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OPINION:

Relationship Lessons From The Ford-Firestone Breakup

* To An Outside Observer, It Looked As If The Ford-Firestone Relationship Was On Autopilot, Relying On Fond Memories

By Benjamin Gomes-Casseres of Brandeis University

WALTHAM,Mass.--Firestone's breakup with Ford Motor Co. is the most public corporate divorce in recent memory. But it is far from unique.

Corporate alliances break up all the time--depending on what study you believe, anywhere from one-third to two-thirds of alliances end in dissolution of some sort.

The dirty laundry is seldom as much on display as in the Ford- Firestone spat, but the reasons behind the break-ups are often the same. A peek inside the firestorm may instruct on how to avoid costly alliance divorces.

"Business relationships, like personal ones, are built upon trust and mutual respect," wrote Bridgestone-Firestone chief executive John Lampe in his public "Dear John" letter to Ford chief executive Jacques Nasser.

What does that mean? Business folks are quick to cite "trust"--or the lack thereof--in alliance failures. Analysts and researchers have had a much tougher time laying their hands on this elusive variable.

The best research now suggests that trust in alliances is not at all like trust in personal relationships, no matter how catchy the comparison might sound.

Unlike personal trust in a real marriage, organizational trust in corporate relationships cannot rest on emotions, but must rely on careful alignment of business interests and on the governance of the alliance.

Lampe acknowledges as much when he explains "we must look to the future and the best interests of our company, our employees and our other customers." In other words, regardless of our 100 years together and the (real) marriages among our founding families, shareholder and stakeholder interests must rule.

Of course, Wall Street would expect nothing less. To let personal and emotional ties guide business decisions would smack of nepotism.

But have those interests changed so dramatically that Firestone sees no need for the relationship it once had with Ford? This goes to the heart of the matter.

The fundamental economic reasons for the alliance no longer exist. Rival tire makers stand ready to supply tires that are arguably as good as Firestone's. From Ford's point of view, a special relationship with Firestone would seem to yield little added value.

From Firestone's point of view, its tires perform well on numerous other vehicles, so why continue a close tie with the one vehicle on which they happen to fail? For whatever reason, the specific combination of Explorer-plus-Firestone seems to subtract, not add, value to both brands.

At the dawn of the automobile age, things may have been different. The Ford-Firestone marriage may have made sense then. Today, both tires and cars are mature and fairly standardized products; better to give consumers the option of assembling their own system.

A corporate marriage is simply not needed. Volume discounts on a standardized product are simply not enough to justify such a marriage. No wonder that at the first sign of trouble the partners got out.

How could other alliances avoid messy outcomes such as this one? First, recognize that alliances evolve and must be deepened or loosened as the underlying economic reasons for cooperation change.

Keeping alive an alliance that has outlived its use is just as much a recipe for failure as ignoring the needs of a critical relationship.

Second, when the relationship is indeed critical to business success, then nurture it as if it were a new love; never take it for granted.

To an outside observer, it looked as if the Ford-Firestone relationship was on autopilot, relying on fond memories and minimal communication. That is not enough in even the best of alliances, especially when the flight becomes bumpy.

Strong alliances can weather storms by relying on a combination of strong business fundamentals and effective relationship management. Cases in point are the alliances between Dow Chemical and Corning Glass, between Northwest and KLM, between Xerox and Fuji Film and even between Microsoft and Intel.

Each has encountered its share of marital problems, some more public than others, but each has overcome them. In every case, a strong fundamental tie and conscious management of the business relationship has helped, even when trust in its simpler, emotional form appeared to have eroded.

Luckily, high divorce rates in personal marriages don't keep people from hitching up and having children. The "instability" of alliances likewise should not keep companies from tying up and creating joint value.

But as in good marriages, companies should be prepared to manage their relationship flexibly and openly. Every alliance at its root is just that- -a commitment to manage an open-ended relationship. It is never a "done deal," as the demise of Ford and Firestone's 100-year affair shows.

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