

# STRATEGIC ALLIANCES: A SUCCESS STORY<sup>i</sup>

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## INTRODUCTION

The paper describes an alliance in higher education to deliver an MBA programme in Moscow by Kingston University (KU) in London and the Academy of National Economy (ANE) in Moscow<sup>ii</sup>. It is useful to make some brief remarks describing the programme, before outlining the theoretical structure of the paper.

The programme is taught under the auspices of two faculties of the respective institutions, Kingston University Business School (KBS), and the Moscow School of Social and Economic Sciences (MSSES). The Kingston Academy MBA (KAMBA) is an open learning programme that matches the UK model in all-important respects: syllabus, teaching, and aspiration. It is 21 month course, in two stages, taught mainly by visiting Kingston academics: stage one has five main blocks of teaching, each lasting six days, including a weekend, and stage two has four blocks of study of shorter duration. In total students are required to be absent from work to study for less than 35 days. The programme includes a Diploma in Russian Management (RDM) which is taught by Russian staff in the evenings. The RDM complements the KAMBA in important ways: it extends the Russian dimension of the KAMBA, and meets important criteria for master's programmes required by the Russian ministry of Education. Students are expected to undertake between 15 to 20 hours of private study per week, averaged over the year, so the programme is very demanding. The *drop out* rate is around 12 per cent and this occurs mainly in the very early stages.

Students are highly qualified: all have first degrees, most have master's degrees, and one third have PhD's. About half are women. The average age is around 34 and most students have six or more years of managerial experience. The KAMBA is taught and examined in English, so the language demands on participants is high. The programme began in 1998, weathered the crisis of August that year, and approximately fifty students have graduated so far. The programme is financially viable, has won a high reputation, gained important international accreditation<sup>iii</sup> and student numbers have climbed to around 50 per cohort.

The alliance has multiple objectives: MBA teaching, skill transfers, staff development, aiding the transition process, developing business links and understanding, adding to the cultural richness to the two institutions, and encouraging research. There have been a number of developments in the last respect, including the launch of perhaps the first management strategy journal in Russia<sup>iv</sup>, by academics and graduates of the programme, a strategy book is due for publication<sup>v</sup>, numerous academic papers, and joint PhD supervision. Active steps have been to raise consciousness of Russian business about business ethics and sustainability<sup>vi</sup>.

Analysis of the alliance is based on a model that draws on a number of disciplines: strategic management, economics, aspects of statistical mechanics, and game theory. The model has been applied to a number of issues: OPEC, the emergence of a new industry, industrial organization, and alliances. Empirical work reported in the paper has been carried out in dissertations by KAMBA students especially Leontenkov (2001) and Soui Kei Min (2000), Kovalaeva (2000), who used the model described in the paper to derive results that have proved useful in managing the programme and planning future directions. Generally the authors disagree with Porter's view of alliances as temporary expedients. On the contrary we see them as enduring features of new capitalism and the global network economy.

### ***Methodology***

The paper is divided into a section on the relevant literature, an outline of a model of alliance behaviour and some empirical results. The empirical sections are based on going research, carried out by students on the programme as dissertations. So far there have been a number of dissertations two devoted entirely to this alliance. Leontenkov and Kovalaeva interviewed most of the main teachers and administrators concerned with the programme (in depth interviews 10 key staff). Kovalaeva carried out questionnaire/interviews with 20 students and Leontenkov managed to get responses from 8 students. Transcripts of interviews are contained in appendices to their dissertations. No detailed linguistic analysis has been carried out yet. We also draw on Review Documents, Liaison Documents, and Contract Documents produced as part of the Quality Assurance process. The final section of the paper makes some brief interpretive remarks on the relationship of our work to the literature and on the nature of the model adopted.

### **ALLIANCE LITERATURE<sup>vii</sup>**

Gulati (1998) defines strategic alliances as "*voluntary arrangements between firms involving exchange, sharing, or co-development of products, technologies, or services*". Zajac (1998) states that *the topic of strategic alliances and networks has in the last decade become one of the most significant topics in the strategic management literature*. At a roundtable facilitated by Segil in Sep/Oct 1998 for chief executive officers of several leading international companies (including 3M, Chrysler, SAP, Amoco and others) the consensus was that by 2000, up to 30 per cent of the revenues of most large companies, and 80 per cent of small companies revenue would come from new alliances (Leontenkov, 2000). Much of the literature on alliances focuses on mutual learning. Relatively little is concerned with education partnerships, although these are archetypes of learning alliances in general. Literature on alliances is extensive, so we concentrate on a few main themes in this review that will feature in discussion of the ANE and KU later in the paper.

### ***Motives***

Varadarajan and Cunningham (1995), and Kogut (1998) summarize the motives for alliances. Here we are concerned mainly with those that apply most obviously to educational alliances. Kogut stresses enhancement of competitive position, provision

of mechanisms for transfer of organisational knowledge. For Jarillo (1993) strategic alliances lower the risk of entering an unfamiliar business territory. Zajac (1990) notes the importance of alliances in overcoming legal and regulatory barriers. Access to new markets, product development are stressed (Segil 1998).

### *Success and failure*

A study of 650 firms from the US Fortune 500 concluded that *[m]ost popular reasons for failure were poor communication, lack of trust, poor vision, and lack of shared goals or strategic direction*". To maximise the potential for success and minimise the risks of failure, two key steps may be identified: (i) selection of appropriate partner and (ii) alignment of objectives, vision and values (Matthews, Samouel and Wheeler, 1998). This merely corroborates many studies (for example Harbison and Pekar, 1998; Stafford, 1994; Kanter, 1989; Segil, 1998; Fisher 1994; Keown 1998). Todd (1998) cautions, *"[b]e just as careful in selecting a business partner as a spouse"* (Todd, 1998). Common purpose is important (Rule, Keown 1998).

### *Evolution of alliances*

Doz (1996) sees successful alliances in evolutionary terms: goal setting, learning, re-evaluation - readjustment of goals over time. As alliances develop, partners monitor them in terms of efficiency, equity and adaptability. They make adjustments to their relationship, moving away from its initial conditions. Unsuccessful alliances stumble on the absence of learning, or stunted learning. Partners may understand what is needed but cannot make it happen. Negative re-adjustments occur that are counter-productive, and partners conclude they cannot work together. Gulati (1994) analyses learning alliances in terms of pay-off structures. At each point the optimal decision to each partner is a function of its expected pay-off given not only its own share up to that point, but also those of its partners in the alliance. Since these expected payoffs change as the alliance unfolds, incentives exist to invest in adaptation

### *Cultural factors*

Deep-rooted cultural values lead to conflict and incompatibility between partners. Together with poor communication they are cited as the most important factors behind the high failure rate of cross borders alliances. (Hofstede, 1980; Marosini 1989). Cultural differences between countries are considered to be a major factor influencing the degree of success in the international transfer of technologies or managerial techniques between organisations (Marosini 1998).

### *Anglo Russian alliances*

Lewis (1996) makes some interesting observations on Anglo Russian deals. Long borders, a history of collectivism, geographic remoteness, frequent attacks by neighbors, frequent warfare, and expansionism together with the influence of a bleak climate leads to difficulties of dealing with Russians. Charm, humor, combined with vagueness, understatement, apparent reasonableness, an underlying toughness, and a

disguised fallback position, can make dealing with the British difficult. Lewis notes that they discuss at length, but nearly always ask for written confirmation: they keep elephantine files. They are however generally interested in long term relationships rather than short term deals. We might note that in some respects the recent history of the two nations is rather similar: severe reconstruction, shock of empire loss, and reduced world status.

## THE MODEL

The model is outlined heuristically here. More detailed versions can be found in Matthews (1998, and 2000)<sup>viii</sup>. Three concepts underlie the model: stakeholders, potential payoffs and realized payoffs. Broadly the partnership is a learning alliance.

Three principal groups of stakeholders are directly involved in the programme: the two institutions (KU and ANE), and their respective faculties, (KBS and MSSSES) plus the student group. Since education is a factor in economic growth and transition, the communities of the two countries are indirect stakeholders. Potential payoffs are defined as the difference between the costs and benefits associated with the programme. Payoffs include monetary (fee income, and enhanced earnings, grants) and non-monetary components (including reputation, staff training, job flexibility, skill transfers, and learning). Potential payoffs should be discounted by risks, especially given differences in history, traditions, culture and legal systems. Potential payoffs may be realized (or not) as a result of co-operation between the partners. Realisation of payoffs depends partly on the structure of payoffs (the nature of the game between the partners), and partly on factors such as trust reputation, shared values and the degree of transparency of the relationship.

### *The nature of the game*

Two issues are important at the outset. The first centres on whether the game is positive sum or not. A positive sum game can make both players better off (higher payoffs) as result of *playing the alliance game*. Unless the partnership is potentially positive sum, then there is no point in entering it, because it cannot make the players better off. So a necessary condition for the alliance to take place at all is that the partners anticipate that it constitutes a positive sum game.

Payoffs (net benefits)	Benefits minus costs
Joint payoffs	Benefits and costs that accrue to partners as a result of their joint actions.
Individual payoffs	Unilateral benefits that accrue to one partner in the alliance. Unilateral costs that are incurred by one player in the alliance on behalf of the other.

TABLE 1

If the game is positive sum then realization of payoffs are partly determined by the nature of the game itself: that is the opportunities it offers for opportunistic behaviour-behaviour that benefits one player at the expense of the other. This is the second important issue. In Table 1 the benefits and costs that underlie payoffs are divided into two categories: joint payoffs that accrue from joint actions, and individual payoffs that accrue to one partner or the other independently. In the case of individual payoffs partners can derive benefits, and avoid costs independently of the other partner. In a learning alliance individual benefits can be earned unilaterally by picking up skills from the partner and applying them to areas unrelated to the alliance: individual costs are those which are borne by one partner creating benefits for the other.<sup>ix</sup>

Opportunistic behaviour can lead to failure to realize payoffs even though the game is positive sum. The scope for opportunistic behaviour depends on the ratio of joint to individual payoffs and especially on the importance of individual costs. Only two cases are discussed here<sup>x</sup>.

*Joint payoffs predominate*

In the game outlined in Table 2 payoffs are  $\alpha, \beta, \gamma,$  and  $\delta$ . If joint payoffs are predominant (if  $\alpha > \beta$  and  $\gamma > h$ ), co-operation (D,D) becomes the mutually dominant strategy (the Nash equilibrium for the game) and cooperation is the obvious strategy to choose because it is clearly in the interests of both players.

*Individual payoffs predominate*

If individual payoffs are more dominant the game is in the familiar prisoners dilemma form with  $\alpha < \beta$  and  $\gamma < \delta$ , (and  $\delta > 0$ ). Logically there are two possibilities

- (a) in a one shot situation, we have a prisoner's dilemma game with a Nash equilibrium with neither party co-operating: both playing hawk (H,H).
- (b) in a repeated game the possibility of a tit for tat strategy emerges with each player replicating the others behaviour: co-operating if the other does and punishing by withdrawing co-operation otherwise. Axelrod's experiments with repeated prisoner's dilemma games show tit for tat to be the most successful and emergent strategy.

	Player 2 plays dove (co-operates)	Player 2 plays Hawk (does not co-operate)
Player 1 plays dove (co-operates)	$\alpha$ (D,D)	$\beta$ (D,H)
Player 1 plays hawk (does not co-operate)	$\gamma$ (H,D)	$\delta$ (H,H)

TABLE 2

To encourage co-operation in a repeated prisoner's dilemma Axelrod (1984) gives recommendations that might serve also as prescriptions for a successful alliance:

- *long termism,*
- *increasing the importance of joint payoffs,*

- *consideration*,
- *reciprocity*,
- *clarity*
- *forgiveness*

Taking a *long-term* view increases the number of interactions and if individual payoffs are predominant. Increasing the importance of *joint payoffs* skews the game to a situation where mutual co-operation becomes the dominant strategy even for *selfish* players. *Consideration* is rather like a Kantian imperative (*do unto others as* ). *Reciprocity* accounts for *tit for tat* s success in many interactions: not being the first to defect (play hawk), not being easily provoked, *forgiving*. Being *clear* removes uncertainty and includes showing willingness to retaliate, so discouraging the other from persisting whenever hawkishness or defection is tried. *Forgiveness* helps restore mutual co-operation, if defection occurs.

The game set out in Table 2 can take over 70 different forms, so clearly we have simplified things considerably. The intention is to focus on situations where it is clearly in the *self-interest* of partners to co-operate. When this is not the case and opportunistic behaviour is tempting, other mechanisms may come into the game: a sense of shared vision and mission for example. The advantage of presenting the argument in terms of payoffs that include non-monetary factors is that things that are normally classified as altruism become part of the payoff (cost benefit) structure. It is important to note that perceptions of costs and benefits *qua* perceptions are important: alliances are driven by expectations and even if these are not realized, partnerships may endure so long as the perception is that they may be realized in the future<sup>xi</sup>.

## THE ALLIANCE

The initial conditions for setting up an educational Alliance were favourable. Demand for western (especially UK) management education existed in Russia. ANE and KBS had co-operated previously in teaching and research: the Future Managers for Russia Programme 1993-98 was successful had a good reputation. There were clear and agreed goals. KBS has managed obtained sponsorship: non-monetary benefits and long termism featured strongly. The programme is supported by top executives of both institutions. There was mutual enthusiasm and belief in the possibility of success. Determination to keep faith with the alliance, by the institutions after the crisis of 1998, despite losing some 40% of the students was perhaps one of the strongest factors promoting co-operation. A meeting of students on the programme with Tony Blair arranged by the British Ambassador in 2000 seemed a public acknowledgement that the young men and women on the programme were among those most instrumental to economic transition in Russia. The mission of the KAMBA is to contribute to Russian economic and social development through management education in Russia.

As the programme evolves it is clear that a differentiating factor (important to competitive advantage) is delivery in English by UK staff. This exacerbates the price cost issue that will be partly resolved by a price increase on 10% in 2002. It also changes the original strategy, which was for KBS to take on a pure monitoring role eventually. The shortage of suitably experienced Russian staff is partly being resolved by employing outstanding graduates as co-teachers on the programme. *Legal issues* of matching the UK and Russia laws and concluding a formal agreement of co-operation

temporarily solved in January 2001. Changes in key personnel cause anxiety on both sides. Although there are many outstanding problems frequent meetings and open discussion results in resolution or at least a sense that they are being taken seriously and so alleviated. As one interviewee put it *if we have a problem, we solve it together, put efforts to do it in an efficient way*.

### **Institutional Stakeholders**

The analysis of in-depth interviews in 2001 confirms the high level of co-operation. Partners. Some quotations used in describing the evolution of co-operation are set out in Table 3.

- *outstanding level of commitment to the Programme of the key people in Kingston and in ANE;*
- *we keep faith with the other partner;*
- *co-operation is built on personal trust and personal relationship;*
- *we have built up good mutual understanding of how things work;*
- *there is no substantial issue on which we disagree;*
- *an enormous amount of good will makes the whole thing work;*
- *co-operation is built on the soundness of the relationship and this takes time;*
- *the relationship between KBS and ANE, we believe, is firm;*
- *there are no significant cross cultural issues;*
- *the intention is to stay in Alliance for a long time - for as long as this programme is required;*
- *the alliance is sustainable so there is possibility for expansion;*
- *it is people that make alliances work - we have the right fit between people*
- *it is important to maintain the team on the UK side and build a team on the Russian side;*
- *we have success so far, both parties work together to make it successful;*
- *for the UK side this collaboration is a good feeling of being part of the reform in Russia;*
- *these are the best relationships that I have come across in strategic partnerships in my experience - the basis is willingness from both sides, and high spirit and drive to work together.*

TABLE 3

*The evolution of joint payoffs and individual payoffs*

Perceptions of payoffs are important. In Table 4 we outline the main perceptions of individual and joint payoffs. It is clear from interviews that the proportion of perceived joint payoffs has increased since 1998.

ANE INDIVIDUAL BENEFITS	KBS INDIVIDUAL BENEFITS	COMMON BENEFITS
<ul style="list-style-type: none"> <li>• Learn the UK methodology of delivering MBA Programme</li> <li>• Train Russian lecturers to be able to run similar courses in ANE with acquired skills;</li> <li>• With Kingston MBA in place, set up the business faculty</li> <li>• Learn the KBS methodology of delivering MBA Programme in order to use it in other ANE programmes;</li> </ul>	<ul style="list-style-type: none"> <li>• Raise international profile of KBS MBA and KU generally</li> <li>• Enter new international market and be part of the Russian reform;</li> <li>• Develop the key staff in the new Russian environment;</li> <li>• Learn and evaluate the Russian economic situation as the basis for research</li> <li>• Opportunity to identify weaknesses in KU programmes</li> <li>• Integrate the best Russian lecturers into international network of KU</li> </ul>	<ul style="list-style-type: none"> <li>• Raise KBS and ANE joint profiles internationally and in the Russian regions</li> <li>• Develop joint skills in management education and administration</li> <li>• Offer the best MBA Programme in Russia</li> <li>• Identify and prepare the best graduates from the programme to shadow some of the courses for the UK lecturers.</li> <li>• Make the Programme financially viable</li> <li>• Participate in joint research work</li> <li>• Develop the foundation for consultancy business in Russian economy</li> </ul>

TABLE 4

*Problems and risks*

In table 5 some of the problems and risks perceived by the partners are outlined.

KBS perception of problems	ANE perception of problems
<p>There are high <i>opportunity costs</i> that are not covered: especially cost of time personally to academics. This leads to problem: what price to charge? Monitoring taking place as suggested by Doz (1996) with respect to distribution of payoffs.</p> <p>Difficulties with different legal and contractual practices were partly resolved (January 2001).</p> <p>Difficult to find Russian staff to replace UK academics. The concept of co-teaching has evolved.</p> <p>Increasing bureaucratization of UK education.</p> <p>Need to improve marketing advertising and public relations.</p> <p>Relatively poor teaching facilities in Russia, late delivery of texts, slow response by partners to issues.</p> <p>Risk and uncertainty from political, economic, new competition, and personnel changes.</p> <p>The programme must be extended into the regions and also to poorer students.</p>	<p>Difficult to find a mechanism for adopting British techniques. It takes time to learn the appropriate know how.</p> <p>Difficulty of finding appropriate Russian staff. Many Russian lecturers have fluent English, few have appropriate expertise.</p> <p>Mismatch of Russian and British legislation results in misunderstanding between parties.</p> <p>Risk and uncertainty from political, economic, new competition, and personnel changes.</p>

TABLE 5

As the programme evolves it is clear that a differentiating factor (important to competitive advantage) is delivery in English by UK staff. This exacerbates the price cost issue that will be partly resolved by a price increase on 10% in 2002. It also changes the original strategy: for KBS to take on a pure monitoring role. The shortage of suitably experienced Russian staff is partly being resolved by employing outstanding graduates on the programme. It is likely that a high UK presence will continue, as this is a major source of competitive advantage. *Legal issues* of matching the UK and Russia laws and concluding a formal agreement of co-operation temporarily solved in January 2001. The issue of extending the programme is being tackled by developing relationships incrementally, first with Novosibirsk. We are beginning to look more actively for sponsorship for scholarship students from Russian

and international companies. Although there are many outstanding problems, frequent meetings and open discussion results in resolution, or at least a sense that they are being taken seriously and so alleviated. As one interviewee put it *if we have a problem, we solve it together, put efforts to do it in an efficient way*. We should also see the comments in this table alongside those in Table 3.

### **Student stakeholders**

This section of the paper summarizes the results of three in depth telephone interviews conducted with students from the 1999 cohort and a questionnaire delivered to students on the 2000 cohort which elicited 8 responses approximately 20% of the cohort (Loeontenkov, 2001). Comments also incorporate the results of earlier research (Kovalaeva, 2000), who carried out some 15 interviews with first and second cohort students. We summarize these findings under the headings of some key questions that were posed.

*Why is the MBA important for you, what do you get out of it?*

Students stressed their desire for an internationally recognised diploma in management that would give prospects of career development and articulated their need to expand their knowledge of Western business practices. They consider that an MBA helps to assess their working practices. Some felt limited by their previous education. They expect an MBA to provide new ideas, network, change their thinking and make life more interesting.

*Why have you chosen Kingston MBA Programme? What are the distinctive features of Kingston MBA?*

Table 6, below, summarizes responses. All noted the importance of the *Britishness* of the programme, reputation of KBS and accreditation. A very important aspect is that it is run by the UK academics. The structure and design of the Programme they consider superior to other programmes in Russia, better suited for those students who work, and it gives an opportunity to discuss questions and receive feedback from the experienced and professionals.

- Kingston business school is one of the top and prestigious European business schools;
- The only foreign MBA Programme in Russia accredited by AMBA
- Kingston MBA programmes offers two
- Kingston MBA is better structured and a more flexible than rivals. It is better suited for those who work.
- Kingston MBA is run in Moscow, so there is no need to go abroad for the same diploma.
- It gives an opportunity to get first hand experience from the UK professional lecturers, rather than an interpretation of foreign practices by Russian teachers.
- Administration of Kingston MBA gave a warm welcome and was much better, more helpful and open than administration of other MBA programmes in Moscow.

- Preference to British education over American MBA.
- General interest in the British culture.
- Recommendation by friends and colleagues.
- Opportunity to participate in joint research and in joint publications

TABLE 6

*What are your impressions, disappointments, and suggestions?*

Students mentioned that the administration of the Programme has improved. The programme is running more smoothly, and is professionally managed. Administration is flexible and open to discussions and suggestions from students. The majority of students said that the programme was even better and more interesting than they have expected. No disappointments were mentioned.

Benefits accrue in proportion to effort. They students enjoy the course. Marks were disappointing sometimes as they had thought the marking would not be so strict on a distance learning programme. Lecturers who use practical knowledge, or unusual approach for presenting material are considered the best. Students say they gain professional experience that they can immediately apply at their jobs.

*What problems do you see emerging in the future?*

Students mentioned one overall problem, - a problem demand for MBA graduates by Russian firms, perhaps through lack of knowledge by some employers perhaps by fear of the new knowledge they bring. Such demand is only gradually appearing in Russia, perhaps through the influence of internationally exposed firms. Theoretically, it is easier to find a job with MBA diploma, but it still not universally the case in Russia. It is interesting in this respect to note that in a survey carried out by the journal Career in 2001 salaries of graduates on the programme were calculated as having increased by 300 per cent.

Another problem that can emerge in the Programme is the ability of the course to transfer the best Western business ideas and practices to Russian firms. Strong path dependence persists with respect to management practices in established firms, that privatization has failed to resolve<sup>xii</sup>.

If British lecturers are replaced by Russians, students fear that the international spirit of the Programme will disappear. The programme will lose its peculiar distinctive feature and might become an average Russian MBA course. This is not because the Russian lecturers are worse, but because there is a difference in education and experience and students can see the difference. They learn from the British side, not only their academic and business experience and knowledge, but also the cultural aspects.

For the future, students see a problem in growing competition and are concerned that Western management education will not be in demand in Russia due to some possible

change in direction of country's development. They are also concerned that the Programme is currently successful due to inputs of *fantastic* personalities. If personalities change, there can be a disaster. Otherwise, there is a bright future

*What can you say about co-operation between KBS and ANE?*

They mention that both parties fit each other quite well. The students like the result of co-operation, but do not know the details. Negative criticism of co-operation seems to have notably declined. Each session of block teaching is concluded by staff student consultative meetings where issues are discussed.

*What are your expectations in the future?*

Students hope that KAMBA Programme will be increasingly recognised and stable. All students expect that they will get new knowledge and will be promoted to better positions in their companies (or will find better jobs) with higher salary.

### **CONCLUDING REMARKS**

We are not reporting on just three games between stakeholders in the alliance (2 institutions, and a student body) but on a series of games: sub games within stakeholder groups, games relating to different objectives (cross sectional), and games whose rules and participants and objective evolve over time (time series). With respect to the model joint payoffs seem to be preponderant in most of the games, including those relating to monetary issues. Thus incentives exist for co-operative behaviour, which no doubt accounts for much of the success of the alliance so far.

Scope for opportunistic behaviour does exist, especially in relation to cost sharing. So prisoner's dilemma elements are present in some games. In many such cases, as the Tables indicate, Axelrod's prescriptions for successful *tit for tat* results are present.

With respect to the strategy literature, the approach by Doz (for example Doz, 1996) which sees alliances in evolutionary terms is perceptive and relevant to this case. Perhaps we should go further and assert that evolution is a necessary condition for sustainability: a motive and *drive* in itself. Cultural dissonance does not feature as important. Non monetary elements are important elements in payoffs. The approach to alliances through a cost benefit structure enables important altruistic elements to be incorporated into the empirical work.

Well-known factors such as *product champions*, and sponsors are important to the success of the alliance, but we do not underestimate the role of chance. In a sense the crisis of 1998 was the foundation stone of the alliance: perseverance by the players established a basis of trust.

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## NOTES

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<sup>i</sup> The authors are respectively Professor of International Business and Director of the Centre for International Business Policy and Vice Rector of their respective institutions.

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<sup>iii</sup> From the Association of MBA's (AMBA) in July 2000.

<sup>iv</sup> Economic Strategy began publishing in Moscow January 2000 contains scholarly articles by international academics and politicians, interviews with leading managers and ranking of the performance of Russian firms.

<sup>v</sup> The New Matrix, Ageev, Bolshakov and Matthews (2001) forthcoming Oct/Nov.

<sup>vi</sup> A conference was organized under the auspices of the Moscow School in Moscow 21<sup>st</sup> November 2000, by Profs. Shanin, and Karpuhina. Speakers included leading Russian politicians and oligarchs.

<sup>vii</sup> The literature survey owes much to the work of scholars from the two institutions, especially Kovalaeva (2000) Soui Kei Min (2000) and Leontenkov (2000) cited above.

<sup>viii</sup> Essentially the model (Matthews, 2000) presents payoffs and co-operation in an expression related to the spin glass.

<sup>ix</sup> Khanna, Gulati and Nohria (1998) make a similar distinction. The distinctiveness of this contribution is the explicit game theory formulation and the breakdown into benefits and costs.

<sup>x</sup> See Matthews (1998, and 2001)

<sup>xi</sup> Pursuing the marriage analogy, this could be expressed (in a Wildean fashion) as a *triumph of hope over experience*

<sup>xii</sup> This of course is to say that transition is a long process. We may also note that Russian firms have been the victims of consultancy by firms and individuals with little feel for the nature of Russian problems. This is one of the issues addressed by the Journal Economic Strategy continually.