

Chapter XL

Inter–Organizational Conflicts in Virtual Alliances

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ABSTRACT

In this chapter we argue that even though conflict has been explored at an intra-organizational level, its effect and role at an inter-organizational level has remained unexplored. Yet, with the increasing number of virtual inter-organizational alliances, attention needs to be given on this issue. This chapter, hence, discusses the factors that contribute to different types of conflicts at an inter-organizational level, which are named as business strategic conflict and cultural conflict. More significantly, two conceptual frameworks of tendencies of business strategic conflict and cultural conflict are illustrated for understanding the course of global virtual alliances. The frameworks are designed to be a foundation of future empirical research. The ethical implications of doing such research are discussed.

INTRODUCTION

Building relationships with customers, suppliers and even competitors has been exhorted by today's dramatic changing business landscape. Firms partner up with suppliers abroad and purchase products from overseas vendors because of cost, quality and resource exchange reasons (Reardon & Hasty, 1996) and that higher profits could be achieved (Chan, 1992).

Information technology (IT) plays a central role because spatial and temporal barriers could be overcome (Boudreau, Loch, Robey, & Straud, 1998). The proponents think that *virtual alliances* offer an effective integration of expertise from independent organizations and reduce time and cost wastes in travelling (Bal & Gundry, 1999; DeSanctis & Monge, 1998; Prasad & Akhilesh, 2002). However, virtual alliances are criticised for they create potential challenges, such as a

lack of physical interaction and social contact which is fundamental to business collaboration (Defillippi, 2002).

Communication electronically occurs in very different context from **face-to-face** (FTF) conversation. Clark and Brennan (1991) argued that there are six structured features for grounding **FTF** conversations including co-presence, visibility, audibility, co-temporality, simultaneity and sequentiality. Co-presence allows people to look at what the others are doing in the same surrounding. Visibility means that people are able to see the others even though they are not working in the same place. Audibility allows people to hear the others' voice so that sound and intonation changes can be recognised. Co-temporality in where people's saying and uttering can be received immediately when they are just produced. Simultaneity allows all members to express and receive messages at the same time. Sequentiality in where people involve into a continuous conversation and they can not get out of sequence. All members in FTF meetings are linked together without time lags. In contrast to FTF, **computer-mediated communication** (CMC) is not provided with all above features. For example, though email does not have the above characteristics, it has been the dominant means of communication. However, conflict and dispute will be exacerbated when people communicate electronically more than communicate via FTF meeting (Fridman & Currall, 2003). The coordination of activities does not benefit all firms engaging in the technical networks. Who can survive in the business competition depends on how well they can manage and organize business activities efficiently on the virtual platform.

A **virtual alliance** embedded in a combination of **CMC** and infrequent **FTF** communication is far from a mere application of information technologies. Several organizational issues regarding communication and interaction through technology in the course of virtuality has drawn researchers' attention (Boudreau et al., 1998; Maznevski & Chudoba, 2000; Panteli & Fineman, 2005a;

Schultze & Orlikowski, 2001). Communication in organizations is realised based on a common perception and knowledge. However, while communication takes place in virtual networks striding different companies in different countries, the challenges become more complicated. When different languages, regimes, customs and relevant cultural characters occur in the collaborative network; misunderstandings and frictions increase. National cultural diversity, hence, has been seen as one of the most difficult hindrances in **inter-organizational collaboration** (Hofstede, 1984; Swierczek & Onishi, 2002).

Conflicts on business competitive and cooperative strategies are also challenging the organizational alignment in reality. For instance, the two electronic giants, SONY and Samsung, agreed to share patents in order to speed up the development of basic technologies in 2003 (Frauenheim, 2004). To date the collaboration has not been a common practice and the firms are still competitors in consumer-electronics industry. Apparently, business strategic conflict accelerates the complexity of business collaboration.

Conflict has been studied at a number of levels focusing on the definitions of conflict, the actors in the process and the elements that influence the conflict (e.g. Darling & Fogliasso, 1999; De Dreu & Weingart, 2003; e.g. Deutsch, 1973; Jehn, 1997; Jehn & Mannix, 2001; Thomas, 1976). Jehn (1997) identified the relationship, task and process conflicts which are the most common typology of conflict but inter-organizational conflicts were not addressed. In contrast with the dramatic growth of global virtual alliances, what we have known about conflicts is little. Thus, this chapter aims to show that additional types of conflicts, namely cultural conflict and business strategic conflict, are of relevance to the inter-organizational level. More significantly, the tendencies of conflicts are illustrated to describe the nature of conflicts in inter-organizational collaboration in depth.

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