Lecture – 25
Transorganizational OD Intervention

In this session, we are going to look at the strategic alliances, other than mergers and acquisition. There are different types of strategic alliances other than merger and acquisition, we are going to study few of them in this part of the session. Strategic alliances are fast and flexible way to access that complimentary resources and skills that reside in other companies.
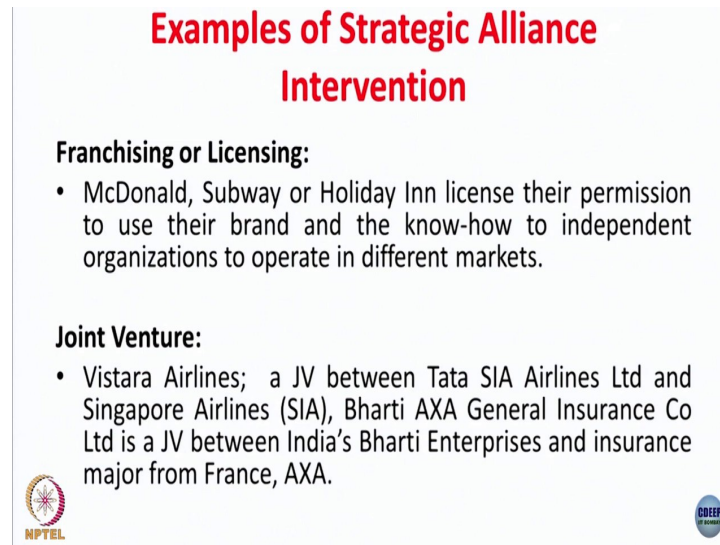
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So, these are now recognized as very important tools for achieving the sustainable competitive advantage. In order to acquire the resources, expertise and the market access, many organizations have started making alliances with other business organizations which are different from M&A . There are few examples; one example of the strategic alliance is in the form of giving franchisee or license.

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So, you must have seen McDonald's, Subways, Holiday Inn etcetera in different parts of the world. Some of you might have seen that in India and many of you must have seen in other countries as well. These organizations do not own all the facilities they run in different parts of the world. They actually work on the franchisee model; that means, they allow the other players to use their know-how and brand and they ensure the quality is maintained and in this way, lots and lots of independent organizations use this brand and know-how and operate in different market on the name of McDonald, Subway or Holiday Inns.

Many of you might have seen or might have travelled with Vistara Airlines. This is a good example of another form of strategic alliance which is called joint venture. So, joint venture is a one business venture being created by two or more number of business organizations. Vistara is a joint venture of Tata SIA Airlines Limited and Singapore Airlines.

Another famous organization is Bharti AXA General Insurance Company. This company is also a joint venture. A joint venture between Bharti Enterprises which owns the Airtel mobile services and Insurance major from the France named AXA.

So, these are the examples of the strategic alliances. Essentially, alliances are pursued through sharing exchange or co-development of resources and the resource may include

intellectual property, people, capital, technology, capabilities or physical assets or combination of any of these.

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Why we need to make strategic alliances? Strategic alliances are the fast and flexible way to access complimentary resources and skills that resides in other companies. That is why they have become very important tool for achieving sustainable competitive advantage. So, one of the very good examples of a strategic alliances is Tesla. Since its first public offering in 2010, the electric car manufacturer Tesla and corporation has had some substantial success.

So, one of the examples is that in 2019, the company boosted a market capitalization of around 76 billion dollars and this is an appreciation of more than 1500 percent over its initial public offering in 2010. Acknowledging the role of founding teams of the Tesla, they are very bright technocrats and amazing leaders. We also need to recognize the role played by Tesla's strategy of creating alliances with larger and more established companies.

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So, in 2010 and before, Tesla had forged a strategic alliance with Daimler AG, Toyota Motor Corporation and Panasonic Corporations etcetera. Daimler partnership provided a much needed cash injection to this organization.

Toyota partnership gave Tesla access to the world class automobile manufacturing facility located near its headquarter in Palo Alto in California and Panasonic corporation, they are world leaders in the battery technology and the collaboration with Panasonic resulted in sharing of very valuable knowledge on battery technology with Tesla. So, these are the examples of how this strategic alliances have played so important role in the success of the Tesla corporation.

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Any strategic alliance generally goes through the four stages; first is alliance strategy formulation, second partner selection, third alliance structuring and start up and fourth alliance operation and adjustment.

Alliance strategy formulation involves identifying the collaboration logic, the "why" aspect of strategic alliance and answer of this question is based on clear business strategy and business strategy simply means pathway to achieve long term objective, the distinct capabilities being owned by two different organizations or the partners who are entering into the strategic alliance.

Economic drivers, how business is going to be affected, how the business model is going to operate and why an alliance is a better option than M&A or in-house capability building. When these questions are answered, then formation of the strategic alliance leads to the next stage and that next stage is partner selection. For a strategic alliance for any organization, there can be multiple options.

They need to look at these options and identify how to leverage the similarities and differences in the capabilities of the prospect to alliance partners. They also need to look at the compatibility of the management style, organization culture, their long-term goals to create a competitive advantage.

After partner selection comes the alliances structuring and start up, how the structure and design of the new entity will look like. So, first they need to identify the governance structure with the medium and long term contracts.

What will be the governance structure of the new entity? Equity decision is again a very important question to be resolved in the planning stage itself, whether one partner will be a majority and another partner will be minority equity holder or both the partners or multiple partners will have equally equity decision are the very important points to be decided in the formation stage of the strategic alliance.

Ensuring the relational equality for the long-term exchange, how the two partners will have equitable status in the joint venture. That also needs to be ensured in the planning stage.

Building trust through interactions and expectation sharing is the way through which the alliance structuring and associated decisions are going to be decided. Once these things are decided governance structure is formed, equity decisions are made and the terms and condition for the long term exchange and relational equality is established, alliances are forced and they start operating. In this stage, alliance have to keep diagnosing state of itself and they need to make appropriate adjustment.

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What is the role of OD in different stages of the strategic alliance? From the very first stage of the strategic formulation, OD can be useful. OD as a field and OD facilitator can help the two partners for their strategic planning which can help them to identify the collaboration logic. I have already explained what all the factors included in the collaboration logic. Secondly, the OD field and OD facilitator can help the potential partners to explore and understand their similarities and differences.

Many a time, business leaders or the champions for the alliance are carried away by only the potential benefits, by only the competencies, they sometime overlook the potential pitfalls or potential drawbacks of each other. In this kind of situation OD practitioners can help them to objectively reflect upon the similarity and differences of each other. And identify the right course of action.

In the alliance structuring and start up as well, OD can play a very important role. By facilitating the partners to develop the organization design, you might remember we discussed about the criticality and the factors of organization design in the very first few lectures of this course.

Another important component in the structuring process is trust building and expectation sharing. In the very beginning of the alliance formation, trust play a very important role and in the trust building communication plays a critical role. In this regard, OD practitioner and field of OD can be a very significant help to the potential partners.

OD can also help in expectation sharing by the partners and reaching to the consensual point. In the alliance operation and adjustment, full range of OD intervention which we have discussed at the individual level, team level, and organization level.

So, OD intervention at all the three levels can be implemented, when alliance starts operating. No partnership can be free of any friction. There is always a scope of friction, miscommunication or even conflict, when two or more partners operate in a marketplace.

In that situation, OD can help in clarifying the issues, resolve the conflict and it can also be of a continuous help for clarifying the capabilities contributed, lessons learned so that disagreements or the misunderstanding do not result in conflict. So, we can see that OD can play a very important role in strategic alliances at different stages of its formation and operation.

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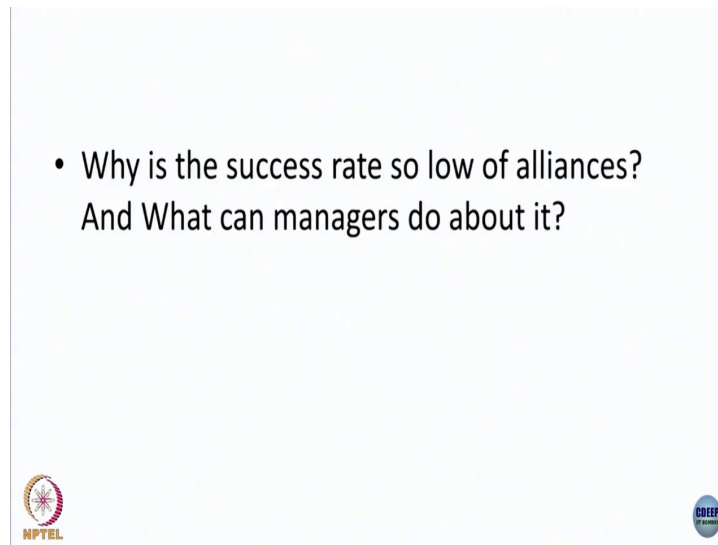
When we know all this then why is the success rate of alliances so low? More than half of the alliances are not able to realize their full potential or the potential which is being thought through in the formation stage of the alliance and what can managers do about it.

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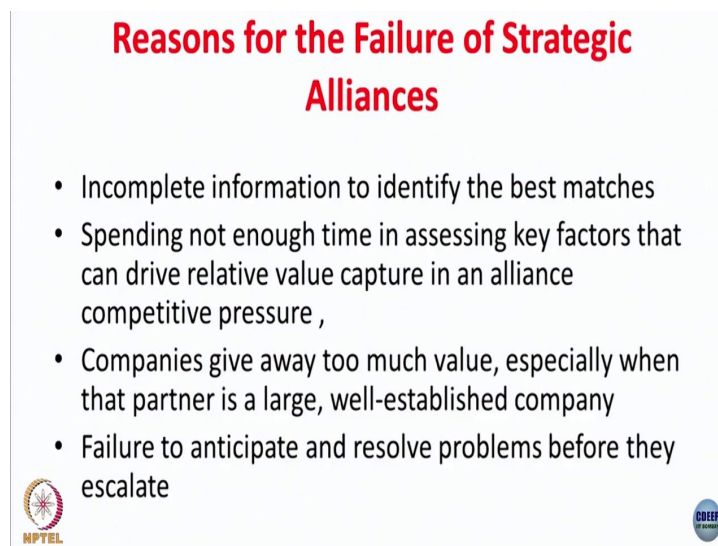
We need to look at why the strategic alliances fail and if we understand these reasons well, we can address these while formation or operation of the alliances.

First and foremost, thing is incomplete information to identify the best matches. We know that human beings suffer from the selective perception bias, they wish to look at
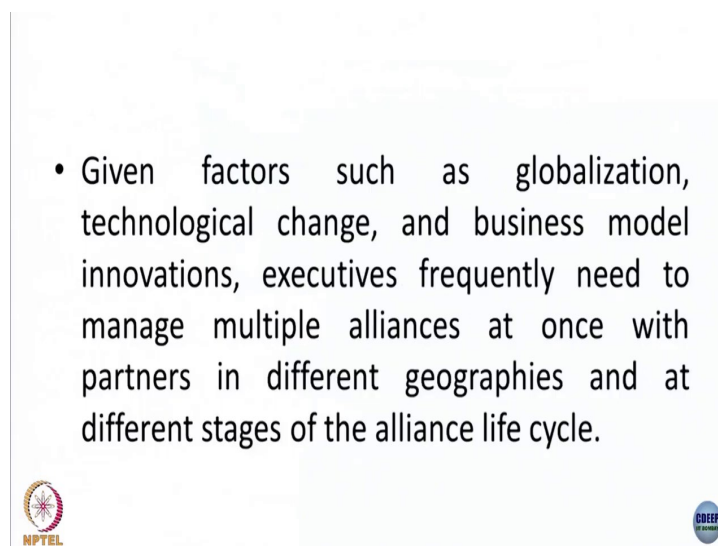
what they are excited about, they wish to look at what they are more interested and that affects the managers and the decision makers as this factor is not addressed properly. Partners can go ahead with the severely or grossly incomplete information about each other. So, that becomes first reason for the failure of the strategic alliance.

Next reason is not spending enough time in assessing the key factors that can drive relative value capture in an alliances competitive pressure. There has to be a proper understanding about the value being brought by the two partners and how that is going to result in a competitive advantage, in a competitive pressure in the marketplace.

When these aspects are not sufficiently fleshed out, alliances face the risk of failure . Companies give away too much at times, especially when one partner is very large and well-established company and later on, they repent and are not able to continue with that partnership.

Failure to anticipate and resolve problems before they escalate and become severe conflicts, is another reason why strategic alliances fail and we have already discussed the field of OD can be helpful in addressing all these reasons, from the formation and operation stage of the alliance.
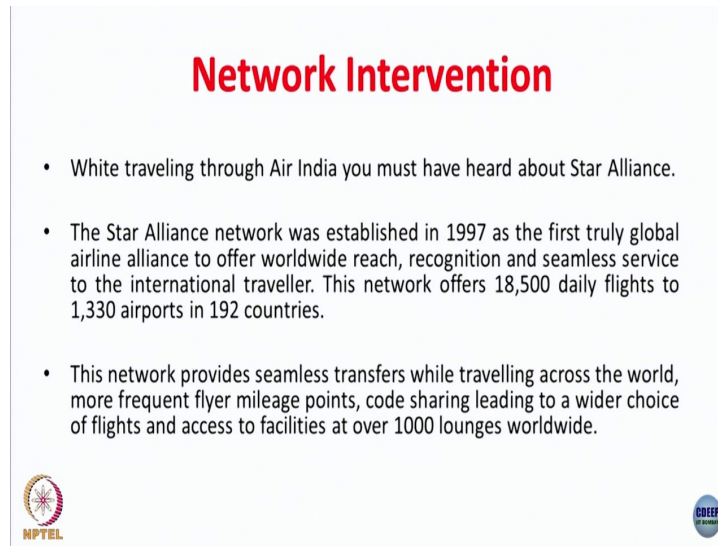
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So, given the factors such as globalization, technological change, business model innovations, executives frequently need to manage multiple alliances at once with

partner in different geographies and at different stages of alliance life cycle. So, we need to understand that forging alliances and managing them is a very important competency for the business leaders of the 21st century and field of OD can contribute significantly to realize this potential for the business leaders and for the organizations.

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Another type of the strategic alliance is network intervention. I would like to start with one example. While traveling through Air India, you must have heard about Star Alliance. The announcer in the aircrafts mention that Air India is part of Star Alliance. So, what is the Star Alliance? A Star Alliance is example of the network about which we are going to study in this part of the session.

Star Alliance was established in 1997. It is a truly global airlines alliance to offer worldwide reach. Recognition and seamless service to the international traveller is being provided by this alliance and this network offers more than 18,000 daily flights to more than 1300 airports in about 192 countries in the world.

So, this network provides a seamless transfer while traveling across the world, more frequent flyer mileage points code sharing leading to a wider choice of flights and access t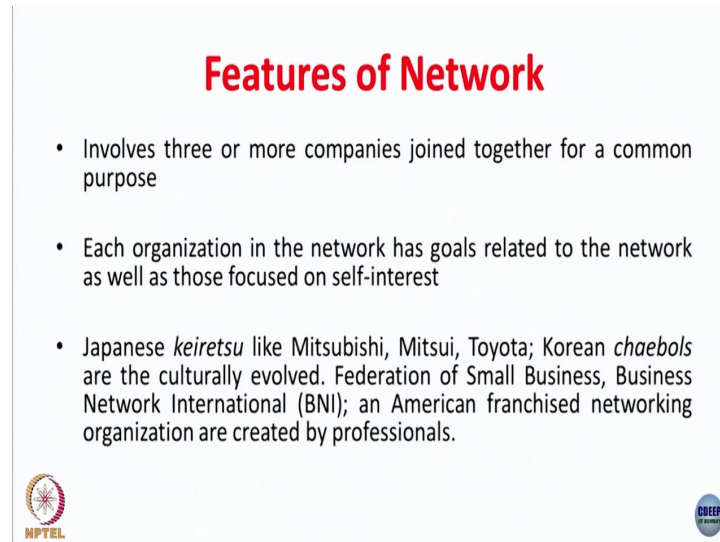o the facilities at over 1000 lounges worldwide. Because of being part of the Star Alliance, people can book their destination in the interiors of any parts of the world with the same booking being done with Air India.

So, this is an example of the network intervention. Star Alliance has more than 35 airlines across the world; Air China, Turkish Service and many more operating in all parts of the world and because of they being part of this network, lounge facilities and the flight booking facilities are available to the travellers who are booking with any of the partner of this network.

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Let us look at what are the features of the network. Network involves three or more companies joined together for a common purpose. Each organization in the network has goals related to the network as well as those focused on the self-interest. There are some informal type of networks and there are formal networks. Japanese keiretsu like Mitsubishi, Mitsui, Toyota or Korean chaebols, these are the culturally evolved networks.

The keiretsu evolved from the Zeraetsu means the family-based network in Japan and similarly, the Korean chaebols have also evolved based on the network of the relatives or people of the same community operating in the different fields of business. So, the example of the formal network is the federation of this small business in UK or Business Network International BNI in USA.
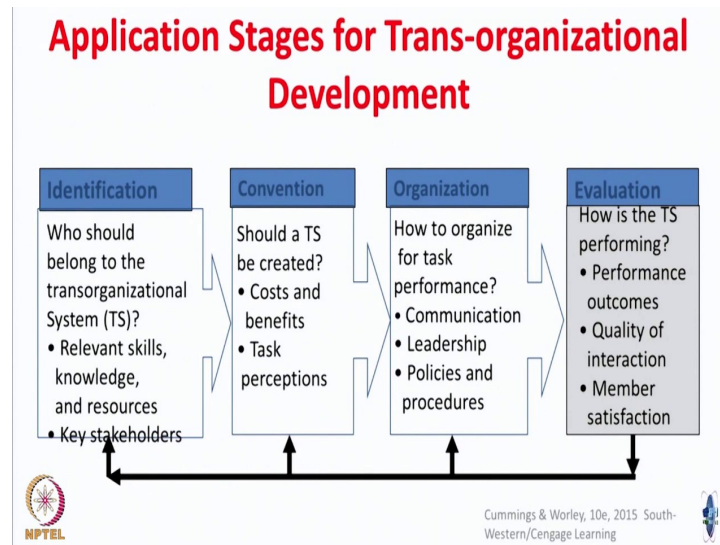
What are the application stages of the trans organizational development process? The trans organization development goes through the four stages; the first stage is identification, second is convention, third organization and fourth is evaluation. In the identification stage, network partners or the initiator of the network decides who should belong to the trans organizational system; what are the relevant skills knowledge resources and key stakeholders of this network.

When these questions are addressed with the sufficient details, the next set of questions appear with the next stage and that is about how trans organizational network can be created. What are the cost and benefits for the individual members, for the customers and other stakeholders?
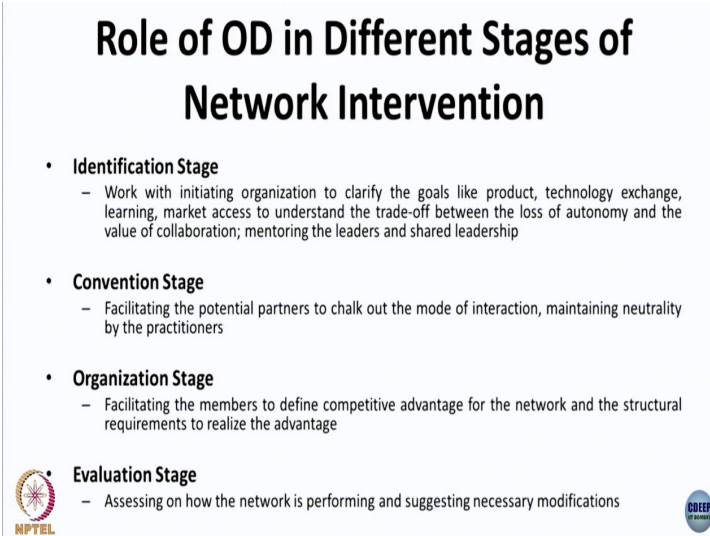
Task perceptions need to be identified in the convention stage, that simply means what are the probable rules and deliverables for the trans organizational network.

Once these things are decided, network reaches to the fourth stage that is organization meaning how to organize the work; how to ensure the desired performance; how the communication will take place; what about the leadership; what will be the nature of leadership and the expectation from the leadership; what are the policies and procedures for network members to interact with each other and to interact with the external stakeholders and the internal and external customers.

Once these questions are addressed, operations can start. Once the operation starts, there is a need for the constant evaluation. How the Transorganizational System (TS) are performing that needs to be constantly monitored. What are the performance outcomes?

Sometime one performance outcome has to be replaced with another type of performance outcome. What is the quality of the interaction? What is the quality of the output? Whether members are satisfied or not? Whether stakeholders are satisfied or not? Is the work going in the right direction? Is value being created for the network member as well as for the external stakeholders? All these questions have to be considered in the evaluation phase and answers coming from the questions raised in the evaluation phase, feedback to the identification, convention and organization aspect of the network as well.

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Role of OD in Different Stages of Network Intervention

- **Identification Stage**
  - Work with initiating organization to clarify the goals like product, technology exchange, learning, market access to understand the trade-off between the loss of autonomy and the value of collaboration; mentoring the leaders and shared leadership

- **Convention Stage**
  - Facilitating the potential partners to chalk out the mode of interaction, maintaining neutrality by the practitioners

- **Organization Stage**
  - Facilitating the members to define competitive advantage for the network and the structural requirements to realize the advantage

- **Evaluation Stage**
  - Assessing on how the network is performing and suggesting necessary modifications

The same question we are going to look at what is the role of OD in the different stages of the network intervention? So, in the identification stage, OD intervention and OD, the field or OD facilitator work with initiating organization to clarify the goals like what will be the product? What will be the nature of the technology exchange? What are the things to be learned? How the market access will be ensured?

That is to understand the trade-off between loss of the autonomy and the value of collaboration. In any network, individual organizations lose some autonomy and they gain something, they need to understand that value of that trade off and to make a conscious decision to enter and to be part of that network.

Another important thing is mentoring the leaders and shared leadership for the sustenance and the growth of network, that is where field of OD and the OD practitioners can help. Mentoring of the leaders is important because there are different type of the leadership competencies required to run an organization and to run a network.

To run a network, the need is to have a much broader perspective about the individual aspirations and the agenda of the different individual network partner and they need to have the special capability of creating a bond amongst the network partners. So that their individual goals are satisfied, the network goals are satisfied and the stakeholder goals are also satisfied.

In the convention stage, OD practitioner can help in facilitating the potential partners to chalk out the mode of interaction. What is the best way of interacting with each other? What are the rules procedures and the modes of interaction? Maintaining neutrality by the practitioners particularly by the leaders in a network is extremely important.

Only the leader who is seen as neutral, can earn the trust of the members of the network and OD practitioners / OD work can help the leaders to maintain the neutrality, to become aware of their personal biases and can help them to deal with those. In the organization stage, again OD can facilitate the members to define the competitive advantage for the network and the structural requirement to realize that advantage.

In a simple term, at this stage OD practitioners can help the organization to identify the competitive advantage and to create a right structure on organization structure to realize that competitive advantage and when the operation start, OD practitioner can assess how the network is performing and they can suggest the necessary modification.
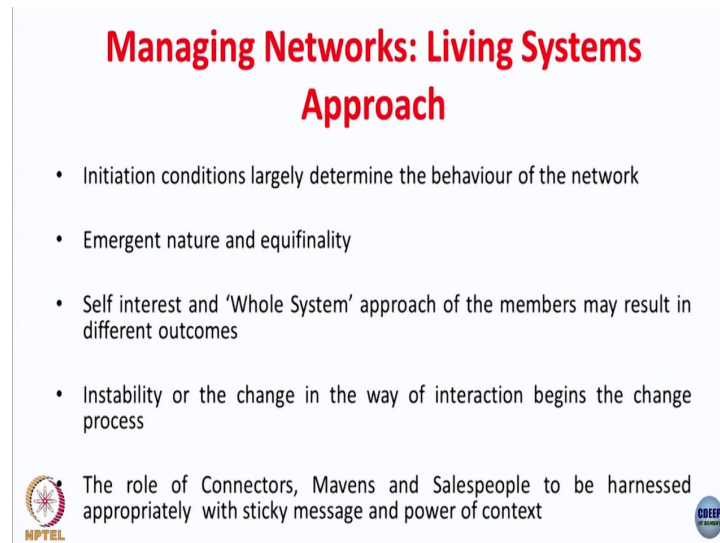
In this way, OD can be helpful in all the different stages of the professional network. Networks are becoming increasingly realized as important way of delivering service and product profitably and in a socially responsible manner. There are many examples of the networks like Amway, Indian coffeehouse or training houses or the education franchisee, these all are the examples of network.

Network are being used as a very powerful vehicle to scale up the operations and to reach out to the large number of customers very quickly. So, in the 21st century, with the advent of technology and globalization combined with changing business models,

networks are becoming more and more important and OD can play a very important role in all the stages of the professional networks and network intervention.

You may recall at this stage about what we discussed related to the systems thinking. Systems thinking is very much applicable in managing the networks.

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Managing Networks: Living Systems Approach

- Initiation conditions largely determine the behaviour of the network

- Emergent nature and equifinality

- Self interest and 'Whole System' approach of the members may result in different outcomes

- Instability or the change in the way of interaction begins the change process

- The role of Connectors, Mavens and Salespeople to be harnessed appropriately with sticky message and power of context

For example, the initiating conditions largely determine the behaviour of the network. You might remember we discussed in a session related to living system we talked about how the initial system determine the course of action even the small decisions, even the small decisions determine the future course of action of the network or of any living system.

We talked about the emergent nature and equifinality in the reality. Living systems are not 100 percent predictable. They show the quality of emergence, they are not as predictable as the mechanical systems happen to be.

For that, we need to be ready about it and recognize the emergence as an important quality of any living system. Network of organization is a living system and you can very well assume the quality of emergence being reflected in the operations of that system.

Equifinality meaning possibility of reaching to the similar business objectives or goals through different pathways. But different pathways may result in different output in

terms of the experience of the members and that is the that is another characteristic of the living system.

Living systems organizations or other living system can reach to the same end goal with a different pathways. But what are the implications of choosing a specific pathway must be understood and the impact of the impact of choice of the different pathways might be different for the individual members. Self-interest and whole system approach of the members may result in different outcome.

That is why if a living system has to be successful, substantial number of the members need to operate with the whole system approach. Simply put up, they need to operate an act in a way that is good for the whole system and not only good for their individual benefit. So, that aspect of the living system is equally important in a network organization or trans organizational network.

Instability or the change in the way of interaction begins the change process. We studied the social construction of reality in the appreciative enquiry class. We need to recognize that reality is socially constructed and any ability of the system to change depends on how the perception of the reality and the aspirations of the members are modified and changed. Role of the connector, mavens and the salespeople in a network have to be harnessed appropriately with sticky message and power of context.
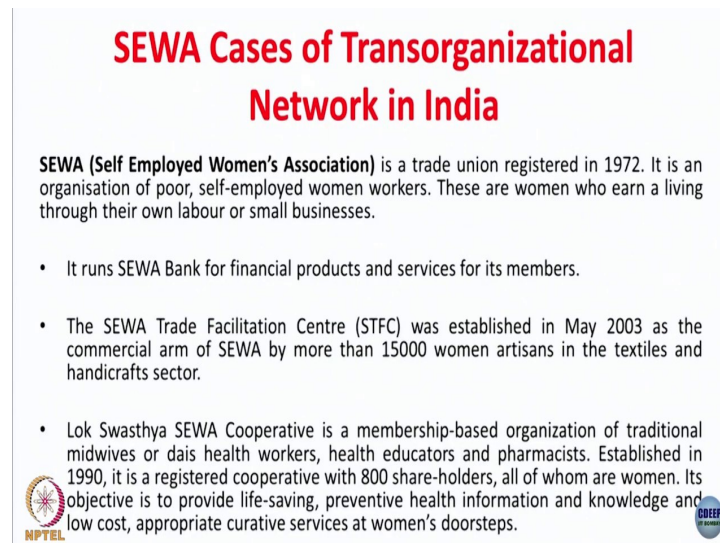
What is the meaning of these terms? Connectors are the people in a network, who connect different members. In a network, you might notice that few people have more number of friends, few people are connected to more number of people, they are the asset to the network.

Then, there are mavens. Mavens are the expertise driven members of a network. They may not be aware of end to end process being followed by the network, but they love building their expertise in one specific aspect. Most of the time, mavens are happy to share their expertise and knowledge just in return of their recognition.

Sales people are the people who are the influencer, who prepare people to take up stands, who prepare people to support some aspects of the objective or functioning of the network. All the three types of the people are required for a network to be successful, but that message which is given by these people has to be the sticky message.

Meaning, it should be interesting, it should stay in the minds of the partners of the network and that message must be drawn from the context. If that message is important, useful, but if it is not conveyed according to the context according to the background of the network, that message may not result in the expected change and development. So, these things, which are the features of the living system are very relevant for operating and for developing trans organizational network.

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I will conclude this session, with one example of a trans organization network in India. The name of this organization is SEWA, Self Employed Women's Association. It was established in 1972 as trade union. Now, it is an organization of poor self-employed women workers and these are women, who earn a living through their own labour or through their small business. This network has resulted in many activities. Few of them are listed here. First is the SEWA bank.

SEWA bank is specially established for the members of the SEWA and they have developed the financial products which are suitable for the members of the SEWA, they are related to saving, they are related to investment; but they are customized according to the need of the SEWA members and who are the SEWA members, they are the self-employed women workers, who are poor and who are earning living through their labour or with their small business.

Then, there is a SEWA network facilitation centre. It was established in 2003 and it is a commercial arm of the SEWA, that it is the organization where 1500 women artisans in the textile and handicraft sectors are involved. This organization is used to acquire the output or the products of these women artisans and to sell that in the open market.

There are many channel partners who constitute the STFC, apart from the women artisans. Many of these channel partners are independent organizations. Women artisans are not the employees, they are operating in small groups or within their families and giving their output.

So, there are different types of organizations, who are the partner of STFC and they are doing business to sell the products being produced by these poor women and to sell these products in the marketplace. Another organization of the SEWA is the Lok Swasthya SEWA cooperative.

This organization is a membership-based organization of traditional midwives and the dais health workers. These are the health educators and pharmacists. It was established in 1990 and it is registered cooperative with 800 shareholders and all of whom were women.

Now let us discuss the purpose of Lok Swasthya SEWA cooperative. That cooperative provides life-saving preventive health information and knowledge to the poorest of the poor women, who are engaged in the self-employment. So, you can look at SEWA as a network of the organization.

It is the network of the independent workers of this small groups of the women workers, who work in their families and they are engaged in the economic activities. As a spinoff there are many organizations like SEWA bank, STFC, Lok Swasthya SEWA cooperative have emerged from this organization.

So, in this session, we looked at what are the strategic alliances different from merger and acquisition. We studied about the joint ventures, franchisee and the trans organizational network.

We also looked at what are the stages through which a trans organizational network or joint venture goes through and what OD practitioner and the field of OD can contribute

to facilitate these entities to grow and to reach to the next level, next stage of the development and we ended this session with a example of SEWA, that is good example of trans organizational network in India.

Thank you very much.