

A CONCEPTUAL EVALUATION OF THE ANTECEDENTS AND CONSEQUENCES OF UTILIZATION IN POST-FORMATION PROCESS SUCCESS IN INTERNATIONAL STRATEGIC ALLIANCES

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ABSTRACT

This conceptual paper examines post-International Strategic Alliance establishment processes by exploring the interrelationships surrounding utilization as a resource coordinating activity, two communication dimensions (four communication factors) as the antecedents of utilization, and the implications of utilization for ISA performance. A conceptual model is developed utilizing variables derived from a literature rich in evaluating the beginning and the end of the ISA relationship interactions but very poor in studying the middle ISA process. From the model, propositions are delineated and future research directions are discussed. The implications of the derived paradigm will have a significant impact on the establishment, communication, and performance of international strategic alliances.

I. INTRODUCTION

Over the past three decades, international strategic alliances (ISAs) have helped firms achieve competitive advantages in the global business environment. Some of these benefits include: the expansion of the firm's market base by entering new markets; the acquisition of unique and cheap resources (new technology or labor); the development of new products; and the improvement of overall operational effectiveness. These tangible advantages have prompted numerous firms to engage in these fruitful cross-border alliances (Contractor and Lorange, 1988; Inkpen and Beamish, 1997; Johnson, Cullen, Sakano, and Takenouchi, 1996; Simonin, 2004; Yan, 1998).

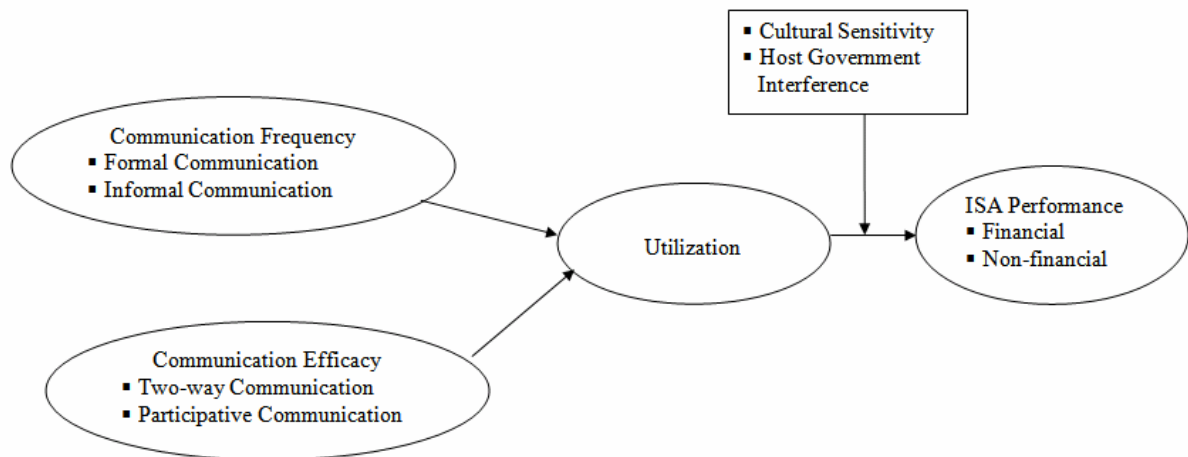
A strategic alliance is developed through cooperative and collaborative strategies between the partners after the alliance is initially formed (Arino and de la Torre, 1998; Reuer et al., 2002; Yan and Zeng, 1998). A firm usually engages in a strategic alliance to obtain the resources that it needs but lacks, and then capitalizes on these resources provided by its partner (Das and Teng, 2000; Oliver, 1997; Simonin, 2004). In order to lead a successful ISA operation, ISA partners are required to recognize, share, exchange, and learn about each other's resources. ISA partners should communicate effectively to cooperatively manage pooled resources to achieve their alliance objectives. However, a lack of research regarding the process of aligning pooled resources between partners after the initiation of an ISA hampers our understanding of post-ISA formation process (Berdrow and Lane, 2003; Reuer and Arino, 2002; Ring and Van de Ven, 1994).

The RBV sees a firm as an entity that has a unique bundle of idiosyncratic resources, defined as tangible and intangible assets, that maximizes value through their

optimal deployment (Grant, 1997; Wernerfelt, 1984). However, these idiosyncratic resources and their subsequent deployment may not be sufficient to achieve a competitive advantage. Thus, firms try to form alliances to acquire resources they lack. This combination of idiosyncratic resources can bring above-average economic returns and a sustainable competitive advantage (Lonrenzoni and Lipparini, 1999; Peteraf, 1993).

International Strategic Alliances are formed to take advantage of this resource sharing. Together, the allies enjoy a truly symbiotic relationship while projecting a more synergistic existence. Significant increases in the chance of mutual survival, performance, and profitability underscore the importance of these alliances to the international landscape. Therefore, a conceptual model is now delineated which will guide empirical inquiry into the interrelationships of many important factors of this paradigm.

Figure 1: Communication, Utilization, and ISA Performance: An Investigation of the Post ISA Formation Process



II. THEORETICAL MODEL

Utilization And Alliance Performance

At the heart of the theoretical model is the central tenet of utilization and its influence on ISA Performance. Utilization is defined as the extent to which alliance partners undertake coordinating activities to capitalize on the resources contributed by each partner to accomplish the strategic objectives of the alliance in the target market(s) (Choi et al., 2004). Utilization results from collective learning processes between alliance partners, helping the alliance to productively use their collective resources (Das and Teng, 2000; Inkpen and Beamish, 1997). Utilization, thus, becomes the ability of an alliance to effectively harness resources from each partner to successfully implement each partner's market strategy (Grant, 1997; Moorman, 1995).

Utilization is the actualization of each partner's tangible and intangible resources into alliance outputs based on joint and coordinated processes. In other words, utilization is comprised of the processes that efficiently deploy the resources provided

by alliance partners to help them compete and remain competitive in the market (Majumdar, 1998; Zahra and George, 2002). The concept of utilization, thus, plays an important role in alliance success because it allows the partners to optimize the use of the resources contributed by each other (Dyer, Kale, and Singh, 2001).

P1: The greater the *utilization* of resources in an international strategic alliance, the higher the *performance* of the alliance.

The Moderating Effect Between Utilization And Alliance Performance

International environments where ISAs operate, present unique challenges that domestic alliances do not usually encounter. Unique cultural idiosyncrasies and host government interferences are two frequent obstacles that ISAs must overcome to positively impact their operations. Since international environments can disrupt the flow of information, values, and processes between ISA partners, they can put the partners in unexpected decision-making situations (Achrol, 1991; Johnson, 1999). They constrain the sharing and learning about each partner, which hampers the optimal alliance relationship development (Sarkar, Echambadi, and Harrison, 2001; Slater and Narver, 1994). Therefore, in order to illustrate how international market environments can influence the utilization process and ISA performance, cultural sensitivity and host government interference are employed to measure their moderating effects on the relationship between utilization and ISA performance.

Cultural sensitivity is the extent to which ISA partners adapt to the cultural differences that exist between them (Johnson et al., 1996; Skarmeas, Katsikeas, and Schlegelmilch, 2002). Due to different cultural backgrounds between ISA partners, each partner brings its own social and business practices or norms to the ISA. The partners, therefore, need to be aware, understand, appreciate, and accommodate those cultural differences between them so as not to cause misunderstandings, misperceptions, suspicions, and managerial conflicts (Harich and LaBahn, 1998; Skarmeas et al., 2002). Misunderstanding, misperception, suspicion, and conflict hinder positive interactions between ISA partners, foster opportunistic tendencies, and create impediments to knowledge transfer (Johnson et al., 1996; Lin and Germain, 1998; Simonin, 1999). Cultural sensitivity, therefore, allows for congruence in organizational philosophies, an understanding and appreciation of value differences, and an overall ease of handling managerial and strategic discrepancies between ISA partners (Sarkar, Echambadi, Cavusgil, and Aulakh, 2001).

P2a: The greater the *cultural sensitivity* in an international strategic alliance, the stronger the relationship between *utilization* and *ISA performance*.

Host government interference refers to the extent to which an ISA host country government intervenes in the operation of the ISA (Blodgett, 1991; Robonson et al., 2002). A host country government can disrupt the effective management of an ISA by changing regulations about foreign direct investment, requiring a higher equity share favoring the local partner, the procurement of certain local components or products, or by insisting upon a higher level of control over specific activities favoring the local partner (Gomess-Casseres, 1990; Mjoen and Tallman, 1997; Yan, 1998). These interferences may require the modification of the initial contractual agreements between ISA partners, a redirection of ISA objectives and strategies, or a reconfiguration of the

internal operational structure of the ISA. Since these interferences most likely favor the local firm, the processes of complying with them not only require considerable expenditure and time by foreign ISA firm, but also can be a source of conflict between the ISA partners (Lorange, 1996; Yan, 1998; Yan and Gray, 1994).

P2b: The greater the *host government interference* in an international strategic alliance, the weaker the relationship between *utilization* and *ISA performance*.

Communication As Antecedents Of Utilization

Communication has been recognized as a facilitating and compelling factor that can be effectively utilized to strengthen the bond of organizational partners (Anderson and Narus, 1990; Fisher, Maltz, and Jaworski, 1997; Gassenheimer, Baucus, and Baucus, 1996; Mohr and Nevin, 1990; Mohr, Fisher, and Nevin, 1996; Mohr and Sohi, 1995; Mohr and Spekman, 1994; Tucker, Meyer, and Westerman, 1996; Walker and Reukert, 1987). Formal communication is defined as the extent to which communications flow through written, formal rules and standardized procedures between alliance partners (Walker and Ruekert, 1987). Formal communication reduces role conflict and ambiguity of channel members (Mohr and Nevin, 1990), guards against alliance partner opportunism (Dahlstrom and Nygaard, 1999), and positively influences cross-functional cooperation (Menon, Bharadwaj, Adidam, and Edison, 1999). Informal communication refers to more personalized and spontaneous communication between alliance partners, such as, “hall talk”, “word-of-mouth”, “the grapevine” or forms of ad hoc communication (Mohr et al., 1996). Informal communication provides more opportunities for each interfirm partner to adjust to the needs of its counterpart (Heide and Miner, 1992; Walker and Ruekert, 1987).

P3a: The greater the *formal communication* in an international strategic alliance, the higher the *utilization* in the alliance.

P3b: The greater the *informal communication* in an international strategic alliance, the higher the *utilization* in the alliance.

III. CONCLUSION AND FUTURE RESEARCH

The dearth of research on post-ISA establishment processes and their performance implications illustrate the need for theoretical understanding of the middle ground operation of ISAs. The introduction of utilization, the four communication factors as antecedents of utilization, and the performance implications of utilization were presented to address this conceptual objective, and serve as the major contribution of this paper.

The main direction of future research is to empirically test the derived propositions. This testing should give us tremendous insight as to the relative influences of the important factors in the conceptual model. Another area of future inquiry lies in the antecedents. The current paper only addressed dimensions of communication as the antecedents of utilization. It would also be informative to determine how additional factors such as trust and commitment affect utilization in ISA settings (Aulakh, Kotabe, and Sahay, 1996; Das and Teng, 1998; Johnson et al., 1996). Since trust and commitment are known as factors affecting inter-organizational

partnership development, future research on the relationships between trust, commitment, and utilization can possibly provide an enhanced understanding of post-formation operations.

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