

UNDERSTANDING MANY PERSPECTIVES OF STRATEGIC ALLIANCE LEARNING EXPERIENCE

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ABSTRACT

The study of strategic alliance were integrated the main idea of the factors for success in this strategy. The purpose of article contribute to the pros and cons of doing business. All manage should realized in the weakness point of strategic alliance as same as the advantages of business. An Effective alliance management begins with selecting the right partner. Furthermore, alliances must be managed to build social capital and knowledge. To maximize cooperation among the partners, a trust-based relationship must be developed.

Keywords : Strategic Alliance, business management, alliance strategy.

INTRODUCTION

Strategic alliance is very popular in all business management in many companies in order to achieve a competitive advantage and for cooperative purpose as to gain more benefit with their partnership such as finding a new market, share resources and new knowledge operation. Alliances are different from other cooperative structure, such as mergers or acquisitions which needs to be managed differently.

However, there are many reasons for using strategic alliance to respond to organization purposes. There are some advantages and success as well as disadvantages and failure in strategic alliances that have been studied which will be mention and explain in this paper for a deeper understanding for the companies' collaboration.

THE STUDY OF STRATEGIC ALLIANCE PERSPECTIVES

Strategic alliance is the type of collaboration

between partners and organizational arrangements. The main characteristics of strategic alliances are that the two or more companies' partnership remains an independent operation. The collaborative objective means that agreement between one or more partners is achieve in a rapid change in a competitive environment. The advantages of strategic alliance are; knowledge exchange skill, technology transfer and market access in order to obtain a large scale of market share. Knowledge and technology are more competitive advantage than internal development through conducted research and development function cooperation. Inter organizational relationships by strategic alliance can be classified in the form of joint ventures as a licensing agreement. Strategic alliance offers advantages to the fastest trends for business today. Companies' administrative decision making tends to increase through strategic alliances because of its advantages rather

than its disadvantages. Furthermore, other reasons for strategic alliances include an increasing intensity of competition, operation in global business, changing marketplace, and industry cooperation between companies. For example: financial investment, research and development innovation and company's operation.

A strategic alliance is essential to combine and develop new product together with each other, providing part to its production. An alliance is simply a business-to-business collaboration. Alliances are formed as joint marketing, joint distribution channel, joint production operation, joint design collaboration and technology agreement as well as in research and development. Businesses use strategic alliances to the following objectives:

- achieve advantages of scale, scope and speed
- increase market penetration
- enhance competitiveness in domestic and/or global markets
- enhance product development
- develop new business opportunities through new products and services
- expand market development
- increase exports
- diversify
- create new businesses
- Reduce costs.

These objectives indicated only one side of advantages. Thus this paper is focusing on many experiences in the success and failure in strategic alliances in many companies in many perspectives. Strategic alliances have become an important strategic tool. Many researchers have produced evidence of business alliances in many organizational sectors to the understanding new knowledge on these techniques. Furthermore, the objective of this paper is to indicate

the success in strategic alliance as tool for companies' competitive advantages.

TRANSACTIONAL COST OF STRATEGIC ALLIANCE OPERATION

Many studies on strategic alliance found that the failure of cooperation increases in several crisis rather than enhance advantages. For example: the study of Drualans et al (2003) some organizations fail in strategic alliances because those are not built up with adequate capabilities to manage alliances operation towards each other. Strategic alliance needs more special management operation techniques. They evaluate a number of techniques impact to alliance success in 46 large companies. While the reason for why companies prefer strategic alliance is transactional cost (Williamson (1975, 1981). He explained that the companies using transaction cost theory for the formation of alliances alternative in multinational corporation subsidiary. Transactional cost theory maintains alliance arrangement under uncertainty environment. The study of Dwyer (2005) found that deficit in transactional cost and knowledge base of alliance companies effect multinational corporation (MNC) and small and medium enterprises (SME). Knowledge attributes influence alliance strategic choice from governance model for knowledge exchange relationships between MNC and SME.

COLLABORATIVE ARRANGEMENT OF STRATEGIC ALLIANCE

According to Freiling et al (2008) the reason why and how organization collaborative arrangement in volatile environments perspective. They start their framework for analysis of study on competence-base theory under the situation of market process theory.

The focus of investigation is conducted in the highly turbulent German healthcare industries. The result found that there are three reasons to cooperation in radical environments. First, closing resources are called gap-closing alliances. Second, preparing unexpected developments are called "option networks" and the intend to expand the relevant business are called "steering alliances". Duysters and Heimeriks (2005) conducted their research for developing alliance capabilities in a new era. Research showed that alliance management enhanced by prior alliance experience. The strategic alliance becomes more important for companies use of their alliance experience.

However, some organizations need to operate by using strategic alliances with external entities in order to acquire resources outside the company. A number of increasing alliance tend be moving in technological capabilities such as software application licensing agreement, technological infrastructure and technology know-how (Awazu, 2006). Alliance capability in European and American companies found that the USA has surpassed Europe in both number of alliances and quality of alliance management (Ard-Pieter, 2005). The Theory of strategic alliance emerged from four propositions. The first proposition is hospitality alliances evolve from equity joint venture to collaborative joint ventures as competitor alliances. Second, contractual agreement evolves from simple franchise and management contracts to more complex resource-sharing, non-equity agreements. Third, complex resource sharing between partners will help firms building relationships with partner firm to develop of competitor alliances. Last, technology will help development of competitor alliance and increase productivity and profitability (Chathoth et al, 2003).

ALLIANCE STRATEGY IN AIRLINE INDUSTRIES

Strategic alliances have become increasingly popular within the business world; they can be seen as a way to improve the total output of the firm.

In airline industries, star Alliance began in 1997 and has since then grown into the world's largest airline alliance with a total market share over 25% (Henrik Holmgren et al (2008).

Airline industry has shown the importance of collaboration with different competitors in order to remain competitive. Through an alliance, member airlines can collaborate and thereby attempt to increase destinations served and the frequency of flights and also endorse traveling through different efforts to deliver a higher sense of service and satisfaction to their customers (Czipura & Jolly, 2007).

In 1990, the airline industry was pressured to develop better business solutions to meet higher demands among business and travelers at the same time, factors such as an increased usage of Internet have also had an impact on both business traveling and the overall airline industry environment. It was the reason for strategic alliance of Air Canada, Lufthansa, SAS, Thai Airways and United Airlines to joined together and create Star Alliance in 1997. It was a revolutionary change in airline industry. By creating a network of airline companies Star Alliance aimed to adapt to the changes in global mobility by offering their customers a faster and more convenient way of traveling (Star Alliance, 2007).

A study conducted by Park and Cho (1997) focused on the performance of strategic alliances in the international airline industry. They found that strategic alliances had a positive effect on the performance of allied members. They explained that some evidence implied the performance of strategic alliances

to greater market sharers was larger than the performance between smaller market shares. They also found that the market share for alliances with new entrants, in a specific market, tend to increase more in comparison to the alliances with already existing airlines. They found an impact of strategic alliances and their performance correlated with the amount of members in the alliance. They also realized that in markets with fewer competitors and new entrants, the impact of an alliance was likely to be greater than in markets with a larger amount of competitors and entrants. These findings further led to the assumption that strategic alliances would likely be more successful in markets in which they are more dynamic and experiencing higher growth (Park & Cho, 1997). On the other hand, the bankruptcy of Swiss air group is an example of failure in implementing alliance strategy. The analysis of relative resource-dependence between Swissair and its partner show that Swissair did not equal to its partners. Operation of alliance strategy in corporate level on financial analysis result showed that the airline investments failed and unprofitable from weaknesses in cash flow position (Suen, 2002). The development of airline industries found that alliance depends on airline resource configurations and the particular type of airlines. The study of Kleymann (2001) suggested that the airline industrial environment should examine using resource dependence perspective and institutional theory of alliances. These two perspectives influence the development of multilateral of alliance strategy. As Albers et al (2004) investigated the potential benefits and problems of airline-airport alliances focusing on capacity-based, marketing based, and security based cooperation models. Airline and airport relationship alliance are more potential for developing

to high competitive advantage such as Lufthansa and Munich airport operation. Another study on the dynamics of airline alliance by Kim and Inkpen (2005) focused on alliance learning to develop a model of technology by integrated technological capabilities. They found that technology learning was higher when firm were quick to respond to new technologies and accumulate high experience of alliances. Cross-border alliance found a strong affect on technology learning. In addition, the level of airline alliance membership relates to the risk and benefit for strategy in different level of alliance integration. The trade-off and risk level between alliance partner benefits are considered in each level (Klaymann and Seristo, 2001).

Whereas, the use of alliance commitment and controlling process is very important for improving alliance performance, Nakos and Brouthers examined the controlling process on cooperation between partners. They found the managerial implication of using commitment and process control effect to the international alliances partners' relationship. Also, partner selection for international strategic alliances showed that companies require higher extent of technological commitments and more prior partners' selection. US MNCs found more likely to select prior partners for alliance strategy (Li and Ferreira, 2008).

UNDERSTANDING STRATEGIC ALLIANCE SUCCESS FACTORS

The study of international strategic alliance found a number of characteristics of partners' selection such as, prior international alliance experience, administrative governance form and nationality of foreign partner. As a result, Bernhard (2000) explored the factors that effect to the alliance formation between two specific firms across national borders. He found

that partner choice is a function of strategic motivation and varies significantly with governance mode and partner nationality. The study of international strategic alliance conducted by Park and Kim (1999) examined the effects of the degree of industry globalization in term of the type of alliance. Consequently, the need to assess alliance performance is necessary for all company. An analysis of alliance success during the last decade indicated that performance evaluation is a critical success factor that is difficult to create in a formal evaluation process that will relate to the unique nature of alliance structure. Research suggested the use of balanced scorecard as an instrument to develop a formal assessment approach that link performance evaluation to meet the purpose of alliance operation required for a particular organization (Cravens et al, 2000). Some researchers examined the characteristics of alliances that contribute to the performance of high technology companies (George et al, 2000). They found that the agreement, structure and knowledge flow within alliances affect a firm's innovativeness related to financial performance. They suggested that portfolio characteristics influence alliance capacity. Frank & David (2005) developed a model that links differential demands of alliance type and the benefits of alliance experience. They found that alliance type and alliance experience moderate the relationship between a high-technology venture's R&D alliances and its new product development. Eugene & Dwyer (2000) also investigated successful alliance management for new product innovation that a construct-cooperative competency-derived from related concepts of mutual adjustment, absorptive capacity, and relational capability as the key factor for new product development success.

Gulati, (1998) refer to strategic alliance that it

is a voluntary arrangements between firms to exchange and share knowledge as well as resources with the intent of developing processes, products, or services. His studied focus on how firms learn to manage alliances from alliance experience rather than on how firms learn from alliances, through transferring capabilities. The benefits of alliance experiences are not automatic but instead depend on the extent to which organizations can actively mobilize and leverage their experience. The research result found that a firm needs to possess absorptive capacity, the potential capacity to acquire and assimilate new knowledge and realized capacity to transform and exploit the new knowledge. Furthermore, Zahra & George, (2002) contribute to a theoretical understanding of alliance experience effects on alliance performance with the following insight that when the multiple sources of alliance experience are disentangled, the relationship between alliance experience and performance is complex and appears to be nonlinear. They differentiated between learning to manage alliances by accumulating experience across multiple partners and learning to manage alliances by accumulating experience within a dyadic relationship, through recurring alliances with a single partner that has a specific alliance experience. More broadly alliance experience reflected the firm's knowledge to improve alliance performance, while partner-specific alliance experience reflected the depths of knowledge within a dyad (Katila & Ahuja, 2002).

ANALYSIS AND DISCUSSION

Recent researches have been very interested in understanding how firms develop alliance capability and have greater alliance success. Kale & Singh (2006) conducted research for understanding how firm develop alliance capability and have greater alliance success.

They showed an alliance learning process that involves articulation, codification; sharing and internationalization of alliance management know-how to have positively related overall firm's alliance success. They suggested that alliance function is related to alliance learning process. Knowledge sharing is the most important for alliance capability. Kale & Singh examined the direct impact of each of knowledge processes on the firm's overall.

CONCLUSION

The advantages of strategic alliance includes

1) allowing each partner to concentrate on activities that best match their capabilities, 2) learning from partners & developing competences that may be more widely exploited elsewhere, 3) adequacy in a suitability of the resources & competencies of an organization for it to survive.

Alliances have become an increasingly important part of corporate strategy. Alliances must be effectively managed for their benefits to be realized. Many firms have come to rely on alliances as strategic necessities for sustaining competitive advantage and creating customer value. Effective alliance management begins with selecting the right partner. Furthermore, alliances must be managed to build social capital and knowledge. To maximize cooperation among the partners, a trust-based relationship must be developed. Therefore, managing alliances is crucial for firms to gain competitive advantage and create value with strategic alliances. Effective alliance management begins with selecting the right partner. Alliances partner must be managed to build social capital and knowledge to maximize cooperation among the partners, a trust-based relationship must be developed.

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