

THE GOVERNANCE OF TENSIONS IN STRATEGIC ALLIANCES

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Declaration of authorship

This thesis does not contain any work which has been presented for any degree at University of Technology Sydney or another university or tertiary institution.

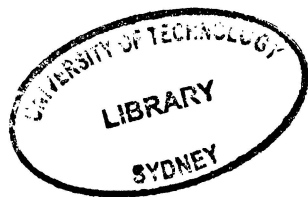
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Antoine Hermens

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ANTOINE HERMENS

Abstract

The focus of this thesis is the study of strategic tensions between organisations engaged in a dyadic alliance relationship and the influence that the partnering firms' corporate strategies may bring to bear on the governance of the alliance venture and the subsequent performance of these partnerships. Prior research on alliance outcomes has largely ignored the relationship between strategic fit, alliance process and evolution. This is despite the clear demonstration, in Doz's (1996) longitudinal study of alliances, that the initial structural conditions and subsequent evolutionary processes influence alliance outcomes (see also Noorderhaven, 2005).

The literature review examines both academics' and practitioners' various definitions and terminologies used to describe alliances. Three scholars, Arthur (1996) (whose view of organisations is embedded in institutional theory) and Das and Teng (2001) (whose perspective of alliances is as organisations emerged in internal tension), essentially share a similar perspective. This is that alliances are based on a tentative equilibrium of reciprocal opposing forces that can quite readily shift if one force gains strength. In this thesis, theoretical contributions and models, along with empirical findings that inform an understanding of the dynamics and processes of coevolution that shape the alliance development process, were evaluated, with the evolution of paradigms and paradoxes that influence and shape the logic behind the adoption of an alliance strategy being identified as providing a basis for explanation.

The primary research question for this thesis was how internal tensions between partners influence alliance performance and the value appropriated by individual partners. To answer this question, it was necessary to understand the origins and drivers of internal tensions in an alliance. Alliance tensions are influenced by the environment, structural choices and contextual, structuring, organizational and discursive processes that broadly shape the effective implementation of an alliance strategy.

To answer criticisms of fragmented contributions to the strategic management agenda (Ansoff, 1987; McKierman and Carter, 2004) a research model was developed to guide

the research and testing. The framework essentially acknowledges the dualities and interdependence of the collaborative process. Factors influencing internal tensions and alliance performance include availability of resources, differential bargaining power, alliance structure, alliance goals, stages of industry life cycles, and changing market conditions. The model provides insights into the process through which balance may be restored, or deteriorate further.

Research questions and propositions were developed around the various dialectic tensions, then reviewed using the empirical data collected on how strategic tensions were processed in alliances and implications for alliance performance and evolution. Some of the key propositions formulated include: 1) that the divergence of strategic intent between parenting firms in a joint ventures will be inversely related to the difference between the level of cooperation and the level of competition between the alliance partners; 2) that alliance tensions are more likely to be in equilibrium where the partners are satisfied with the perceived value contributed to their firm (private benefits); and 3) that an alliance is more likely to move towards continued cooperation when the value appropriated met or exceeded partners' objectives and tensions are in equilibrium.

The research design incorporated a two-stage design. The purpose of the exploratory pilot study was to answer the question: 'What are the origins of dominant internal competing forces (tensions) that influence alliance performance'? The pilot study was designed to examine this question from the perspective of senior alliance managers, chief executive officers (CEOs), or General Managers (GMs). The next step was to find out how the governance (influencing/manipulating) of internal tensions by senior managers influenced alliance performance (measured by the level of partners' satisfaction with the contribution of the alliance to their organisation). This required the design of an iterative process of ongoing case study-based research to more fully understand the phenomenon. Adopting a grounded theory approach, the sample for the exploratory pilot study was drawn from 27 executives who were, or had been, engaged in alliance management at a senior level and who were likely to have knowledge of strategy in the supply chain. Each case study was selected to represent a unique alliance structure, and was guided by Das

and Teng's (2001) classification framework for investigating alliance structures and tension.

The research findings suggest that overall tension levels and sub-systemic dialectic tensions (i.e. short-term versus long-term; flexibility versus rigidity; collaboration versus competition; common versus private benefits) evolve over time and reconstitute relationships and shape the evolutionary trajectory of an alliance. The case studies findings suggest a process of accelerating tensions and significant imbalances in their configuration will favour certain outcomes. All propositions formulated in this thesis were supported by the findings of the studies.

The main contribution of my research is to extend current theory by examining converging and diverging forces/tensions and their impact on alliance value creation. This was done through the use of a dynamic model based on organisational learning and strategy theory. The governance process of alliance resources, in the context of the value creation process and perceived risk, is a key strategic element that influences internal tensions and alliance evolution.

The in-depth seven qualitative case studies approach was an appropriate research methodology because of the complexity of the phenomena investigated. Since the process elements involved are not accessible through traditional quantitative methods (Doz, 1996; Arino and de la Torre, 1998), a longitudinal case studies approach was followed to monitor the interactions between the partners. However the design simultaneously constrained the testing of the findings. It would have been useful to have data from a larger sample of firms within these industries. Future studies that would include larger data sets would provide the opportunity to explore and test the model at different points in the supply chain.

In conclusion, the research identified the origin of internal alliance tensions as the product of the variance between partner's strategic intent for alliance conditions (perceived normative collaborative conditions), actual alliance conditions and perceived risk. This sets the groundwork for future research which will examine the degree to which the individual tensions are determinants of alliance performance, and obtain a

deeper understanding of the interrelationships between the tensions identified in the proposed model.

