Chapter 1.5
Behavioral Factors and Information Technology Infrastructure Considerations in Strategic Alliance Development

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ABSTRACT

Since behavioral and cultural factors play a major role in strategic alliances between partners, IT managers must understand the intricacies involved in the development of resultant IT infrastructure in satisfying both business requirements and cultural fit of the aligned partnering units. This paper first highlights the IT-related issues and cultural issues which are important in the process of developing a strategic alliance between partners. Then, a case study involving a major telecommunications organization and several retail electricity organizations is presented to illustrate the IT requirements and human-related considerations. The analysis focuses on the requirements of pre-strategic alliance phase of the negotiation process.

INTRODUCTION

Information technologies (IT) such as the Internet, WWW, EDI, and so forth, have already changed, and are still changing, the way organizations do business today (Housel & Skopec, 2001; Mandal & Gunasekaran, 2003). Significant movement that has occurred relatively recently is the push toward worldwide and national integration of information systems (Dutta, Lanvin, & Paua, 2003; Kumar & van Hillegersberg, 2000; Laughlin, 1999; Palaniswamy & Tyler, 2000; Shore 1996) for organizations to achieve competitive advantages. Since it has become critical for businesses to be able to get to relevant data and information quickly and easily, large information systems such as enterprise resource planning (ERP) systems, supply chain management (SCM), enterprise resource/relationship management (ERM), enterprise application

integration (EAI), Web services, and customer relationship management (CRM), have recently grown in importance.

Large information systems are helping organizations to deal with increasing competition. Many organizations can no longer compete effectively by themselves; so, they must consider having partners to cope with the competition. The number of strategic alliances formed between organizations has increased dramatically and are projected to continue to increase in the future. Strategic alliances are a mutual agreement between two or more independent firms to serve a common strategic (business) objective (Bronder & Pritzel, 1992). Alliances have had a growth rate of 25% and are projected to have a value of $40 trillion by the year 2004 (Parise & Sasson, 2002). The "make versus buy" decision is becoming the "make versus buy versus partner decision". Through empirical analysis, Yasuda (2005) shows that the primary motivation of strategic alliances is the access to resources, followed by the shortening of time required for development or marketing.

A successful alliance should not imply an imposition of one organization's culture over another. Rather, it should create a new culture that brings together the best elements of each. Unfortunately, "creation of a new culture" is rarely practiced as alliances are often viewed solely from a financial perspective, leaving the human resource issues as something to be dealt with later and without a great deal of effort. The creation of a new culture involves operations, sales, human resources management, technology, and structure among other issues. It is undoubtedly expensive and time consuming to create a new culture, but, in the end, employees become contented and productive.

For an organization to exploit the benefits of alliances, human factors and information technology (IT) factors must be among the basic components for any analyses and plans. Yet, the literature is poor in this regard. Evidences of failure in the implementation of IT systems due to the lack of

considerations of human factors have come to light in recent years, but a comprehensive consideration of human factors in strategic alliance, which is prompted by the possibility of major IT systems alignment, is still rare in IT literature. The main objective of this paper is to highlight the human-related issues in IT-centered strategic alliances. We focus specifically to human-related considerations before the actual negotiations for an alliance and its implementation.

To facilitate the discussion, we have used the case of a telecommunication (TEL) company. TEL identified a new market opportunity as a result of changed market conditions. The company is in the traditional business of telecommunications and information services, but identified a new market opportunity in the retail electricity distribution business that became apparent as a result of market deregulation in the electricity industry. The deregulation of the electricity industry presented TEL with a diversification opportunity. Should TEL enter into an electricity retailing business, or concentrate on its existing communications business, which is increasingly becoming more competitive? TEL's own strength in IT areas, its strong market position, and the opportunities in forming alliances with other business partners in the electricity industry are the main considerations for this strategic move.

The paper is organized in several sections: starting with a brief review of IT and strategic alliance. Cultural aspects in alliances and IT issues in alliances are discussed in the next two sections. The research methodology is presented next. This is followed by a short description of the case study. The cultural issues raised in this case study are discussed before the discussion section.

ISSUES IN STRATEGIC ALLIANCE

Strategic alliance focuses on combining resources of various organizations through acquisition,

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