A Roadmap to Purpose in Strategic Alliances

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What is the purpose of the firm? Should firm executives seek to maximize shareholder value? Or is there more to the story? According to a global survey of 474 executives, purpose-driven leaders believe creating value for customers, positively impacting society/community, and inspiring positive change are more important considerations than generating financial returns for shareholders (Harvard Business Review Analytics, 2015). Furthermore, executives also reported a stronger sense of purpose helps their firms be more value-generating, innovative, and entrepreneurial. These survey results represent an ideological shift.

According to the Business Roundtable and the World Economic Forum, the purpose of firms is to create value for its customers, employees, suppliers, communities, and shareholders. This stakeholder-centric view is indeed noble, but these relationships are inherently rife with trade-offs. For instance, there are commonly differences between what the firm believes to be important versus what stakeholders consider meaningful. Therefore, it is necessary to explore these stakeholder differences to better understand how firm leaders can accomplish their firm's objectives by engaging in purpose-driven partnerships to create shared value for stakeholders.

This study examined 1,193 post-engagement surveys—completed by Fortune 500 clients of a mid-size consulting firm—to assess value trade-offs in strategic alliances and their effects on customer satisfaction, client perceptions of value, and willingness of stakeholders to engage in subsequent partnerships. This research found firms that focused on quality of service and deliverables tended to be successful across all three measures of success; however, several factors of performance were only predictive of certain outcomes. For instance, a firm's ability to resolve issues and support objectives of their alliance partner were more likely to create higher customer satisfaction whereas the ease of doing business in the relationship was more likely to result in future engagements. Similarly, the firm's ability to appropriately manage scope and risk was more likely to increase customer perceptions of value but not their overall satisfaction.

The study also identified three types of strategic alliances—operational, strategic, and entrepreneurial—that further influenced which behaviors were considered most meaningful within each relationship. First, *operational partnerships* focused on the continual exchange of goods and services and prioritized the ease of doing business as a key success factor. Perhaps due to the longevity of these exchange-based relationships, customer satisfaction was more tied to the quality of service whereas future engagements were more strongly linked to the quality of deliverables. Second, *strategic partnerships* leveraged the subject matter expertise of the partnering firm to identify new opportunities for process improvement. These knowledge-based partnerships were surprisingly the only type of alliance where communication effectiveness improved customer satisfaction and the ability to manage and control scope increased perceptions of value. Third, *entrepreneurial partnerships* sought to implement new business projects and initiatives. Customer satisfaction within these relationships was also contingent on the firm's ability to effectively resolve issues, support the client's objectives, and provide high quality service.

The finding suggest that client demands may vary based on the type of strategic alliance. A purpose-driven approach is not one-size-fits-all. Instead, managers seeking to maximize clients' overall satisfaction, perceptions of value, and willingness to engage in repeat business must change their approach to fit the needs of each partnership. In short, firms can improve the strength of their relationships by maintaining a consistent focus on quality and remaining flexible in managing scope, communications, issue resolution, and client relationships.

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