Behavioral Factors in Strategic Alliances

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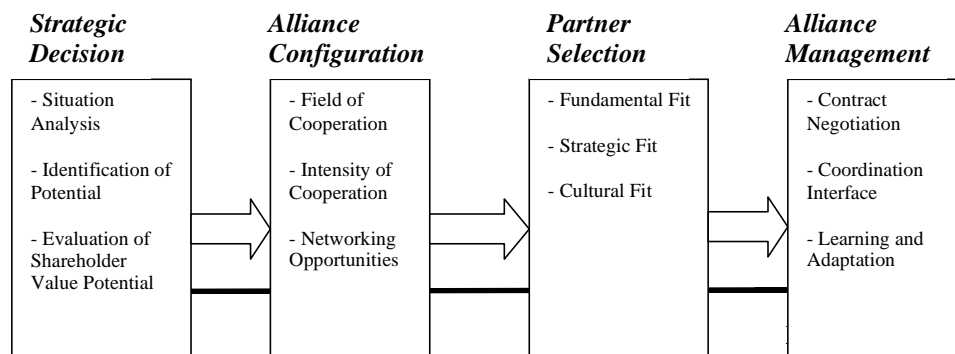
alliance, alliance configuration, partner selection, and alliance management, as shown in Figure 1. These four phases provide the basis for a continuous development and review of the strategic alliance, which increases the likelihood of the venture's success.

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

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