the relationship is getting worse or the degree of interdependency is weaker, then divorce is the last option they might take. During the evaluation phase, negotiators face a difficult part for decision-makers to take a wise decision for their company and their alliance relationship. They should be able to gain a benefit for their alliances and make a satisfactory negotiation for both parties.

Cross-Culture Differences

Many international cooperative relationships fail because of cultural differences. A very large number of companies simply cannot get along with each other. It is not that they do things wrong. It is that they do things differently. Cultural differences affect the way in which the partnership is managed. Differences in approach strain the relationship. Even partners with the best intentions become exasperated. Specific cultural problems are related to miscommunications, human behavioral errors, and clashing management styles. The catch-all phrase is the inability to get along. But what are these cultural differences really? How do they manifest themselves? In essence, the complaints centre on the company's cultural style. A company's cultural style is a company's way of doing things, their behaviors and actions (Hall 1995).

This crucial characteristic of culture has been recurrently highlighted by many researchers, who have found empirical support for the notion that a society's culture is particularly pervasive across subcultures (Deal and Kennedy 1982; Hofstede 1980; 1991,1993; Morosini 1998). The research done by Hofstede et al. (1990) found that differences in organizational culture were largely associated with the diversity across the companies' visible practices. However, differences in culture values found within these organizations were largely attributed to the nationality and demographic characteristic of the employees. Based on the findings of this research, national cultural manifestations are expected to have a pervasive effect on both the nature and the management of an organization's practices, structure or strategy, which in turn influence performance. As a result, certain cultural values in an organization can also be notoriously difficult to change and adapt. Therefore, in order to be able to manage successfully the cross cultural differences in international strategic alliances both partners need to understand and anticipate the process of cross-cultural adaptation during the whole life of their partnership.

In the *formation phase* it is important to gain awareness of your partner's culture. If alliances between organizations that are based on different national cultures are to prove successful –or even get off the ground– both parties need first to appreciate and understand the different views and interpretations each other may have on the world. Without this awareness, they cannot even begin to understand more specific behaviors within a corporate context. Comparing differences in management style, reward and decision-making processes may tell us 'how' things are different but without a wider contextual understanding of national ideologies and mores, this does not explain 'why' they are different. Consequently, negative cultural stereotypes are more likely to be reinforced rather than addressed (Cartwright and Cooper 1992). As Trompenaars (1993) observes, people tend automatically to equate something different with something wrong: 'their way is clearly different from ours, so it cannot be right.'

In the *operation* phase, the sensitivity of cross-cultural differences must also be examined. Managing the alliance culture is a challenge because this stage is about blending and harmonizing two different organizational cultures. Acculturation stress, as in mergers and acquisitions, becomes especially serious for alliances in which one *partner* plays a dominant role. Whereas in a merger/acquisition it is acceptable for one organizational culture to prevail, in alliances this is rarely so, for *partners* in alliances are still independent firms so that both are concerned about losing their own organizational identity in a strategic alliance. Thus, the challenge is to make cultural blending work, while largely preserving the separate cultures. Therefore, managers should be sensitive for cultural differences. A personal adjustment of different cultures will promote better communication between personnel, and improve the effectiveness of teams composed of members from different cultures. In contrast, if these adjustments are lacking, then as a result, the underlying rationale for the alliance may no longer remain valid.

The final stage is the *evaluation phase*, where we find some partnerships have developed stronger, others have become looser. Related to the culture aspect, there are two possibilities, which might occur during the evaluation phase of international strategic alliances. *First*, a good acculturation process might provide a new culture for the alliance organization. This is mostly a mixture of the original culture brought by each partner. *Second*, the mismanagement of culture often causes a breaking of their relationship (Wahyuni and Grotenhuis 2000).

Figure 3. **The Evolution of Trust, Negotiation, and Cross-culture Differences during the Alliance Development**

Phase of Alliance Development Overtime	**FORMATION**	**OPERATION**	**EVALUATION**
Key element in trust development	■ *COURTSHIP* *"Being prepared to work with you"*	■ *MUTUAL UNDERSTANDING* *"Getting to know about you"*	■ *BONDING* *"Coming to identity with you as a person"*
Key element in negotiation process	■ *Finding right partner* ■ *Win-win Agreement*	■ *Conflict resolution*	■ *Agreement for the continuity of alliance*
Key element in accculturation process	■ *Preparation* ■ *Address cultural differences*	■ *Manage the acculturation process* ■ *Manage the relationship* ■ *Manage the culture blend*	■ *"New" culture* ■ *Four option: prolongation; separation; joint venture; merger/ acquisition*

Sources: Child and Faulkner (1998), Wahyuni and Grotenhuis (2000).

Managers should realize in the beginning that cultural differences might cause failure, because they provide fuel to a downward spiral of misunderstandings, mistrust of intention, conflict and a broken relationship. When cultural differences are not managed, misunderstandings occur. This leads to tension in the relationship. The tension increases suspicion of partner intent, and vulnerability is felt more strongly. The higher vulnerability leads partners to be more cautious about cooperating or using their option to withdraw, or delay. Cooperation becomes jeopardized. If cooperation is not being gained, one of the partners is sure eventually to exercise its option to withdraw (Hall 1995).

For a study on how trust, negotiation and cross culture differences could be managed in strategic alliances we refer to Wahyuni (2003) and Wahyuni and Grotenhuis (2000). The summary of the coincidence between trust, negotiation, and cross culture differences within the alliance development can be seen in Figure 3. It should be noted that this framework contains ongoing cycles of adjustments within the different stages.

Conclusion

This paper has reviewed the extant literature on the process development of strategic alliances from many different perspectives. Each perspective has its own focus. They provide distinct, though sometimes overlapping explanations. Based on our literature survey (Table 1), we come up with our model about strategic alliance development in Figure 2. We divide strategic alliance development into three phases: formation, operation and evaluation. Formation is the phase during which the future partners conceive an interest in the possibility of forming an alliance, understand the motivation, select potential partners, and make the initial agreement in partner contribution. In the operation phase, the alliance is established as a productive venture and people are appointed or seconded by the partners, systems installed, operations commenced. Evaluation refers to the ways in which the alliance develops further following its establishment.

Each phase gives a specific fundament for the alliance to go through the next step of their alliance development. It is recognized that the strategic alliances' success is partially the result of the partner selection and the arrangement of clear agreements during the formation phase of alliances. However, to be able to go through the evaluation phase, the alliance partners should properly manage the operational phase of their alliance. This is what we call as the critical path of alliances when the tension of the conflict might come on the top and the interaction between parties become more intensive. It is not surprisingly that many alliances fail in this phase. Like the marriage metaphor, everything is so exciting and great in the beginning but after a few years living together we know exactly how our partner is. All bad habits or characters that are not known or shown in the beginning of relationship appear in a natural way. If we cannot accept and live with it then the marriage bond is in danger. An excellent management of this phase leads to good performance in the alliance cooperation.

This paper endeavors to distill, derive and integrate theories across different perspectives into a unified framework, which could be applied in every type of alliances. The acknowledgment of the important aspects in each phase of the alliance process is indeed giving a valuable input for alliance managers. A great understanding on the essential aspects and the process they might go through will help managers to formulate a proper strategy for their international cooperation.

Finally, we believe that the art of strategic alliance management is on how to orchestrate the set of elements and pass every phase of the alliance development successfully. Therefore, it is necessary to see what kind of factors could assess/measure those important aspects. Integrating research that attempts to follow alliances over their various life cycle stages and to understand better the complex interplay between its business and interpersonal components will add to the existing knowledge base. We expect that the model that is proposed in this paper provides an avenue for more empirical research in this field. From a manager's point of view this kind of research could also offer practical insights to prevent failures or to reduce obvious mistakes in the development and management of (international) strategic alliances. Management might be eager to know how the dynamic elements of their strategic alliances interact and have impact on alliance performance.

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