

Success of alliance depends on point of view

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There are two sides to every story, and in logistics alliances, as in any marriage, there is often a clash of perceptions.

At first glance, a successful alliance partnership appears to be just that: a success. However, dig deeper and the picture can be downright disturbing.

In their paper "[The Effectiveness of Logistics Alliances](#)," Joan Jané of Polytechnic University of Catalonia and Alejandro Lago and Beuhla D'Souza of IESE Business School question how managers view the success of a logistics alliance and whether those views are shared by all sides. The success of logistics alliances is dependent on overcoming information and process asymmetries, the authors say, which arise in the form of misconceptions about the a priori objectives of each party, uncoordinated decision making or unfair sharing of risks.

The authors consider the specific criteria used to measure the performance of each party, and how each party perceives the overall performance of the alliance. Are the criteria and the performance evaluation different across parties? Is there a common perception of success or failure? Finally, does one partner have a clear understanding of the other party's views about the performance of the partnership?

Performance tests

The authors devised five dimensions of performance to judge the success of an alliance. Two were aggregated dimensions: the overall performance regardless of previous expectations, and the fulfillment of previous expectations.

To assess what is meant by success in greater detail, three additional dimensions were designed to monitor strategic achievement of specific private goals, satisfaction with the operational process and the achievement of side benefits or spillovers.

- *Strategic performance* refers to how well the alliance has fulfilled the strategic goals of the companies. While these objectives can be related to specific financial outcomes, they are essentially strategic in nature, where results are often not quantifiable.
- *Operational or process performance* recognizes the dynamic nature of these partnerships, which require continuous interaction between the organizations. It measures the quality of the process itself through mechanisms such as planning, accounting, information exchange and renegotiation, which are linked to the stability of the alliance.
- *Beneficial side effects* arise from the firm's operations but were not explicitly sought out prior to the strategic alliance. These may be perceived as another dimension of a successful performance.

The authors found that, while partners could be in agreement in their evaluation of the partnership, their strategic objectives were not the same. Partners also seldom perceive correctly their counterpart's satisfaction with the partnership and are biased by their own level of satisfaction.

Monolithic views

The results show that each manager, whether on the customer side or the third-party logistics (3PL) side, evaluates success or failure in a monolithic way, without distinguishing much across the different dimensions, with the exception of the side benefits. In other words, when satisfaction is high on one dimension, it tends to be high on the rest.

The achievement of all the important strategic goals is closely linked to the success of the performance. The presence of one dimension without the others is highly unlikely to occur. Also notable is the high degree of correlation between performance and unanticipated side benefits.

The authors asked matched pairs of customers and 3PLs about their perception of the other's assessment of the four dimensions of performance - i.e., overall fulfillment of expectations, satisfaction with global performance, fulfillment of specific strategic goals and process performance.

The results show that each party tends to evaluate performance mainly from their own point of view. This is especially true in the case of customers: the perception of 3PL satisfaction is highly correlated with their own satisfaction, but not with the actual satisfaction level of the 3PL.

Consequently, the perception of 3PL satisfaction tends to be more accurate when both parties enjoy positive performance, but it is not accurate when the customer experiences high performance and the service provider experiences low performance. Interestingly, the 3PL providers are more likely to be aware of their customer's satisfaction with the partnership than vice versa.

Avoiding mismatch

The authors conclude that overcoming information and perception mismatch is the key to successful logistics alliances. To achieve these, both parties must invest the time necessary to clear initial doubts about what each expects from the other. Treating it as a relationship rather than a business deal also helps to avoid mismatched objectives and perceptions, and will also make it easier to confront change.

The authors add that a successful partnership lies in improving the process performance in key areas often disregarded in the contract, such as conflict resolution, pricing negotiations and risk/reward sharing.

The partners also need to establish a process for decision making and to focus on joint communication activities and monitoring. They should also hold periodic "blameless reviews" to bring out the explicit and implicit contributions of the partners to the alliance.

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