Chapter 1
Study of Motives of Indian Strategic Alliances:
Marketing or Innovation Seeking?

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ABSTRACT

Strategic Alliances (SAs) have been formed by firms to attain strategic objectives which alone firms were unable to secure. Typically, firms formed SAs to gain market share or to seek innovation and research and development capabilities form the partnering firm. In the extant literature, market seeking SAs have been viewed as defensive while innovation and research and development capabilities seeking SAs as an aggressive strategy. In this research, the authors conducted a study of 165 strategic alliances cases in the Indian business scenario to study the motives of SAs. This study classified SAs formed by the top 50 firms listed on India's National Stock Exchange (NSE) (NIFTY50 index) into different categories. Inferences and findings have been drawn using content analysis of the available dataset. It was observed that, out of the 165 unique cases of SAs, a substantial number of SAs could be classified as 'business alliances' focusing on the market seeking from the alliance partner.

INTRODUCTION

A Strategic Alliance (SAs) is a business agreement between two or more firms brought about to pursue mutually important objectives (Hyder & Eriksson, 2005; Bhattacharyya, 2018). Firms have formed SAs to gain an advantage in the market which individual firms alone could not attain (Kogut, 1991). Hence, multiple firms have strategically collaborated on various aspect of their business to achieve objectives that all partner firms considered important for their growth (Padula & Dagnino, 2007; Bhattacharyya,

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2019a). Generally, firms that have entered a SA, tended to maintain their independence (Hyder & Eriksson, 2005; Padula & Dagnino, 2007). SA could be national or international depending on the partner firms' business objectives (Bhattacharyya & Shaik, 2009). SAs could be equity-based, where equity is shared between the partner firms, or non-equity based (Bhattacharyya, 2018). The literature has classified SAs in different ways. Koza and Lewin (2000) classified SAs as Learning, Business & Hybrid based on their objectives. Kale and Singh (2009) classified SAs based on the strategic choices the partner firms made. It was noted by Chan, Kensinger, Keown & Martin, (1997) that SAs tended to add a good amount of value to the partner firms and it was observed that some firms were keen to learn the tacit knowledge capability resident in the other partner. Ironically, Das & Teng, (2000) observed that around 70% SAs failed to fulfil the set strategic objectives but despite this high rate of alliances failure, companies have kept on investing company resources and management bandwidth in forming new alliances (Hyder & Eriksson, 2005; Bhattacharyya, 2019a). Therefore, a lot of literature has revolved around justifying this failure rate. Koza & Lewin, (2000) proposed a mismatch in expectations as a reason for alliance failure. While Dyer, Kale & Singh, (2004) proposed forming alliances instead of acquisitions and vice-versa as a potential reason. The literature also discussed various methods that could be used to form successful SAs. Homberg & Cummings, (2009) provided literature on selecting appropriate partners. While Zeneldin & Bredonlow, (2003) provided literature on understanding partner synergies. Zeneldin & Bredonlow, (2003) and Bhattacharyya & Shaik, (2009) observed that similar studies concerning Indian SAs were limited in number. Given this dearth of studies in Indian alliances concerning the role of SAs, the authors were interested in empirically exploring this research domain. The grouped list of alliances was termed as a strategic alliance portfolio (Yamakawa, Yang & Lin, 2011) and the authors were interested in studying the changes in portfolios of Indian SAs with a change in dynamics of the firms' business objectives. The focus of this research was on Indian SAs. This study was centric to SAs that have been formed by the top 50 companies of the National Stock Exchange's 'Nifty 50' index. The purpose of this study was:

1. To study alliance portfolios of NIFTY 50 over a course of time (here 5 years, 2013 - 2017) based on the dynamics of firms' business objectives.
2. To distinctly classify the formed SAs into different types based on the literature provided by Hitt, Ireland & Hoskisson (1997) and Koza & Lewin, (2000).

LITERATURE SURVEY

The literature review was used to develop a comprehensive understanding of SAs for this study. Discussions provided by the literature allowed the authors to form a contextual framework for their study. Out of the forty-six studies referred by the authors, some particular studies played a significant role in forming the basis of this research. The discussion provided by Koza & Lewin (2000) provided the authors with a clear picture of the issues in the management of SAs. Moreover, the framework provided by Koza & Lewin (2000) and Hitt, Ireland & Hoskisson (1997) aided the authors in similarly classifying Indian SAs. Dyer, Kale & Singh (2004) discussed biases in forming SAs which allowed the authors to better understand the motives behind SAs formed by Indian firms. Additionally, Dyer, Kale & Singh (2004) also discussed the factors that influenced SA decisions and provided literature on the difference between SAs and acquisitions. The literature provided by Lee, Tim & Tan (2000) on SAs between small and large enterprises helped the authors to identify strategic objectives behind such SAs in the Indian scenario.

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