1-1-2005

Behavioral Factors in Strategic Alliances

Purnendu Mandal

Dale H. Shao
Marshall University, shaod@marshall.edu

Chong W. Kim
Marshall University, kim@marshall.edu

Recommended Citation

Mandal, Pernendu, Dale H. Shao, and Chong Kim. Encyclopedia of Information Science and Technology. Vol. 1. 2005.

Encyclopedia of Information Science and Technology

Volume I

Mehdi Khosrow-Pour, D.B.A.
Information Resources Management Association, USA

Idea Group REFERENCE

IDEA GROUP REFERENCE
Hershey • London • Melbourne • Singapore

Acquisitions Editor:	Mehdi Khosrow-Pour
Asst. Acquisitions Editor:	Renée Davies
Senior Managing Editor:	Jan Travers
Managing Editor:	Amanda Appicello
Development Editor:	Michele Rossi
Copy Editors:	Amanda Appicello, Elizabeth Arneson, Maria Boyer, Alana Bubnis, Jane Conley, Renée Davies, Lori Eby, Bernard J. Kieklak, Jr., Shanelle Ramelb, Sue VanderHook and Ingrid Widitz
Typesetters:	Sara Reed and Rachel Shepherd
Support Staff:	Corrina Chandler, Amanda Phillips, Michelle Potter, Marko Primorac, Jennifer Wetzel, Tara White, Chris Yura and Larissa Zearfoss
Cover Design:	Lisa Tosheff
Printed at:	Yurchak Printing Inc.

Published in the United States of America by
Idea Group Reference (an imprint of Idea Group Inc.)
701 E. Chocolate Avenue, Suite 200
Hershey PA 17033
Tel: 717-533-8845
Fax: 717-533-8661
E-mail: cust@idea-group.com
Web site: http://www.idea-group-ref.com

and in the United Kingdom by
Idea Group Reference (an imprint of Idea Group Inc.)
3 Henrietta Street
Covent Garden
London WC2E 8LU
Tel: 44 20 7240 0856
Fax: 44 20 7379 3313
Web site: http://www.eurospan.co.uk

Library of Congress Cataloging-in-Publication Data

Encyclopedia of information science and technology / Mehdi Khosrow-Pour, editor.
p. cm.
Includes bibliographical references and index.
ISBN 1-59140-553-X — ISBN 1-59140-794-X (ebook)
1. Information science—Encyclopedias. 2. Information technology—Encyclopedias. I. Khosrowpour, Mehdi, 1951-
Z1006.E566 2005
004'.03—dc22
2004025544

British Cataloguing in Publication Data
A Cataloguing in Publication record for this book is available from the British Library.

All work contributed to this book is new, previously-unpublished material. The views expressed in this book are those of the authors, but not necessarily of the publisher.

Behavioral Factors in Strategic Alliances

Purnendu Mandal
Lamar University, USA

Dale H. Shao
Marshall University, USA

Chong W. Kim
Marshall University, USA

STRATEGIC ALLIANCE

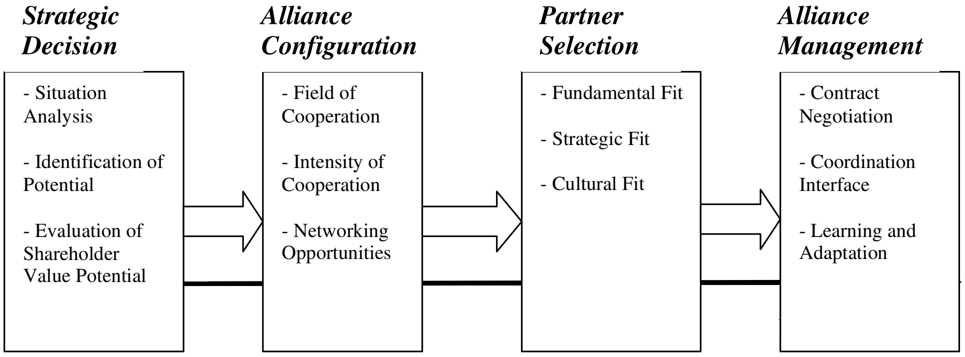
Recently, there has been a growing trend among information technology (IT) organizations to form strategic alliances to increase competitive advantages in the marketplace. For an organization to exploit the benefits of alliances, human factors and IT factors must be among the basic components of any strategic plan (Kemeny & Yanowitz, 2000). Despite the obvious need to consider human and IT factors when developing a long-term plan, many strategic plans developed in the past that led to alliances have failed to consider human aspects. Examples of failure in the implementation of IT systems due to the lack of consideration of human factors have come to light in recent years, but a comprehensive study of the consideration of human factors in the development of strategic alliances resulting in a major IT system alignment for a firm, is still rare in IT literature.

A successful alliance should not imply an imposition of one organization's culture over another. It is not a requirement that both organizations change the social structure, but the unique personalities of the two cultures should be considered when combining the resources of two organizations. The new organization should create a new working culture that brings together the best elements of each (Rule & Keown, 1998). Unfortunately, the creation of a new culture is rarely practiced, as alliances are often viewed solely from a financial perspective, leaving the human issues as something to be dealt with later, and many times with a minimal amount of effort. The creation of a new culture involves operations, sales, human resources management, technology, and structure, as well as many other internal and external entities and forces. It is undoubtedly an expensive and time-consuming endeavor to create a new working culture, but in the end, more value is created, and employees are more content and productive.

Strategic alliances are "co-operative relationships between two or more independent organizations, designed to achieve mutually beneficial business goals for as long as is economically viable" (Paris & Sasson, 2002). The main purpose of an alliance is to create one or more advantages such as product integration, product distribution, or product extension (Pearlson, 2001). In strategic alliances, information resources of different organizations require coordination over extended periods of time.

Bronder and Pritzl (1992) suggest that a strategic alliance exists when the value chains between at least two organizations (with compatible goals) are combined for the purpose of sustaining and/or achieving significantly competitive advantage. They derived four critical phases of a strategic alliance; namely, strategic decision for an

Figure 1. Strategic alliance phases (Bronder& Pritzel, 1992)



alliance, alliance configuration, partner selection, and alliance management, as shown in Figure 1. These four phases provide the basis for a continuous development and review of the strategic alliance, which increases the likelihood of the venture's success.

Typically, the first phase of a strategic alliance is the decision to go forward with the development of a strategic alliance (i.e., it asks this question: Is this strategic alliance justified?). Phase II (Configuration of a Strategic Alliance) focuses on setting-up the alliance's structure. Phase III (Partner Selection) is one of the most important success factors of the strategic alliance. This phase addresses whether the firms that are considering the partnership have characteristics that are conducive to a successful strategic alliance. Some of the concerns in this phase are fundamental fit (e.g., Do the company's activities and expertise complement each other in a way that increases value potential?), strategic fit (e.g., Do strategic goal structures match?), and cultural fit (e.g., Is there a readiness to accept the geographically and internally grown culture of the partners?). The final phase, Phase IV, is concerned with managing a strategic alliance (e.g., How do partners continually manage, evaluate, and negotiate within the alliance to increase the odds of continued success?). People-related issues are the major focus of this phase.

Before an organization commits to a strategic alliance, it should have a management plan developed to deal with the human behavior aspects of the newly created organization. Parise and Sasson (2002) discuss the knowledge management practices that organizations should follow when dealing with a strategic alliance. They break down the creation of a strategic alliance into three major phases.

- *Find:* making alliance strategy decisions and screening and selecting potential partners.
- *Design:* structuring and negotiating an agreement with the partners.
- *Manage:* developing an effective working environment with the partner to facilitate the completion of the actual work. This phase includes collecting data relating to performance and feedback from both partners on how they think the alliance is progressing. Managing relationships and maintaining trust are particularly critical during the Manage Phase.

The application of proper knowledge management techniques is especially important for a successful alliance (Parise & Sasson, 2002). There must be a systematic approach for capturing, codifying, and sharing information and knowledge; a focus on building social capital to enable collaboration among people and communities; an emphasis on learning and training; and a priority on leveraging knowledge and expertise in work practices. Parise and Sasson (2002) suggest a list of the building blocks of alliance management. Four of these building blocks relate specifically to human behavior factors.

- *Social Capital:* Building trust and communication channels that allow unambiguous discussions with the partner is a necessary ingredient for an effective relationship.
- *Communities:* Communities of practice allow for the sharing of personal experiences and tacit knowledge based on individuals with a common interest or practice. Communities can be realized by using electronic meeting rooms, forums, or more formal alliance group structures.
- *Training:* Companies that rely heavily on strategic alliances should provide formal training for managers and team members in their strategic plans. Providing staff with the skills necessary to exist in a new system (in this case, a strategic alliance) is often overlooked in the development of the new system.
- *Formal Processes and Programs:* Alliance know-how should be institutionalized. An example of this is Eli Lilly, a leading pharmaceutical firm, which created a dedicated organization called the Office of Alliance Management, which was responsible for alliance management.

The literature on strategic alliances shows that organizations that use alliance management techniques to provide for stress and knowledge management are more successful than those who do not. Leveraging knowledge management across a company's strategic alliance is a critical success factor for partnering companies. The greatest contributors to knowledge management in an organization are the information-literate knowledge workers—mainly the IT professionals.

CULTURAL ASPECTS IN ALLIANCES

Alliances among firms would naturally result in many organizational changes. Leavitt (1965) concluded that there are four types of interacting variables to consider when dealing with organizational change, especially in large organizations. These variables are task variables, structural variables, technological variables, and human variables. He proposed structural, technological, and people approaches to organizational changes, which derive from interactions among these four variables.

The four variables are highly interdependent so that a change in any one variable usually results in compensatory changes in other variables. The introduction of new technological tools (e.g., computers) may cause changes in structure (communication system), changes in people (their skills and attitudes), and changes in performance and tasks. Therefore, it is imperative to consider all areas that might be affected when a company plans to introduce change to an organization.

Pre-existing people-related problems at a target company often cause many alliances to fail to reach their full financial and strategic potential. Numerous case studies report failure of alliances due to a lack of consideration for the potential impact of behavioral and structural aspects (Numerof & Abrams, 2000). To build an effective alliance, institutions must pay particularly close attention to cultural, personality, and structural incompatibilities. Leaders from alliance institutions need to recognize the personality differences in their managers, as well as the demands required by the stage of the organizational life cycle stage that their organization is in (Segil, 2000). It has also been demonstrated that successful alliance partners share many strong similarities in performance and relationships (e.g., people skills) (Whipple & Frankel, 2000). Understanding potential incompatibilities gives institutions that are contemplating alliances a solid foundation on which to explore the feasibility of joint projects. It also increases the likelihood that the alliance will operate successfully (Whipple & Frankel, 2000).

Successful alliances are impeded when the culture of one or both associations highly differs in value. "High control value" is inconsistent with tolerance for ambiguity and the "willingness to compromise" often required for strategic alliances. Maron and VanBremen (1999) suggest the use of William Bridges' Organizational Character Index, which can be a useful tool for analyzing the cultural differences between two associations to determine how well they might work together. It promotes better understanding between two associations; it fosters an appreciation for what both partners could bring to an alliance; and it identifies underdeveloped qualities in both associations that could inhibit the success of an alliance.

IT ISSUES IN ALLIANCES

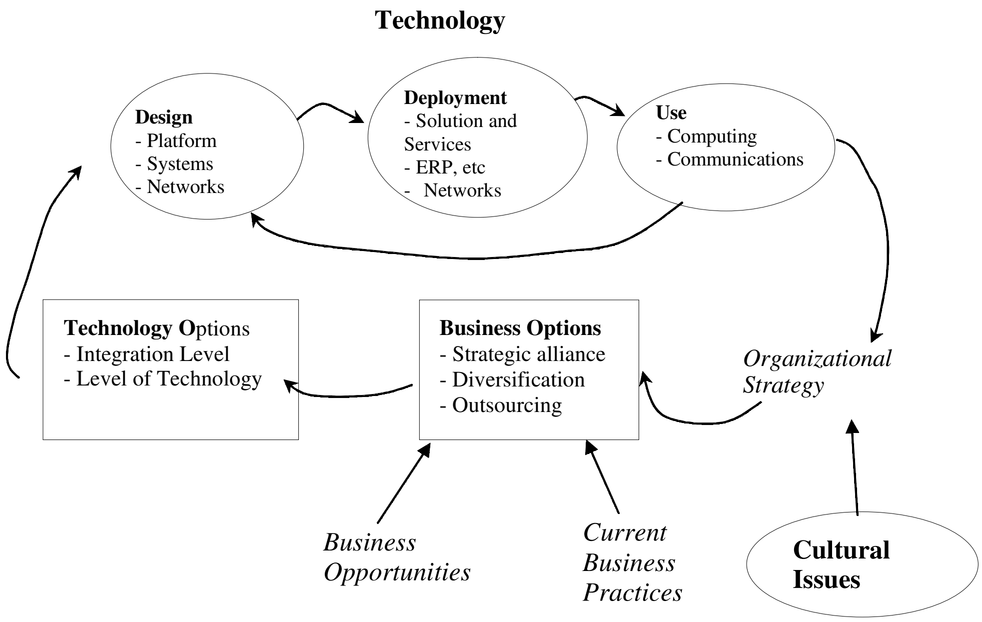
Long-term IT considerations, such as IT architecture, is another major consideration when developing a strategic alliance. A strategic consideration, such as new alliances, requires the visioning of a different IT architecture. Applegate, McFarlan, and McKenney (1999) view IT architecture as an overall picture of the range of technical options available to a firm, as well as standard business options. "Just as the blueprint of a building's architecture indicates not only the structure's design but how everything – from plumbing and heating systems, to the flow of traffic within the building – fits and works together, the blueprint of a firm's IT architecture defines the technical computing, information management and communications platform" (p. 209).

Figure 2 brings out the dynamic nature of the IT architecture development process. The technology component, shown by the dotted oval, is concerned with design, deployment, and how it is used. This part is the core of IT architecture, and a large proportion of IT professionals' time is devoted to these activities. Consideration of business options that feed to various technology options is a higher-level activity in the IT architecture development process. Business options such as strategic alliances, mergers and acquisitions, outsourcing, diversification, and so forth are influenced by major internal, as well as external, factors such as current business practices, business opportunities, and organizational strategy. There is a direct link between technology and organizational strategy. The technology (with its operational and technical settings) exerts a strong influence on the organization's future strategic direction. Thus, one can observe a close link between technical and other business factors, and, like ever changing business, the IT architecture is a dynamically evolving phenomenon (see Figure 2 through connecting lines).

An alliance can exist between any types of organizations. For example, a telecommunications organization could form an alliance for international joint ventures, or an alliance could be established between a banking organization and an IT supplier. The notion of developing a strategic alliance suggests that an organization's performance can be significantly improved through joint, mutually dependent action. For a strategic alliance to be successful, business partners must follow a structured approach to developing their alliances to ensure that all major items have been addressed, and should include, as part of this process, strategic planning, communication, efficient and effective decision-making, performance evaluation, relationship structure, and education and training.

Strategists have often suggested that organizations should consider entering into similar or somewhat related market sectors to broaden their product/service portfolios (Henderson & Clark, 1990; Markides & Williamson, 1997). Both of the dimensions of market (customer and product, Ansoff, 1986) in a related market can be identified easily and strategies formulated for deployment. The main advantage of adopting such a strategy is that an organization can easily use its competencies and strategic assets in generating a strategic competitive advantage (Markides & Williamson, 1997). Determining the design and the requirements of a new information system (IS) is a relatively simple task. In

Figure 2. Forces affecting overall IT architecture



contrast, diversification into a significantly different market for an IT/IS organization is a very challenging task that requires considerable evaluation of the IT infrastructure and human relations.

CONCLUSION

Strategic alliance is a complex business decision that involves careful consideration of business processes, IT architecture, human issues, and many other factors. Over emphasizing one factor or downplaying another may lead to a compromising situation that can have seriously negative consequences for both of the organizations involved. Behavioral issues in their broader sense impact all phases of a strategic alliance. For IT professionals, the understanding of behavioral or human issues is of critical importance in the analysis and design of the system that will support a strategic alliance. The new system must take into account not only traditional system design considerations, but knowledge management and its growing importance in system design, which increases organizational effectiveness and ensures the firm's long-term existence.

REFERENCES

Ansoff, I.H. (1986). *Corporate strategy*. London: Sidwick and Jackson.

Applegate, L.M., McFarlan, F.W., & McKenney, J.L. (1999). *Corporate information systems management: Text and cases*. Boston: Irwin McGraw-Hill.

Bronder, C., & Pritzl, R. (1992). Developing strategic alliances: A successful framework for cooperation. *European Management Journal, 10*(4), 412-420.

Henderson, R., & Clark, K. (1990). Architectural innovation: The reconfiguration of existing product technologies and the failure of established firms. *Administrative Science Quarterly, 35*, 9-30.

Kemeny, J.M., & Yanowitz, J. (2000, March). Strategic alliances: Finding the hidden leverage for success. *Reflections, 1*(3), 62-71.

Leavitt, H.J. (1965). Applied organizational change in industry: Structural, technological and humanistic approaches. In James March (Ed.), *Handbook of organizations* (pp. 1144-1170). Randy, McNally & Company.

Markides, C.C., & Williamson, P.J. (1997). Related diversification, core competencies and corporate performance. In A. Cambell, & K. Sommer Luchs (Eds.), *Core competency-based strategy* (pp. 96-122). London: International Thomson Business Press.

Maron, R.M., & VanBremen, L. (1999). The influence of organizational culture on strategic alliances. *Association Management, 51*(4), 86-92.

Numerof, R.E., & Abrams, M.N. (2000). Subtle conflicts that wreck merger visions. *Mergers and Acquisitions, 35*(3), 28-30.

Parise, S., & Sasson, L. (2002, March/April). Leveraging knowledge management across strategic alliances. *Ivey Business Journal*, 41-47.

Pearlson, K.E. (2001). *Managing and using information systems*. New York: John Wiley & Sons.

Rule, E. & Keown, S. (1998, September/October). Competencies of high-performing strategic alliances. *Strategy & Leadership, 26*(4), 36-38.

Segil, L. (2000). Understanding life cycle differences. *Association Management, 52*(8), 32-33.

Whipple, J., & Frankel, R. (2000, Summer). Strategic alliance success factors. *The Journal of Supply Chain Management: A Global Review of Purchasing and Supply*, 21-28.

KEY TERMS

Alliance Management: Allows two different organizations to effectively work together and combine resources, which is expected to bring benefits to both organizations.

Culture: A societal manifestation influenced by traditions, religion, history, acceptable behavior, and many other factors.

IT Strategic Alliance: A broad agreement between business partners to operate cooperatively, usually facilitated by IT systems.

IT Architecture: A conceptual framework of IT in an organization that supports business processes. IT includes hardware, software, telecommunications, database management, and other information processing technologies used in computer-based information systems.

Information-Literate Knowledge Worker: A worker who knows what information is needed, knows how and where to obtain that information, understands the meaning of information, and can act based on the information to help the organization achieve its greatest advantage.

Strategic Planning: Corporate long-term planning that ensures the existence of an organization.