

Implications of the strategic alliance marketing essay

[Business](#), [Marketing](#)



ContentsIntroductionStrategic partnerships or alliances between organizations are becoming increasingly popular these days as a way to extract greater value from the marketplace. Companies are searching for innovative ways like such alliances to enhance profitability, handle uncertainty and build competitive advantage. In recent times, alliances have become an important part of the competitive and growth strategies of most companies. With the recent phenomenon of relationship marketing in picture the focus has increased on the use of inter-firm relationships or strategic alliances to delivering a total service package to the consumer. Alliances help firms strengthen their competitive position by enhancing market power (Kogut, 1991), increasing efficiencies (Ahuja, 2000), accessing new or critical resources or capabilities (Rothaermel & Boeker, 2008), and entering new markets (Garcia-Canal, Duarte, Criado, & Llaneza, 2002). As companies rush to leverage the potential value of alliances, they often overlook the potentially adverse effects of poor alliance partner selection. Thus, strategic alliances help firms concentrate on their core competencies- what they are good doing at and leverage on the strengths of the partner firm as well.

MethodologyOur project begins with the literature review available over the internet, research papers and other management papers. The project involves examples of various famous successful and unsuccessful strategic alliances across the globe to understand the intricacies of such partnerships. We then use a few frameworks to evaluate the Bharti Airtel- IBM alliance in India and South Africa. In the end we identify the factors that led the alliance to succeed in India and the way forward for South African market and applied the learning from various literature works for the successful implementation

in the new market. Relationships between CompetitorsW. Czakon has given a general classification of possible relationships between companies.

According to him, there exist four types of such relationships- co-existence, cooperation, competition and coopetition[1]. Coexistence is understood as a lack of any mutual influence between the companies. Cooperation takes place when the companies are engaged in the exchange of information or resource or social exchange. Competition, basically, is a relationship which involves aiming at the same objectives by both sides which results in conflict of interests. Co-operation is seen as a relationship based on the mutual interaction of partnering firms by means of sharing the resources and possibilities of using them as a platform for mutual benefits. Coopetition is, according to W. Czakon, the cooperation between competing companies in which co-operation is mixed with competition. Figure 1: Forms of Relationships between companies- 1Companies choose to develop such mutual relationships among one another, particularly among competitors to achieve competitive advantage and establish bigger partnerships with suppliers, clients or competitors. In another classification, there are three types of relationships between companies based on their character and scope- non-interfering, mutual and dependent.

Non- InterferingMutualDependent

Figure 2: Forms of Relationships between companies-2When cooperation is the dominating phenomenon, companies will have the tendency towards integration. Integration here is understood as merger or takeover. Whereas alliance takes place when rivalry does not cease..., but is temporarily and consciously limited in a given area. There are many definitions of strategic

alliance found in literature. M. Watkins views strategic alliance as a union of two or more companies that remain independent. Companies share the benefits and the control. S. Sudarsanam defines strategic alliance as any contract or agreement according to which two or more companies co-operate in order to achieve certain commercial aim. J. Cygler expands the above definition- ...strategic alliances are long-term and intentional agreements between business partners concluded on the basis of the principles of partnership and adequacy of benefits derived from the union all the while maintaining the parties' organizational independence[2]. Why do companies form alliances? Strategic alliances give firms access to resources, cost reduction, information, new untapped markets and technologies; allow sharing of risk, outsourcing value- chain stages and organizational functions. There are advantages of learning and economies of scale and scope. Strategic alliances often do not succeed because of strategic and planning errors made by senior management of the partnering firms. The following chart outlines the major driving factors of organizations opting for coming together as a single entity.

Strategic Alliance

R & D cost reduction
Access to resources and complementary technology
Learning, access to know- how and advanced technology of partner
Limitation of risk, risk sharing
Access to financial resources
Acquiring qualified labour
Access to new markets/ customers/ acquiring scale & scope
Shorter PLC
Improvement of financial results

Figure 3: Advantages of a Strategic Alliance

Why alliances fail? Strategic partnerships are sources of

both opportunities and restraints. The success of any alliance is controlled chiefly by clever partner selection. Around 30-40 percent alliances in every industry do not meet expectations of management and hence fail. Also, it is seen that most seem to fail for reasons that are controllable.

Example

For example, the alliance of Volvo and Renault saw the collaboration of the two largest firms in their respective countries for achievement of economic goals and was hailed by industry experts. However, it failed due to misalignment of senior and operating managers, path dependence, alliance re-contracting, leadership style, cultural differences and time[3]. The major factors that cause a strategic network fail were identified and classifies under the following sections the following:

Internal Alignment[4]

One of the most commonly seen reasons of strategic alliances failing is- lack of planned internal alignment. Many companies do not properly allocate their internal resources-time, money and expertise. Consequently, managers make poor decisions when negotiating the deal. Then, once the terms of the union are pinned down, employees may send mixed messages to — the partner organization, which results in confusion and jeopardizes trust between the organizations. In addition, poor alignment within a company is likely to result in argument among workers who are unclear about the company's priorities and focus. To develop the internal alignment necessary for an intercompany transaction to succeed, a business must have an effective process for identifying key decisions and issues related to the deal.

It also must recognize the relevant stakeholders and consult with them regularly so that the organization stays appropriately informed and the stakeholders stay involved throughout the life span of the partnership.

Trust[5]

If the firms forming alliances are not compatible, sometimes they refrain from sharing resources and information. This happens in situations where there is a lack of trust and mutual cooperation. Trust between partnering firms is a key factor that may help minimize risks and uncertainties and reduce the threat of opportunism in strategic alliances. Social trust within firms supports market activities and reduces vulnerability to external threats. Interparty trust is likely to exert a stronger positive influence on alliance profitability and stability when economic integration is higher. However, determining the trustworthiness of the partner firm is a long term process and it takes at least a couple of years to prove it.

Cultural differences[6]

The reasons for failure most frequently cited by participants are non-technological culture, communication, leadership and overall strategy. The lack of diverse culture training results in major setbacks. Firms analyze the benefits of alliance formation- e. g., synergies and economies of specialization and the negatives- e. g., disclosure of critical information related to consumers. The organizations hence continuously strive to identify the best possible trade-off for minimizing costs and maximizing benefits and choose the partner by keeping all factors in mind. Strategic alliances in Telecommunication IndustryThe global telecommunication industry has seen

much transformation in the recent years with many economies opting for privatization and deregulation. This has opened doors for firms to be equipped with advanced technologies, new capabilities, information systems and evolving skills by forming strategic networks. In the 1990s, the U. S. saw many mergers & acquisitions and partnerships in the Telecom industry under the Telecommunications Act of 1996. The industry mostly has seen the merging of firms with closely related products, services and technologies which results in control over technology and synergies of scale and scope.

Example

For example the merger of Qwest Communications and LCI which resulted in the fourth largest long-distance service provider in the U. S. The objectives included cost reduction, improvement in market share, and economies of scale and scope. Few major alliances in the global Telecommunications industry are shown in the following figure[7]: Figure 4: Major Alliances formed in recent years

The main driving factors of formation of strategic networks and partnerships in this industry have been the need of seamless worldwide communications and the outgrowth of a global marketplace where the biggest firms compete directly with each other. Especially in telecommunications industry, firms indulge into mergers and acquisitions sometimes to overcome the national protection provided to intrinsic suppliers or for the purpose of resource sharing markets and products development.

Example

Ericsson's strategic alliance with Telefonica (Spain)- the partnership of Compagnie G&ale d'ElectricitP (CGE), the French electrical group, and ITT also produced a new manufacturing alliance strong enough to serve international markets and encounter its existing global competition. The strategic choices made by the companies are limited by the goals they have to achieve, their sizes and availability of resources. Firms select the type of alliance depending on their relative positions with respect to size, capital structure, profitability, and Research and Development competence. Organizations that invest heavily in R&D do not prefer to be engaged into joint ventures. A firm investing too much on R&D may be viewed as enhancing commitment and capacity to develop a competitive advantage in the market, and trying to overcome the fear of diluting its competence by engaging itself with competitors in a joint venture. On the other hand, firms that cannot have R&D expenditures tend to need equity partnerships to compete with independently operating competitor firms. Also, the bigger the firm, the more alternatives it can have and the more flexible it can be in adopting its applicable strategies. Another factor that affects the strategy a firm takes is profitability. It is argued that more profitable firms favor non-equity agreements and tend not to participate in joint ventures. Rather than inclining firms toward equity alliances, profitability, like R&D, appears to function as an indicator of self- sufficiency, and encourages firms to engage in more limited alliance patterns[8]. For the developing world, an effective telecom industry was viewed as critical for competing in the global market. According to several studies, this industry is a determining factor for foreign

direct investment (FDI) as well as export performance (Rossotto et al., 2005). In response to competitive pressures created by privatization, telecom companies in developing economies like India and Brazil are creating strategic alliances and other types of networks—mergers and acquisitions or joint ventures—with foreign partners to ensure customer competitive advantages in international markets.

Example

We take the example of three leading operators in the Brazilian telecom industry—Embratel, Vivo, and Oi, the first two of which are foreign-owned. The scope of these operators' products had changed completely in the last few years—from specialization in a particular service segment to the convergence of voice, data, and multimedia[9]. Bharti Airtel and its alliances[10]Bharti Airtel Limited is a leading integrated telecommunications company with operations in 20 countries across Asia and Africa. The Headquarters are in New Delhi and the company ranks amongst the top 5 mobile service providers globally in terms of number of subscribers. It offers post-paid, pre-paid, roaming, internet, mCommerce, content, media, entertainment and other value added services. In India, the company's product offerings include 2G, 3G and 4G services, fixed line, high speed broadband through DSL, IPTV, DTH, enterprise services including national & international long distance services to carriers. In the rest of the geographies, it offers 2G, 3G mobile services. Bharti Airtel had over 246 million customers across its operations at the end of February 2012.

Bharti Airtel and Cisco

In October 2009, Bharti Airtel and Cisco formed a strategic business alliance combining the strengths of Airtel's network service provider leadership and Cisco's Internet Protocol (IP) technologies and expertise to work together to create and sell in a phased manner a set of unique products and services - including managed data services, hosted unified communications, connected branch services and Cisco TelePresence™.

Bharti Airtel and Microsoft

In November 2009, Bharti Airtel entered into a strategic partnership to offer software and services for Small and Medium Business (SMB) Market in India. The partnership intended to leverage Microsoft's technical expertise to provide enterprise-class software bundled with connectivity solutions to small businesses that do not have dedicated IT resources.

Bharti Airtel and Axis Bank

In May 2012, Bharti Airtel, through its wholly owned subsidiary Airtel mCommerce Services Limited, announced a partnership with Axis Bank for extending banking and payment services to India's unbanked millions through the ubiquitous mobile platform. The alliance expected to leverage the companies' respective strengths in telecom and banking sectors to empower financially excluded citizens of India with banking products and services towards enhancing their livelihood and quality of life.

IBM International Business Machines, abbreviated IBM is a multinational computer technology and IT consulting corporation headquartered in New York, United States. The company is one of the few information technology

companies with a continuous history dating back to the 19th century. IBM manufactures and sells computer hardware and software (with a focus on the latter), and offers hosting services, infrastructure services, and consulting services in areas ranging from mainframe computers to nanotechnology. IBM's early dominance of the computer industry was in part due to its strong professional services activities. IBM is historically by far the most active in alliance formation among its peer group. The company has had more alliances than any other company in the ICT domain: 384 registered technology alliances with 227 different partners as early as 2002. IBM has engaged mainly in alliances in the fields of computer manufacturing and software development, which are the company's traditional core competencies, which might lead to the conclusion that IBM has mainly exploited existing capabilities but in real terms it has gone beyond. In the field of telecommunications, IBM developed new products with network developers Cisco and Nortel Networks, and leading mobile phone manufacturers such as Ericsson, Nokia and NTT DoCoMo in 2001–2002. [11] These collaborations made IBM a strong partner in telecommunications in North America, Europe and Asia. IBM's success is the result of individual alliances being managed like stand-alone businesses and treated distinctly. Clear revenue targets, marketing objectives and division of responsibilities are established with the alliance partners. A key ingredient in IBM's execution strategy is to invest in people, processes and procedures coupled with clear gateposts that each relationship must possess. IBM's strategic alliances target industries such as financial services, retail, manufacturing, and solution segments including enterprise resource planning, supply chain

management, customer relationship management and business intelligence. The goal is to provide developers with refined access to new customers and revenue opportunities through IBM's marketing, sales and solutions resources.[12]An understanding of Bharti Airtel's alliance with IBM in IndiaToday, IBM is a leader in telecommunications infrastructure management. It has tackled nationwide systems in developing and established markets. Bharti Airtel entered into an agreement with IBM, which made its re-entry into Indian market in 2004 and it was worth \$ 750 million over a period of 10 years. Today, this agreement is worth more than 2 billion USD[13]. Bharti Airtel wanted to focus resources on growing its business by expanding its network, strengthening customer relationships and offering innovative pricing systems. However, in a fast-growing market, the company was spending enormous time in managing its back-end systems. In 2004, Bharti and IBM devised an innovative business model under which Bharti outsourced its IT call centre and billing activities to IBM. This initiative was a first of its kind in the world and an unprecedented shift. No longer would Bharti Airtel have to devote energy and resources to systems management or infrastructure maintenance—it was free to develop creative pricing models and services for current and prospective customers. Bharti sales personnel were unable to provide billing assistance. Activation personnel could not access customer promotions. By reworking the backend systems, IBM was able to integrate the new account activation process with key backend and billing systems for an improved customer experience. Instead of being transferred from place to place on a call, customers had easy access to account information and the latest promotions and offers. More

importantly, IBM helped reduce the time it took Bharti Airtel to activate a new account by 90 percent. India's cellular business is one of the fastest growing in the world, and Bharti's subscriptions jumped from 6 million in 2004 to more than 223 million in 2012(India, Sri Lanka, Bangladesh and Africa). Bharti thus expanded from the smallest company in the sector to the segment leader. IBM's systems allowed for flexible pricing models; Bharti was able to make that transition without major shoot ups in capital expenditures. Beyond just transforming Bharti Airtel, improved telecommunication technology is changing the lives of India's 1.2 billion people for the better. Indian industry estimates that telecommunications contributes 1 percent of India's GDP growth. Small businesses have seen large increases in profits.[14]This alliance therefore, has been considered to be one of the most successful alliances not only in telecom sector but across industries. It is first of its kind because for the first time, an Indian company has outsourced its operations to an American entity referred as 'Reverse Outsourcing' at many places. There have been several factors which have made this alliance work:

Strategic Alignment

There seemed to be a very good strategic alignment (backed by complementarity) between Airtel and IBM's goals. Airtel's objective to expand in the uncertain Indian telecom market with reduced risk couldn't have been served well by anyone other than IBM which have well established IT services world over as compared to Indian IT services providers who had no experience in the telecom field. For IBM, this alliance was in line with their

strategy to get a strong foothold in Indian telecom sector. This has paved way for IBM to announce critical strategic agreements with major Indian telecom players year after year.

Structure & Behavioral Issues

Structure comprises of two parts – incentives and governance structure. The contract between Airtel and IBM was based on revenue sharing. However, in case the revenue drops below a certain threshold, IBM would receive a certain minimum payment to safeguard its interest. Moreover, the revenue sharing proportion decreases as the revenue increases. This was to ensure realization of economies of scale by Airtel. The key point here to be noted is the dependence of incentives on output rather than input. Typically the vendors are compensated based on their quality and quantity (hours worked, etc.) of service. The terms of the contract were well defined and also provided flexibility to both the parties in terms of re negotiation of contracts as well as working with competitors. There was a provision for the revision and extension of contracts after every 5-7 years. Bharti Airtel had an option to choose any other IT service provider for additional services. At the same time IBM had the freedom to work with other telecom providers who were Airtel's competitors. In addition, IBM had the flexibility in choosing equipments to be deployed as well as the sub-contractors to be hired. Such kind of exit clauses for both the parties reduced the dependency for both the parties and would enable Airtel to continue the business with another vendor if required. The contract also focused on win-win for the parties in various growth scenarios of Bharti Airtel – 20%, 30%, 50%, etc. – again, enabling

both the parties in reinforcing their strategic alignment. There were some challenges initially but were appropriately handled. For example, the challenges involved in an Indian company dealing with an US service provider were handled by making Jai Menon, who had extensively worked with American telecom companies earlier, as in charge of the deal.

Organizationally mirror teams were created within Airtel and IBM for certain IT components and these teams interacted continuously.

Shrinking the core & expanding the periphery

Collaboration today has complexity on the demand side and supply side, and results in shrinking the core, expanding the periphery. On the supply side, companies can't produce all the inputs that go into their products anymore. So they want to shrink what they used to call core. Core was a lot of things that they produced themselves. So they start to do a whole variety of things. Considering an example of an iPhone, 90% of the inputs that go into this device are not made by Apple. A vast majority of them being made by a whole range of suppliers, who work very closely with Apple to design, develop, configure, make sure all of these things are interconnected. That is shrinking the core. There are demand-side complexities as well. Customers are much more demanding, wanting different things, and hence the need of expanding of the periphery. Organizations need to see solutions and be able to customize what they have. Bharti Airtel outsourced the entire IT infrastructure to IBM and later decided to spin off the ownership of their cell towers. Despite being an organization that does not own its cell towers, does not maintain its cellular network, and does not maintain its IT systems, or

own them and Airtel is growing 35% a year, the largest in India which is the fastest growing market in the world.[15]An understanding of Bharti Airtel's alliance with IBM in South AfricaAirtel offers mobile services using GSM technology in 16 countries across Africa, namely: Nigeria, Burkina Faso, Chad, Congo B, Democratic Republic of Congo, Gabon, Madagascar, Niger, Ghana, Kenya, Malawi, Seychelles, Sierra Leone, Tanzania, Uganda and Zambia. This makes Airtel's footprint across Africa, the widest amongst all telecommunications service providers in the continent. They currently serve 55.9 million customers across these geographies. They offer post-paid, pre-paid, roaming, internet, m-commerce, content, media, entertainment and other value added Services. The company expanded the non voice product portfolio with the 3G launch happened in Congo B and Zambia; their launch in Congo B being the first ever 3G service provided by any operator in Central Africa.[16]Their services under 'Airtel Money' brand allows our customers to enjoy the conveniences of banking on their mobiles with new, secure & robust features and stable platforms. The network extends to the rural areas, making banking facilities easily accessible and more convenient outside the urban areas. In September, 2010 Bharti Airtel, signed a deal expected to amount to an estimated \$1.5bn with American IT specialist IBM. Their objective was managing the IT face of mobile phone networks and driving modernization across the networks of 16 African countries. The deal aimed to reach 100m subscribers by 2012.[17]In June, 2010 Bharti Airtel purchased the African activities of Kuwait-based Zain across 16 countries for \$10.7bn. IBM is supposed to manage the computing technology and services powering its mobile networks across these sixteen African countries.

Under a completed agreement, IBM is expected to deploy and manage IT infrastructure and applications to support Bharti Airtel's goal of bringing affordable and innovative mobile services to remote locations in Africa. In addition, IBM would deploy advanced technologies created by IBM Research, including the Spoken Web -- a voice-enabled Internet technology that allows users to access and share information simply by talking over an existing telephone. This is particularly compelling for populations with little or no literacy, visual impairments, or which lack access to PCs. Airtel's goal for the African market is to lower the entry barrier for people to own a mobile device. According to a Deloitte report commissioned by the mobile communications industry association GSMA, only 40 out of every 100 Africans have a mobile phone. However, demand is growing at an average rate of 25 percent annually, and a 10 percent rise in mobile penetration could increase GDP by 1.2 per cent in developing markets.[18] Under the 10-year planned agreement, IBM will take care of 16 different IT environments across Bharti Airtel's African operations into an integrated IT system and will oversee the management of all of the applications including data centre operations, servers, storage and desktop services. IBM would also provide customer support applications that include customer relationship management, billing and self-care that will empower customers and assist Bharti Airtel in delivering 2G /3G mobile services. In addition, IBM plans to deploy a content management system to offer media content such as music and video over mobile devices, which it hopes will foster the growth of the application developer community in Africa. A contingency model on specific project type partner selection for strategic alliances According to Reshma H.

Shah and Vanitha Swaminathan[19], while multiple factors may affect alliance success, partner selection emerges as one of the most important and influential. Previous studies on alliances present general models that assume four factors (e. g., trust, commitment, complementarity, financial payoff) that drive partner attractiveness and, in turn, the likelihood of selection, are consistent across varying alliance projects. The current model introduces a framework that addresses when and why managers select partners with certain, specific characteristics. The primary thesis of this research is that alliance project type is an important consideration while examining the relative importance of various partner characteristics. The main premise of this literature review is that alliance project types vary in terms of the complexity of processes required to accomplish them (process manageability) and the degree to which their outcomes are readily interpretable (outcome interpretability). Given these differences, the criteria an organization would use to determine what makes an attractive partner will also vary. An overview of the conceptual framework is provided in Figure 5.

5. Process manageability: Low (Difficult) Process manageability: High (Easy) Outcome Interpretability: Low (Difficult to Interpret) Outcome Interpretability: High (Easy to Interpret)

Figure 5: A Contingency Model of Partner Selection & Attractiveness

The choice of control mechanism depends upon: (1) the degree of transparency of the process by which the alliance is implemented and sustained, in other words, the degree of alliance process manageability; and (2) the degree of transparency of the outputs of the alliance, or in other words, the degree of alliance outcome interpretability (Ouchi, 1979). Conceptually, process manageability is defined as the degree

of interaction, including communication and coordination, perceived to be required by the initiating partner in the process of implementing and sustaining the alliance tasks of the particular alliance project. Process manageability considers the costs inherent to alliance maintenance and governance borne by the partners. The higher the attendant costs, the lower the manageability. Outcome interpretability refers to the degree of difficulty associated with being able to interpret or understand with certainty the exact outcomes of a particular project—in this case, an alliance project.

Complementarity

Complementarity basically means combining assets of partnering firms together to generate a higher value. It is the first determinant that firms undertaking a strategic alliance should consider. Complementarity is a critical element in partner selection and attractiveness assessment as it affects the extent to which the image orientations, abilities, and activities of organizations can be integrated successfully (Ohmae, 1989; Spekman and Sawhney, 1990). When partners have complementary skills and resources, coordination between partners is facilitated (Achrol and Stern, 1988; Harrison et al., 2001; Larsson and Finkelstein, 1999; Moorman and Slotegraaf, 1999; Murray and Siehl, 1989). In its native country India, Bharti has pioneered a new outsourcing model to save on cost by collaborating with IBM, Ericsson and Nokia Siemens for its infrastructure requirements: this includes all non-core processes including IT, contact centres, networks and their management, leaving time for Bharti to focus on marketing and branding. Similar approach is used for African operations. While Airtel

provided IBM with the necessary telecom experience in India, IBM made it possible for Airtel to be a customer-centric company through its seamless IT integration. Beyond providing cheaper calls, already slashed 60% in some countries, the decade-long partnership will allow Bharti Airtel to develop affordable 2G and 3G coverage across the continent. Further, there will be technologies developed by IBM research, such as the spoken web, which would allow users to surf the Internet simply by talking to their phone (important in a country with lot of illiterate population). IBM also deploys an effective content management system to offer rich media content such as music and video over an individual's mobile phone. Deloitte predicts that a 10% rise in mobile penetration has the potential to generate a 1. 2% growth in GDP. IBM's integration of 16 IT environments belonging to Zain's Africa network into one integrated IT system gives high chances for the company to tackle organisational bottlenecks and bring a world-class mobile service to Africa.

Trust

Trust has been widely acknowledged as a key social norm in governing and coordinating alliances (Anand and Khanna, 2000; Heide and John, 1992; Gulati, 1995). Smith et al in 1995 have described trust to be the chief and central component in the decision of choosing alliance partners, governance contracts, and in the perceived risk in an alliance or inter-organizational relationship. It plays an important role, realization of objectives and success depends a lot on the degree of trust and transparency. Participating companies are able to share information, knowledge, technology and

competencies which are critical for the success of alliance transparently because of the trust existing between them[20]. Competence-based trust exists to the extent that partners consistently exhibit traits such as credibility and expertise. As such, competence-based trust reflects the degree to which partners are willing to rely on each other's expertise, capabilities, and judgments. However, since trust between the partnering firms comes through regular interaction and dependence on each other, it can be established only in the longer run, at least after a couple of years to the formation of the alliance. If both the firms find synergies by leveraging the best capabilities of each other and the belief that the partner would not cheat them, trust builds automatically. Thus, both the sides should be honest enough to share with each other information, resources and expertise as promised in the contract to make the alliance effective. The trust between Airtel and IBM has been built over the years due to recurring transactions. Consistent delivery of results from both sides and realization of benefits has further strengthened it. Competence based trust plays a major role for Airtel choosing IBM as its strategic partner for Africa operations because of proved superiority in offerings by the latter during India operations. The idea was to replicate the success story of the alliance in India in 2004 to Africa in 2011 considering both are emerging economies with growth potential. These findings are consistent with the notion that trust is likely to assume greater importance in specific alliance contexts that are associated with high risk, e. g., when process manageability is low and outcome interpretability is low.

Commitment

Commitment is described as a pledge by alliance members to undertake specific actions that will facilitate the attainment of the alliance's goals and objectives and is an essential part of successful long-term relationships.

Commitment has also generally been defined as a willingness to make short-term sacrifices to realize longer-term benefits (Dwyer et al., 1987; Gundlach, Achrol, and Mentzer, 1995). If a partner is to make continuous commitment to an alliance relationship, then at the onset of a project it should be willing to show these commitments in the form of pledged resources. Resource commitment often involves dedicating specific assets to an alliance project and making pledges throughout the process that signal continued support of the alliance. In alliances where processes are difficult to manage, control theory would lead us to believe that both commitment and trust are important coordinating mechanisms. IBM has been present on the continent for the past 50 years and the partnership clearly marks the recognition of a new African strategy. IBM is said to have invested some \$300m in Africa over the past five years. As per Williamson, transaction cost economics play a major role in contracts. From this perspective, this contract is mutually beneficial for most of the companies. When Airtel started to expand its services, it faced the risk of high investment in capital infrastructure to provide consistently good service quality to customers. However, the capacity has to be in excess of current requirements with uncertain market growth perspectives. Outsourcing to IBM provided it with benefits of predictable service expenses without the risk of capital investments. Under the 10-year planned agreement, IBM will take care of 16 different IT

environments across Bharti Airtel's African operations into an integrated IT system and will oversee the management of all of the applications including data centre operations, servers, storage and desktop services. IBM would also provide customer support applications that include customer relationship management, billing and self-care that will empower customers and assist Bharti Airtel in delivering 2G /3G mobile services. In addition, IBM plans to deploy a content management system to offer media content such as music and video over mobile devices, which it hopes will foster the growth of the application developer community in Africa.

Financial payoff

To the extent that the inherent financial payoffs associated with allying with some partners is greater than that of others, the attractiveness of these partners and correspondingly likelihood of selection should also be greater. Higher financial payoffs could result from higher perceived market opportunities that translate into higher revenues (Bucklin and Sengupta, 1993). Financial payoffs may also result from cost reductions stemming from better economies of scale (Dussauge, Garrette, and Mitchell, 2004). This is perhaps the most important parameter of evaluating the alliance between Airtel and IBM in SA because all other parameters (trust, complementarity and commitment) were duly visible in the alliance in India. Moreover, when alliance processes are perceived to be easy to manage (which is the case here), less focus will be placed on criteria that make the processes more certain (i. e., trust and commitment). Thus, when financial outcomes seem to be easy to interpret, they become uppermost in a manager's mind in terms

of determining partner attractiveness. Unified Governance could not have resulted as the transactions are not very idiosyncratic and Bharti wanted to gain from IBM's experience. Likewise, IBM also wanted to gain experience in Indian telecom sector and leverage it in providing services to other major telecom players in the Indian market. Thus, there was a potential of economies of scale and applicability of experience and learning curve economics in the alliance. Figure 6: Airtel Q1, 2012 Quarterly report

Looking at the YOY Net Income for African operations, the company faces a loss even though revenues have been rising. There could be several reasons for that. Economic and currency headwinds are evident in key markets, as a result of the eurozone crisis, slowing down of aid and grants, rising inflation and political issues in some countries. With this in mind, the company chose to accelerate the intensity of market operations to stimulate more growth in the coming quarters. At the end of the quarter ended June 30, 2012, the company had 55.9 million GSM mobile customers on its network. During the quarter, the company added 2.7 million customers. The ARPU for the quarter was US\$ 6.5 per month. The blended monthly voice usage per customer, during the quarter was 120 minutes. The company added 150,000 selling outlets to touch 1.24 million outlets, and is all set to become Africa's largest retailer by 2013. The net loss for the quarter was significantly high at Rs 6,693 million, mainly due to the pressures on EBITDA, higher depreciation and substantial finance cost including forex losses. Even though current scenario looks grim on this particular alliance, the future has hope because Africa being a growing economy is expected to show growth in the number of subscribers and the target then would be to achieve volumes in

order to contribute to the bottom line. At present, depreciation amounts to a major factor in subduing the Net Income from operations. ConclusionThe Indian alliance showed a humungous increase in subscribers from 6 million to 150 million and was an instant success. The African alliance has not shown a similar trend partly attributable to the economic conditions in the country where the average incomes and literacy rates are much lower than India. But nevertheless, projected growth shows hope in the coming years. It will be too early to comment about the South African model right now, however, the success story of the Indian version is apparent with the replication of the model for other companies like Vodafone (Vodafone- IBM alliance) and DoCoMo. Based on the characteristics of successful alliances and some of the reasons why alliances fail, the key success factors could be summarized in the form of a strategic framework. The first step is to reconsider the core and identify opportunities to expand the periphery. It involved finding out what actually is the core competency and what are the functions that others can perform better. This is followed by identifying the right strategic partner. The partner should be selected with few important points in mind - transaction costs involved, competencies, value to the parties, strategic alignment and vision of the alliance. Following this, the alliance thus formed should have a defined incentives and governance structure but with enough flexibility for both the parties to sustain and grow their businesses. Quantification of possible benefits along with suitable performance measures is also important for the parties to continue their alliance. These would lead to an understanding leading to coherent behavior

and trust between both the parties. Such an alliance would result in superior performance, lower costs and higher efficiencies.