How Alliance Managers Sell Products with their own competitors?

Some Key Factors Success

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Introduction

Alliances in sales and marketing are more and more numerous in many industries and in many markets. In order to create more value for clients, many firms do not hesitate to offer solutions that include other companies' products and/or services, even though they are competitors. These offerings include co-branding, licensing and other mechanisms.

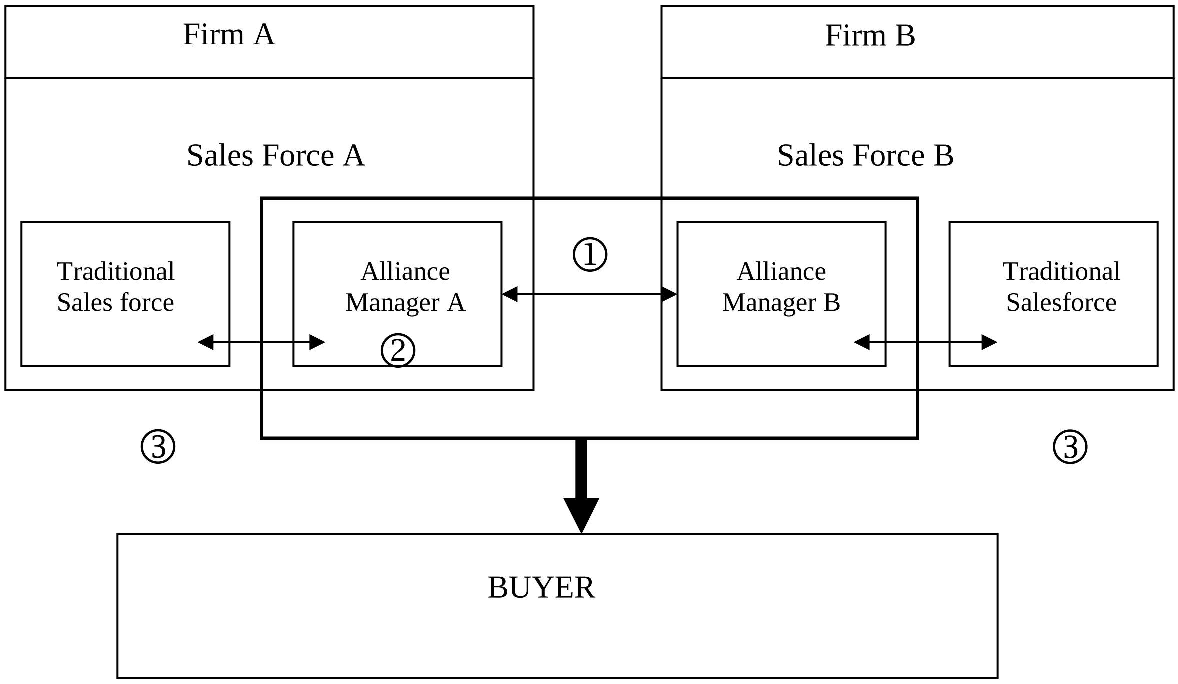
Particularly in the information technology industry (IT), where the degree of innovation is very high and where the products cycle is very short, firms cooperate in order to access key resources and competencies more quickly and offer products more adapted to the clients needs. Thanks to commercial alliances, companies can distribute products more quickly and at a lower cost, accelerate their sales cycle and maintain a high level of client satisfaction (Contractor and Lorange, 2002 ; Fjeldstad et al., 2004 ; Hallikas, Levy, Ritala, and Sissonen, 2006).

Commercial alliances are traditionally set up between non competing firms (Windows and Intel for example), but what happens when allied firms compete in the same markets? How can they create common commercial offers when they have divergent goals and interests? How can salespeople, known to work alone, manage to work in collaboration with other people, who furthermore do not belong to the same company but to competing firms? These salespeople are in a situation of coopetition, when firms cooperate and compete at the same time. Coopetition has been analysed in strategy literature but its implications have not been taken into account from a sales view in the marketing literature. This study explores the question: What are the impacts of coopetition on the marketing and sales functions?

Coopetition (Nalebuff and Brandenburger, 1996) refers to any combination of cooperation and competition on an inter-firm (Bengtsson and Kock, 1999), intra-firm (Luo, 2006), or a network level (Nalebuff and Brandenburger, 1995). In consequence, there are three different situations of this concept (figure 1).

Three main questions emerge. The first concerns the development of relationships between two salespeople (alliance managers) coming from two different companies (Figure 1, case ①). How will cooperation between these two alliances mangers work? The second question concerns managing this special category of salespeople or alliance managers (figure 1, case ②). The traditional toolbox used to manage salespeople may not be relevant to manage alliance managers. Finally the last question concerns the management of the global sales force intra-firm (figure 1, case ③). In this paper, we will focus on the first issue.

Figure 1: Representation of the concept of coopetiton in the selling area



In this research we will focus on commercial relationships between at least 2 independent firms which are at the same time partners and competitors (Figure 1, case ①), which corresponds to a situation of inter firms coopetition or horizontal cooperation.

Background

Two areas of the sales literature are useful in understanding coopetition. The first concerns team management and the second concerns the “lone wolf” salesperson Most ofthe abundant literature about sales teams reflects a sales team in the same company (e.g., Moon and Armstrong, 1994; Jones et al, 2005; Deeter-Schmelz and Ramsey, 1995). There is currently little research regarding selling teams composed of salespeople coming from different companies. The development of such a selling structure raises new questions about the management of the selling team. This situation may benefit from the work regarding the “lone wolf” (e.g., Dixon et al., 2003; Mulki et al., 2007). This is an important question about sales forces management and emphasized on selling team management. That research examines the challenges associated with integrating such an individual into a selling team within an organization. There are no propositions regarding how to encourage the “lone wolf” to cooperate with salespeople coming from other companies.

Research question

More precisely, we consider the questions of how alliance managers, who are in charge of commercial and marketing alliances, manage to create joint commercial solutions with their competing partners and how they promote the solutions of their own companies to these particular partners. These questions are of particular interest today as clients’ pressure on providers is increasing, in particular in the field of business to business (B2B) in the IT industry.

RQ: what are the key factors of success for the implementation of relationships between two alliance managers.

Methodology

Because this study focuses on the relationships between the two alliance managers, we have conducted several cases studied in the IT industry. We present the results of four cases studies, two of them represent a success and the other two a failure. In consequence, we propose several recommendations for managers to implement such a solution to market needs.

Main results

The *success* of a coopetition strategy can be explained primarily by the willingness of each alliance manger to develop cooperative relationships between the two to propose the best solution as possible to the customer. This level of cooperation does not reflect a “lone wolf” mentality and there is the development of a selling across two companies.

In case of *failure*, based on the results of our case studies, four main reasons can shed light on the problems. The first one is a lack of a link to the company’strategy, the second is about the internal organization of the company, the third concerns the management processes used to regulate salespeople (e.g., alliance manager) in terms of performance evaluation, quotas; trainingwhile the last one is due to problems at the human level and inter organizational relationships.

Limitations

There are several limitations to this study. The first is that the cases studies presented in this paper are coming from the same sector of activity (IT). An area of fruitful study might be to explore other industries to learn if other factors influence success or failure. Second, as we concentrated our exploration of only one part of the phenomena, future research could explore the two other facets: how to manage the a sales force of alliance managers and second how to manage an individual alliance manager. Furthermore other ways of data collection could be used. We used using in-depth interviews. Deeter-Schmelz and Rasey (1995) present two other possible ways to study the selling team: network analysis and ethnographic methodology. Finally another method of research would concentrate on the buyer's opinion to see how alliances managers can create value for buyers.

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