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Do Strategic Alliances Add Value?

An Empirical Examination at Industry and Firm Levels in European Banking

by

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A Doctoral Thesis

Submitted in partial fulfilment of the requirements

for the award of

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Dedications and Acknowledgements

This thesis is dedicated to:

- To God for life and liberty
- To my late father, Zafar ul-Haq FRCS, for instilling the work ethic
- To my mother, Salmi Z. Haq, for unstinting support
- To my wife, Lubna S. Haq, for great encouragement
- To my daughter, Aaminah S. Haq, for giving hope

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Abstract

Do Strategic Alliances Add Value?
An Empirical Examination at Industry and Firm Levels in European Banking

Strategic alliances are a prevalent form of business organization. The critical characteristics of strategic alliances are detailed using Coase (1937) and the resulting definition tested through primary research and the alternative form, the infrastructure alliance posited. The thesis examines whether strategic alliances add value in the European banking sector through four types of analysis at two levels of engagement – a 23 historical review (at industry level); a review of over 400 papers in the academic literature; a questionnaire survey (at firm level) and in-depth interviews (at firm level).

Bankers high pre-existing propensity to enter into strategic alliances is determined and three lifecycles, and the underpinning, conditions identified – Clubs and Consortium Banks, Bankassurance and the Virtual bank - the latter involving a fundamental change in Coase (1937) enabled by the underpinning technology. Bankers were found to be followers of potential business steams and the strategic alliance was one form of market entry. The questionnaire research, however, identified European bankers prefer to enter into alliances (as opposed to own branch or M&A) only in countries which had the appropriate supporting conditions such as definable, enforceable and terminable contracts, the provision of accounting information, stable governments and economic freedom.. Direct discussions with senior bankers resulted in a number of valuable insights into the conceiving, forming, organizing evolving and dissolving of alliances.

Further research into the infrastructure alliance, including 'oscillation' between infrastructure and strategic forms is proposed. The Co-Evolution Model of Strategic Alliances is proposed and taxonomy consisting of parallel co-evolution, convergent co-evolution, divergent co-evolution and the subsidiary taxonomy of differential parallel co-evolution, differential convergent co-evolution and differential divergent co-evolution detailed and further research suggested.

Strategic alliances are found to add value in European banking but this value is contingent on the strength of the business stream, the global, national and industry conditions and the nature of managerial decisions and drive.

Key Words:
Strategy, Strategic Alliances, Infrastructure Alliances, Alliances, Co-Evolution Model, Banking, Europe

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Chapter One

Introduction, Structure and Subject

1.1 Introduction and Research Question

Strategic alliances are being used to access know-how, products and markets. In the middle of the 'organic growth-strategic alliances-mergers & acquisitions' continuum they provide a method of rapidly addressing business opportunities that arise whilst sharing know-how, costs and risk, as well as reward, with partners.

There is no question as to the popularity of strategic alliances. The key question is:

Do strategic alliances add value?

The thesis examines this question through four types of analysis at two levels of engagement - through a 23 year historical review (industry level); through a review of over 400 papers in the academic literature; through a questionnaire survey (at firm level) and through in-depth interviews (at firm level). The industry examined was the European banking industry.

1.2 Structure

This thesis has seven chapters. Chapter One considers the nature of the subject under analysis, the strategic alliance, and differentiates this from the infrastructure alliance, both prevalent forms of cooperation in the banking sector. Chapter Two develops a view as to the historical propensity of banks to collaborate. It reports a longitudinal analysis of the forms of collaboration prevalent in this sector between 1960 and 1993 and considers the research question at an industry level. Chapter Three identifies the theoretical underpinnings of strategic alliances and the perspectives adopted by previous research and those employed in this thesis. Chapter Four discusses a number of research perspectives and the chosen perspective of Realism (after Lawson, 1997). The chapter also discusses the desk, postal survey and thematic interview research methods used in gathering and

analyzing the data. Chapter Five sets out the method used to analyse the postal survey responses and reports the findings, relating them to the research question. Chapter Six reports the analyses of the thematically based interviews and relates the findings to the research question. Chapter Seven concludes the thesis and suggests two areas for future research.

So as to be relatively comprehensive and obtain deep insights into the use of strategic alliances in the European banking sector, four lenses or perspectives are used: historical, theoretical, practical and motivational (Chapters Two, Three, Five and Six respectively). Furthermore the focus of inquiry moves from changes in the external context to firm level decision making to the motivations of managers (Chapters Two, Five and Six respectively). Table 1.1 below summarizes the structure of this thesis.

1.3 Subject

1.3.1 Strategic Alliances - Definition and Taxonomy

1.3.1.1 Strategic alliances – definition. Strategic alliance theory is a sub-set of theories governing the structure of organizations. Coase (1937) set out to explain why firms exist – that is, why market based transactions do not in all situations result in the most efficient allocation of resources.

The rationale of the firm (as expounded by Coase and developed by Williamson [1986]) is, at its simplest, that the existence of transaction costs and uncertainty ('bounded rationality') may make it less costly, less risky or both to internalise inherently separate economic activities within the boundaries of the firm.

This internalisation is held to be preferable to each such activity being undertaken by a separate economic agent. Costs to be avoided include those of drawing up separate contracts specifying precisely the rights and obligations of every party to every economic transaction. Risks to be avoided include those of opportunistic behavior by counter-parties to an insufficiently specified contract and of failing to find a market for the output of functionally specialized ('idiosyncratic') investments.

Table 1.1: Structure of Thesis Entitled: Do Strategic Alliances Add Value? An Empirical Analysis of Industry and Firm Level in European Banking

Chapter Number and Area	1 Introduction	2 Industry Level Lifecycle Findings	3 Theoretical Foundations	4 Methodological Issues	5 Firm Level Postal Survey Findings	6 Firm Level Thematic Interview Findings	7 Conclusion Future Research
External/ Internal Focus		External			Internal to Firm and Manager	Internal to Manager and Firm	
Data Source		Economist Financial Times Bank of England	Journal Articles Books – Single Author and Edited Volumes Proceedings	Methodology Books	Questionnaires Returned	Interviews Held	
'Lens' or Perspective		Historical	Theoretical		Firms Practice	Managerial Motivations	
Phillips and Pugh (1994) Class	Contribution	Focal Theory (1) Contribution	Focal (2) and Background Theory		Data Theory Contribution	Data Theory Contribution	Contribution

Benefits of internalisation resulting from reduced transaction costs and uncertainty may manifest themselves as variously:

- security of supplies and markets
- technical or engineering economies
- marketing economies
- financial economies
- managerial or administrative economies.

These will increase in importance with the frequency of transactions (Williamson, 1970).

The work of Coase, Robinson and Williamson also assists in explaining the presence of organizational forms other than the firm. Williamson (1982) has developed the Coasean markets–hierarchy dichotomy to derive a more general theory of organizational form and to provide a foundation for the so-called 'transaction cost school' and some of the varied definitions of strategic alliances proposed and used in the literature.

In an area where theory, practice and analysis have been evolving so rapidly, definitional inconsistencies may reflect some more fundamental differences in approaches. Thus it is necessary to define a 'strategic alliance' as the term will be considered and used in this thesis.

A strategic alliance can be defined by reference to any combination of the following:

i) the legal, structural or ownership <u>form</u> that the alliance takes

ii) the <u>nature</u> of the resulting relationship between partners through integration or interdependence

iii) the <u>purpose</u> of the relationship

iv) the <u>importance</u> of the relationship.

In addition, which complicates matters, each definitional criterion may be of asymmetric importance to some or all of the partners in an alliance.

i) Form

A strategic alliance is located on a continuum between, on the one hand, market based, arm's length transactions and relationships and, on the other, hierarchic, or intra-firm, transactions or relationships. The broad range of alliance types (see Figure 1.1) range from formal cooperative ventures through joint ventures and joint ownership to strategic investment in a partner.

A formal cooperative venture exists where two or more independent firms formally agree to work together for their mutual benefit. This agreement may be supported by a formal document (such as the 17 page BNP-Dresdner Cooperation Agreement) or perhaps by little more than an oral agreement between the respective chairmen.

A joint venture is a separate company in which all the founding firms have an equity stake. A joint venture is usually governed by its own board of directors.

Joint ownership arises where two or more independent firms jointly own an asset, such as a manufacturing or bottling plant, to serve the interests of the owning firms.

A strategic investment in a partner typically involves one firm in taking a small investment in another to support their agreement to work together. This often takes the form of a share-swap, as a gesture of mutual commitment rather than as a precursor to a merger or to exploit formal ownership rights.

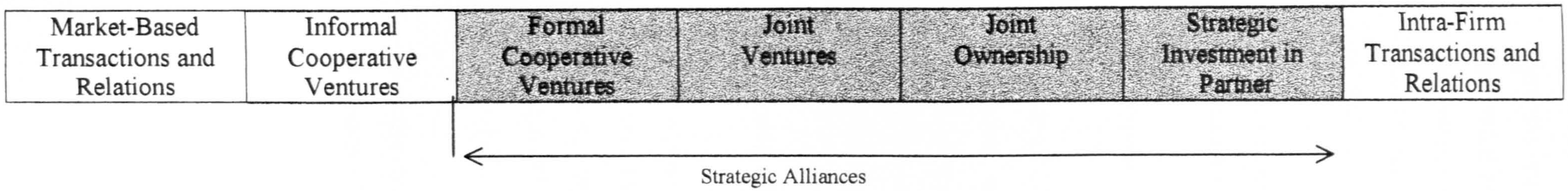


Figure 1.1: Forms of Strategic Alliances

Source: Adapted and modified from Lorange and Roos, (1992)

ii) Nature

A strategic alliance is a sub-set of the relational-contractual part of the markets-hierarchy continuum (see Figure 1.2) and more especially the obligational-contractual part of that continuum. Firms that know each other, and have worked together or entered into one-off contracts in the past, can be deemed to have a pre-existing 'relationship' by virtue of having freely entered into new contracts. This is termed a relational-contractual arrangement. By entering into strategic alliances, firms go a crucial stage further by obligating themselves to enter into future contacts and transactions with their alliance partners. This is termed an obligational-contractual arrangement.

iii) Purpose

A strategic alliance represents an attempt to strike an optimal balance between the conflicting needs and purposes of economic activity, as outlined in Figure 1.3 below. It seeks to balance the various benefits to be received from collaboration against the external and internal forces that may push the alliance in the direction of evolution (to a full merger, say) or to dissolution.

iv) Importance

Another way of classifying alliances is to differentiate between 'non-strategic' and 'strategic' alliances. The 'strategic' alliance is typically one which displays high levels of resource commitment, is (or is expected to be) of long or open-ended duration and whose purposes represent a core activity of a strategic nature for one or more of the partners. Figure 1.4 summarizes this differentiation.

From the above analysis we can derive a general definition of a strategic alliance as proposed by Hamilton, Morison, ul-Haq, 1996 thus:

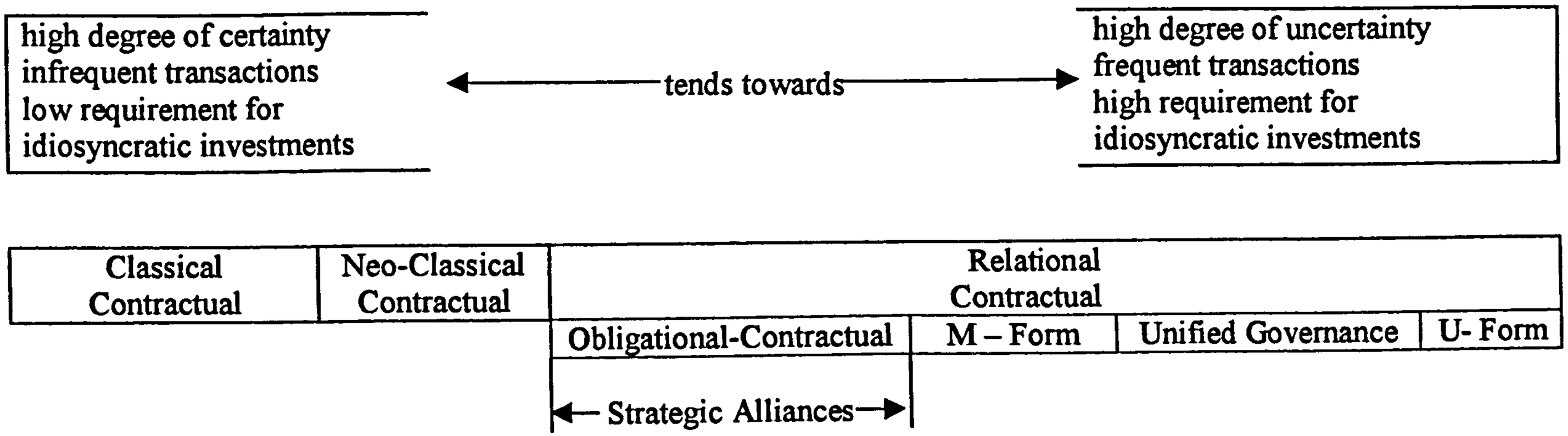


Figure 1.2: Nature of Strategic Alliances

Source: Adapted from Williamson, (1986)

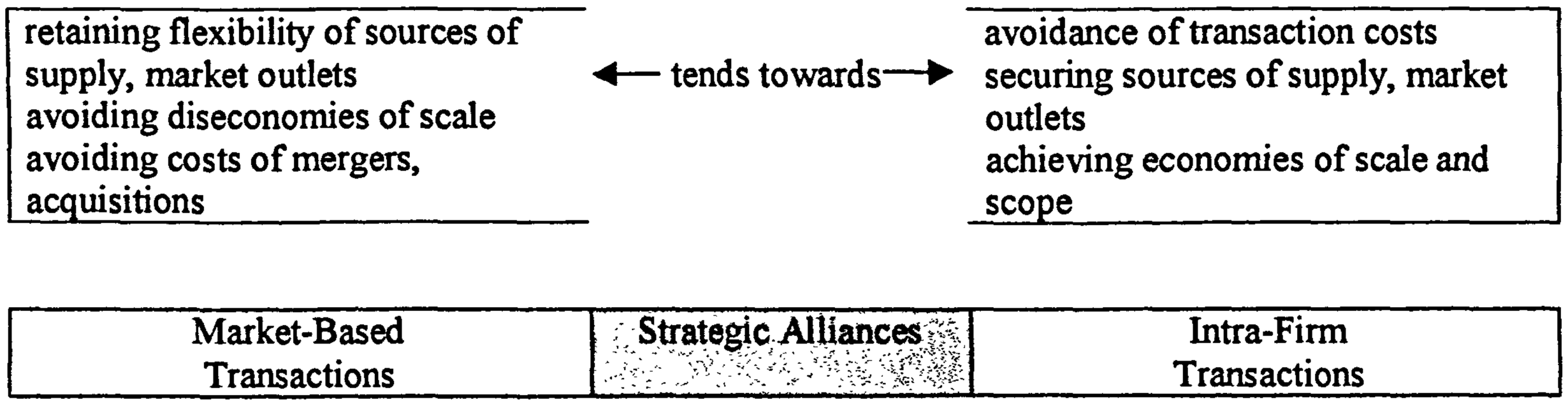


Figure 1.3: Purpose of Strategic Alliances

Source: Adapted from Glaister and Buckley, (1994)

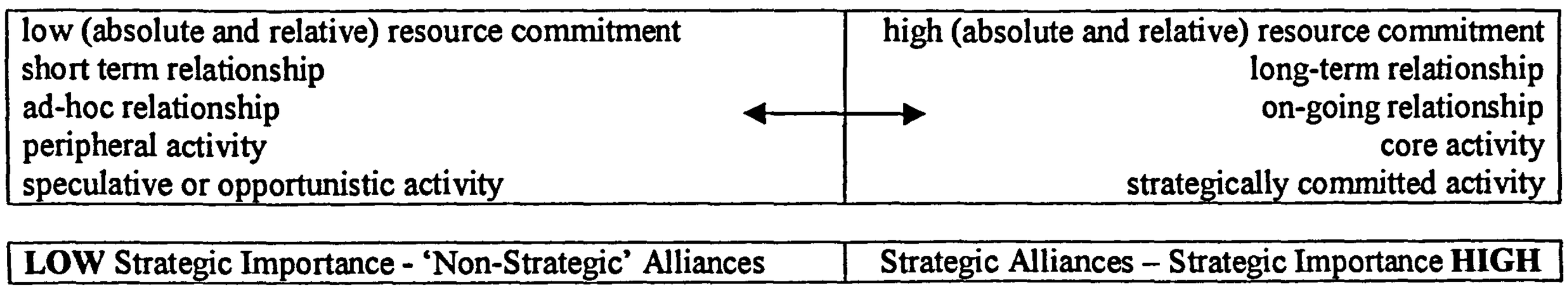


Figure 1.4: Importance of Strategic Alliances

Source: Adapted from Hamilton, Morison, ul-Haq (1996)

A durable relationship established between two or more independent firms, involving the sharing or pooling of resources to create a mechanism (corporate or otherwise) for undertaking a business activity or activities of strategic importance to one or more of the partners for their mutual economic advantage.

1.3.1.2 Strategic alliances – a taxonomy. Faulkner (1995) expands the work of Lorange and Roos (1992) and Williamson (1986) by classifying strategic alliances on three dimensions, which he defines as the scope of the alliance, the legal status of the alliance and the number of partners in the strategic alliance.

In the case of the scope of the alliance, Faulkner differentiates between Focussed [F] and Complex [C]. Focussed Scope refers 'to a collaborative arrangement between two or more companies, set up to meet a clearly defined set of circumstances in a particular way' (Faulkner, 1995). Complex Scope refers to cooperation over a wide range of areas either as whole organizations or various parts of organizations.

In the case of the legal status of the alliance, Faulkner differentiates between the Joint Venture [JV], which requires the creation of a separate company, and the Non-Joint Venture [NJV], which has flexible and fluid boundaries. He also describes the NJV as a collaboration which may range from limited to broad in its scope and is most appropriate when the 'extent of the possible relationship is impossible to foresee at the outset'.

In the case of the number of partners, Faulkner differentiates between Two Partners [2] or More Than Two Partners [>2]. He also calls the latter 'a consortium'. Faulkner's classification system complements this analysis by expanding the number of axes to include the scope of the alliance.

Table 1.2: Comparison of Taxonomies

Lorange and Roos Classes	Faulkner Codes Focussed Scope	Faulkner Codes Complex Scope	Williamson Class
Formal Cooperative Venture	FNJV2 FNJV>2	CNJV2 CNJV>2	
Joint Venture	FJV2 FJV>2	CJV2 CJV>2	Obligational
Joint Ownership	FNJV2 FNJV>2	CNJV2 CNJV>2	Contractual
Strategic Investment in Partner	FNJV2 FNJV>2	CNJV2 CNJV>2	

Source: Lorange and Roos, (1992); Faulkner, (1995); Williamson, (1986)

Alliances could be focussed on a pre-defined set of objectives (for example, the transfer of specific knowledge from one firm to another) or a complex set of objectives, where separate firms agree to cooperate over a diverse range of activities (or a range in between). An example of the former is the product-specific alliance between Royal Bank of Scotland and Scottish Widows and of the latter the geographically global and multi-dimensional alliance between Banque National de Paris (BNP) and Dresdner Bank. Table 1.2 above provides a comparison of these taxonomies.

1.3.2 The Strategic Alliance vs The Infrastructure Alliance

The strategic alliance has, at its core, the characteristics proposed in the definition put forward by Hamilton, Morison, ul-Haq (1996):

i) it has durability which may be of infinite duration;

ii) it involves the sharing or pooling of resources;

iii) it creates a mechanism - this may be a cooperation secretariat as at the core of the BNP-Dresdner strategic alliance or it may be a separate joint venture company as in the new, mainly Eastern European, overseas ventures in the same strategic alliance;

iv) it is of strategic importance to at least one of the partners; it may very well be of varied degrees of importance to the members of the strategic alliance;

v) it is of mutual economic advantage, or more specifically confers a discernible competitive advantage to each of its members.

The infrastructure alliance, on the other hand, shares most of the characteristics of the strategic alliance (in particular items i-iv above) but differs in the crucial issue of item v. That is, the infrastructure alliance does confer a mutual economic advantage but does not confer a <u>differential</u> competitive advantage to its members. These differences are examined below.

1.3.2.1 <u>Strategic alliances</u>. The strategic alliance is entered into to confer a competitive advantage to its members. Thus the 18th century goldsmith banker who had a good reputation and reciprocal obligational-contractual links with other goldsmiths could enjoy the economic return of lending via the issuance of notes

and was thereby conferred a competitive advantage. Those goldsmiths who did not enjoy such obligational-contractual relationships could not benefit from this trade and suffered a competitive disadvantage in comparison to the former. An example of the former are the Medici or early Rothschilds, who had international obligational-contractual relationships and could achieve an economic benefit from participating in the letter of credit business and thereby enjoy a competitive advantage. Because these relationships were based on specific links made between goldsmiths and were of an obligational-contractural nature, we can therefore call them strategic alliances. Other ad-hoc links based on the general reputation of the goldsmith would be termed relational-contractural relationships and therefore not strategic alliances.

Being able to enter into these obligational-contractual relationships to access, variously, counterparties, fund transfer, credit etc. capabilities, confers a competitive advantage in comparison with those who were unable to enter into such relationships. These types of inter-bank relationships can be termed strategic alliances. The Figure 1.5 below summarizes this. The figure uses two axes – membership status and degree of competitive advantage conferred. A member of a strategic alliance will only remain if membership provides a gain over non-membership. This rationale is shown in quadrant Q1. Non-members will be at a disadvantage, Q3, and will enter the alliance if there is some advantage to be gained by moving to Q1. The quadrants Q2 and Q4 are untenable. In the former a member will exit the alliance if there is a no competitive advantage to be gained from membership of the alliance, in the latter, a non-member cannot gain the advantages conferred by membership without being a member.

1.3.2.2 Infrastructure alliances. The infrastructure alliance is at the theoretical opposite end of the continuum from the strategic alliance. In its purest form it does confer a competitive advantage to its members, but membership is so broad that, in effect, all banks have access to its advantages and the infrastructure alliance acts as a basic foundation for the business being conducted by banks. This would mean that no one member of the industry would obtain a competitive advantage in comparison with another because all members of the industry would receive the same advantage, thus making it a 'base line provision'. Figure 1.6 below summarizes this analysis.

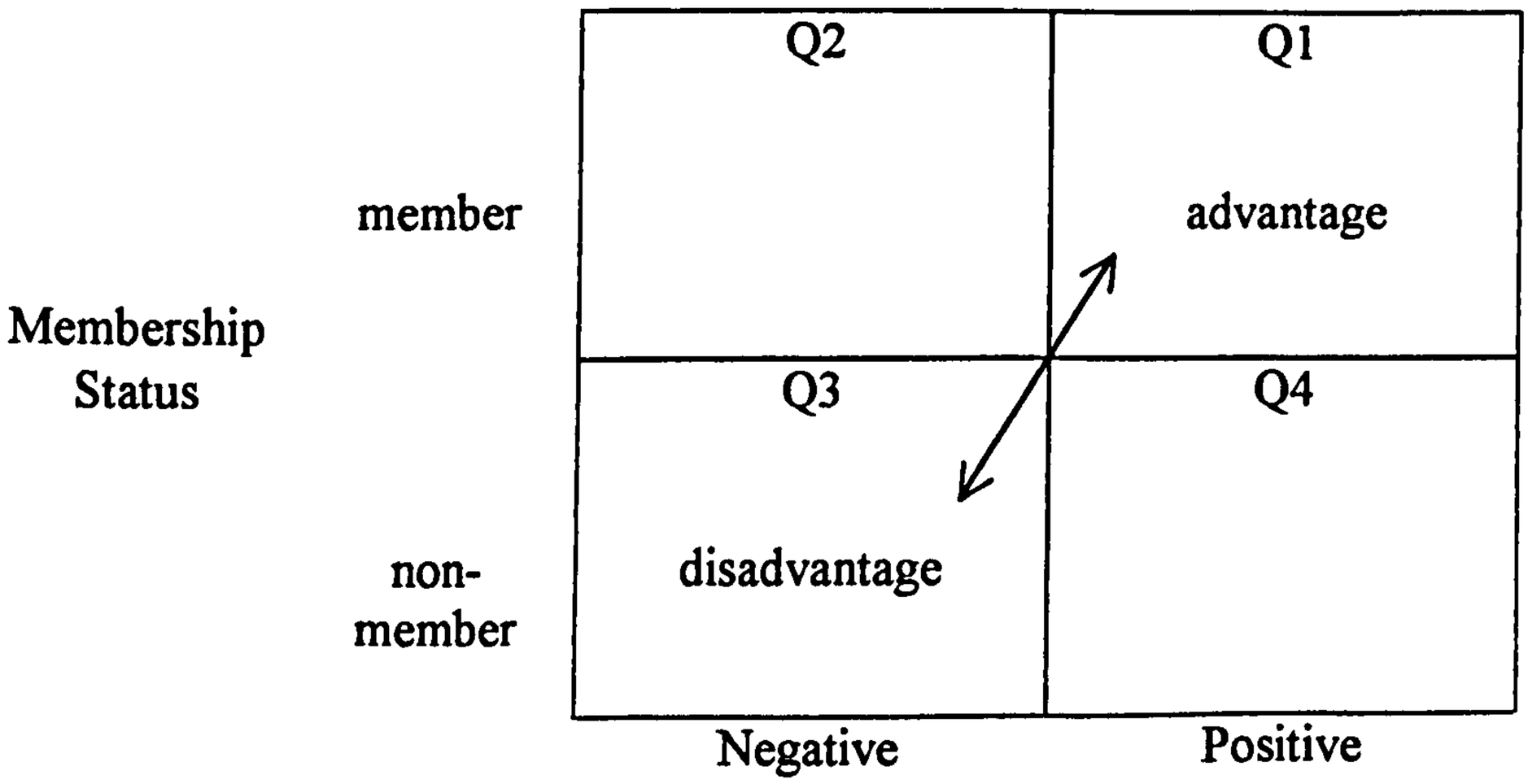


Figure 1.5: Strategic Alliances

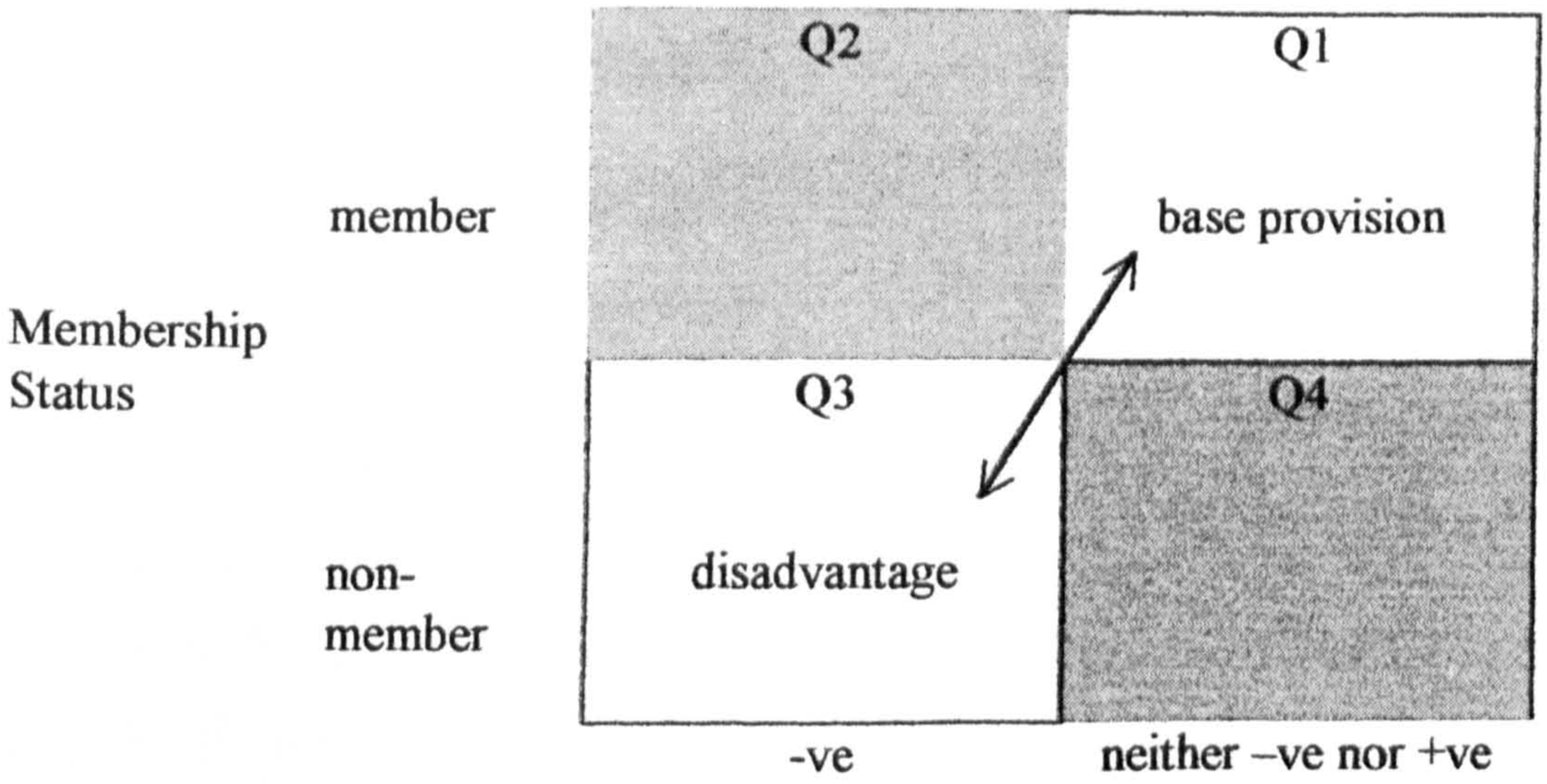


Figure 1.6: Infrastructure Alliances

The figure uses two axes – membership status and degree of competitive advantage conferred. A member of an infrastructure alliance will remain because it provides a base line provision for its industry. This rationale is shown in quadrant Q1. Non-members will be at a disadvantage, Q3, and will be forced over time to enter the alliance to secure access to the same base line provision as its competitors provide unless it decides not to provide the services that this infrastructure alliance facilitates. The quadrants Q2 and Q4 are untenable so there is only a binary choice between Q1 or Q3.

To provide an example: Z-Bank decides to provide credit card services in the UK. To do so it will need to enter at least two infrastructure alliances, one to gain access to the payment systems that allow credit cards to be used in retail outlets, internet and telephone transaction – VISA or MASTERCARD, and another to gain access to the Automated Teller Machine (ATM) systems to allow cash withdrawals. For Z-Bank to not join these infrastructure alliances is to make the provision of credit card services impossible and would disadvantage them. However, membership has a neutral effect as competition in credit card services in the UK is based on price, additional services and products, for example, and no longer on ATM network provision. If Y-Bank does not wish to provide credit card services, then membership of the two infrastructure alliances discussed above is counterproductive because of the added cost with no benefit.

The above details the two extreme positions, on the one hand strategic alliances and on the other, infrastructure alliances. Neither position is considered to be an actuality. Most alliances probably lie on an intermediate position on a continuum with multiple choices co-existing and different opportunities being available.

The characteristics of the infrastructure alliance are complex and are examined in more detail below. The form of such an alliance may range along the continuum in Figure 1.1 above, and in particular it may be embedded within either a joint venture company or a network type relationship.

The strategic alliance was analysed in Figure 1.2 above in terms of three criteria after Williamson (1986):

i) the degree of certainty

ii) the frequency of transactions

iii) the requirement for idiosyncratic investments.

On these criteria the infrastructure alliance differs greatly from a strategic alliance.

i) The degree of certainty.

Infrastructure alliances typically provide a base line service that supports a day-to-day activity of the banking sector – for example, national or international payment systems. Such systems require a high degree of certainty in a number of areas. Two examples are given below:

- the accuracy and reliability of the data transmitted to and from users of the system embedded in the infrastructure alliance and the ability to verify the identity of the transmitter and the recipient are critical;
- the robustness of the system in processing huge numbers of transactions over continuous periods with low error rates is essential.

These requirements lead to a need for clear operating parameters to be built into the design of the infrastructure alliance. The alliance has to operate according to those design parameters with change in the parameters only occurring occasionally and usually requiring some a major event such as the establishment of the new venture to justify the change.

Payments systems require accurate, continuous, anticipatable and reliable operation. This can be characterised as a need for a high degree of certainty in the infrastructure alliance.

ii) The frequency of transactions.

Infrastructure alliances such as payment systems are built on the requirement to process high volumes of transactions. These transactions may be generated by the

increased globalisation of trade in services and physical goods and the resulting need to transfer local and foreign currency internationally; by the increasing prevalence of bank accounts to receive salaries and direct debits and standing orders to pay bills; or by the increasing volume of foreign exchange, equities and funds traded domestically in the City of London or internationally in the global financial system.

This system-wide need for the processing of pre-identified frequent transactions is served by the infrastructure alliance.

iii) The requirement for idiosyncratic investments.

Idiosyncratic investments are 'specialized human and physical assets [that] become more specialized to a single use, and are hence less transferable to other uses' (Williamson, 1982). Infrastructure alliances are generally intra-firm arrangements that are established to process specific transactions repeatedly in large volumes. The investments made – whether human capital, training, physical assets or machinery – are specific and specialized to particular transactions, they are idiosyncratic, and the requirement for such investments is high and economies of scale are forthcoming.

In summary, the infrastructure alliance requires a high degree of certainty in its scope, frequent transactions are the norm and a high requirement for idiosyncratic investments is displayed.

In modern Europe the majority of banks, even those that have a small and local scope, enjoy local and international relationships through direct membership of (or access through contracts with direct members of) infrastructure alliances such as:

CHAPS - The Clearing House Automated Payments System. This is a domestic UK based clearing system. It is a joint venture owned by a collection of banks, and all UK based banks can have access to its services through a contract with a member; the umbrella body is APACS.

SWIFT - The Society of Worldwide Interbank Funds Transfer. This is an international payments system which all banks may gain access to.

VISA and MASTERCARD – International payment systems that facilitate and underpin the use of credit cards.

ATMs - Automated Teller Machines. This is a cash notes issuance machine that is prevalent in large quantities in the domestic and international markets. Banks have access to other banks' ATMs either through an individual agreement or through membership of networks such as LINK.

EUROCLEAR and CEDEL - Other such infrastructure alliances exist in the clearing of bonds, equities and gilts, including the registration of ownership, and in a host of other areas.

These infrastructure alliances may originally have been strategic alliances that conferred a competitive advantage to the establishing members. One example of this is the strategic alliance between Royal Bank of Scotland and Banco Santander established in 1988. The partners developed a pan-European funds transfer system, IBOS, to provide a mechanism for the banks to deliver a service to their customers in small value European currency funds transfers. This placed 'two fairly small banks at the technological cutting edge of banking applications' (Faulkner, 1995). At the time of the establishment of IBOS, funds transfers of this type were made by sending bank drafts for collection. This was a time-consuming and costly procedure. By establishing IBOS, the Royal Bank of Scotland and Banco Santander were able to provide a cost effective and efficient service to their customers, a service that was not provided by other banks, and this conferred a competitive advantage to the member banks. Over time, IBOS became more international through establishing a New York link and allowed more members to join, thereby sharing the competitive advantage conferred by membership with more members. Eventually the membership is likely to be so broad that the service provided by the alliance may become a base line provision and the strategic alliance will become an infrastructure alliance.

An example of the broad membership of an infrastructure alliance is the Association of Payment Clearing Services, APACS, the umbrella body of the UK payments systems structure. Its operations consist of BACS (bulk electronic clearing for direct debits and credits), CCC (cheque and credit clearing), CHAPS and, since 1999, EURO CHAPS (same day electronic payments). Its total membership of 27 banks, from the USA, Australia, Germany, Holland, Japan and the UK affords 'remote access' to non member firms, in the case of EURO CHAPS, to over 35,000 sponsored users of BACS.

Current infrastructure alliances such as the ATM networks, now consisting of over 23,000 machines in the UK, generally provide access for all users. They tend to produce a 'level-playing-field' in this area of provision. If such service provision were restricted, increasing the barriers to entry, the regulatory authorities would doubtless step in to ensure access.

Indeed the infrastructure alliance is a core facilitator of banking activity. Without CHAPS, IBOS and SWIFT the transfer of funds would be more time intensive and cost prohibitive; without VISA and MASTERCARD the global credit card service would fail; without globally interlinked ATM Networks the multi-currency availability of cash on demand 24 hours per day service would fail. Infrastructure alliances are the foundation on which the provision of banking services is built. These are indicative of the pre-existing high propensity of banks to cooperate as discussed further in Chapter two.

Nevertheless a bank may attempt to offer differentially priced access to a competitor in the financial services sector such as occurred in the Barclays-Nationwide dispute in 2000. Here Barclays attempted to impose an ATM access charge to Nationwide customers while not charging its own customers. Barclays' rationale was that it had invested heavily in its extensive ATM network for the benefit of its customers and to generate a competitive advantage. Nationwide had also invested in an ATM network, though both the network and associated investment were smaller. Barclays considered that higher charges to Nationwide customers were justified to balance out the unequal distribution and size of

networks and to provide a competitive advantage to Barclays in recruiting and retaining customers.

It is not always clear, however, where the comparative advantage lies, and there is often an oscillation, along the continuum mentioned earlier, between the strategic and infrastructure alliance. Over time, the variety of service networks available and competition between providers will tend to drive prices to a temporally 'stable' point and reconvert this type of oscillating infrastructure alliance into an infrastructure alliance.

An established infrastructure alliance therefore usually generates a limited competitive advantage to its members. It may provide a short-term competitive advantage to members in comparison with entrants to the financial services industry who are not members, but these new entrants will also obtain access to this 'base line provision' and the position will move back into a stable 'dynamic disequilibrium'.

A bank can generate a long-tem competitive advantage by establishing a new service as a start-up strategic alliance. This service, over a period of time, may confer an advantage to its members and a disadvantage to non-members. Eventually this service may become a base line provision, an infrastructure alliance. To give one example, Morgan Stanley was the primary founding member of the Euroclear equity clearing system and enjoyed the advantage of this strategic alliance with a small number of co-founding members. Now the system is taking on an infrastructure status, with Morgan Stanley and the other co-founders no longer enjoying a relative competitive advantage through being users of the Euroclear services but instead receiving a return on their investment as the equity owners of Euroclear.

Establishing a start-up strategic alliance of this technology-based type, perhaps destined later in its lifecycle to become an infrastructure alliance, leads to:

i) competitive advantage (in service provision and returns) in the short term

ii) additional extraordinary (ownership) financial returns upon its conversion, in the longer term, to an infrastructure alliance.

The key differences between strategic alliances and infrastructure alliances are displayed in Figure 1.7 below. The two forms are at the opposite ends of a continuum.

The strategic alliance is bilateral in membership; it provides a differentiated service that is only accessible to members; membership confers a strategic advantage to members and the alliance is less embedded in the nature of banking, rather it is a temporary choice to carry out a particular set of activities together. The strategic alliance governance and direction is dependent on the founding members.

The infrastructure alliance, on the other hand, enjoys a multilateral membership; it provides a service which is commodity like in its nature; it generates a strategic disadvantage to those excluded from membership; it is deeply embedded in the practice of banking and it is generally a separate form with its own managerial precepts, structure and direction.

The strategic alliance and infrastructure alliances are defined as opposite ends of the continuum. In practice a particular alliance will lean towards one or the other end in each characteristic and the balance position of the individual characteristics will determine if it is characterized as strategic or infrastructure. An example of this is correspondent bank relationships. These hybrid arrangements are made up by a set of bilateral agreements between individual banks that collectively establish a value network or multilateral partnership. Each individual bank may be a member of a number of value networks, which co-exist, and some provide the basis for later strategic alliances.

1.4 Conclusion

This chapter has introduced the core question being examined, detailed and reviewed the structure of the thesis and introduced its content. It has defined the subject of the thesis, the strategic alliance, and differentiated between the strategic

alliance and the infrastructure alliance. Strategic and infrastructure alliances have been found to be important, but different, forms of business collaboration for banks and are necessary to facilitate their provision of services.

In this chapter the question 'Do strategic alliances add value?' has not been answered. Rather it is clear, at this point, that infrastructure alliances do add value to all the members through providing a 'base line provision' to enable banking activity.

Chapter Two examines how deeply embedded strategic alliances are in the banking sector and reviews the particular use of strategic alliances in Europe from 1960.

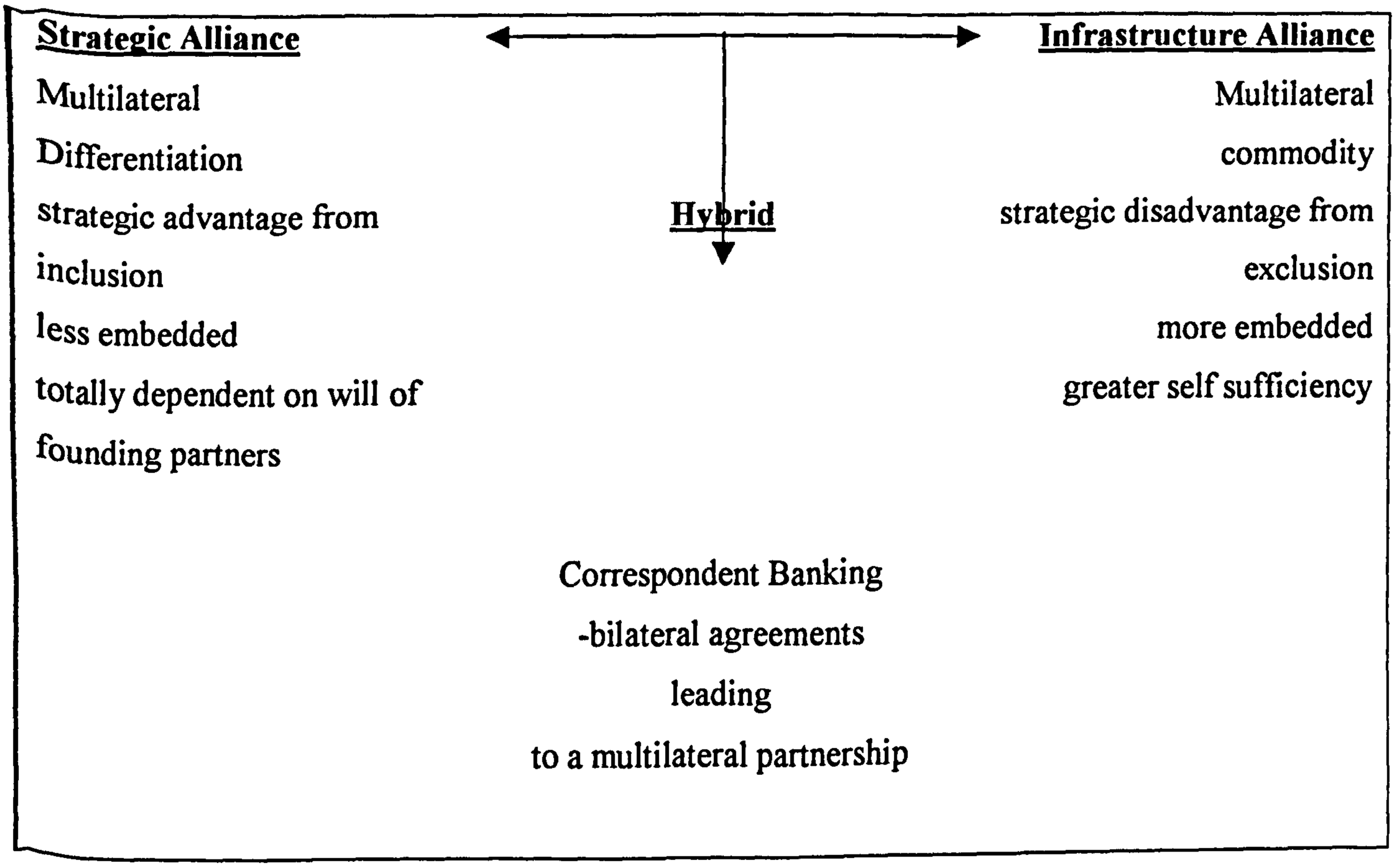


Figure 1.7: The Key Characteristics of Strategic vs. Infrastructure Alliances

Chapter Two

Industry Level – The Life Cycle of Strategic Alliances

2.1 Introduction

This chapter will identify and analyse the antecedents of the main forms of collaboration now prevalent in the European banking sector and use this analysis to develop a general theory of the lifecycle of strategic alliances in the European banking sector. To do this, the chapter will review the history of cooperation and determine the extent of the historical propensity of banks to cooperate. It will present a longitudinal analysis of the use of strategic alliances in three time periods: the 1970s, the 1980s and the early 1990s. The first time period will be analysed in depth, the latter two more briefly. This analysis will delineate the mutually-influencing, co-evolving relationship between the formation and evolution of such alliances (the 'events') that have occurred over the periods and the links with broader changes in the economic, regulatory, business and banking environments over the same period (the 'mechanisms'). The terms 'events' and 'mechanisms' are as used by Lawson (1997), whose taxonomy is detailed in Chapter Four of this thesis.

Finally this chapter will provide some observations regarding the lifecycle of strategic alliances in this sector and relate the findings back to the research question – Do strategic alliances add value?

2.2 The Bankers' Propensity to Cooperate

Trade, that is the buying and selling of goods and services, is an integral part of daily life. The Phoenicians traded, or bartered, dyes and spices for tin obtained from Cornwall and the Scilly Isles. This trade required the existence of three primary factors: a double coincidence of wants, a mutually agreed measure of value and a store of wealth.

'A double coincidence of wants' refers to the need of both parties to the trade transaction to want to exchange what they have for what the other party in the proposed transaction has. If this coincidence subsists, then the parties to the trade transaction need to agree the relative value of item one in terms of item two. These two conditions are sufficient in the case of the direct, and relatively immediate, trade of items such as one basket of fruit for two fresh fish. However, if the trade is not immediate then some items will also need to act as a store of value. Fruit and fish are perishable items, and as their value reduces over time a suitable non-perishable store of value needs to be found. This trading has been noted in all locations and has been conducted using a vast number of differing mediums of exchange and stores of value, including cowrie shells, sheep, cattle, knotted string and later metals such as bronze ingots. Copper was used in Rome, silver coins in Greece and iron in Ancient Britain.

The development of coinage, followed by paper notes and then international letters of credit is long and interesting. Only a few highlights will be mentioned here, as a prelude to contemporary cooperation among banking institutions.

Over time, gold and silver (the Persian silver-coin, the Abassi, for example) emerged as the preferred metals due to their longevity (they do not rust or rot) and the low bulk and high-ascribed-value combination. Thus gold and silver became generally acceptable in exchange for goods and services (Perry, 1981). Subsequently the gradual establishment of non-debasable coinage as the primary form of exchange took place.

To consider how these developments underpinned inter-bank relationships in Europe we take the English case. The use of notes developed in the seventeenth century from the deposit of gold and silver coin and bullion in the vaults and safes of goldsmiths and silversmiths and the issuance of ownership rights in the form of gold and silversmiths' notes over that physical bullion, which both receipted the deposit and promised to return the deposit on demand. Over time, the receipts or notes, rather than the underlying gold and silver, were exchanged for goods and services, with goldsmiths honouring the notes issued by other reputable goldsmiths. To facilitate trade these notes were later issued in fixed and easily

tradable amounts and were made bearer-notes, payable to the holder. Accordingly gold and silversmith notes became easily exchangeable between traders of goods and services.

Goldsmiths' noting the tendency for substantial deposits to be left in the vaults and the requirement to generate a return from these static holdings led to goldsmiths 'lending' the property rights. This took place through the issuance of additional notes, for a finite period of time, to 'borrowers' who needed to finance their trading activities. Thus the gold and silversmiths acted as financial intermediaries, or bankers, between depositors and lenders in exchange for an acceptable return. These early bankers were involved in the business of 'offering services, such as the safekeeping and lending of money at interest' (Collins, 1995), and their involvement became an integral part of the activity of trade.

This borrowing and lending activity has, at its foundation, the need for strong reciprocal rights and obligations, and therefore a high degree of mutual trust. For example, the provision of coins to a trader by Goldsmith A against the presentation of a note issued by Goldsmith B requires Goldsmith A to believe that Goldsmith B will have sufficient resources and the will to honour its own note when presented for payment by Goldsmith A.

The general principles of financial intermediation discussed above are still evident. The goldsmiths' notes were eventually replaced by bank notes issued by The Bank of England against deposits of gold and silver. Banks thus took on the financial intermediation role between depositors and borrowers.

On the international side, goldsmiths' notes came to facilitate cross-border trade. A London based merchant would go to his banker, say Rothschilds, and request the issuance of a 'letter of credit' payable at Rothschilds' overseas branches and at its partner banks in other countries. The merchant would travel to, for example, Paris and approach the Rothschild branch or partner bank. At this branch or bank the merchant would draw funds against the letter of credit to pay for goods and services in Paris without carrying the risk of having gold or silver coin on his person. This international intermediation role developed into the issuance and

negotiation of letters of credit, which – like the borrowing and lending activity described above – required the establishment of a strong reciprocal relationship with rights and obligations, and a high degree of trust, between banks in a number of countries.

This process was seen as early as the fourteenth century in continental Europe when, for example, the Medici bankers of Italy established international partnerships and branches to facilitate banking business. Lane (1985) notes that these international bankers 'needed large organizations to carry out their extended operations, and in order to mobilize the necessary capital, they developed forms of business organization that constitute a major contribution to the development of capitalism'. Prior to the 1340s these firms consisted of a head office with directly controlled branches overseas. In the post-1340s period the Medici developed business structures that involved a head office holding company with subsidiary firms in the overseas locations. The international bankers utilized international bills of exchange to facilitate short-term borrowing and lending, and through this trade in bills created 'sophisticated money markets' (Lane, 1985). The development of European banking ranged through the areas of influence of the Florentine, Genoese, Tuscan, French, southern German and London bankers.

In order to carry out their functions of facilitating trade through the borrowing and lending of money nationally or internationally, bankers need to have a range of cooperative relationships with other bankers. This need for cooperative relationships is an *integral* and *essential* requirement to carry out the business of banking successfully. Bankers retain the right to choose with whom they establish cooperative relationships, and the configuration of these relationships, but the need to establish cooperative relationships is embedded in the nature of banking activity as detailed above.

The banker can, therefore, be said to have a high pre-existing general propensity to enter into cooperative relationships with other bankers, whether locally or internationally located, and these relationships are integral and essential to carrying out the business of banking.

This underlying general propensity to cooperate is seen in payment systems, in IT infrastructures and in money trade and exchange patterns. Infrastructure alliances, as discussed in chapter one, are at the core of banking and an example of the general propensity to cooperate; but this is not limited to multilateral networks. Indeed bilateral networks such as correspondent bank relationships (defined as 'agency relationships' where the agent is 'entrusted with the business of another' [Perry, 1979]) are usually built on relationship preferences. Banks do have a choice in determining the number, location and type of counterparties in correspondent bank relationships but generally not whether correspondent bank relationships are necessary to carry out their international business.

The next section will analyze more recent tangible forms of this general propensity to cooperate as seen during the 1970s through Club and Consortium Banks, during the 1980s through bankassurance, and during the early 1990s at the start of the use of virtual banks.

2.3 The Use of Strategic Alliances in the European Banking Sector

2.3.1 The Data Sources and Analysis Methods

Three public sources of data were obtained and analyzed: *The Financial Times World Banking* special edition, published annually; *The Economist Survey of International Banking,* published annually; and the *Bank of England Quarterly Bulletin* section on *Developments in International Banking and Capital Markets.* These documents were obtained from 1970 for the 23-year period ending December 1993.

This chapter reviews the 'mechanisms' and 'events' that occurred over the period. Mechanisms are, according to Lawson (1997), 'structured things...that possess causal powers which, when triggered or released, act as generative mechanisms to determine the actual phenomena of the world'. Mechanisms are the changes in the underlying economy, regulation, technology etc. that lead to new observed opportunities, the 'events' that are within the 'actual domain of reality' (Lawson, 1997). These events may include, for example, increased competition, more

demanding consumers, the opening up of cross-border activities (such as a result of the European Union). The terms are as used by Lawson and are discussed in Chapter Four.

The analysis determines and identifies the close interrelationship between the mechanisms and changes in mechanisms and the occurrences and changes in the events.

The broad analysis method was to:

i) identify the broad changes in the economic, regulatory, business and banking environments (the mechanisms) over the period that underpin the events identified below;

ii) identify the concrete strategic alliance events mentioned in the data sources; the data sources are the primarily annual (quarterly in the case of the Bank of England) reviews of trends in the banking sector; a mention in these data sources was considered to be reflective of the perceived high importance of the event in the sector and over the time period. Over the period under review this method would allow one to track the major events in the sector;

iii) establish the relationship between these trends in observed events and the trends in changes in the underlying environments.

2.3.2 The 1970s - The Era of Clubs and Consortium Banks

2.3.2.1 Changes in mechanisms in the 1970s. In the post-war period there has been a global trend towards dismantling the pre-war and wartime controls that reduced freedom of choice and movement in capital and current account transactions. This liberalisation of capital movements was successful in facilitating a substantial and unprecedented growth in international trade. One important stage in this liberalisation trend was the establishment of Euromarkets.

Euromarkets were established, primarily in London, in the 1960s. The term 'Eurocurrency' refers to 'deposits of [convertible] currency...which are held by

people who do not live in the country whose currency it is, and who keep the deposits in a third country' (Perry, 1979). The primary London Eurocurrency was US dollar funds held by non-USA nationals in banks based in London.

The foundations of the Euromarkets, based on the interchange of funds between banks (and later corporations), were laid down in a number of economic and political events in the 1960s.

First, the USA had levied a withholding tax on interest and dividends remitted abroad to residents outside the USA on their holdings of investments. The US dollar had by this time become, post Gold Standard, the international reserve currency, and the demand for dollars by international investors, institutions and governments was high. The effect of this tax was to increase the propensity for foreign investors to deposit their US dollar holdings outside the USA.

Second, both UK and US authorities restricted overseas lending by their home country banks, thereby curtailing the ability of these banks to increase their exposure to foreign risk through the existing channels.

Third, the imposition of Regulation Q (for internal economic management purposes) in the US put a ceiling on interest rates that could be paid on deposits held in the US. The position of the US dollar as the international reserve currency led to the need for external agents to hold US dollars, while Regulation Q capped the return on those holdings. Investors therefore sought locations outside the USA to place their US dollar deposits, locations where interest rates would be fully subject to the interplay of supply and demand. Given its established, strong and innovative financial services sector, London provided such a location. This type of mechanism also occurred when Switzerland banned interest on Swiss franc deposits held in Switzerland by non-resident holders and led to the transfer of Swiss Franc currency holdings to London.

Fourth, the USSR had a requirement to hold assets in the reserve currency to meet its external liabilities. However, the Cuban Missile Crisis confrontation between the USA and the USSR in 1962 raised concerns in the Soviet Union that its US

dollar holdings in the USA could be sequestered or frozen by the USA government. The London based Moscow Narodny Bank was instructed to place US dollar deposits in non-USA banks located in London. The Moscow Narodny Bank was majority owned by and acted as the overseas arm of the Central Bank of Russia and would have a contractual relationship with the London based bank. The London based bank would be subject to supervision by the Bank of England (and its home country Central Bank) but would operate in London under UK laws and regulations. Thus the USA government would not have the power to sequester or freeze USSR owned funds held in London without application to and the agreement of the UK judiciary.

These were the major factors that started the establishment of the Eurocurrency market, and its growth and development were substantial, integral and price sensitive:

Substantial - By 1966 this market accounted for about US$10,000 million in deposits. By 1972 this figure had risen to over US$82,000 million (*The Economist*, 1973) of which the US dollar accounted for about 80% of transactions and balances.

Integral - The Eurocurrency market is closely linked to the changes in national polices and international sentiment and is an integral part of global fundraising for governments and corporations.

Price Sensitive - This market facilitates the cross-border flow of funds in accordance with changes in interest rate differentials or the pressures of speculation.

Euromarkets (deposits, bonds, equities) extend beyond the physical boundaries of Europe and constitute an international money and capital market accessible to all participants. They are not subject to any form of central regulation. Euromarkets facilitated the flow of funds from countries that were in surplus to those countries that were in deficit and became an essential element in the international trade

mechanism. This function is clearly seen in the OPEC-led oil price increase in 1974 and the subsequent recycling of surplus.

2.3.2.2 The Organization of Oil Producing and Exporting Countries (OPEC). In 1974 OPEC, a price cartel established by the major oil producing and exporting countries, increased the price of crude oil four-fold. This sudden increase in the price of raw material providing much of the energy requirements of the world had major effects on Euromarkets and the nature of the relationships between bankers and sovereign debtors. In addition to the more general economic effects there were four specific effects of the oil price increase.

i) OPEC members generated substantial surplus funds.

ii) Developed countries faced a decrease in surplus funds.

iii) Developing countries faced a lack of funds to meet core oil based energy requirements.

iv) The bankers' role in 'petrodollar' recycling came to the fore.

OPEC members, primarily based in the Middle East, received a substantial increase in funds from the oil purchasers. These funds were initially denominated in US dollars, as global sales of oil were and are denominated in US dollars per barrel. The OPEC countries placed these funds on deposit in banks, with a substantial portion placed in the London Eurodollar markets. Due to the, largely Arab, depositors putting a premium on liquidity, these deposits were mainly placed at the short-term end of the spectrum. This meant that depositors could withdraw their funds at short notice, although in most cases, at least in the early days of this deposit boom, funds were rolled over and, in effect, became medium-term deposits. The increase in funds in the Euromoney markets from this source was high and led to high liabilities and the need to find remunerating assets to balance the bankers' books.

The developed countries were, and remain, the major global consumers of oil. The OPEC oil price increase led to a large increase in their energy costs. In the main, developed countries had relatively strong domestic economies and associated credit ratings so that they could increase their borrowings on the international

markets. Thus developed countries faced higher energy bills, which were paid for by increased borrowing on Euromarkets, including the issuance of Eurobonds.

The non-OPEC developing countries were also dependent on oil, both to carry out their ongoing activities and to provide power to enhance the movement away from agriculture and commodity raw material dependence towards appropriate industrialisation. In general, developing countries did not have credit ratings to borrow on the Euromarkets on the same terms as developed countries.

Bankers were receiving massive increases in their short-term liabilities through the deposit of petrodollars and were forced to seek asset investment opportunities. These would be required to generate a sufficient return to pay the interest cost of the deposits and operating costs, and profit needs, of the banks. In addition, the international agencies such as the IMF and the World Bank, along with developed country governments, were seeking global solutions to the requirement to recycle petrodollars to often less creditworthy borrowers (in this scenario, the developing countries). Some recycling through international agencies and government aid took place, but many plans for international public sector solutions to the issue of recycling petrodollars to non-OPEC developing countries were proposed, tabled, discussed but not enacted. Pressures on bankers, both from shareholders to find sufficiently remunerating assets to offset growing OPEC deposit based liabilities and from the international community to recycle petrodollars, led to sovereign borrowers being targeted. Commercial borrowers, though accessing the Euromarkets, were not sufficiently large to soak up these enormous surpluses. Developing countries had substantial funding needs to pay for their oil imports, and bankers eventually flocked to lend to them.

Short-term funds received from OPEC-based depositors were lent on a long-term basis to developing countries directly to public (and private sector) borrowers. The generally held premise was that national governments would not default on their debts. Bankers accordingly carried out their intermediation roles and converted short-term deposits to long-term loans. This process simultaneously boosted the size of Euromarkets and their importance in the structure of global financial flows. International Bankers had put themselves in the peculiar position of holding extra-long term assets in the form of loans whose principal, it would transpire,

would not be re-paid by sovereign borrowers whose treasuries raised substantial funds through deposits sourced from the wholesale Euromarkets. This position led to the increasing need to continue to develop a global capital market larger than any one national location could support, and the need to draw smaller national, domestic banks into the provision of surplus funds to the wholesale Euromarkets, thereby ensuring the supply of funds.

2.3.2.3 The internationalization of trade and banking. The policies, or changes in mechanisms, underlying the generation of a global capital market, as discussed above, were underpinned by post-war economic policy moves towards free trade and substantial growth in the international trade in goods and services.

International trade activity by multinational firms requires financing in the form of letters of credit, bills of exchange and loans to build, for example, local and overseas manufacturing capacity. In addition, governments need to borrow to build the infrastructure to support these activities. Euromarkets provided the only source of funds of the size required to meet the scale of operations of multinational firms.

Bankers follow, rather than lead, income streams generated by meeting the financing needs of business activity. Manufacturing and trading form the basis for internationalisation, and bankers internationalize in order to service their multinational corporate clients' requirements; bankers establish operations in countries where their multinational customers establish operations. As the Bank of England noted: 'The expansion of international business has been accompanied by the development of world-wide banking networks, on a more sophisticated level then hitherto, to ensure that financial services are available to meet the needs of the biggest international companies.' (*Bank of England Quarterly Bulletin*, 1973).

This parallel drive towards the internationalisation of banking can be carried out in a number of ways:

i) a mobilization strategy,
ii) an 'own branches' strategy,
iii) a club (loose consortium) strategy,
iv) a consortium bank strategy.

i) The mobilization strategy has at its core the view that what is critical is the capital or funds that a bank has access to or can mobilize, rather that the amounts it wields. London merchant banks hold this view. In the purest form they are not in themselves providers of funds but can mobilize substantial funds, on a transaction by transaction basis, through their contacts and relationships.

ii) The own branches strategy is one where the bank believes that relationships with other banks, through club or consortium banks, are fraught with managerial difficulties and that such difficulties are substantially larger than the benefits provided. Followers of the own branch strategy would prefer to establish their own wholly owned branches, representative offices and subsidiaries in overseas countries, thereby controlling their own international network. The major USA banks that followed their corporate clients overseas by establishing their own networks preferred this strategy.

iii) The club strategy is often a development from existing correspondent relationships (see Chapter One for a discussion of the Infrastructure Alliance - Strategic Alliance dichotomy). Here a set of banks which may know each other through these correspondent links agree to work together without setting up a separate joint venture company or undertaking a cross-shareholding. A statement of intent is often sufficient to initiate the collaboration.

iv) The consortium bank strategy involves a diverse group of banks subscribing fresh capital to a newly formed joint venture company, the consortium bank. This approach enjoys elements of the mobilization and own branches strategies.

The foregoing has considered the changes in the macro-environment, the 'mechanisms' that underpin the development of new opportunities for the banks. The following subsection analyzes the growth, development and decline of clubs and consortium banks, the observed 'events' that result from the change in opportunities discussed above and makes explicit the life cycle of such organizational arrangements.

2.3.2.4 Clubs and consortium banks. In 1964 Midland Bank entered into a club arrangement called Midland and International, based in London, with the Standard Bank of the UK, Commercial Bank of Australia and the (Canadian) Toronto-Dominion Bank. Midland bank was a leader in the adoption of this strategy. It:

i) started earlier in using strategic alliances to internationalise,
ii) finished later and still uses some element of alliances,
iii) learnt through strong cooperation,
iv) had relationships with major correspondent banks that underpinned the alliances.

This club arrangement heralded the start of a trend to internationalise by establishing club and consortium banks that lasted into the 1970s. During this period the dominant change in the structure of banking practice was the increasing involvement of many older established banks, of various nationalities, in clubs and consortium banks. They offered merchant and/or commercial banking services in a multitude of international locations. The major banks were clearly divided between those that considered the club or consortium bank model the way forward and those that did not. This subsection will concentrate on the former.

The clubs consisted of two or more banks that agreed to work together without formalising this agreement as a separate legal entity. Lorange and Roos (1992) would code these arrangements as 'Formal Cooperative Ventures' (as discussed in Chapter One), and Faulkner would code them as 'FNJV>2', a focused non-joint venture alliance of more that two partners, or 'CNJV>2', a complex non-joint venture of more than two partners. In Faulkner's (1995) pantheon, 'focused' refers to a alliance 'set up to meet a clearly defined set of circumstances in a particular way' with 'clear remits and understanding of respective contributions and rewards' while 'complex' is where members of the alliance 'recognize that, in combination, they form a potentially much more powerful competitive enterprise than they do individually, and while they are willing to co-operate with each other over a wide range of activities, they nevertheless wish to retain their separate identities and overall aspirations'.

The consortium bank model would be coded by Lorange and Roos as 'joint ventures' (that is, a separate legal form with various [usually more than 2] shareholders and its own board of directors) and by Faulkner as a 'FJV>2', focused joint-venture with more than two partners, or 'CJV>2', complex joint-venture of more than two partners, or more broadly a consortium.

The majority of clubs and consortium banks were set up in the late 1960s, with some earlier established groups such as Midland and International in 1964 and laggards such as the Orion group in 1970.

Table 2.1 provides an analysis of the geographical scope of partners of the clubs and consortium banks. The table analyzes 18 club and consortium banks (Cs and CBs) set up during the period 1964 to 1970 as reported in *The Economist* (1970). After this report a number of changes occurred in the composition of Cs and CBs, with additions and deletions of members and associated changes in geographical scope. For purposes of this analysis, the position as at November 1970 is considered and the findings used to provide insights into this phenomenon.

A number of observations can be made:

i) the date of establishment of the Cs and CBs,

ii) the location of the Cs and CBs,

iii) the purpose of the Cs and CBs,

iv) the membership spread of the Cs and CBs.

i) The date of establishment reflects the timing of willingness to use cooperative solutions to the growing internationalisation needs in the case of member banks. This underlying propensity to enter into Cs and CBs is over and above the general propensity to enter into cooperative relationships displayed in all banks, as discussed above. Midland Bank entered into the Midland and International Club in 1964 (item 1), predating the Banque Européene de Credit à Moyen Terme (item 2), of which it is also a member, by three years. Midland Bank was therefore an early adopter of the club concept. This was based on its existing strong correspondent relationships used to facilitate international transactions. Midland is seen again as a member of four other Cs and CBs (items 2, 5, 15, 17), which

Table 2.1: An Analysis of the Geographical Scope of Clubs and Consortium Banks

	Name	Base	UK	USA/ Canada	Far East	France	Germany	Italy	Belgium	Holland	Switzerland	Scandinavia	Corporate
1	Midland and International	London, 1964	Midland, Standard	'	'								
2	Banque Europeenne de Credit a Moyen Terme	Brussels, 1967	Midland Samuel Montegue			''	'	'	'	'			
3	International Commercial	London, 1967	National Westminister	'	'		'						
4	Societe Financiere Europeenne	Paris and Luxembourg 1967	Barclays	'		'	'	'		'			
5	European-American Banking Corporation	New York, 1968	Midland				'		'	'			
6	Intercontinental Banking Services	London, 1968	Lloyds, Barclays Lloyds and Bolsa, Chartered		'								
7	Western American	London, 1968	Hambros	'''									
8	Atlantic International	London, 1969	Charterhouse, Japhet and Thomasson	''''		'		'		'			
9	Banque Occidentale	Paris, 1969		''		'							
10	Manufacturers Hanover Ltd	London, 1969	N.M. Rothschild	'				'					
11	Rothschild Intercontinental	London, 1969	N.M. Rothschild	'''		'			'	'	'		
12	Scandinavian Bank Ltd	London, 1969										'''''''	
13	London Multinational	London, 1970	Barings	''							'		
14	United International	London, 1970	Williams and Glyns	''		''	'	'		'			
15	European Bank's International Company (EBIC)	London, 1970	Midland				'		'	'			
16	Orion Banking Group	London, 1970	National Westminster Bank	''			'						
17	Euro-Pacific Finance	Melbourne, 1970+	Midland		Fuji-Japan								
18	Berne's Bank for Investment and Credit	Switzerland, 1970+									'		''

Key : Each entry = 1 member bank

would reflect its judgment that Cs and CBs deliver strategic advantages and tangible results. On the other hand, Williams and Glyns waited until the Cs and CBs concept was well established and only entered into the pan-European United International arrangement in 1970.

ii) The preferred location of Cs or CBs is in London, with 12 of the 18 analysed based there. One is based in New York (item 5), one in Australia (item 17) and four in other European locations: Brussels (item 2), Paris and Luxembourg (item 4), Paris (item 9), Switzerland (item 18). All but one of those not based in London have a London based member. This and the preferred location reflects the predominance of London at the centre of Euromarkets, the source of much of the funding provided to the multinationals whose internationalisation the Cs and CBs sought to serve.

iii) The purpose of Cs and CBs is, in the main, to provide international banking services, leasing and advisory services on an international basis to (multinational) clients. In addition, Cs and CBs allow access to the Euromarkets for those banks that do not have an independent presence in London (for example Scandinavian Bank Ltd [item 12]).

To take a hypothetical example: A UK based corporation may be expanding its operations into continental Europe and the USA. In the UK it can access funds through its local primary bank and make separate business arrangements with banks in, for example, France, Belgium, Holland, Switzerland, the USA and Canada. The UK banker, seeing this trend and wanting to both retain the UK relationship and capture part of, the income stream of the overseas activity, may enter into a C or CB arrangement. Thus the Rothschild Intercontinental arrangement has member banks that are present in all the countries mentioned above. The C and CB would assist customers thereby providing an international service without each member undertaking the heavy capital investment and additional risk of setting up dedicated branches overseas. In addition, the group would have a greater capacity to access Euromarkets for funds.

iv) The membership spread of the Cs and CBs as detailed in Table 2.1 shows a concentration on North America and Continental Europe, which would reflect the sources of major expansion of multinational business and trade in this era. The USA banks' involvement is not fully representative of the USA banking sector. The major money centre (largely New York located) USA banks preferred to establish their own wholly owned overseas branches or representative offices and displayed skepticism towards the benefits of the Cs and CBs concept. The more regionally and domestically concentrated USA banks, such as National Bank of Detroit and First Pennsylvania Banking and Trust Co., entered into Cs and CBs as an access point to the Euromarkets.

Within this general spread, individual Cs and CBs have particular foci. To take the example of the varied Cs and CBs of which Midland Bank is a member: Midland and International (item 1) builds links between the UK, North America and the Far East; Banque Européene de Credit à Moyen Terme (item 2) is solidly continental European; European-American Banking Corporation (item 5) is based in New York to access the New York markets and links with the UK and three continental European countries; EBIC (item 15) is continental European; and Euro-Pacific Finance (item 17) is based in Melbourne to service the Far East from the Far East.

Whilst most C and CBs were alliances of banks, The Berne Bank for Investment and Credit (item 18) was established using a new idea, including major multinational firms as members of the C and CB for the first time.

This membership or geographical spread can be categorized as:

i) same country Cs and CBs,
ii) geographically focussed Cs and CBs, and
iii) geographically diffuse Cs and CBs.

i) Same country Cs and CBs are established to provide member banks with a greater presence and capacity to borrow and lend. An example is the Scandinavian

Banking Partners Ltd (item 12) a alliance with members from a number of Scandinavian countries.

ii) Geographically focussed Cs and CBs concentrate on carrying out banking activity in a particular region or location in the world. An example of this is the Euro-Pacific Finance (item 17) concentrating on the Far East.

iii) Geographically diffuse Cs and CBs have members or shareholders from a number of centers. They are not focussed on carrying out banking business in a particular geographical location but rather wish to capture the benefits of increased transaction size and risk sharing. An example of this is the United International (item 14) cross-European and North America Cs and CB.

2.3.2.5 The lifecycle of clubs and consortium banks. The post Second World War period was characterized by an increased liberalisation of controls on capital and current account transactions. This process was successful in facilitating a substantial, and unprecedented, increase in international trade. Part of this change was the growth in the mobility of capital. During the 1960s a number of restrictive actions by governments – the USA imposing a withholding tax on US dollars, the USA and UK restricting overseas lending by their home banks, the USA Regulation Q capping interest rates paid on deposits and the USSR requiring to hold the international reserve currency (the US dollar) outside USA control – led to increased deposits in London based banks. These Euromoney deposits (broadly defined as currency held in a country where the held currency is not the home currency) started the development of the Euromarkets, centered on London. This rapidly growing Euromarket soon became the preferred source of funds for syndicated loans to companies expanding overseas to enjoy the benefits of liberalization in trade, particularly in the 1960s to 1970s periods. In 1974 OPEC (The Organization of Oil Producing Companies) increased the price of crude oil four-fold. This action resulted in OPEC members generating substantial funds; developed countries facing a decrease in surplus funds and developing countries facing a lack of funds to carry through oil based energy requirements.

Substantial deposits of 'petrodollars' now boosted the size of the Euromarkets. Failed public sector initiatives to recycle the petrodollars from OPEC to developing countries led to a core role in recycling for the Euromoney bankers, with a substantial increase in lending to sovereign and overseas corporate borrowers.

The internationalisation of trade led to the need for companies to source banking services overseas. Additionally governments required funds to develop infrastructure to support increased trade and further funds to provide, now increasingly expensive, oil based energy requirements. Euromarket bankers followed these income streams by meeting the financing needs of manufacturing and trading that form the basis for internationalisation. The bankers internationalised in order to service their multinational corporate clients' requirements and established operations in countries where their multinational customers established operations.

Expansion by bankers would take three forms – a mobilization strategy (mobilizing funds on a contract by contract basis through their contacts and relationships); an own branches strategy (establishing one's own operations overseas); a club or loose consortium strategy (through establishing strategic alliances with other banks). The choice of form is dependent on the degree of perceived certainty of the income stream that the banker is following. An own branches strategy requires a high commitment of capital, increased risk, full returns and more difficult exit. The Cs and CBs strategy requires a low commitment of capital, reduced risk, shared return and easy exit.

All Cs and CBs are a response to an opportunity or threat resulting from a change in the macro-environment, a change in the underlying 'mechanisms'. Opportunities develop as changes in the market take place and the development of the European Union is a major factor. 'Looking ahead, we in the Bank have been giving thought to the changes and problems in the banking world which we may expect to come as the nine nations of the Community progress along the road to economic and monetary union. In particular it seemed to us that the British banking industry might see advantage in some changes in structure in order to

more effectively compete in the wider market for banking services now opening up' (*Bank of England Quarterly Bulletin*, 1973).

This opening up of the European banking sector led to the identification by, for example, Z-Bank directors of an opportunity to provide banking services to multinational customers in a third country. Z-Bank could realize this opportunity through a number of methods. It could merge with or acquire another bank in the overseas country; it could grow its own operations in the overseas location through varied degrees of involvement (for example a representative office [with marketing responsibility, transactions booked at home location] or a branch [marketing, management and transaction booking in the overseas location]); or it could enter into an alliance. Z-Bank directors would choose the appropriate method of realizing the potential gains, and mitigating the potential losses, of a macro-change, and the method used would vary as the conditions changed. The Cs and CBs strategy could be the first step into a new market place. As the market developed and Z-Bank gained more confidence in the continuation of the income stream, the bank could invest more resources in the operation e.g., setting up its own representative office or branch or merging with or acquiring an overseas partner. The Cs and CBs approach could be the appropriate method of entering into a new geographical, product or service market but the rationale could change over time and alternative methods could be utilized.

As noted earlier, the establishment of Cs and CBs started in 1964 with the Midland and International grouping. A further three were established in 1967 and three more in 1968. In 1969 and 1970 the trend reached its zenith, with 5 and 6 Cs and CBs established. Thereafter the establishment of Cs and CBs was reduced. Scrutiny by the EEC of possible anti-competitive effects of Cs and CBs may have reduced the potential validity of this collaborative strategy. By 1974 very substantial growth in the activities and importance of the Euromarkets provided a stronger case for UK and continental European banks to change their internationalization strategy to an own branches and representative offices rather than a Cs and CBs strategy. The UK and continental European bankers used the Cs and CBs strategy only as long as it was viable. When the business case

changed and potential regulatory constraints were perceived, these bankers made pragmatic decisions to move away from the cooperative to the solo approach.

Amongst the banks that entered into Cs & CBs there were a range of adoption rates - at the extremes early and late adopters. Midland Bank was an early-adopter of this strategy, commencing its first club arrangement in 1964. A late adopter Orion Group, by comparison, did not enter until 1970. Here Clubs are classified as banks that agree to work together without formalizing this agreement as a separate legal entity whilst a Consortium Bank has a joint venture structure.

The analysis of 18 Cs and CBs in Table 2.1 is undertaken by reference to the date of establishment, the location, its purpose and its membership spread. The date of establishment was an indicator of propensity of particular banks to enter collaborative arrangements. Early adopters had a higher propensity, late adopters a lower propensity. The preferred location was London for 12 of the sample. The remainder whilst headquartered overseas all but one had London based members probably reflecting the London's position at the heart of the Euromarkets, the source of much of the funding that the Cs and CBs sought to provide to multinationals. This purpose was expanded with the addition of leasing, international banking and advisory services. The membership spread, mainly in North America, UK and Continental Europe, reflects the major expansion of multinational business and trade in this era.

Within this group of 18 Cs and CBs the geographical spread is of interest. Same country groupings allow an enhanced presence and capacity, geographically focused groupings concentrate their activities in a particular region and geographically diffuse groupings' core driver is to enable increased transaction size and risk sharing.

Table 2.2 shows 64 occurrences, as reported in The Economist, 1970, of UK and continental European banks belonging to Cs and CBs. These were the major banks in their country. In the UK all four major banks, Midland, Lloyds, Barclays and National Westminster, were involved in Cs and CBs with a total of 16 continental European banks, which are also, in the main, the major banks in their home

Table 2.2: Origins of Cs and CBs Participants

country/region of origin	no. of participations
North America	22
UK	20
France	8
Germany	7
Holland	7
Scandinavia	6
Italy	5
Belgium	4
Far East	4
Switzerland	3
Corporates	2

Source: Extracted from Table 2.1 Geographical Location of Members of Clubs and Consortium Banks.

country. The EEC feared that this would reduce cross-European competition with its attendant drawbacks.

The original rationale for the Cs and CBs, to internationalise rapidly while minimizing the risk and costs of establishing strong international relations and accessing the expertise of the partners, was undermined by the increasing business rationale for an 'own branches strategy'.

In addition increasing regulatory attention and concern as to the anti-competitive potential of Cs and CBs also contributed to a declining rate of establishment of Cs and CBs arrangements. The growing importance of Cs & CBs to the City of London was recognized by the Bank of England Quarterly Bulletin Statistical Annex inserting a new category of banks, 'Consortium Banks', in the 1976 Bulletin (*Bank of England Quarterly Bulletin*, 1976) that did not exist in the 1975 Bulletin (*Bank of England Quarterly Bulletin*, 1975). Over time as the rationale for Cs and CBs changed existing Cs and CBs were run down, resulting in residual elements remaining intact or continued as vehicles for a future trans-national merger (Scandinavian Banking Partners [item 12] being eventually liquidated in 1997) or bought out by a partner bank and turned into a merchant banking flagship (Orion).

The relationship between changes in 'mechanisms' (the Euromoney markets, OPEC, internationalization, regulatory interest) and changes in 'events' (the growth and decline of C and CB arrangements) is broadly summarized in Figure 2.1 below.

2.3.3 The 1980s: The Era of Bancassurance

The previous section has reviewed in detail the growth and decline, the lifecycle, of Cs and CBs in the banking sector. Two further life cycles of strategic alliances in the UK banking sector can be identified: the growth of Bankassurance and the increased use of Virtual Banks. The purpose of the rest of the analysis in this chapter is to briefly review the events leading to the development of these collaborations and to draw attention to the continuation of these trends, and not to provide a comprehensive analysis.

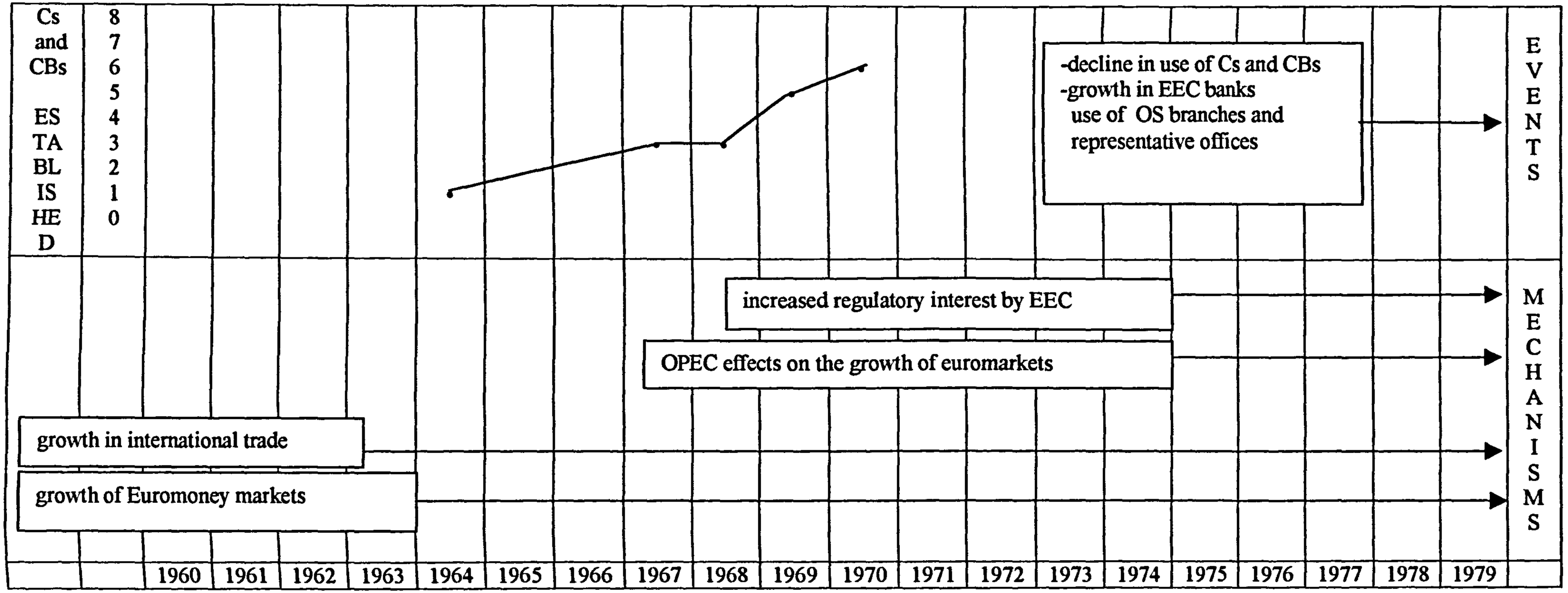


Figure 2.1: The Rate of Establishment of Clubs and Consortium Banks, 1963-1970

UK banks were in a unique position to adopt a Bankassurance strategy. Whilst in the USA a legal separation of commercial banking and investment banking activity has been in force ever since the Glass-Steagall Act of 1933, the Universal Bank model held sway in Germany and Switzerland. The USA position was based on the reportedly mistaken belief that the banks' activities in the securities markets caused the Wall Street Crash of 1929 and subsequent economic depression. The alternative Universal Bank model combined the major activities of intermediation of banking and insurance in both the retail and wholesale sectors with the securities market roles of investment management, securities issuance, distribution and trading.

In the UK the traditional segregation between merchant banks and commercial banks was still largely prevalent, with each operating in its own markets. This segregation was based on established practice rather than diktat. In the 1980s, however, this segregation began to break down, with commercial banks growing their own merchant banking operations (for example, County Bank, a subsidiary of National Westminster Bank). Alongside this gradual blurring of distinctions between commercial and merchant banks came the abolition of single capacity stockjobbers (a middleman between client and stockbroker) and stockbrokers (traders in stocks and shares) in favour of dual capacity firms in the securities sector. Restrictions on foreign ownership of UK institutions and securities were also relaxed.

During 1983 to 1985 these changes resulted in thirty commercial banks based in London (of which 14 were of foreign origin) purchasing 26 stockjobbers, 9 stockbrokers, 10 merchant banks and one insurance company (*The Economist*, 1985). This was a major drive towards consolidating ownership of financial institutions in the hands of commercial banks, thereby forming Universal Bank style organizations that encompassed commercial, investment and merchant banking activities.

The broad movement in London's securities sector was towards securities firms being acquired by capital rich commercial banks. These commercial banks also faced pressures of increased competition that drove up the cost of funds from retail depositors and drove down yields in corporate lending and securities transactions. In addition, the Bank for International Settlement's Capital

Adequacy Accords increased both the need for more capital and the cost of capital. This led to a further need to increase the yield on the funds employed. The retail sector was focussed on as the sector that would allow banks to generate the required high returns, because it was characterized by a substantial number of transactions of relatively low individual transaction value.

The high volume retail sector had high associated transaction costs. IT based solutions to basic processing needs were effective in increasing the efficiency, decreasing cost per transaction and thereby increasing the gross yield per transaction.

During the mid-80s the nature of individual customers was also changing to information-rich customers who were more discerning and value-for-money conscious and who could, at low cost, switch from one service provider to another. Counterbalancing this was the increasing demand per household for a number of different financial services needs and the banks attempting to establish multi-product relationships with their customers.

Such relationships were based on a current account with the cross selling of credit (overdraft, loans, mortgages), savings (accounts, endowments, annuities), securities (purchase and sale of equities, asset management), travel services (travelers cheques) etc. Two areas missing in the banks' product range were life assurance and general insurance. This type of product required new skills, and the banks purchased these skills by entering into strategic alliances with assurance and insurance companies (these alliances came to be termed 'bankassurance'). The alliance usually required the assurance or insurance company to provide processing, actuarial and pricing skills while the bank acted as a distributor of products to its customers. Providing assurance and insurance products on this basis also made limited calls on bank capital, as the liabilities of contracts were covered by the amalgamated premiums under management and not the underlying institutional capital. The aggregate trend was towards the rapid establishment of a number of alliances between banks and assurance and insurance companies with the subsequent merger of some alliances if the business case warranted it. Unlike the club and consortium banks, decline of Bancassurance arrangements is not nearly so rapid, with such arrangements broadly categorized at the maturity stage of the lifecycle as displayed in Figure 2.6 below.

SA-Firm Infrastructure
SA-Human Resource Management
SA-Technology Development
SA-Procurement
PAs- Inbound Logistics-Operations-Outbound Logistics-Marketing & Sales-Service-Margin (Gross Profit)
Direction of processing and increase in value of the product processed or service created ⟶

Key: SA = Support Activities, PAs = Primary Activities

Figure 2.2: An Individual Firm's Value Chain, Adapted from Porter (1985), (1988)

2.3.4 The 1990s: The Era of the Virtual Bank

The previous sections have identified two lifecycles of strategic alliances, of Cs and CBs and Bankassurance strategies, in the UK. The lifecycles are built on the existing high propensity of banks to enter into cooperative arrangements to facilitate their business as discussed earlier in Section 2.2. As the business case for these alliances grew the number of alliances grew and vice versa. In the case of the Cs and CBs lifecycle a decline is identified whilst with the Bankassurance lifecycle a maturity phase is posited.

The nature and lifecycle of Virtual Banks is qualitatively different to both the Cs and CBs and Bankassurance configurations and lifecycles. The purpose of the remainder of this chapter is to examine this assertion further.

The traditional view of firms, as exemplified by Coase (1937) is that firms are independent organizations with discernible boundaries. They choose to work with other firms as the business case warrants it but essentially this collaboration is still between two discernible firms, unless they give this up through a merger or acquisition or through establishing another firm, a joint venture. In more recent strategy literature Porter exemplifies this approach in the Value Chain (Porter, 1985, 1988) and the Value System (Porter, 1985).

The organization's Value Chain, Figure 2.2, identifies a firm as having within its boundaries (often in terms of both corporate control and physical location) all the operational functions – inbound logistics, operations, outbound logistics, marketing and sales, service – progressing the raw material from inbound logistics through the operations cycle, each of which adds value to the product (for example). The achieved sale price minus the cost of operations and activities that support the firm's operations of the firm – firm infrastructure, human resource management, technology development and procurement – is the achieved margin, the operating profit of the firm. This model, at its very basic, has two core conditions – that all activities of the firm are carried out within the firm and that the production process is typically on one site. Whilst the second condition does not always hold, the first generally does. The model is primarily based on a linear

manufacturing process and does not take into account the simultaneous production and consumption nature of services.

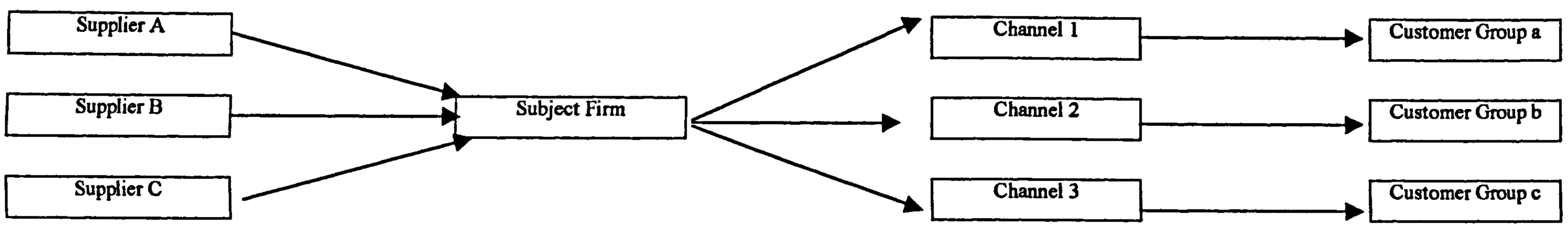
The Value System Figure 2.3 below, links the organisation's value chain with the organisational value chain of three other parties or firms – suppliers, distribution channels and the customer. Porter's argument was that competition was no longer between individual firms but between the value system of one firm as compared to the value system of another firm. Further the quality of one value system is dependent firstly on the quality of the member firms and secondly on the quality of linkages between them.

Johnson and Scholes (2002) take this further, asserting that 'as organizations build e-commerce relationships within the value system there may be shifts in 'architecture' of the value system towards a value network'. They define a Value Network as a 'value system where the inter-organizational relationships are more fluid'.

In the case of alliances in the banking sector, as discussed in Section 2.2 above, there is a general existing propensity to collaborate. There is also a high specific propensity to collaborate at the business level to provide the infrastructure to facilitate transactions and to access knowledge, processing power, to gain access to products, markets and customers. This specific propensity has been documented earlier in this chapter through the analysis of Cs and CBs and Bankassurance relationships.

These alliances are part of a continuum ranging from the early obligational-contractural relationships of Goldsmiths, through a general propensity to collaborate in correspondent bank and infrastructure links, to the specific propensity to collaborate displayed in the two lifecycles already analysed.

The key difference in the virtual bank lifecycle, as compared with Cs and CBs and Bankassurance lifecycles, is the enormous power of the supporting technology, now available to all, to underpin and facilitate increasingly complex value systems and networks. The computer technology (email, data transfer, low cost



Key: Arrow = Implicit or Explicit Contracts, Box = Individual Firm or Group

Figure 2.3: The Value System and Linkages, Adapted from Porter (1985), (1988)

telecommunications, virtual groups, seamless integration are a few examples) is now invasive and prevalent in most industries.

This technology allows one to build a virtual value system where the physical co-location is not so important. A services firm such as a bank can now locate its headquarters in London and its call center in India. It can link to its suppliers via electronic procurement systems and to its customers via the internet and email.

The capabilities of technology have been revolutionary in disaggregating the Coase (1937) conception of a firm. In his view the firm is a locus of intent and control with clear boundaries between the firm and the rest of the world in which the firm operates. Porter's value chain sums up this view and his value system shows the linkages between, mostly, independent firms (value chains) to build up a process from supplier to the customer. The technology allows the firm to situate its value system in many locations, linked electronically, and employ techniques such as just-in-time supply, overseas call centers, electronic ordering and third party delivery. The revolution is in the possibility of dismembering the firm's own value chain. The firm can outsource elements of its previously main activities – human resources can be run by Hays, IT by IBM, physical production in China by a third party firm and marketing via an agency in New York – with the 'firm' retaining headquarters, strategy, finance and contracting in London.

By and large the Coasian firm of clear and closed boundaries no longer exists as far as co-location is concerned, though not as far as ultimate control of the firm's strategic intent, in the developed world. Instead the firm may be defined as the imposition of a strategic intent over a number of activities, many carried out in different physical locations and by third party providers. The firm is now perceived as a bundle of, largely explicit and some implicit, contracts. The facilitator of this approach is information technology.

This approach allows the bank to decide which activities to carry out, which activities to outsource and even which part of the firms value chain to consider as its core activity. This latter decision would be based on the individual competencies of employees and the aggregate capability of the firm.

According to Johnson and Scholes (2002), information technology changes the nature of competition by changing the nature of the industry. A generic example is that barriers to entry can be raised due to the upfront investment, incumbents are still tied to previous links and at the same time barriers are lowered due to better informed and less loyal customers; the power of suppliers increases because of the possibilities for forward integration; buyers become more knowledgeable and therefore more discerning and demanding; substitutes increase both through different delivery channels, providers and alternative products and hyper-competition increases with markets become more commodity-like with rapid replication of new ideas.

In retail banking in the UK, the blurring of distinctions between banks and non-banks, in relation to strategic alliances, came to the fore in the 1990s when the entry of non-bank providers of financial services into the UK retail sector was marked. Organizations with a strong brand name with the retail consumer (Marks and Spencers, Sainsburys, Tesco, Virgin) set up, variously, banking operations providing retail services such as credit cards, savings, mortgages, personal loans, life assurance and general insurance. These services were dependent on strategic alliances with bank, life assurance and general insurance companies to provide the products and services fronted by and sold through retailers.

For example, the primary alliances of Tesco Personal Finance Limited are with The Royal Bank of Scotland, Scottish Widows and UK Insurance. The Royal Bank of Scotland provides banking expertise, including credit scoring, the management of assets and liabilities, the collection of regular payments, and the issuance of credit cards; Scottish Widows provides life assurance policy processing and management skills; UK Insurance provide, for example, motor insurance. Products are branded under the Tesco Personal Finance name and marketed through Tesco shopping sites, website and direct mail.

Sainsburys Bank is an equity joint venture between HOBS (Halifax Bank of Scotland) and the retailer, Sainsbury plc. The value network encompasses over 90 strategic or infrastructure alliances that together allow Sainsburys Bank to deliver retail financial services in the UK. The Core Value Network is outlined in Figure

2.4 below. It shows the clear linkages between the primary parties and details how each operation in Sainsburys Bank has a link with a corresponding (in terms of action rather than title) part of HOBS and Sainsburys plc. It is these many linkages that are the strength and enablers of the alliance.

The foregoing has detailed how the Coaseian conception of the firm has changed, yet, by and large, the supply of raw materials and the consumption of the products and services is still carried out by different parties. In banking this is not the case. Morison (1999) details the assets of financial institutions as:

i) information ('about customers and markets')
ii) skill ('in using that information to access, price and monitor risk')
iii) good reputation ('for probity and professionalism')
iv) authority ('to undertake deposit-taking and other core business activity')
v) size ('to generate economies of scale and scope...in particular to spread risks widely')
vi) customer base ('and a delivery system for reaching and serving those customers')

Inputs into a bank - money and information - are provided by the same customers who consume the services of a bank. Morison posits the Value Loop (Figure 2.5) in which 'banks add value to the money and information they received from their customers by deploying their key attributes of skill, size, reputation and market presence'

2.4 Discussion and Conclusion

This chapter has analyzed the history of cooperation in the banking sector with a focus on the relationship between changes in the economic, regulatory, business and banking environments and the establishment and evolution of strategic alliances.

As a result of this desk research a number of observations can be made:

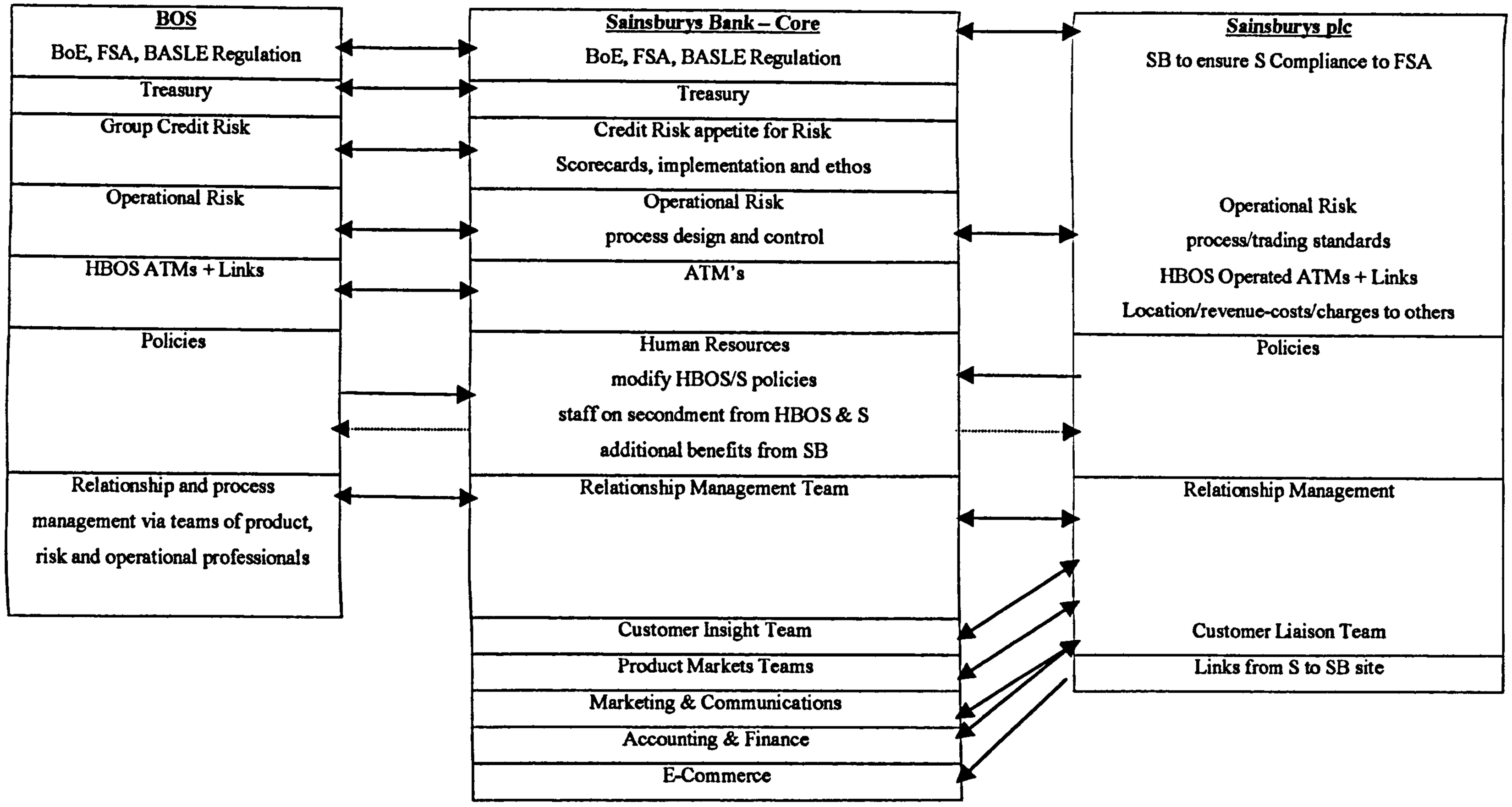


Figure 2.4: The Core Value Network of Sainsburys Bank,

Source: D. Bottom, Deputy CEO, Sainsburys Bank (2002) . Total Network = 90+ Strategic Alliances

Notes: HBOS = Halifax Bank of Scotland, SB = Sainsburys Bank (Joint Venture type Strategic Alliance between HOBS and S), S= Sainsburys plc

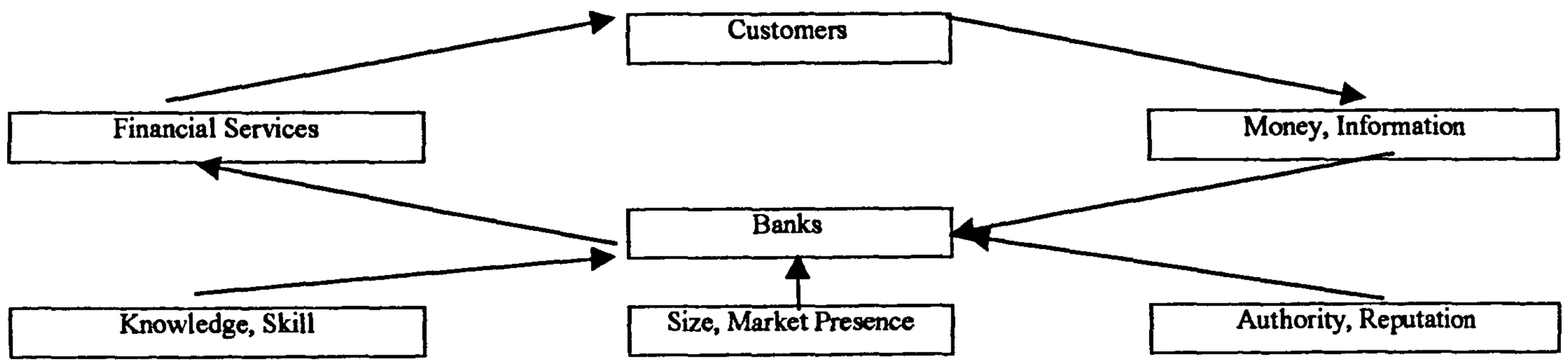


Figure 2.5: The Value Loop

Source: Morison, (1999)

First - Bankers have a high pre-existing propensity to enter into cooperative relationships with other bankers, whether locally or internationally located. The commercial need for a base level of such relationships (e.g: correspondent banking links) is deeply embedded in the very nature of banking.

Second - The choice of whether to enter into higher-level strategic alliances is one that is dependent on the strength of the business case. If the potential income stream is initially insufficient (either in size or security) to justify full-scale investment, the strategic alliance allows the firm to share cost, risk and returns while testing the business area prior to this investment. The strategic alliance is a discernable event, embedded in changes in mechanisms, in the context, in which the strategic alliance partners operate, and involves a deliberate choice to enter into an alliance instead of some other route. The strategic alliance will last only as long as the business case justifies this rather than an alternative strategy.

Third - The alliance entry process is one where changes in the context within which the bank or banks operate lead to potential new business income streams. Bankers then make decisions as to whether to service this potential income stream and which strategy to employ. If they decide to follow the income stream using a strategic alliances based approach, then pragmatic decisions need to be made on the partners, form, scope etc. of the resulting alliance.

Fourth - Once a strategic alliance is entered into, its longevity depends on its success in generating returns for its partners as well as the continuation of the business case for such an alliance. The Cs and CBs alliances of the 1960-1970s displayed a short lifecycle because the business case for a solo strategy became so strong. The bancassurance alliances of the 1980s still generate sufficient returns for partners to continue their collaboration. Over time, the nature, scope and form of alliances co-evolve with the context in which they operate.

Fifth – The development of new technology has changed the nature of Coase's (1937) conception of a firm of clear and closed boundaries, which by and large, no longer exists in the developed world. Instead the firm may be defined as the imposition of a strategic intent over a number of activities, many carried out in

different physical locations and by third party providers. The firm is now perceived as a bundle of, largely explicit and some implicit, contracts. The facilitator of this approach is information technology. This approach allows the bank, or non-bank financial services provider, to decide which activities to carry out, which to outsource and even to decide which part of the firm's value chain to consider as its core activity. This latter decision would be based on the competencies of its individual employees and the aggregate capability of the firm. In the specific case of a non-bank financial services provider, the concentration would be on marketing and branding with the production side outsourced to other specialist providers.

Sixth – The lifecycle of a strategic alliance can vary both with the steepness of growth and decline sections of the curve and the duration of the maturity plateau. In Cs and CBs strategic alliances the growth curve was steep, the duration of the maturity plateau short, and the decline curve steep. In bancassurance strategic alliances the growth curve was steep, the duration of the maturity plateau long and the decline, except at the margins, yet to come. In Virtual Bank strategic alliances the growth curve is still steep and will continue because information technology has changed the nature of the marketplace. This is summarized in Figure 2.6 below.

What insight does the foregoing analysis provide into the research question – Do strategic alliances add value?

Clearly at the level of the European banking industry the infrastructure alliance is very important to underpin and enable activities and bankers display a high propensity to use such alliances. Strategic alliances, on the other hand, were traditionally more dependent on a decision that new business streams are most appropriately captured by this mechanism. In the case of both the 'Clubs & Consortium Banks' and 'Bankassurance' strategic alliances lifecycles the bankers made a specific decision to use a strategic alliance approach, for what turned out to be a finite time.

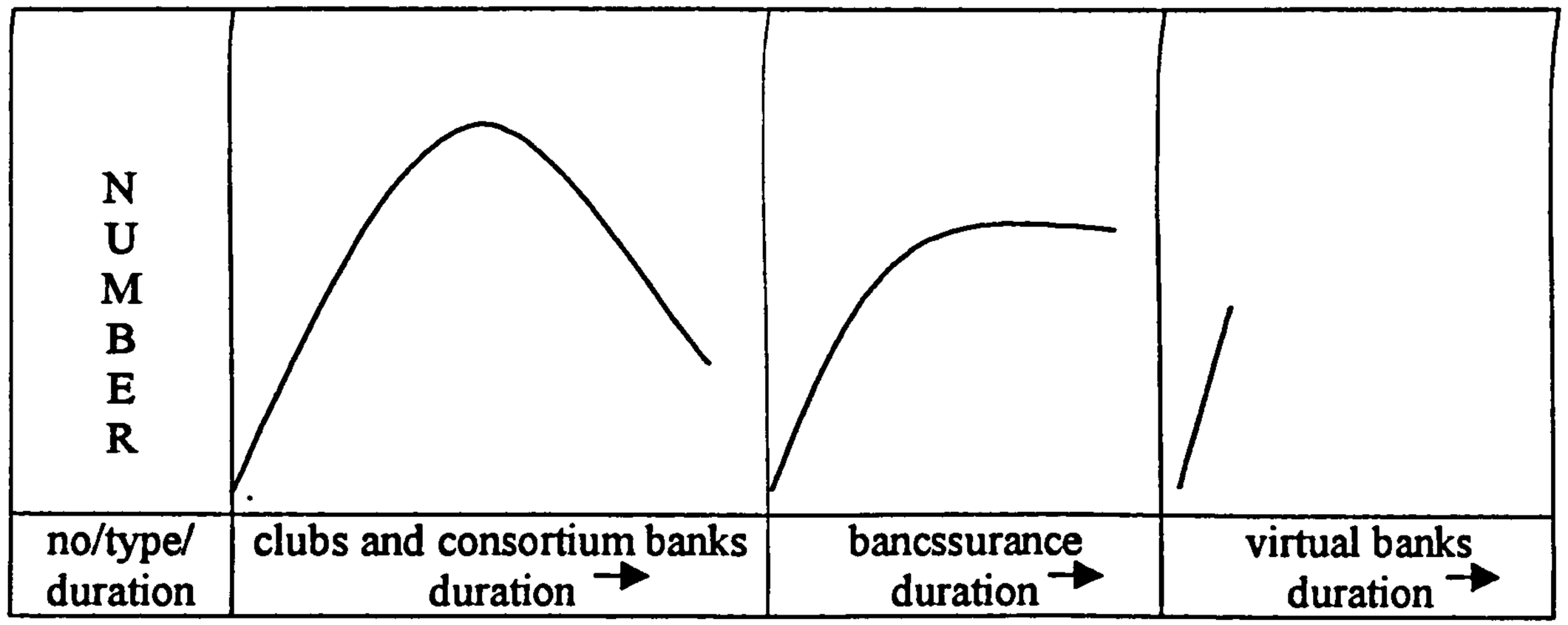


Figure 2.6: The Lifecycle of Strategic Alliances, 1963-1999

So, infrastructure alliances add value. Strategic alliances are more complex. They are entered into if it is considered that they would add value and dissolved when they have not, or an alternative approach would add more value. The current virtual bank lifecycle is not the same as the previous lifecycles. Technology has now changed – fundamentally – the bank's ability to use focused strategic alliances to outsource and relocate etc. parts of the firm. Strategic alliances may be used whenever and for whatever function and time that they add value, and not used if they do not. The period of time between use and non-use is greatly shortened.

The next chapter considers the foundations of strategy, major perspectives used in the analysis of strategic alliances and provides a review of key academic papers published on the subject.

Chapter Three

Strategic Alliances – The Theory and the Literature

3.1 Introduction

This chapter provides a review of foundations of strategy, major perspectives used in analysing strategic alliances and a summary of key academic papers. The review details a number of theoretical perspectives – economic (market power, transaction cost, agency, increasing returns, game), strategic management and organization (population ecology, resource-dependency, organization structure and management, organizational learning, trust) – and adds to understanding the lifecycle of a strategic alliance in the commercial world, from stages of formation through management and evolution to dissolution.

3.2 Strategy

Pettigrew, Thomas and Whittington (2002) refer to primary concerns of the strategist as addressing questions about the 'purposes, directions, choices, changes, governance, organization and performance of institutions in their industry, market and social, economic and political contexts'. Concerns of the strategy practitioner and strategy researcher are, by necessity, broad, holistic, complex and action orientated whilst also focusing on the specific, to inquire in depth, to reduce complexity to manageable proportions through frameworks, models and matrices, to provide insights for reflection and prescriptions for practice.

These counterpoised trends lead to development of two primary threads in the strategy field: first, practitioners who make decisions in, for example, market contexts and, second, strategy academics researching in firms but through a lens of their own research contexts and traditions. The practitioner uses preferred tools, methodologies and perspectives to carry out analysis and make decisions; the academic works within research traditions be they qualitative or quantitative, positivist or idealist, primary or secondary. Both practitioners and scholars are

affected by national and industry context or, in the latter case, by traditions of the academic subject or institution. An ongoing dialogue between scholars, between practitioners (managers, consultants) and between scholars and practitioners leads to evolution of the strategy field.

Strategy scholars operate in research and discipline traditions that presuppose particular preoccupations. The scholar, aside from engaging with the practitioner world, engages with other scholarly disciplines, borrowing from and contributing to them. Accordingly, it is necessary to review the development of strategy in the academic literature prior to considering the literature on strategic alliances.

Strategy, as a scholarly discipline, is generally considered to have commenced in the early 1960s with Chandler's (1962) development of the dictum that structure follows strategy and work on rationalism and planning championed by Ansoff (1965). Schendal and Hatten (1972) proposed a more economics based, analytical, positivistic and quantitative approach to strategy whilst Porter (1980, 1985) continued this industrial economics based emphasis and language into the scholarship and practice of strategy. With this the focus became the structure of the industry rather than the nature of the firm. The sub-disciplines of this approach include market power, transaction cost economics (commencing with Coase, 1937), agency, increasing-return theory and game theory. Whipp (1996) argued that the single discipline, industrial economics approach to strategy was flawed, that strategy was an important field and required cross-boundary fertilization of ideas.

Hoskisson et al. (1999) reviewed the practice of strategy scholarship and saw a concentration on examination of factors that affect performance of the firm. They further saw a to-and-fro movement of the 'pendulum' from internal (the firm, internal context) to external (the industry, external context), principally: 1960s and 1970s (business policy – internal); 1980s (industrial organization economics – external); mid-1980s (organizational economics – internal/external); 1990s (resource and knowledge based – internal). Alongside this swing in internal-external orientation were also, according to Hitt et al (1998), swings in the level at which analysis took place, theoretical orientation and research methods utilized.

Thus industrial organization economics based work and its derivatives use analysis of surveys and databases, while internally based researchers' core interest is in obtaining and using tangible and intangible (knowledge) resources and requires smaller sample studies via case or survey methods.

The field of strategic management is still largely dependent on the industrial organizational economics view, that is, based on rational external industry analysis and positioning the firm in an appropriate place in its market/s, an intended strategy approach. Alternative views are expounded by writers such as Mintzberg et al (1976) who pondered the nature of the processes internal to the firm by which strategic decisions were formulated. Mintzberg characterized this process as one of an 'emergent strategy' where the 'emergent' (bottom up) and 'intended' (top down) strategies would combine to form a third 'realized' strategy different, but drawing, from its two constituent parts.

Managerial and research practice in strategy is subject to preferences. That is, emerging management techniques are justified through their perception as a sound means of achieving outcomes that are important and an improvement upon previous techniques. These 'fads and fashions' (Abrahamson, 1996) shape the behaviour of managers, leading to positive or negative impacts on firms, employees and customers.

Whipp (1996) writes about his concern for the lack of reflexivity in the relatively new strategic management field, perhaps due to the multiple stakeholders (scholars, executives and consultants) having differing agendas and working according to differing timescales and levels and types of analysis.

The industrial organization economics approach, made popular by Porter, has a strong hold on practice through MBA syllabi and its application directly in firms and through consultancies. Bourgeois (1984) was an early commentator on the flaws of this deterministic school and drew attention to the:

i) reductionist nature

ii) lack of examination of causal links between structure of the industry and behaviour of the firm

iii) lack of study of content and process of strategy reciprocally and simultaneously

iv) lack of combination of qualitative and quantitative data use

v) lack of appreciation of the need to move from industry level context to the firm level context

Future development of strategy has at its core the change towards a greater link between the external world within which the firm operates and the internal world of the firm. Decades ago, but in a work still influential, Coase in 'The Nature of the Firm' (1937) defined a firm as an organization that 'consists of the system or relationships which come into existence when the direction of resources is dependent on an entrepreneur'. He asserted that business activity is carried out either in 'free' markets or within boundaries of a firm and that by organizing and co-ordinating resources, capabilities and directing production the 'manager-entrepreneur' in a firm can gain a significant cost advantage over market based transaction costs.

How then does the manager-entrepreneur access these resources? Mergers and acquisitions allow control but do not easily allow integration; organic growth is costly and takes time; and co-opting another firm's resources is both less costly and allows short-term access. The manager-entrepreneur no longer requires total ownership of resources but rather the ability to 'rent', and control, resources as necessary. Accordingly, the primary concern is to be able to gain access to, configure and manage these resources, wherever located, to meet the firm's needs.

This approach opens up the firm's boundaries, making them permeable to other firms (but still within the control of the rent paying firm) to include co-opted resources. Collaboration with other firms becomes the norm. As Burton (1995a) writes, strategists need to take a 'Composite Strategy' approach and:

i) choose the combination of competitive and collaborative strategies that are appropriate in the various dimensions of the firm's industry environment

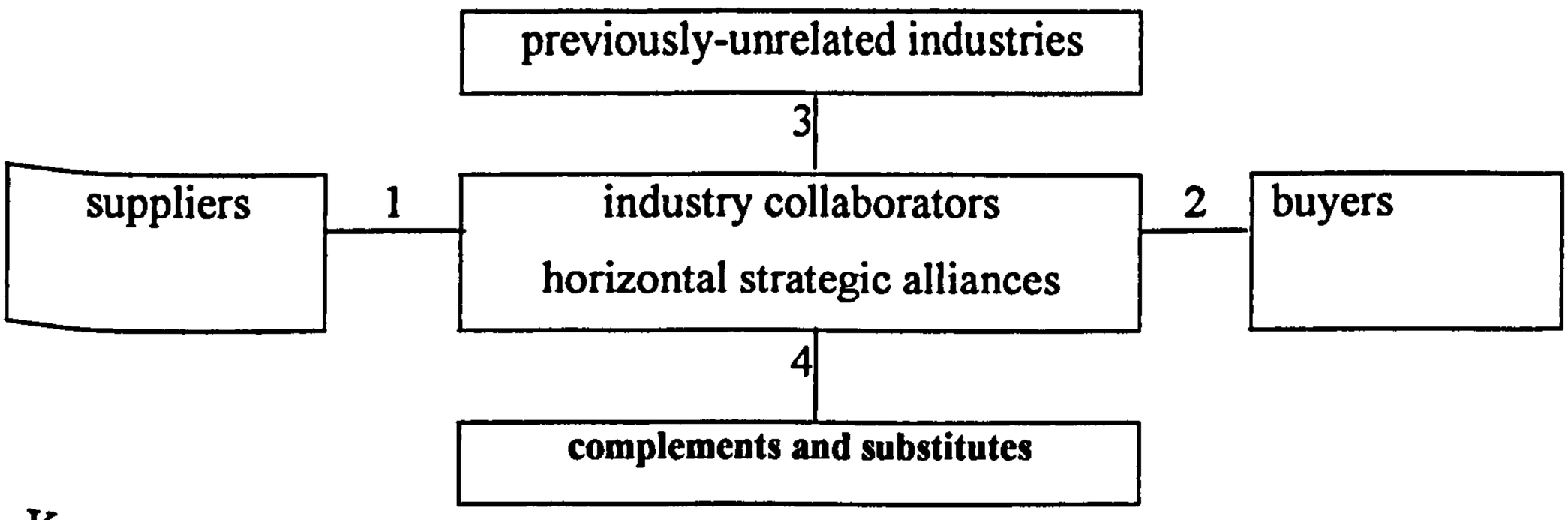
ii) blend the two elements together so that they interact in a mutually consistent and reinforcing, and not counter-productive, manner; so as to

iii) optimize the firm's overall position, drawing upon the foundation and utilization of both collaborative and competitive advantage

In this scenario the Porter model of competitive advantage is supplemented by the Burton model entitled 'The Five Sources Framework'. In this framework (as displayed in Figure 3.1) determinants of collaborative advantage are analysed and (together with determinants of competitive advantage) are appropriately and co-reinforcingly mixed to provide a Composite Strategy. A core decision is whom to ally with, which webs of firms to collaborate with and what role to play in those webs.

As Pettigrew, Thomas and Whittington (2001) state, 'A combination of highly porous firm boundaries, denser information links, pervasive issues of trust and reciprocity and the constant imperative to find, retain and motivate talent make the interface between strategizing and organizing a constant challenge'. Strategy is no longer one side of a dichotomy of strategy and implementation. Rather it is an active and interlinked process of strategizing and organizing for advantage in comparison with competing firms and webs, the latter made up of multiple strategic alliances of firms.

Strategic alliances are obligational-contractural relationships that are in-between markets and hierarchies. They are not free market competition or internalization with one firm rather an agreement to work together, in certain areas, for mutual benefit. They require member firms to agree to collaborate, to share resources, to allow the 'rent' of capabilities, tangible resources and distribution networks for a period of time that suits the member firms. The volatility of markets and industries that the firms and strategic alliances operate in ensures that such alliances only last as long as they confer a collaborative advantage.



Key:

1. relational contracting and quasi-integration with suppliers
2. partnering with channels/buyers
3. prospecting diversification alliances
4. related diversification alliances

Figure 3.1: Analyzing Collaboration: The Five Sources Framework

Source: Adapted from Burton, (1995a)

3.3 The Key Perspectives

Scholars use and promote a number of perspectives to discuss strategic alliances and joint ventures. Each perspective provides insights into the theory and practice of strategic alliances but, by itself, is not sufficient to view the full complexity of alliance activity.

The perspectives can be said to fall into broad groups of Economic, Strategy and Organization.

3.3.1 Economic Perspective

The output minus input relationship is here under scrutiny. An organization may wish to increase its dominance of a market and therefore the ability to charge extraordinary rents. Alternatively, it may wish to build trust endowed relationships with alliance partners to minimize costs and maximize potential payoffs.

3.3.1.1 Market power theory. Market power or monopoly theory, has at its core the concept of dominance, of high barriers to entry and therefore reduced potential competition. The higher the market share or monopoly/quasi-monopoly enjoyed by the firm, the higher the barriers to entry of potential competitors, the greater the autonomy in setting high prices and thereby the ability to increase profits. Strategic alliances may be used in a negative sense to provide a forum for collusion between participants in the same industry or they may be used in a legitimate form to, for example, secure and develop know-how.

In this perspective, offensive coalitions diminish the competitors' market share or increase their production and distribution costs while defensive coalitions build increased barriers to entry, thereby attempting to secure the position of alliance member firms by reducing competition and increasing profits.

The 'value chain' concept, introduced by Porter (1985) can be used to distinguish between:

i) alliances that seek to provide increased economies of scope, reduce risk by sharing, including knowledge. Here the intention is to increase market share and secure economies of scope, a cost leadership strategy.

ii) alliances that link different parts of the value chain of the partners to the alliance in a complementary way so as to enhance their overall competitive advantage, a differentiation strategy

Market power theory allows for both methods in generating enhanced market power and therefore increased returns. In this approach, strategic alliances are an alternative choice, alongside competitive or acquisitional strategies for increasing this power, and participants make a continual, and opportunistic, choice between cooperative or competitive alternatives.

This theory assumes that industrial, national and international contexts – the structure of markets, regulation etc. – will determine and constrain the appropriate strategy. It therefore does not give much credence or importance to how member firms may use an alliance proactively.

3.3.1.2 Transaction cost economics theory. Transaction cost economics is grounded in the work of Coase (1937), wherein the boundaries of the firm are examined. Firms are established because the entrepreneur-manager can manage the organization of resources in a more effective and cost optimizing way than the marketplace. By reducing costs, the entrepreneur may realize the opportunity to reduce prices (and compete on the basis of price) while retaining the same margin, or to maintain prices (and compete on a differentiation basis) while increasing the margin enjoyed. Firms expand as the manager-entrepreneur takes more transactions under his or her control, and firms shrink as their ability to manage the higher volume of transactions, in comparison to through the market mechanism, decreases. Williamson (1985) noted that 'a transaction occurs when a good or service is transferred across a technologically separable interface'. Transaction costs are incurred as a result of negotiation costs, drawing up contracts, logistics and monitoring. They reflect costs incurred in 'arranging, managing and monitoring transactions across markets' (Child and Faulkner, 1998).

The stark choice provided by this perspective seems to be either to carry out economic transactions through market-based exchanges or to internalize them within a single firm. However, Williamson (1986) argues that multiparty, reoccurring transactions will take place when:

i) the choice of partners is limited
ii) market conditions are complex and/or uncertain
iii) there is information asymmetry

and that the governance structure to be used should be based on attributes of the transaction to be undertaken (asset specificity). That is, one-off, relatively short-term duration, non-specific asset based transactions are suited to market based mechanisms ('Markets'). Where transactions are recurrent, have uncertain outcomes with long lead times and require unique or transaction-specific investments, they can be more effectively conducted within firms ('Hierarchies').

Williamson proposes that two further possibilities lie between these extremes depending on the frequency of transactions.

i) if occasional frequency: market based contracting supported by third party arbitration and litigation is the appropriate form of governance
ii) if of reoccurring frequency: relational contracting (long-term investment in building relationships between members) and bilateral governance (mutual investment of specific assets that generate mutual dependence and act as hostages against opportunism) are more appropriate. These latter factors admit the possibility of intermediary (between markets and hierarchies) forms of organization such as obligational-contractural relations including strategic alliances.

This theory is primarily concerned with a static point efficiency and discloses little about development of trust in relationships, a matter which is discussed later in the

chapter. A detailed analysis of strategic alliances using the transaction cost economics approach is undertaken in Chapter One of this thesis.

3.3.1.3 Agency theory. Agency theory has, as its primary concern, the ability of 'principals' to ensure that 'agents' are fulfilling their objectives. Eisenhardt (1989) pinpoints the contractual agreement between the principal and agent as the central unit of analysis and states that embedded in this theory are a number of assumptions:

i) that human behaviour is self interested, is subject to bounded rationality and is risk averse
ii) that organizations contain goal conflict among members, that there is asymmetry of information
iii) that information is a purchasable commodity, and principals can secure more detailed information about the conduct of their agents

Accordingly, agency theory focuses on developing the most efficient contract governing the relationship between principal and agent: that is, whether a behaviour-orientated contract is more efficient that an outcome-orientated one. The former includes working to a set of hours, salary, and managerial hierarchy while the latter is based on rewards subject to marketplace (such as stock prices) performance.

The previously outlined Market Power and Transaction Cost Theories largely focus on the position of the organization in its markets (and its ability to manipulate its market to suit its own ends). Neither provide more than a static, one-shot, view of the world and do not develop obligational-contractural relationships and co-evolution in alliances. Agency theory provides a place for self-interest and incentives in analyzing organizations. It draws attention to the implications of contractually framed behaviour under conditions of uncertainty and the need to establish systems to provide the principal with information about the activities of the agent to assist the former to control the latter.

As Child and Faulkner (1998) summarize: 'The principal implication of agency theory is therefore that, just as a principal is advised to put in place a combination of incentives and monitoring mechanisms to ensure that an agent's behavior remains consistent with the principal's objectives, so the partners to a cooperative venture would be advised to make clear to each other the basis on which each will share returns from effective cooperation, and to put into place the systems for information to be shared between them. These provisions should reduce suspicion between the partners and so provide a basis for mutual trust to develop through their working relationship. As and when the partners do trust each other more, so the monitoring mechanisms emphasised by agency theory can become less prominent.'

3.3.1.4 Increasing returns theory. Increasing returns emphasises the relationship between factor inputs and returns. Traditional economics presupposes that, past a certain point, increased factor (raw materials, labour etc.) inputs lead to diminishing returns. This view provides for an equilibrium point at which factor inputs are efficiently allocated. But markets do not in fact move to and stay at an equilibrium point but rather the more likely norm is a state of dynamic disequilibrium. That is, markets are always changing and organizations continually need to form new balance points between factor inputs and returns. This tendency is more prevalent in knowledge-based industries where continuing returns are seen. Firms in these (for example, technology) industries can build an early dominance and lock in customers without decreasing returns. Indeed technology-based increasing-returns markets drive firms to form strategic alliances to achieve an early critical mass with which to dominate the market. This view is confirmed by Bettis and Hitt (1995), who assert: 'In industries with a high knowledge content, as opposed to natural resource-based industries, it is uncommon for diminishing returns to occur; instead positive feedback is present where returns continue to increase...the optimum scale may be the entire market and the first mover advantages or an early lead in market share may be quickly magnified into market dominance.'

3.3.1.5 Game theory. Game theory was originally developed as a mechanism for using the language and analytical power of mathematics to analyze and solve

some types of economic events – especially economic decision making or coordination under uncertainty or in the presence of ignorance. According to Rapaport (1961), games vary according to a number of parameters: the number of players (range from two-person versus n-person games), their interests (conflict, coincide, or both), the nature of information access (perfect versus imperfect, complete versus incomplete), the number of times the game is played, the degree of communication allowed between the players and the ability to make promises, commitments or threats.

The most elementary games are two-person, independent decision, unknown outcome games. The type of game attempts to understand the balance between conflicting desires to act selfishly and to act for the common good. Some such games can be extremely poignant, such as the one described by Casti (1992): 'In Puccini's opera Tosca, Tosca's lover has been condemned to death, and the police chief Scarpia offers Tosca a deal. If Tosca will bestow her sexual favours on him, Scarpia will spare her lover's life by instructing the firing squad to load their rifles with blanks. Here both Tosca and Scarpia face the choice of either keeping their part of the bargain or double-crossing the other. Acting on the basis of what is best for them as individuals, both Tosca and Scarpia try a double-cross. Tosca stabs Scarpia as he is about to embrace her, while it turns out that Scarpia has not given the order to the firing squad to use blanks. The dilemma is that this outcome, undesirable for both parties, could have been avoided if they had trusted each other and acted not as selfish individuals, but rather in their mutual interest.'

In this scenario there are two decision making parties, Tosca (A) and Scarpia (B) and both have the choice of cooperating or defecting. The maximum attainable value for each is three and the minimum value is one. Drawing on Child and Faulkner (1998), the possible outcomes of this two person, zero-sum game, from Tosca's perspective, are detailed below in Table 3.1 and Table 3.2.

The best option for each individual is option 1 for Tosca and option 4 for Scarpia. For Tosca to cooperate without knowing Scarpia's likely response is to risk the 'sucker's pay-off' (option 4, score 0, Tosca submits, lover dies), so rationally Tosca should defect and gain either the option 1 (Tosca score 3, lover lives, no

Table 3.1: Outcomes of Tosca–Scarpia Game

	Tosca (A)	Scarpia (B)	A score	B score	Total
option 1	defects	Cooperates	3	0	3
option 2	cooperates	Cooperates	2	2	4
option 3	defects	Defects	1	1	2
option 4	cooperates	Defects	0	3	3

Source: Drawn from Child and Faulkner, (1998), Analysis

Table 3.2: Actions of Tosca–Scarpia Game

	Tosca	Scarpia	Rifles	Lover
option 1	Stabs Scarpia	loads blanks	blanks	escapes
option 2	submits	loads blanks	blanks	escapes
option 3	Stabs Scarpia	does not load blanks	not blanks	Dies
option 4	submits	does not load blanks	not blanks	Dies

Source: Drawn from Child and Faulkner, (1998), Analysis

surrender) or lesser option 3 outcome (Tosca score 1, stab Scarpia, lover dies). Neither Tosca nor Scarpia have any prior knowledge or insight into how the other will act. If they did, they could cooperate (option 2), both score 2 (lover lives) and raise their total return to 4. The tendency of both Tosca and Scarpia, however, will be to not trust each other and to defect, especially if the 'game' is played only once.

Axelrod (1984) carried out a series of experiments to test the cooperation dimension of game theory over a series of consecutive games. He confirmed that the best strategy was to follow two rules known as tit-for-tat – that is, to cooperate at the start and thereafter to act in the same way as the other player did in the previous round. This approach provides a reward for cooperation, through increased payoffs, and a penalty for defection. As the game is played over time, increased payoffs to cooperation accumulate to both players with occasional corrective penalties for defection.

In a single-play, zero-sum game, the strategy of defection (competition) is the rational one. In a multiple-play, non-zero-sum game, series cooperation is more likely to pay higher yields and is the optimal strategy for both players. To defect, in the latter type of game, means risking one's reputation and the possibility of missing new cooperation opportunities.

The tit-for-tat strategy has inherent disadvantages when applied to reality. No communication in unlikely in multi-play situations such as a strategic alliance. Here what is more likely is that the players (partners in the strategic alliance) will be able to communicate with each other. This, according to Ridley (1996), 'leads them to cooperate with cooperators, return to cooperating after mutual defection, and punish a sucker by further defection, but it assumes that they continue to cooperate after being a sucker in the previous round'.

Game theory has value in assisting attempts to determine choice between competition (defection) and cooperation through a strategic alliance. The theory does, however, presume that the actor in each firm is a single decision maker, not a number of managers with differing perceptions of the alliance or the interface,

and assumes that decisions are arrived at through a process of rational analysis and clear information on actions and counter-actions.

3.3.2 Strategic Management Perspective

This perspective draws attention to the requirement for actual or prospective partners to an alliance to determine a fit between their respective strategies. Such an inter-organizational fit may be at the macro-level, between strategies and national industry environments, or at the micro level, between the organization's internal capabilities, systems, ethos. The former generally commences with an analysis of the rationale for entering into alliances and the choice of partner, while the latter borders on organization theory work.

Harrigan (1988b) asserts that the choice of partner is essentially a rational and analytical process. Contractor and Lorange (1988) in attempting to show this rational process identify seven, variously overlapping, objectives for entering into cooperative arrangements. They are:

i) risk reduction
ii) achievement of economies of scale and/or rationalization
iii) technology exchanges
iv) co-opting of blocking competition
v) overcoming government-mandated trade or investment barriers
vi) facilitating initial expansion of inexperienced firms
vii) vertical quasi-integration advantages of linking the complementary contributions of partners in a 'value chain'

Following on Geringer (1991) distinguishes between two types of partner selection criteria: task and partner related. 'Task-related' criteria have to do with items such as the internal value chain activities – resources (finance, competencies, factories, marketing and distribution, institutional environment) while 'partner related' criteria have to do with association competence (culture – corporate or national, past favourable alliance activities, trust between management teams, structure and size). Lawrence and ul-Haq (1997) examine the

nature of bounded rationality in the short-listing of a selection of potential alliance partners, a process that encompasses both task and partner-related factors with the latter often being prior and primary.

To sum up the foregoing, market power and transaction cost theories provide a basis for cooperation as mechanisms for, respectively, increasing monopolistic tendencies and generating extraordinary returns, and reducing the cost of transactions, thereby allowing reduced prices or increased margins. Game theory provides a further rational explanation of the cooperation/competition choice. Strategic management theory provides for a number of differing reasons for firms to enter into alliances and allows for the selection and matching of partners taking into account their external contexts and the match or complementarities of internal contexts.

3.3.3 Organization Perspective

This area of theorizing about strategic alliances is made up of five main sub-perspectives: population ecology, resource dependency, organization, organizational learning and trust.

3.3.3.1 Population ecology theory. Population ecology theory proposes studying populations of firms, 'homogeneous group of organizations in a certain industry' (Aldrich, 1979), and posits that the survival and development of these populations is contingent on their successful adaptation to changes in the external context in which the organization operates. Such changes lead to a process of selection of future members dependent on the ability of current members to adapt to these structural changes in the industry. Firms that can adapt do so and may survive a natural selection process and prosper, while firms that cannot or will not adapt are subject to structural inertia. Strategic alliances or cooperative arrangements are responses to uncertainty in the external environment (Aldrich, 1979) and attempts to adapt by reconfiguring available resources and access new resources to meet new needs.

3.3.3.2 Resource-dependency theory. Resource dependency theory has, at its core, the view that a firm's resources, rather than the products it produces, are defining factors in its competitive position. (Wernerfelt, 1984; Barney, 1991). Resources may be tangible such as manufacturing equipment, factories, computers, offices, staff, or intangible such as intellectual property rights (patents, copyrights, brands, goodwill), knowledge resources (carried in the minds of staff, for example) or other such capabilities embedded in internal processes of the firm.

It follows that this view puts the acquisition, control and utilization of resources in an appropriate manner as primary activities of the firm's management. Resources can be acquired by acquisition or merger along, and through the lengthening of, the value-chain via backward/forward integration or expanding the width of the value-chain through a horizontal merger. Resources can also be grown internally, though this would take longer than the mergers and acquisition (M&A) route. Both the M&A and organic routes provide a high degree of control over resources. In the post-M&A firm the board of directors has direct control over the firm's resources but may well have to deal with a number of issues relating to integration of resources, people, culture and processes. Similarly in organic growth situations the resources are being developed in a mono-culture and set of existing processes and procedures and may be blind to new ideas or perspectives.

With increasing turbulence in the external environment, the organization is continually required, by competitive pressures, to provide innovative products or services to meet ever-changing needs among individual and corporate consumers. This ratcheting-up of the general speed at which innovation needs to take place tends to make M&A and organic growth comparatively slow mechanisms for acquiring resources. Pfeffer and Salanick (1978) assert that scarcity of appropriate resources leads to organizations attempting to exert a degree of influence over firms that have the required resources through engaging in inter-organizational relationships. Partners anticipate that benefits of acquiring these resources will exceed the costs according to Simard (1996).

The resource-dependency view of strategic alliances emphasizes the importance, in effective competition, of the ability to possess a set of core competences

(Hamel and Prahalad, 1994) and leads to the view that even when organizations recognize deficiencies in their critical competencies they lack the ability either to develop these competencies or the ability to develop them sufficiently quickly. Entering into an alliance, in order to access the required competencies leads to a fluctuating balance of power between participants that is dependent on control structures, degree and nature of investment and degree of need to access the other partner's resources.

3.3.3.3 Organization structure and management theory. This approach provides a locus for considering practical issues of how to structure, manage and organize strategic alliances. However, the variety of forms of alliances makes them difficult to analyze, according to Borys and Jemison (1993).

Child and Faulkner (1998) classify the extant literature into three areas;

i) the relative importance of structure and process in the management of alliances
ii) their network or quasi-network nature
iii) issues of the degree and type control, autonomy and learning

i) Structure and Process

Doz and Prahalad (1993) argue, in relation to decentralized multinational corporations, that 'one needs a theory that transcends the structural dimensions and focuses on underlying processes...more than the formal structure, the informal flow of information matters. So do the processes of influence and power, such as how the trade-offs among multiple stakeholders and multiple perspectives are made'. As mechanisms for accessing resources in turbulent and fast changing environments strategic alliances are subject to re-configuration more often than multinationals. While formal structures do exist, informal exchange of information needs to be taken into account. Effective bilateral-multilateral information flow is a requisite for developing operational efficiency and effectiveness, cultural (corporate and national) understanding and cohesion and dynamic learning.

ii) Network Nature

Networks are classified by Faulkner (1995) as being 'characterized by a high sense of mutual interest, active participation by all partners, and open communications'. These networks of firms act as a conduit for sharing knowledge. Indeed while transaction cost theory surmises that alliances act as a mechanism for reducing costs of open market transactions while mitigating rigidities of firms, networks generally exist for resource complementary issues – that is, a network member provides a function which is synergistic with a different contribution from another member of the network (Johanson and Matsson, 1991). These networks provide access to increased production capacity, speed of response to market changes, competencies and resources not owned by a firm, industrial intelligence and information from outside its borders.

As Child and Faulkner (1998) summarize, 'The degree of prominence networks have received has significantly increased in recent years. This is due largely to the globalisation of markets and technologies, leading to the widespread growth of cooperative activity as a necessary strategy, if firms with a limited financial strength, focussed competencies, and limited 'global reach' are to be able to compete in global markets. An attractive characteristic of many networks, then, is that they help members to achieve increased global reach at low cost and with a minimum time delay....They enable synergies between members to be captured, and provide the conditions for the achievement of scale-and-scope economies through specialization.'

iii) Control and Autonomy

Child and Faulkner (1998) address the issue of control in strategic alliances by proposing that 'the collaboration between partners is balanced against the potentially competitive aspects of their relationship, and each partner seeks to reconcile the alliance's activities with its own strategy and pattern of operations. Insufficient control over an alliance can limit a partner's ability to protect as well

as efficiently utilize the resources it provides to the alliance, and to achieve the goals it has set for the alliance'.

3.3.3.4 Organizational learning theory. Organization learning rests on the generally accepted assumption that adaptation to external environmental change and the enhancement of internal capabilities are essential elements of a successful strategy. Both require some form of 'learning' by the organization, that is the embedding of learning in the procedures, precepts and processes of the firm.

Some theories emphasise individual learning, others learning 'by' the organization. In most cases theorists see these as interrelated. De Geus (1988) argues that the primary competitive advantage in the future will be the ability of individual managers of one firm to learn faster than individual managers of a competing firm. Villinger (1996) also stresses learning takes place at an individual level and consists of 'the process of developing a potential to improve actions (behaviours) through better knowledge and understanding (cognition)'. By contrast, Argyris and Schon (1978) find that 'organizational learning is not merely individual learning, yet organizations learn through the experience and actions of individuals'. Like Villinger, Nonaka and Takeuchi (1995) state 'knowledge is created only by individuals and an organization can only support creative individuals or provide suitable contexts for them to create knowledge'. They go on to differentiate between individual and organizational knowledge creation: 'Organization knowledge creation...should be understood as a process that 'organizationally' amplifies the knowledge created by individuals and crystallizes it as part of the knowledge network of the organization. This process takes place within the expanding 'community of interaction' which crosses intra- and inter-organizational boundaries'. Moreover organizations may adopt cooperative strategies as mechanisms to acquire new knowledge. Inkpen (1995) asserts that learning processes between partners are requisites for successful cooperation.

This analysis leads to two main issues:

i) how to convert individual learning into organizational learning

ii) how to engender (or withhold) the transfer of learning across intra-firm borders

i) Individual vs. Organizational Learning

Polanyi (1966) differentiates tacit and explicit knowledge. Tacit knowledge is person specific, often intuitive and embedded in its context. It is difficult to verbalize, to formalize, to communicate to others. Explicit knowledge is codified and can be transmitted across the organization in formal and systematic ways. The conversion of tacit, individual and private knowledge into collective, organizational and shareable knowledge requires codification. Argyris and Schon (1978) assert that organizational learning takes place at a number of levels: 'single-loop', 'double-loop' and 'deutero-learning'. Child and Faulkner (1998) classify these as 'routine improvements', 'reframing of organizational systems and perspectives' and 'learning how to learn'. Table 3.3 illustrates these classification systems.

ii) Transfer vs. Non-Transfer

Barriers to conversion from tacit to organizational knowledge include a lack of awareness of one's tacit knowledge. Some individuals retain control over their knowledge by maintaining it in tacit form and share it with others only through personal interaction and in exchange for other knowledge (in project focussed teams, for example).

The internal structures, strong hierarchical reporting lines and 'Chinese Walls' concept may also dampen transmission of tacit and explicit knowledge across intra-firm boundaries. 'Chinese Walls' are used to describe, for example, explicit, though in practice often permeable, barriers to sharing price-sensitive information between trading and corporate finance departments of an investment bank.

The issue of transfer or non-transfer of tacit or explicit knowledge across inter-firm boundaries becomes a core issue in strategic alliances. Child and Faulkner (1998) elevate the 'ability to learn' (higher level 'deutero learning' as detailed in Table 3.3) as 'probably the most important intangible asset that a company can possess. Its enhancement is frequently the main motive for entering into collaboration with other companies. Alliances create learning opportunities…'.

Table 3.3: Levels of Organizational Learning

Levels	Theoretical approach	Pragmatic approach
Higher	*learning – 'deutero learning'* learning how to learn so as to improve the quality of the organizational learning process itself	*Strategic learning* changes in managerial mindsets, especially in understanding the criteria and conditions for organizational success
Middle	*reframing – 'double loop'* changes of existing organizational frameworks-involves questioning existing systems-orientated towards survival in changing environmental conditions	*systemic learning* changes in organizational systems, with an emphasis on learning how to achieve better integration of organizational activities
Lower	*routine – 'single loop'* improvements and adjustments to optimize performance within the limits of existing organizational frameworks and systems	*technical learning* the acquisition of new specific techniques such as more advanced production scheduling, or managerial techniques such as more advanced selection tests

Source: Child and Faulkner, 1998. Includes Argyris and Schon (1978)

Geringer (1991) notes that a perception of complementarities by alliance partners is a requirement for cooperation to extract benefits of learning from each other so as to compete better with other firms. Partners to an alliance can learn from each other in an attitude of collaboration or competition. In the former, learning may be from each other or with each other (Inkpen, 1995). In the latter, one partner would not be interested in collaborative learning but rather intends to learn rapidly from the other partner – to cooperate to 'access knowledge which they may subsequently turn to competitive advantage against their partners' (Child and Faulkner, 1998). This dichotomy provides a danger – today's collaborator may be tomorrow's competitor – and thus the decision to collaborate and to transfer knowledge (equally or differentially) can be construed as a Game Theory type decision.

Asymmetric learning in cross-border strategic alliances was stated by Hamel (1991) as being the practical manifestation of this danger – 'managers often voiced a concern that, when collaborating with a potential competitor, failure to 'outlearn' one's partner could render a firm first dependent and then redundant within a partnership, and competitively vulnerable outside it. The two premises from which this concern issues seemed to be that (1) few alliances were perfectly and perpetually collusive, and (2) the fact that a firm chose to collaborate with a present or potential competitor could not be taken as evidence that the firm no longer harboured a competitive intent vis-a-vis its partner'.

Pucik (1991) observes that 'Organizational learning is not a random process, but a carefully planned and executed set of policies and practices designed to enlarge the knowledge base of the organization. Preventing an asymmetry (or creating an asymmetry in one's favour) in organizational learning is a strategic requirement for firms engaged in competitive collaboration, when technology is transferred between competitors. Win/win outcomes so fashionable in academic literature are not likely to occur with one of the partners placed at a bargaining disadvantage. Not providing a coherent strategy for the control of invisible assets in a partnership is a sure formula for failure.'

Accordingly effective learning between two or more firms in an alliance requires:

i) intention to learn
ii) necessary capacity to learn
iii) ability to convert acquired knowledge into useful resource

and this is predicated on:

i) reduction of emotional and cognitive barriers
ii) reduction in organizational barriers
iii) openness of inter-organizational communication
iv) effective circulation of knowledge

3.3.4 Trust Perspective

In the trust perspective, mutual – and often differential or asymmetrical – dependence on a partner or partners is an essential part of an alliance. Trust, 'the willingness of one party to relate to another in the belief that the other's actions will be beneficial rather than detrimental to the first party, even though this cannot be guaranteed' (Child and Faulkner, 1998) is necessary to a successful strategic alliance. As partners invest specific tangible assets into an alliance or allow and encourage transfer of intangible assets (such as knowledge and patents) into a strategic alliance, they put themselves at risk; for example, one might exit from the alliance and use the acquired knowledge to compete with former partners.
According to Creed and Miles (1996), increased trust between strategic alliance partners is beneficial, because trust:

i) reduces bounded rationality (sharing of information leading to better informed actions and decisions)
ii) provides safer investment in specific assets (trust leading to increased non-transferable investment)
iii) reduces opportunism (trust produces good will, which reduces temptation to take advantage of other partners)

All this results in reduced transaction costs for the partners.

The trust perspective may deal with any of three areas; bases of trust, evolution of trust and social constitution of trust.

3.3.4.1 Basis for trust. Lane (1998) differentiates between impacts of calculation, understanding and personal identification in such relationships. These broadly equate with stages in the length of time that cooperation has been in place and/or depth of cooperation.

The first stage, calculative trust, 'involves expectations of each other, based on a calculus which weighs the cost and benefits of certain course of actions to either the trustor or the trustee'. This view holds that calculative trust is 'an on-going market-oriented calculation whose value is derived by determining the outcomes resulting from creating and sustaining a relationship relative to the costs of maintaining or severing it' (Lewicki and Bunker, 1996). This is based on the assumption that the cost and penalties for breaking trust are greater than for maintaining it at the formation stage.

The second stage, based on understanding, is the sharing of a common viewpoint or ways of thinking leading to a position where parties to an alliance can predict the other's behaviour towards fulfilment of shared expectations. Lewicki and Bunker (1996) term this type 'knowledge based trust' and note that it 'is grounded in [the] other's predictability — knowing the other sufficiently well so that the other's behaviour is anticipatable'. Here complementary behaviours are based on believing that partners share the same assumptions with regard to the alliance and do not 'defect' in their decisions.

The third stage is based on mutual identification in relation to common purposes. This 'identification based' trust exists because the parties effectively 'understand and appreciate the other's wants; this mutual understanding is developed to the point that each can effectively act for the other' (Lewicki and Bunker, 1996).

3.3.4.2 Evolution of trust. This provides for the evolution of trust — from calculative, through knowledge-based to identification-based — as a process that is at the core of a strategic alliance. Deeper trust develops as partners to an

alliance gain more comfort in their ability to predict behaviour of other partners in a given situation; as greater and greater trust develops, the stronger become links between the alliance partners.

3.3.4.3 Social constitution of trust. Child and Faulkner (1998) argue that trust 'is necessarily realized, and strengthened, by social interaction, cultural affinity between people, and the support of institutional norms and sanctions'. According to Zucker (1986), this trust is developed first on the basis of past experience, second by sharing common characteristics and third through institutional norms and guarantees to completion of transactions as promised.

3.3.5 Summary of Perspectives

The key groups of perspectives detailed above (Economic, Strategy and Organization) provide a set of perspectives, embedded in differing disciplines, that assist in analyzing and understanding strategic alliances. To summarize the perspectives:

The economic theory sub-perspectives consider the subject from a market orientated view:

i) relative power of the firm in comparison with its competitors (market power theory)
ii) boundaries between the firm and other firms (transaction cost economics theory)
iii) relationships between principals and agents (agency theory)
iv) the input-output relationship and dynamic disequilibrium (increasing returns theory)
v) a model for making decisions in repeat decision scenarios, like strategic alliances (game theory)

The strategy perspective is largely concerned with the fit between the external market context (global, international, national, industry) and the internal firm context (resources, structure, size, culture) and draws on all the other perspectives.

The organizational theory sub-perspective focuses on issues of structure, control and management:

i) groupings of firms in specific industries (population ecology theory)

ii) rationale for entering into alliances and the link between managerial control and investments (resource dependency theory)

iii) issues of structure, control, management — that is, how to organize the alliance in a practical and strategic context (organization structure and management theory)

iv) adaptation of the firm to changes in the external context and changes in the internal context (organizational leaning theory)

v) mechanisms by which partners in a continued series of 'games' – that is, a series of decisions to cooperate or defect in the context of a strategic alliance – learn to cooperate and deepen the nature of cooperation through trusting that the other partner/s in the alliance will also cooperate (trust theory)

No one sub-perspective is, by itself, comprehensive, and the sub-perspectives show various degrees of overlap. Used together they may provide a reasonable approximation of the complex reality of strategic alliances and allow the scholar to gain insights into their establishment, performance, evolution and dissolution.

3.4 Strategic Alliances - Further Key Academic Publications

The foregoing review has detailed primary groupings of theories used to analyze strategic alliances, a form of business organization that falls in and out of favour as external conditions change. As we saw in Chapter Two, use of strategic alliances to serve business needs of banks, paralleled more recently by other industries, has been subject to lifecycles with the current lifecycle ongoing due to the far reaching effects of changes in technology of business organization.

The latest 'interest-lifecycle', as seen in academic literature, began with the Contractor and Lorange (1988) volume of papers on cooperative strategies in

international business. Twenty-eight papers in that volume summarized the state of academic analysis of strategic alliances at that time. This 'interest-lifecycle' has grown exponentially. Rather than attempt to review all the extant literature this section will point to key areas of research.

In reviewing academic literature it makes sense to select papers on the basis of influence. This can be determined in various ways. In this review the special editions of three reputable journals, as identified for the UK Research Assessment Exercise (Harzing, 2002), have been chosen:

i) *Strategic Management Journal*
ii) *Organization Science*
iii) *The Academy of Management Journal.*

Core readings have also been selected from three academic conference collections on collaboration with the international perspectives (Asia Pacific, North American, Europe) edited by Beamish and Killing (1997) and the collection that started the current 'interest-lifecycle' by Contractor and Lorange (1988). Additional papers have been included based on their judged relevance or importance. The total of 179 analyzed items are summarized in Appendix Four.

The review is organized by the topics of conception through to dissolution of a strategic alliance, thus:

i) conceiving cooperation
ii) forming cooperation
iii) organizing cooperation
iv) evolving cooperation
v) dissolving cooperation

In each section the literature is placed under relevant subheadings and summarized at the end. At the end of the chapter the whole will be summarized, a summary carried forward to the start of Chapter Six, the analysis of the interview transcripts.

3.4.1 Conceiving Cooperation

Current increase in interest in strategic alliances in the academic realm parallels the increasing instability or the degree of dynamic disequilibirum in the context within which firms operate. The first stage in the life of a strategic alliance occurs when potential partner firms consider cooperation as an appropriate response to business needs to, for example, access resources, products and markets.

Changes in the external context are due to 'globalization...driving an increasing number of industries and segments into a reconfiguration phase where cooperative strategies are essential' (Demers, Hafsi, Jorgensen and Molz [1997]). Korbin (1988) asserts that changes in 'technology, marketing and global integration' explain changes in types of ownership. Horton and Richey (1997) link external with internal, finding that firm level incentives to form technology alliances are based on environmental factors. All the above observations support the view that cooperative strategies allow rapid reconfiguration of the value chain and system at relatively low cost and at reduced risk and that such a strategy also provides lower exit-barriers than a mergers and acquisitions approach.

3.4.1.1 Context is clearly the key determiner of the decision to use a form of strategic alliance to meet business needs. Stiles (1999), echoing the work of ul-Haq, stresses the link between organization and context, defining networks as 'coalitions between two or more firms, either formal or informal, who share compatible goals, acknowledge a level of mutual interdependence, and are formed for strategic reasons'. Sydow and Windeler (1998) state that interrelations in the broader context are also important: 'network practices are viewed as embedded in the social context of the interfirm network, the industry, and the society, which in turn are produced and reproduced by these practices'. This position is further supported by Bell, Barkema and Verbeke (1997), who add to our understanding of the choice of mode of foreign entry by identifying strategic, transactional, locational and resources-based reasons for the choice. Madhok (1997) expands by asserting that both economizing and strategizing perspectives are essential to a more thorough understanding.

The financial services sector in particular is subject to three trends – deregulation and privatization, new technologies and products and new competitors from overseas and other industries – the impacts of which will 'reduce profits, ...increase market volatility and risk' and lead to an imperative 'to create a super service culture to maintain and grow the business in more intensely competitive markets' (Taylor [1999]). This need will lead to new forms of organization to cut costs, share risks and provide suitable types of products and levels of service.

As the global external context becomes more volatile, so will the industry dynamics, increasing the pressure on firms to reconfigure and to gain access to new resources, products and markets. Alongside this pressure to link this up is the requirement to re-configure rapidly as market and customer preferences change again. The strategic context is thus linked with the industry and firm context. In the particular case of financial services, the drivers are identified as deregulation, privatization, new technologies, new products, new competitors from overseas and from other industries (Taylor, 1999). The strategic alliance allows rapid access and reconfiguration capability.

3.4.1.2 When determining whether to enter into an alliance, rather than some other form of organization, issues to consider are varied. A primary issue is the required accessibility to assets. Stiles (1997) states that firms enter into competitive mode if resources are mobile or the cooperative mode if resources are immobile or embedded in the firm. This echoes the work of Hennart and Reddy (1997), who note that the method used is dependent on the degree of 'digestibility' of the desired assets; that is, 'joint ventures are preferred over acquisitions when the desired assets are 'indigestible', i.e., when they are commingled with non-desired assets'. In their later work Hennart and Reddy (2000) determine that joint ventures (a form of strategic alliance) are preferable to acquisitions when assets are difficult to extricate, post-acquisition management costs would be high, there is difficulty in valuing targets and legal or institutional constraints obtain.

Major strategic reasons for entering into alliances are detailed by Root (1988), who notes that firms enter into alliances when 'incremental net benefits exceed those of open-market transactions or of intrafirm cooperative arrangements that

would accomplish the same mission'. By contrast, Contractor and Lorange (1988) determine that firms enter into alliances for reasons of similar or complementary contribution, with mutual dependence being necessary for continuation.

Concerning the process of finding a suitable partner, Osborn and Hagedoorn (1997) encourage a multi perspective approach to the analysis of alliances and networks. This view is supported by Ramanathan, Seth and Thomas (1997), who suggest that the transaction cost perspective needs to be supplemented by other perspectives in any analysis of alliances. In some agreement Lawrence and ul-Haq (1998) find that the effects of 'bounded-rationality' on bankers lead to a pre-listing of potential partners based on a presumed similarity of outlook and organizational culture. Walker (1988) has suggested a guiding framework for this process with strategic, attractive and reciprocity components.

In summary: Strategic alliances are entered into when benefits gained by this method are greater than through another method and in particular where assets that are to be utilized are not easily separable from the firm holding the assets. In finding a suitable partner a number of analysis methods need to be used, not least complementarity of strategy and culture.

3.4.1.3 A number of factors were identified as pointers towards a successful strategic alliance. Although established firms are more likely to enter into formal cooperation in networks (presumably because of prior positive experience) than less established firms (Håkansson and Johanson, 1988), technology transfer opportunities can only be gained through rigorous analysis according to Afriyie (1988). Harrigan (1988b) finds that horizontally related partners are more likely to be successful (presumably because of a prior positive relationship) in a strategic alliance than vertically related (buyer-seller) partners.

Barkema, Shenkar, Vermeulen and Bell (1997) note that 'experience with domestic joint ventures and with wholly owned subsidiaries contributed to the longevity of international joint ventures, but prior experience with international joint ventures did not'. Sedaitis (1998) supports this, finding that 'the relational costs of the more concentrated ties increases the cost of search, however it lowers

the cost of malfeasance'. These views are echoed by Tyler and Steensma (1998), who considered the impact of prior experiences and perceptions in the assessment of potential technology based alliances and found that executives with positive prior experiences gave more credence to opportunity-based information and lower credence to threat-based information. Baum, Calabrese and Silverman (2000) find support for the hypothesis that start-up biotechnology firms can enhance their initial performance by establishing alliances, forming efficient and diverse networks and allying with established rivals. Reuer and Koza (2000) suggest that 'firms need to contend with both ex ante valuation uncertainties and ex post integration challenges when assembling resources' for joint ventures.

A number of studies have addressed strategic alliances with regard to foreign countries. In their study of Japanese global companies Anand, Ainuddin and Makino (1997) found that a 'host site [was attractive due to the] availability of labour and investment incentives'. Luo and Chen (1997) noted the need for a good fit between business and investment strategy as a precursor to successful alliances in China. Beamish and Delios (1997a) determined that Japanese firms had a greater propensity to use the joint venture form of strategic alliance than European or US firms. Hérbert and Beamish (1997) drew the conclusion that where 'IJVs are formed to speed up market entry they generally involve fifty-fifty equity splits, and...exhibit relatively high performance rates'. Beamish and Delios (1997b) report that dissatisfaction with performances is 'rooted in a lack of congruity in performance objectives at the time the IJV is formed'. Swan and Ettlie (1997) state that equity joint ventures are more likely to be used in politically sensitive markets if the Japanese partner has knowledge of the product. Saxton (1997) notes that partner firms' benefits are positively correlated with reputation, shared decisions and similarities in strategy. Kogut and Singh (1988) find that strategic choices between greenfield and joint ventures as entry methods into the USA are predicated on the value of the opportunity costs of delays of the former entry method.

In summary: Established firms are more likely to enter into cooperation in networks and horizontally related companies are more likely to be successful than

vertically related firms. In Foreign Direct Investment (FDI) situations the equity joint venture was the more likely form and these were more successful if they shared reputation, decisions and strategy.

3.4.1.4 A number of research findings pointed to the continued use of alliances. Kalmbach Jr. and Roussel (1999) note that 82% of executives, responding to their survey, believe alliances will be the prime vehicle for future growth and that alliances are based on enlightened self-interest and diplomacy. Lin, Yu and Seetoo (1997) determine the main benefits of entering into international joint ventures as the 'motivations of partners, and costs, the contributions they make'.
In summary: Alliances are a force in the mindset of executives and a number of benefits accrue from this.

The next stage is to commence, to action the 'how' and 'where' of the alliance.

3.4.2 Forming Cooperation

To commence cooperation requires a number of choices between partners, a risk-reward analysis, a determination of strategic intent and an evaluation of the ability to learn and benefit from and contribute to an alliance.

3.4.2.1 Researchers point to core processes inherent in a strategic alliance. Dyer (1998a) provides a complicated model of interfirm cooperation: a demonstrated commitment to future action, plus information sharing, plus the use of informed safeguards, equals credibility of one's promise, which in turn leads to reduced transaction costs and increased investment in relation to specific assets, which leads to transaction value through joint performance. This modeling is based on expectations. Doz (1998) draws attention to the expectations of partners and how they 'cover both value creation (the opportunity's potential value and how cooperation between partners will be pursued successfully) and value appropriation (how the partners will equitably share benefits) presumably in proportion to their contributions to the alliance's success'.

competitors and finds inducements or incentives to collaborate and opportunities as the two broad classes of factors. Technical and commercial forms of accumulated capital led to attractiveness as an alliance partner. For Anand and Khanna (2000), 'an alliance can be viewed as an incomplete contract between firms, in the sense that detailed interactions between alliance partners can rarely be fully pre-specified'. Doz, Olk and Ring (2000) find that strategic networks may be formed by two paths – the emergent or the engineered (by the triggering entity). Oman (1988) draws attention to the increase in equity joint ventures and contractual interfirm cooperation agreements over traditional foreign direct investment.

In summary: Expectations of alliance partners when entering into an alliance broadly cover how value will be created and distributed. A number of internal agreements – such as information sharing and demonstrated commitment to action – develop collaboration into performance. Firms possessing technical or commercial capital are attractive partners in what is an incomplete contract where the detail is developed as the alliance progresses.

3.4.2.2 International alliances add the dimension of cultural dissimilarity. A number of researchers have focused on the Hong Kong-China dimension. Li and Shenkar (1997) found that the forms of international cooperative ventures in China were dependent on strategic objectives. Pan and Tse (1997) concluded that Hong Kong firms 'are valuable [as cooperation partners] because of their expertise, knowledge and connections in China'. Yeung (1997) provided further insights by drawing attention to the nature of Hong Kong transnational corporations use of at least three dimensions in cooperative strategies: interfirm internalization based on regional ties, interfirm collaboration based on personal friendship, extra firm cooperation based on political patronage.

In summary: In the Chinese context the alliance form is dependent on its strategic objectives and a partner's value is directly related to local knowledge and connections. In Hong Kong, personal, regional and political ties were most important.

3.4.2.3 Within an alliance a variety of decision-making mechanisms can be used. In considering decision making, Ring (1997) provide a process-outcomes analysis method and Dollinger, Golden and Saxton (1997) find that the processing of reputation in decisions about joint venturing is imperfect. Glaister and Buckley (1997) found that 'the greatest variation in the relative importance of election criteria [task or partner related] occurs with the geographical location of the joint venture'.

In summary: The information on which decisions are made is imperfect and encompasses a number of process-outcome dichotomies.

3.4.3 Organizing Cooperation

Once a decision has been made to enter into an alliance, a vast number of issues need to be addressed in order to organize cooperation. Cooperation is an activity which carries with it risks as well as anticipated benefits. Each cooperation requires the opening-up of normally protective boundaries of the firm to the partner or partners.

3.4.3.1 The organization and configuration of the alliance attempt to reap the benefits and mitigate the dangers. Buckley and Casson (1988) expanded the concept of mutual dependence by defining cooperation as 'coordination effected through mutual forbearance' – that is, refraining from cheating. Hladik (1988), concerned about the balance of benefits vs. problems in an alliance, draws attention to the potential positive impact of partner choice and boundaries and goals on this balance.

When considering operationalizing an alliance, Moxon, Roehl and Truitt (1988) draw attention to the need for partners to negotiate on strategic direction and degree of input into such decision making. Leverick and Cooper (1998) argue that good management practice, in areas of partner selection, communication, information sharing and external monitoring, are a substantial part of a successful alliance relationship.

In an earlier paper, Westney (1988) had called for 'empirical, process orientated research on how deals [to enter into alliances] are managed once made'. Supporting this Mayrhofer (1997) expressed concern at the shortcomings of secondary sources of research. Golden (1997) states that retrospective data can be inaccurate unless efforts are made to validate such data, after which it 'provides unique access to past organizational events'.

In summary: Alliances are based on partner firms' mutual dependence and refraining from cheating, combined with the positive impact of boundaries, partner choice and goals. Appropriate management practices lead to an increase in performance.

3.4.3.2 Alliances are complex organizational forms. With regard to the internal organization of a firm, Combs and Ketchen (1999) propose an integrated view of 'understanding the antecedents and consequences of organizational actions...a central theme in strategic management research'. After surveying 151 firms, Simonin (1997) concluded that 'experience must be internalised first, and collaborative know-how must be developed for this experience to contribute to future collaborative benefits'. Benefits are considered to be both tangible (strategic, financial) and intangiable (learning or knowledge based). Implementation of an alliance gives rise to content and process issues, according to Boddy, Macbeth and Wagner (1988).

The relationships between firms are governed by, as Dyer and Singh (1998) suggest, 'interfirm resources and routines'. These are relation specific assets, knowledge sharing routines, complementary resources and capabilities and effective governance which together are sources of competitive advantage. Proprietary knowledge-in-action was the real source of differentiation and hard to replicate by competitors. Olson and Singsuwan (1997) found that performance factors are 'affected by strategic alliance success factors (partnership attributes, communication techniques, and conflict resolution behaviours) to some degree'. In the public goods perspective of Monge, Fulk, Kalman, Flanagin, Parnassa and Rumsey (1998) the two 'goods' are called 'connectivity' (ability of partners to

directly communicate with each other through information and communication system) and 'communality' (availability of a commonly accessible pool of information). Connectivity and communality were found in alliances between a number of firms by Jones, Hesterly, Fladmoe-Lindquist and Borgatti (1998). They observed that when members of constellations pursue a collectivist strategy, they focus on their mutual benefits and employ a relational logic. Given these firms' 'need for intensifying relations with partners and clients, constellation members restrict interactions to certain partners and clients and intensify their interactions'. This channelling and distribution of attention of decision makers results, according to Ocasio (1997), in changing behaviours. For Leung, Smith, Wang and Sun (1997), procedural and performance-based distributive justice was related to job satisfaction. Reuer and Koza (2000) argued that, asymmetric information and indigestibility, are complementary in explaining the value of joint ventures, Merchant and Schendal (2000) found that relatedness and R&D orientated activity had a positive impact on the valuation of a joint venture.

The forms of alliances differ as do the purposes. Stabell and Fjeldstad (1998) proposed three generic ways to configure value in firms: chain (transforming inputs of products in interlinking chains), solving customer problems in refereed shops) and network (linking customers in interconnected networks). Firms in alliances enter into these collaborations so as to realize a 'productive source of value creation and realization' according to Madhok and Tallman (1998). The firm derives resources, social status and recognition from its portfolio of collaborations (Stuart, 2000). The 'competitive aspects of alliances are most severe when a firm's ratio of private to common benefits is high', say Khanna, Gulati and Nohria (1998).

With regard to international alliances Dussauge and Garrette (1999) analyzed alliances by differentiating between features such as multiple decision-making centres, constant bargaining and clash of interests. In establishing international joint ventures in developing countries the participation of the firm and host country institutions is important (Dymsza, 1988) as is the rationale behind it – exploit or invest in know-how, mould or grow operations, fight or produce team effort, externally develop or internally develop joint venture staff.

When considering the value of an alliance, Kaufman, Wood and Theyle (2000) found, as they predicted, that high technology and high collaboration firms, classified as 'problem-solving suppliers', had the largest number of employees and the highest percentage of exports, paid the highest wages and had the highest gross margins of the sample.

In organizing strategic alliances it must be borne in mind that the external environment has a direct impact on the internal environment (Elg, 1998). Elg suggests that the 'original relations of a firm [in a network are] expected to affect its behaviour as the boundaries surrounding its established net of interorganizational relations dissolve' and the impact of external forces increases.

In summary: The internal organization is full of experience capital, a form of intangible capital which links into routines established between one firm and another in an alliance. Connectivity (ability of partners to communicate with each other through information and communication systems) and communality (availability of a commonly accessible pool of information) are at the core of building relationships between partners. Partner firms gain status and recognition from alliances and hope to gain a realized increase in value that can come from transforming inputs, resolving customer issues or linking customers.

3.4.3.3 Alliance partners deliberately built trust between their firms to facilitate a successful alliance. Inkpen and Currall (1997) found that trust is dependent on prior relationship, risk, forbearance and control. These relational norms, coupled with informal monitoring, are important, according to Aulakh, Kotabe and Sahay (1997), in building trust and achieving performance. As asserted by Holm, Eriksson and Johanson (1997), the commitment to that relationship is positively correlated to its profitability. Again, according to Ariño (1997) the 'veracity of [a firm] is positively associated with its perception of the partner's cooperative behaviour'.

Sarkar, Cavusgil and Evirgen (1997) provide evidence that 'interfirm exchanges are relationship based, and that competitive advantage lies in the firm's network

of associations and exchange ties it shares with its business partners'. These exchange ties require 'procedural justice' or clear just procedures, (Johnson [1997]), to impact on organizational commitment and are based on efficiency in exchange and innovation mediated by relational exchanges, according to Florin (1997). For Sarkar, Cavusgil and Evirgen (1997), competitive advantage 'lies in a firm's network of associations and exchange ties it shares with its business partners'. Alternative governance structures, such as joint ventures, 'impose a greater burden of bargaining and political influence costs than is present in a hierarchy (Pearce, 1997) and short term contracts which, in high technology settings, can lead to long term transfer of learning and firm specific advantages'.

In summary: Trust is considered to be based on prior relationship, risk, forbearance from cheating and control and is built up over time – the greater the commitment to the relationship by both partners in the alliance the greater the profitability. Each firm's perception of and action on the other firm's degree of cooperative behaviour is a core determinate of success.

3.4.3.4 International collaborations bring increased managerial complexity. After analyzing the cooperation by USA or Japanese large firms with USA technology entrepreneurs, Hull, Slowinski, Wharton and Azumi (1988) conclude that the manufacturing process is the core to advantages being gained. Converting these advantages into reality in, for example, US and European JVs in Japan is fraught with difficulties because of recruitment and staffing, training and development, performance appraisal, compensation and reward system, human resources practice and strategy differences according to Pucik (1988). Research results by Sohn and Paik (1997), in reviewing Japanese firms in Korea, support diversification as an additional control mechanism in international joint ventures. Johnson, Cullen, Sakano and Takenouchi (1997) found that cultural sensitivity is an important factor in strategic integration in Japanese-US alliances. Olk (1997), considering the performance of R and D consortia, concluded that dissimilarity in nationality was positively and research location negatively related to performance. Lyles and Salk (1997) found that 'adaptation mechanisms...were positively associated with the degree to which IJVs reported acquiring knowledge from their foreign parents'.

Different locations led to differing issues in the resulting alliances. Pearce and Branyiczki (1997) focus on the 'clashes in systems of legitimacy' as a mechanism of gaining insights into assumptions brought to Hungarian-Western European collaborations. Papanastassiou and Pearce (1997) note a high degree of involvement of continental European subsidiaries a parent firms' operations. Tallman, Sutcliff and Antonian (1997) noted that Russian firms use organizational methods to protect their interests in different ways from those of foreign partners.

The internal issues in an alliance depended on the focus of the management of the alliance. Bell, Barkema and Verbeke (1997) add to our understanding of the choice of mode of foreign entry by noting strategic, transactional, locational and resources-based reasons for the choice. Beamish and Delios (1997a) reported that dissatisfaction with performances is 'rooted in a lack of congruity in performance objectives at the time the IJV is formed'. According to Lu and Lake (1997), host country and interparent expectations are usually in conflict and therefore require flexibility in management systems to cope, Dyer (1997) found that 'Japanese automotive transactors minimize transaction costs by minimizing search, contracting, monitoring, and enforcement costs over the long term'. In their research on 112 banks Hopkins and Hopkins (1997) inferred that 'intensity with which banks engage in the strategic planning process has a direct, positive effect on banks' financial performance, and mediates the effects of managerial and organizational factors on banks' performance' and Berg and Hoekman (1988) found that banking, wholesaling and transportation services in the Netherlands benefited from innovation via joint ventures. Pan (1997) discovered substantial differences between Japanese and US equity joint ventures in China, probably due to 'risk orientation, cultural similarities, and impact of political events in China'. In considering the internalization of an international joint venture within one of the parent firms, Reuer and Miller (1997) concluded that valuation depends on the degree of equity held by the parent and debt-cash flow considerations.

With regard to US-Mexican alliances Robins, Tallman and Fladmoe-Lindquist (1998) conclude 'the international parent may achieve the greatest success by providing strategic guidance and key sources of competitive advantage to an alliance, relying upon local partners to take a lead in high cultural content

activities such as marketing or labour management'. Makino and Beamish (1999) classified Japanese joint ventures according to location of owners and noted that the strategy should match the ownership structure. Burton (1995b) counterpoises two schools of thought regarding partnering with the Japanese – the Locomotive (Western companies will gain from links with dynamic East Asian companies) and the Juggernaut (wherein Pacific Rim companies will destroy Western companies and ultimately Western economies unless governments step in to arrest their progress). Toral (2000) noted the uniqueness of European-Argentine partnerships. Schaan and Beamish (1988) define a good joint venture general manager in a less developed country as being one who can operate 'constantly within two or more frames of reference and sets of values, and [be] able to successfully manage the idiosyncrasies of their parents'.

In considering valuations in acquire or divest joint venture decisions, Chi (2000) noted that whether 'two JV partners can gain from the assets without their partner depends on the extent to which their independently held assets complement those of the venture'.

In summary: Increased managerial complexity in international alliances is due to a number of factors, including differing needs of partners and potentially major differences between internal processes, policies and procedures. In building a cohesive cross-cultural alliance, sensitivity is important, and in R and D Consortia in particular difference of nationality is a positive factor. Differing mechanisms to produce collaboration co-exist, and the choice of method for entering into a foreign market is based on strategic, transactional, locational, resources-based reasons. Poor performance in alliances can be traced to poor performance objective setting at the time of formation. The expectations of the host country and international parent were often different. Over the long term the Japanese build a trust culture to minimize ongoing costs. In the case of banks the strategic planning intensity and innovation via joint ventures have direct positive benefits. There is often a spilt in responsibility between the international parent providing strategic guidance and the local partners taking a lead in high cultural activities such as marketing. A successful joint venture manager operates between two or more frames of references.

Once an alliance has been set in motion, the intents of the partners and the capabilities and organization of the alliance evolve over time in response to both internal and external developments.

3.4.4 Evolving Cooperation

A strategic alliance is a 'living entity' that is deeply connected with the environment and industry in which it competes. Its development is a function of the co-evolution of member firms, their strategic intents and the ability of the alliance to continue to deliver benefits as compared with a go-it-alone approach.

Kogut (1988) observes that the initial rationale for an alliance changes over time as the alliance develops and that its stability is conditional on the external context - 'it would be foolhardy to view a joint venture as anything but an institutional cooperation of firms within the larger competitive context'. This view is confirmed by Hergert and Morris (1988), who identify the incentive to cheat as the alliance reaches the marketing part of the alliance process, thus 'collaboration becomes more difficult to create and sustain as markets evolve'.

In summary: The external context is in flux. Global, national, regional and product/service markets all change and interact with each other. As this evolution takes place, it becomes increasingly difficult to maintain collaboration.

3.4.4.1 <u>To maintain the collaboration the alliance partners need to co-evolve. Learning is at the core of co-evolution in alliances</u>. According to Gomes-Casseres (1988), 'capabilities evolve as firms learn to compete in new industries and become familiar with new environments, and as opportunities for global integration grow', Lyles (1988) underpinned this by considering learning within experienced joint venture firms, and draws attention to the corporate history alliance involvement saying that this adds 'depth to the organization that transcends highly decentralized organization structures'.

In summary: Co-evolution in alliances has at its core the ability to learn and develop new competencies to meet new environmental requirements. Co-evolution will be considered further in Chapter Six.

3.4.4.2 As alliances evolve, a number of dimensions come into play, with co-learning often referred to as the most important. The external and internal environment closely related. Gray and Yan (1997) asserted that stability of a joint venture is dependent on institutional environment, relative bargaining power, any prior relationship and ongoing effects of changes in the political and economic environment. Discussing the internal environment and nature of decision making in international joint ventures Lu and Bjorkam (1997) found that both competitive strategy and political environment were active roles.

Knowledge transfer is an important issue. While Tiemessen, Lane, Crossan and Inkpen (1997) noted that management of knowledge is predicated on underlying conditions, the intra and inter firm structure and processes and the desired outcomes, Lorange (1997) posited that protection of core competencies of firms in a strategic alliance needed to be well defined as well as 'dynamic to allow the evolution of knowledge'. Choi and Lee (1997) find that 'incentives and enforcement mechanisms must be established to ensure effective transfer of knowledge between organizations and to facilitate their continuous strategic change'. Dickson and Weaver (1997) supported a multifaceted view of 'perceived uncertainty', Inkpen (1997) determined that effective knowledge transfer is dependent on a reduction in performance-induced myopia.

New ideas and bargaining power are essential factors. Heracleous (1997) defined the process of strategic thinking as ' to discover novel, imaginative strategies which can re-write the rules of the competitive game: to envision potential futures [synthetic, divergent, creative] significantly different from present'. Inkpen and Beamish (1997) define instability in international joint ventures as a 'major change in partner relationship status that is unplanned and premature from one or more partner's perspectives'. They note that this instability occurs when shifts in relative bargaining power occur and that 'shifts in the balance of bargaining power

occur when partners in an IJV acquire sufficient knowledge and skills to eliminate partner dependency and make the IJV bargain obsolete'.

Singh and Mitchell (1996) noted that collaboration assists business survival in one environment yet inhibits adaptation and industry evolution, Nti and Kumar (1998) outlined four factors which determine the ability of a firm to learn from an alliance – 'motivational orientation, technological competence, the quality of its human assets and organizational culture'. Inkpen and Dinur (1998) identified 'technology, alliance-partner interaction, personnel transfers and strategic integration' as processes used in transferring knowledge between firm contexts. In contrast, Nti and Kumar (1998) considered differential rates of learning in alliances and found that 'outcome [economic, learning] and process [interaction and psychological satisfaction] discrepancies may emerge as collaboration unfolds' and that these differences occur due to differences in 'absorptive capacity, collaborative strategies...and 'how partners assess and react to discrepancies shapes the development path of an alliance'.

The benefits of an alliance vary. Khanna (1998) differentiated between private alliance benefits ('accrue to subsets of participants') and public ('accrue collectively to all participants'). They concluded that collection of benefits and the expectation regarding future benefit streams lead to the intention to learn and develop an 'alliance capability', defined as the 'the firm's ability to identify partners, initiate alliances, and engage in the ongoing management and possible restructuring and termination of alliances'.

Considering success or failure of strategic alliances Larson, Bengtsson, Henriksson and Sparks (1998) found it is crucially dependent on the 'collective learning process'. They develop a typology of learning strategies based on degrees of receptivity and transparency in this process. Koza and Lewin (1998) suggested that research on co-evolution of alliances is missing and proposed that they 'need to be understood and should be researched in the context of the adaptive choices of the firm over time...in this view [alliances] are embedded in the firm's history and strategy portfolio and co-evolve with the firm's strategy, the institutional,

organizational, and competitive environment, and the management's strategic intent for the alliance'.

Drawing attention to the pre-eminence of the learning aspects of alliances Inkpen (1998) stated that 'bringing together firms with differing skills, knowledge bases, and organizational cultures, alliances create unique learning opportunities for the partner firms'. Zajac (1998) posited the question of how the relative importance of direct experience, vicarious learning, social forces and firm level alliance competency impact on managers' willingness to undertake alliances rather than merger or acquisition or organic growth routes. Gulati (1998) reported research that 'suggests that social networks of prior ties not only influenced the creation of new ties but also affected their prior design, their evolutionary path, and their ultimate success'. Simonin (1999) highlighted the 'critical role played by knowledge ambiguity' in alliance learning, collaborative ability and duration, while Afuah (2000) found that a 'firm's post-technological change performance decreases with the extent to which the technological change renders co-opetitors' capabilities obsolete'. Kale, Singh and Perlmutter (2000) infer that firms participate in alliances to learn know-how and capabilities from their partner firm while at the same time protecting themselves from the opportunistic behaviour of the partner in acquiring the subject firm's proprietary assets. Inkpen (2000) suggested that firms 'openly acknowledge both asymmetric alliance objectives and an expectation of learning via private benefits'.

In summary: A number of factors (including competitive strategy and the political environment) contribute to stability of a joint venture The structure of the firm determines the management of knowledge and its dynamic evolution. Mechanisms of cooperation (incentives and enforcement) assist continuous strategic change. Strategic thinking allows the envisioning of new rules of the competitive game. Sudden shifts in bargaining power change the dynamics of an alliance and may make it obsolete. Collaboration assists in some environments and inhibits in others, and flexibility is based on the ability to learn. As firms develop the processes of transferring knowledge differential rates of learning occur in outcome and process areas. These discrepancies shape the path of alliances development. The ability to enter into and develop alliances (alliance capability) is predicated on

the process on initiating, managing and terminating alliances. The co-learning process, based on receptivity and transparency, is essential to the success of the alliance and is embedded in the history and environment of the firm.

The learning aspects of alliances are crucial. Different firms create different degrees of unique learning opportunities and social networks influenced the creation of ties, development path and success. Technological changes that reduce the appropriateness of the firm's capabilities also reduce its performance. Members of alliances try to learn as much as possible from partners while protecting the transfer of their proprietary knowledge.

3.4.4.3 Particular firms and countries display particular concerns. Reviewing the knowledge sharing network with Toyota, Dyer and Nobeoka (2000) found that 'learning is facilitated by interorganizational routines that are purposefully designed to facilitate knowledge transfers across organizational boundaries' and mitigate motivation, free rider and cost issues. Naylor and Lewis (1997) concluded that a construction company used the experience gained through an alliance to develop a series of joint ventures within the firm. Human and Provan (1997) found that membership by small and medium sized firms in manufacturing networks can provide 'transactional and transformational' outcomes.

Reviewing alliances in Turkey, Erden (1997) found that widespread use led to high stability. Graham (1988) draws attention to culturally based misunderstandings that arise between American executives operating in Japan, largely due to interpersonal and business relationship differences. When analysing Sino-Foreign joint ventures, Child, Yan and Lu (1997) found that the degree of foreign influence on management was high, Hoskins, McFadyen and Finn (1997) found differences in learning capability more important than Canadian-Japanese cultural differences.

In summary: Learning is underpinned by specific inter-firm actions, and experience gained can be used to further alliance activity. Networks with smaller firms may lead to new ideas. In overseas alliances cultural differences can lead to misunderstandings in interpersonal and business relations. The impact of foreign

misunderstandings in interpersonal and business relations. The impact of foreign influence is high, and learning capability is more important than cultural differences.

3.4.5 Dissolving Cooperation

An alliance would only normally exist for the period that it provides appropriate benefits to its members or if has achieved the objectives set and the business case no longer justifies continuation. At that point the alliance may disband, its intangible or tangible assets internalized by one firm.

Confirming this, Medcof (1997) addressed the question of dissolution in alliances and asserted 'the long-term alliance strategy of the firm focuses primarily on organizational learning of new technical, managerial and partnering skills and on improving organizational positioning in the evolving landscape of alliance activity'. A 25% annual rate of increase in alliance activity in the USA from 1985 to 1992 was noted and the dissolving rate is also high.

Ariño and Torre (1998) reviewed partners in a failed strategic alliance and developed an evolutionary model wherein they 'conclude that positive feedback loops are critical in the evolutionary process, that relationship quality is both an outcome and a mediating variable, and that procedural issues are critical from the start in fostering a climate for positive reinforcement and the building of mutual trust and confidence in the relationship'. Indeed a breakdown of trust was considered a factor in dissolving alliances, as noted by Nooteboom, Berger and Noorderhaven (1997), who state that an 'individual trusts someone when he or she is willing to forego guarantees based on coercion or self-interest', and by Park and Ungson, (1997) who assert that 'opportunistic threat and rivalry appear to be a stronger indication of the dissolution of joint ventures than organizational variables'.

In summary: Alliances survive through organizational learning and repositioning in the environment. Feedback loops and the quality of the relationship are

important, and the breakdown of trust is a factor in the dissolution of alliances. Alliances dissolve if they no longer generating a benefit for the partners.

3.4.5.1 Alliances dissolve as the rationale for their establishment and evolution ceases to exist. Dissolving an alliance may signal the end of its usefulness to its partners, after generating benefits, rather than a failure to generate any benefits. Tyebjee (1988) concluded that the most instability in Japanese joint ventures in the USA occurs when equity ownership is not reflected in board composition; different objectives for growth are seen between the parent firms and the rationale for setting up the joint venture was not clear. Makino and Delios (1997) determined that the 'need for a local partner [in alliances in Asia] declined as parent experience in the host country grows'. Hennart, Kim and Zeng (1998) found that Japanese parent firms displayed a higher tendency to terminate partial ownership (often by selling the shares) of joint ventures in the US as against wholly owned subsidiaries. Si and Bruton (1999) drew attention to the declining performance of international joint ventures in China partly due to unclear knowledge acquisition goals. Echoing this, Barnes, Crook, Koybaeva, Taira and Stafford (1997) determined that social contract differences between Western and Russian business cultures were instrumental in the collapse of Russian alliances. Singh (1997) asserted 'businesses commercializing high and medium-complexity technologies face a higher risk of dissolution than low-complexity businesses'.

In summary: Instability is a function of equity being incongruent with board membership, unclear objectives and rationale at establishment. National differences exist regarding the level of equity preferred. Unclear goals regarding knowledge to be acquired and social contract differences also contributed to dissolution, with high complexity businesses facing a higher risk of dissolution.

3.4.5.2 Alliances generate different rates of success. Faulkner, Pitkethly and Child (1998) considered post-merger or acquisition change processes in different national contexts and found that US firms absorb the acquisition, that Japanese firms are more concerned with relationships and tacit knowledge transfer, that French firms take strategic decisions at head office and that German firms fail to

establish clear post acquisition integration methods. Perhaps this research provides insights into national characteristics and their impact on alliances success.

Dussauge, Garrette and Mitchell (2000) found that partners are more likely to take over link alliances (partners contribute different capabilities) than scale alliances (partners contribute similar capabilities), Merchant (1997) considered the issue of performance, measured by increases in share prices, of international joint ventures and found 'results indicate that participation [of non-manufacturing firms] in IJVs creates economic value on only 40 percent of firms in sample'.

In summary: Different national contexts display different integration methods. Alliances where partner contribution was of different capabilities were more likely to be taken over. Performance of international joint ventures showed a 40% increase in share value in the sample.

3.5 Summary

Deregulation, increased use of technology, enhanced and fickle customer expectations, increased merger and acquisition activity, reduction in protectionism, increased formation of trading blocks and global competition all have undermined the old certainties within which firms could aim to achieve a sustainable competitive advantage over a long period. The advent of 'hyper-competition' (D'Aveni, 1994) provides for short run advantage interspersed by frequent interruption with no long run stable end states. Continuous strategic and operational innovation-with-reconfiguration has become the norm. The manager-entrepreneur of Coase (1937) now needs to continuously access and use new tangible and intangible resources to meet the ever-changing needs of consumers and never-ending pressure from innovating competitors. Markets no longer tend towards an equilibrium position but rather are continuously in a state of dynamic disequilibrium. Strategic alliances provide a mechanism for rapid and repeat re-configuration to meet the external and internal changes.

This chapter has provided a review of the development of the strategy field, major perspectives used in analysis of strategic alliances and a summary of key

academic papers published on the subject. In detailing economic, strategic management and organization theory perspectives, the review and adds to our understanding of the life-cycle of strategic alliances (from conceiving, forming, organizing, evolving to dissolving) in the commercial world. Section 3.4 has provided a review of key literature on strategic alliances. A concluding summary of this is provided in Table 3.4 below.

Chapter Four will consider the methodological issues relating to this research.

Table 3.4: Key issues in the Literature

Conceiving Cooperation (3.4.1)	Context is clearly the key determiner of the decision to use a form of strategic alliance to meet business needs (3.4.1.1). When determining whether to enter into a strategic alliance, rather than some other form of business organization, issues to consider are varied (3.4.1.2). A number of factors were identified as pointers toward a successful strategic alliance (3.4.1.3) A number of research findings pointed to the continued use of alliances (3.4.1.4)
Forming Cooperation (3.4.2)	Researchers point to core processes inherent in a strategic alliance (3.4.2.1). International alliances add the dimension of cultural dissimilarity (3.4.2.2). Within an alliance a variety of decision-making mechanisms can be used (3.4.2.3).
Organizing Cooperation (3.4.3)	The organization and configuration of the alliance attempts to reap the benefits and mitigate the dangers (3.4.3.1). Alliances are complex organizational forms (3.4.3.2). Alliance partners deliberately build trust between their firms to facilitate a successful alliance (3.4.3.3). International collaborations bring increased managerial complexity (3.4.3.4).
Evolving Cooperation (3.4.4)	To maintain the collaboration the alliance partners need to co-evolve (3.4.4.1). As alliances evolve a number of dimensions come into play with co-learning often referred to as the most important (3.4.4.2). Particular firms and countries display particular concerns (3.4.4.3).
Dissolving Cooperation (3.4.5)	Alliances dissolve as the rationale for their establishment and evolution ceases to exist (3.4.5.1). Alliances generate different rates of success (3.4.5.2).

Chapter Four

Methodological Issues

4.1 Philosophical Underpinnings

4.1.1 Epistemology

All research activity has embedded in it a theory of knowledge, an epistemology. This theory may be implicit or, as below, explicit; it may be acknowledged or tacit. Regardless of its implicit or explicit status, the embedded theory underpins the research activity and influences its validity, methods and scope. At this stage in the thesis it is appropriate to make explicit the epistemology employed and its impact on the research methods used.

4.1.1.1 The epistemological continuum. This continuum ranges from positivism to idealism (or phenomenology), with empiricism, realism and subjectivity in between. Each position on the continuum delineates a different view of the nature of the object-subject relationship in research activity. The boundaries between each position on the continuum are not fixed and are permeable. The researcher's position on the continuum determines the understanding of the nature of the interactions between cause and effect. Furthermore it delineates the position of theory in the research activity — i.e., whether the starting point is the existing theory or the subject of the research and whether the end point, accordingly, is proof of the theory or the development of new theories.

i) Positivism

The positivist epistemology holds the view that the nature of the relationships between the world-at-large and individuals can be observed and explained in the manner of the natural sciences. The researcher is considered remote, or detached, from the social world being investigated. The prediction and explanation of the behaviour of phenomena and the pursuit of objectivity become paramount. A direct cause and effect relationship in human behaviour is deemed to exist, and the

researcher attempts to identify these covering laws of human behaviour. In research terms this perspective leads to the use of methods that emphasise the clarity, generalizability and repeatability of outcomes. Specifically such research often progresses from theory, through the generation of null hypothesises, to questionnaire based surveys resulting in statistically significant, and therefore generalizable, findings.

Such epistemology and its related research methods generally attempt to reduce the complex, interrelated world into easily measured, and often simplistic, formulations. At its best this view can provide insights into specific aspects of complex issues. At its worst it assumes that the controlled environment of the laboratory, prevalent in the natural sciences and necessary for replicating and therefore generalizing findings, is in principle repeatable in the highly complex social world of individuals, firms and markets.

ii) Idealism or Phenomenology

This diametrically opposed view holds that social reality is constructed by the many varied interactions between social actors and between the social actors and their non-human environment. The researcher must extract meaning by understanding individual's interpretation of events and actions. Accordingly the researcher needs to interact directly with the phenomena (the social world microcosm) under investigation. Here the researcher attempts to gather rich, contextually specific (and therefore not generalizable) data. From this the researcher theorizes and attempts to build an understanding of the social world as arising from the 'culture', whether national, corporate or group, under study. The resulting, generally qualitative, research method often involves a degree of immersion in the 'culture' under study (ethnographic research for example) on the part of the researcher. Bhaskar (1975) refers to this position as ' transcendental idealism' and notes that 'the objects of scientific knowledge are models' and that 'such objects are artificial constructs and ... they are not independent of men or human activity in general'.

The view of social actors together creating a 'reality' has been largely abandoned and replaced by an acknowledgement of the impact of external realities — for example, national culture, education and 'systems' on our actions and opportunities.

Table 4.1 provides a summary of this continuum.

The positivist view of research is dependent on a 'closed-systems' approach where the aim of the closed system is to control conditions of the experiment so that regularities can be identified in the form of 'whenever event *x* then event *y*'' (Clark, 2000). The idealist or transcendental idealist approach is based on an open system, or emergent, approach where the mechanisms are considered or 'imagined to produce the phenomena in question', (Bhaskar, 1975).

Between these two extremes lie Empiricism, Subjectivity and, in the centre, Realism.

iii) Empiricism

At the heart of the Empiricist perspective is the view that data gathered by the researcher about the social world is independent of the interpretation of this data. Accurate data collection requires the use of 'neutral' measuring instruments. The data does not prove or disprove a theory (à la Positivism) but leads to the researcher considering the data as the end result. The data makes its own statements and these are the outcomes of the research. Bhaskar terms this 'classical empiricism' and notes that 'science is conceived as a kind of automatic or behavioural response to the stimulus of given facts or their conjunctions' (Bhaskar, 1975).

iv) Subjectivity

In this perspective what matters is the 'meanings that people give to their environment, not the environment itself'. The social environment which the individual inhabits is dependent on the individual's understanding and interpretation of it.

Table 4.1: The Epistemological Continuum (1) and The Logic of Scientific Discovery (2)

Characteristics				Characteristics
Research is remote from the social world under investigation				Researcher has direct experiential contact with the phenomena under investigation
Cause and effect relationship deemed to exist and attempts made to identify				Reality is socially constructed by the myriad interactions between social actors
Generalizable, repeatable and clear outcomes attainable				Researcher gathers rich, contextually specific data and then theorizes
(1) Positivism	**Empiricism**	**Realism**	**Subjectivity**	**Idealism/Phenomenology**
(2)	**Classical Empiricism**	**Transcendental Realism**		**Transcendental Idealism**

Sources: (2) Bhaskar (1975)

v) The Realist Perspective

The Realist perspective is in the centre of his continuum. Rejecting the claims of positivism this perspective has at its core the view that 'all analytical work in the social sciences cannot be undertaken within the closed system model' (Clark, 2000). It further holds that the mechanisms, or ways of working or acting, are not imaginary (unproved), as stated in transcendental idealism, but rather 'may be real, or come to be established as such' (Bhaskar, 1975). Realism has at its foundation the attempt to uncover the structures of social relations in order to understand why we have the policies and practices we do. Furthermore, realist research requires the investigation of the underlying mechanisms that make those [social interactions] possible in the first instance. Thus 'reality' is not the individuals' perception and interpretation of the 'world' they live in, with each individual's reality being unique and unrepeatable (and presumably unshareable). 'Society' is not just a conglomeration of a number of individual perceptions. Rather through continued, iterative, empirical testing (using a number of mutually inclusive quantitative and qualitative research methods), this real world may also come to be known as 'real'. This empirical testing leads us to determine the 'generative mechanisms in models' Bhaskar (1975) the observed events that lead to the construction of a model. In Figure 4.1 below this is shown as the movement from position (2) where the researcher imagines that the world in constructed in the particular way, through empirical testing to a point (3) where the researcher has greater confidence in asserting that this is how the world is which allows the researcher to build a model (M) of that world.

vi) Transcendental Realism

Transcendental realism attempts to link our perception of the world-at-large (the imagined world) with reality (the real world) through the empirical testing process. Transcendental realism regards the objects of knowledge to be the 'structures and mechanisms that generate phenomena; and the knowledge as produced in the social activity of science' (Bhaskar, 1975).

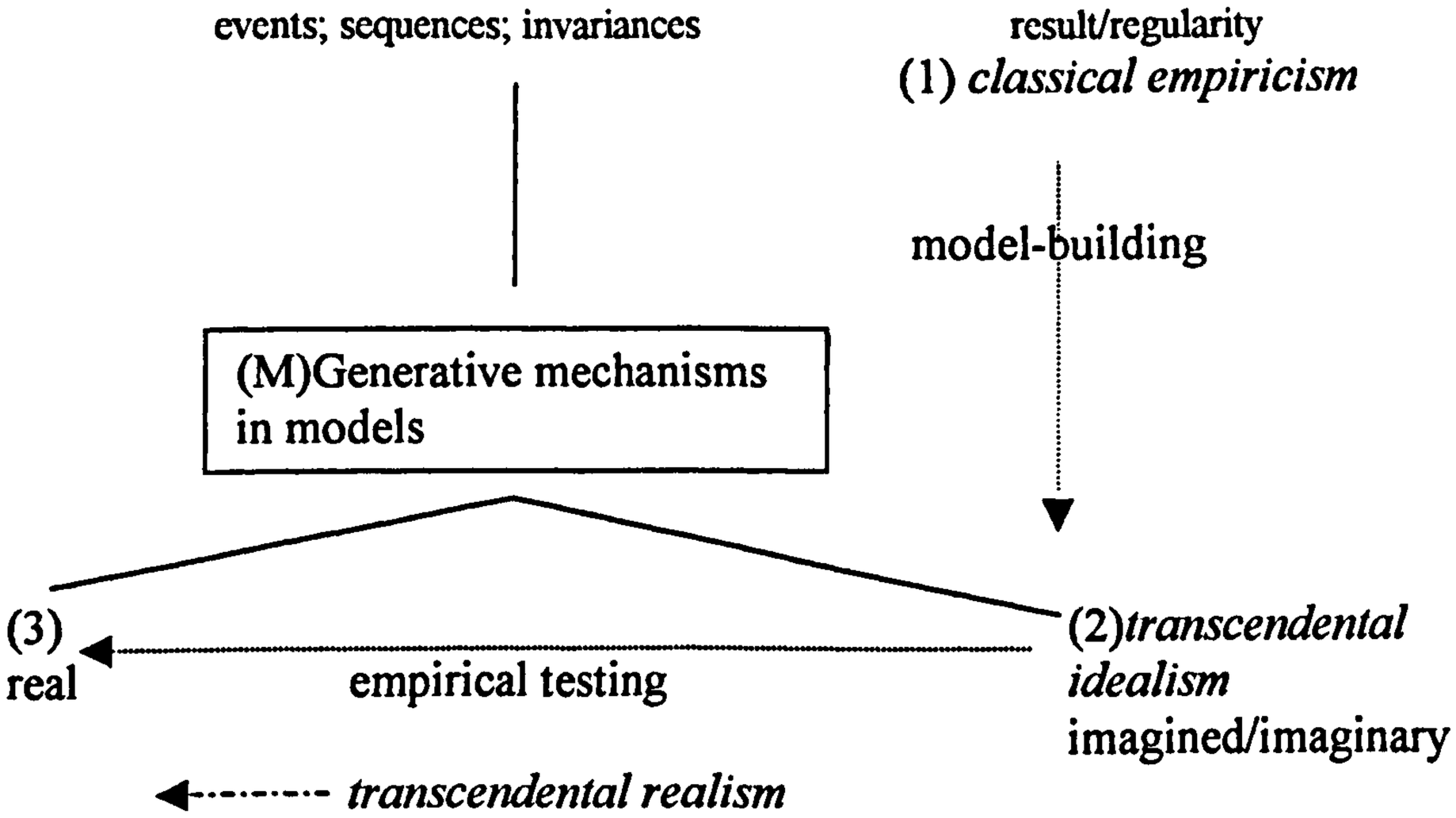


Figure 4.1: Adapted from Diagram 3.1 The Logic of Scientific Discovery

Source: Bhaskar, (1975)

According to this position, the world is made up of three domains: the 'empirical', consisting of experience, impression, perception; the 'actual', consisting of events and state of affairs; and the 'deep' consisting of the underlying structures, powers, mechanisms and tendencies.

Lawson (1997) states that these often undetected 'deep' domain structures, powers, mechanisms and tendencies (as defined in Table 4.2 and Table 4.3 below) underpin and facilitate real events and that these different domains of reality (1, 2 and 3 in Figure 4.1 above) are out of '[time] phase' with each other.

Thus the transcendental realist epistemology leads to the nature of scientific inquiry being aimed 'at identifying and illuminating the structures and mechanisms, powers and tendencies that govern and facilitate the course of events' (Lawson, 1997) through a process of *retroduction.* Retroduction 'consists in the movement...from the conception of some phenomenon of interest to a conception of some totally different type of thing, mechanism, structure or condition that, at least in part, is responsible for the given phenomenon' (Lawson, 1997). The process of retroduction thereby moves the inquirer from the 'empirical' and 'actual' domains into the 'deep' domain.

4.1.1.2 <u>From transcendental realism to research</u>. The forgoing has introduced the concepts of Realism (Bhaskar, 1975) and Transcendental Realism (Lawson, 1997). This section considers the application of the latter to the research conducted and reported in this thesis.

One example of the application of this approach to the broad area of this thesis is to consider the issue of capital in banking. The observed 'actual' domain 'state of affairs' is that the banking industry is said to have the greatest volume of capital allocated to any industry worldwide. The retroductive approach would be to try to identify the 'deep' domain reasons why this observed phenomenon obtains. Thus one brief possible analysis might be in terms of the following structures, powers, mechanisms and tendencies.

Table 4.2: Transcendental Realism versus Empirical Realism

	Objects	
Domain	**transcendental realism**	**empirical realism**
'deep'	**structures** **powers** **mechanisms** **tendencies**	
'actual'	events state of affairs	Events state of affairs
'empirical'	experience impression perception	Experience impression perception

Source: Adapted from Lawson (1997)

Table 4.3: Definitions of Transcendental Realism Deep Domain Categories

Category	Definition
Structures	Systems and complexly structured situations
Powers	Potentials, capacities, abilities to act in certain ways; facilitate various activities and developments
Mechanisms	A way of acting or working of a structured thing; a causal power of things
Tendencies	Continuing activity; potentialities which may be exercised or in play without being directly realized or manifest in any particular outcome; a power that is being exercised whatever events ensue

Source: After Lawson, (1997)

Structures - that Government policy generally restricts to authorized institutions the provision of loans to households and firms; the Bank for International Settlements (BIS) demands that banks hold a minimum level of capital; many intra-country financial systems are connected to the non-bank international capital markets.

Powers - that financial institutions have the power to redistribute funds by acting as intermediaries, for example, from individuals to firms, from depositors to borrowers and to lengthen the period of loans over the period of deposits.

Mechanisms - that banks facilitate entrepreneurship and commercial activity by increasing the flow of credit.

Tendencies - that bankers are less risk averse than governments.

A more generic approach is suggested by Sayer (1992) wherein he focuses on the movement from concrete observed events to abstract underlying mechanisms and tendencies.

This general approach of attempting to determine the 'deep' domain causes of observed events is used to analyze the industry and firm level trends of European banking sector strategic alliances. The following section details the research methodologies used.

4.2 Research Design

This research consists of three empirical elements: desk research, a questionnaire based postal survey and thematic semi-structured interviews. The approach leads to multifaceted findings based on published annual reviews of trends (Chapter Two), directed and closed questionnaire responses (Chapter Five) and an open-ended discussion process (Chapter Six). The research design encapsulates these three elements so as to add greater depth and validity to the findings compared to what would be possible using only one empirical method. Furthermore the source data is broad based enough to attempt to tease out the structures, powers,

mechanisms and tendencies underpinning the use of strategic alliances in the European banking sector.

The desk research was carried out to determine the historical propensity of banks to cooperate, to identify the 23 year trend towards increased liberalization in financial markets and to determine the lifecycles of strategic alliances in the 1970s, 1980s and early 1990s. This was reported in Chapter Two. An extensive review of the strategy field and the literature on strategic alliances was reported in Chapter 3. This was used to identify the nature of the subject under investigation, the strategic alliance. The questionnaire research was carried out and is reported in Chapter Five. The analysis of the interview transcripts based on the themes identified in Chapter One and Three was then conducted and written up.

This thesis reports a number of research activities carried out in one industry over a period of time. It provides a high level review of the major trends supported by a range of research findings.

4.2.1 Desk Research

The desk research was carried out to set the context of this thesis in relation to 'actual' events occurring in the research area. The primary purpose was to identify the pre-existing (in general) and current (in Europe) propensity of banks to enter into a number of types of alliances. Three public sources of trends in the banking sector were obtained and analyzed: *The Financial Times World Banking* special section (published annually), *The Economist Survey of International Banking* (published annually) and The Bank of England *Quarterly Bulletin* section on *Developments in International Banking and Capital Markets*. These were obtained for the 23-year period ending in December 1993. This period was chosen to stretch far enough into the past so as to allow in-depth analysis of the Clubs and Consortium Banks lifecycle, and the underlying changes in the economic, political and business environment, strategy and a limited analysis of the Bankassurance and Virtual-Bank lifecycles.

The analysis was carried out by identifying the concrete events mentioned in the data sources, as detailed in Chapter Two, and attempting to identify the mechanisms and structures that underpinned those events. The data sources used were public analyses of the major occurrences in the banking sector. An event mentioned here could be deemed to be of major importance on the basis that a quarterly or annual review in such reputable publications, would only report the major and important events.

In undertaking research the generally preferred method is to undertake primary research through a variety of data gathering methods. In this part of the research, however, secondary sources have been exclusively used. The data ranges over a vast 23-year period, and it was therefore impossible to access primary sources for analysis within the time and resource constraints of this thesis. This section constitutes one third of the empirical part of the research — the remaining questionnaire and interviews are primary data The data sources used are considered to be reputable chroniclers of primary events. The first two would have reported the primary events in real time (daily and weekly respectively) and would have used these reports as the basis for identifying the core events in preparing the annual review. The third source reported events on a quarterly basis. It is, therefore, possible to assert that these provide a valid reflection of the real events that occurred and their relatively high importance.

4.2.2 Questionnaire Based Postal Survey

The questionnaire based postal survey was conducted over 20 countries in the continent of Europe. The purpose was to provide an empirical foundation, based on primary research, for understanding the prevalent practices and motivations (entering, forming, managing and evolving strategic alliances) in the major banks in this region. Furthermore the survey tested the definition of a strategic alliance proposed, and elicited agreement to and served as a foundation for a follow up interview.

The sample selection and survey process was split into two by the geographical location of the centre of strategic decision-making (normally the location of the head office and board of directors).

With regard to the United Kingdom, the initial sample list included all banks registered in the UK and considered by the Bank of England to be of 'British' origin. These banks were also considered to be managed in a strategic sense in the UK. The list consisted of 63 banks.

One bank was later excluded from this list, at their request, as all strategic decisions were made by the parent bank located overseas. A UK merchant bank owned by an overseas bank retained its place in the list, as the strategic decisions for the UK firm were taken in the UK. Three banks were reclassified as overseas continental European and therefore part of the continental European sample. This reduced the UK sample to 59.

A personally addressed letter was sent detailing the research agenda and enclosing a questionnaire (see Appendix One) and a Loughborough University Banking Centre (LUBC) pen. The wording of the personally addressed initial letter is given in Table 4.4.

In drafting the initial letter, four considerations were of particular importance: to assure confidentiality, to gain an agreement in principle to a follow-up interview, to enhance the response rates and to test the strategic alliance definition used. The confidentiality and interview issues were mentioned both in the text of the questionnaire and in the covering letter.

Attempts were made to enhance the response rate by printing the letter on the Loughborough University Banking Centre letterhead, thus linking the survey with an established, industry specific, research centre. The letter was signed by a professor and the author to try to ensure equivalence in seniority between the first signatory on the letter and the named recipient. An LUBC pen was enclosed as a free gift to facilitate the completion of the questionnaire and to raise the response

Strategic Alliances in Banking Survey

Loughborough University Banking Centre has recently received funding for a study of the role of strategic alliances within the banking sector. As part of this study, we are anxious to survey the views of banks themselves towards this particular form of commercial development.

We are writing to request your assistance in this research and would be most grateful if you, or an appropriate senior colleague, could complete the attached short questionnaire and return it to us in the reply-paid envelope.

There is no precise or agreed definition of a strategic alliance. For the purposes of this exercise our preferred definition is 'A durable relationship established between two or more independent firms involving the sharing or pooling of resources to create a mechanism (corporate or otherwise) for undertaking a business activity or activities of strategic importance to one or more partners for their mutual economic advantage'.

We would therefore ask you, in responding to our questionnaire, to consider any relationship you have formed which appears to meet these criteria:

- The relationship should be seen as a lasting, not temporary, one.
- The partners involved should be independent of one another (i.e., one should not be a subsidiary of the other, though minority shareholdings are acceptable).
- Purely operational relationships (e.g., Correspondent banking links) should be excluded: the relationship must be seen to be of strategic importance to at least one of the partners.
- The alliance need not involve the creation of a fully-owned subsidiary, but there must be some sharing or pooling of resources to qualify - if only resources of proprietary knowledge or customer information.
- Thus normal buyer-supplier relationships would be excluded, but long-term vertical links, involving (say) the outsourcing of a key activity would be included.

A space is provided in the questionnaire for your additional thoughts regarding the nature of strategic alliances in banking.

Any information that you provide will be treated with complete confidentiality. No analysis in our resulting research output will mention you or your organization.

We will be happy to provide you with a copy of the report if you indicate your interest on the questionnaire and would appreciate the opportunity to conduct a short follow-up interview at your convenience.

The primary objective of the Loughborough University Banking Centre is the enhancement of applied and academic research in money, banking and finance and its dissemination to the academic and financial services communities throughout the world. Your assistance in this can help us to achieve this objective.

If you require any further information, please do not hesitate to contact us.

Source: Definition from Hamilton Morison and ul-Haq, (1996)

rate and as a 'thank you' to the respondent. A pre-paid response envelope was also provided to reduce barriers to returning the questionnaire.

The alliance definition used in this thesis, based on the work detailed in Chapter Two, was enclosed in the letter. The author noted that a substantial variety of definitions are used in the academic literature and by practitioners. Including a definition in the questionnaire would go some way towards putting respondents on the same footing. A half a page was made available for respondents to disagree with the given definition or propose an alternative.

With regard to Continental Europe, *The Banker* magazine, a trade journal, publishes an annual list of banks ranked by total asset size. The 'Top 500 Europeans' listing was reviewed, and all banks which had a total asset size of over US$10,000 million were included in the list. This asset size was chosen to include the major continental European banks (which should include at least one bank in each of 19 continental European countries as detailed in Table 4.4 below) and exclude those of the approximately 3,000 banks in continental Europe whose operations are, in comparison, mainly regional and small scale.

As with the United Kingdom sample, contact details were obtained from the *Bankers Almanac*. In the majority of cases the name of the managing director was given. In cases of uncertainty, a telephone call was made to the personal assistant of the managing director to obtain the correct contact details. A covering letter, questionnaire and LUBC Pen were sent to each bank and a follow up reminder letter sent to 117 banks.

A total of 17 completed questionnaires were returned by the UK sample. A follow up telephone call was made to 15 banks to arrange an interview and seven interviews were held. A total of 51 completed questionnaires were returned by the Continental European sample. A follow up telephone call was made to 20 banks to arrange an interview and 17 interviews were held. The sample and responses breakdown is given in Table 4.5.

Table 4.5: Analysis of Study Sample, Valid Questionnaire Responses and Interviews Held

area/country	Total sample	valid responses number	Valid responses as % of sample	interviews number	interviews as % of responses
total:UK	59	17	29%	7	41%
total:C-Europe	158	51	32%	17	33%
total: UK+CE	217	68	31%	24	35%
CE Countries					
Austria	7	1	14%		
Belgium	8	4	50%	2	50%
Bulgaria	1				
Chez. Republic	1				
Denmark	5	1	20%		
Finland	4				
France	17	3	18%	2	67%
Germany	43	16	37%	5	31%
Greece	2	1	50%		
Ireland	3	3	100		
Italy	24	4	17%		
Luxembourg	4	1	25%		
Holland	6	5	83%	1	20%
Norway	3	2	67%	2	100%
Portugal	5	1	20%		
Spain	10	2	20%	1	50%
Sweden	5	3	60%	1	33%
Switzerland	9	4	44%	2	50%
Turkey	1				

The returned questionnaires were first graded into three groups:

- valid responses where the respondent had attempted to complete the questionnaire;
- specific non-questionnaire responses, where the respondent did not complete the questionnaire but volunteered information in some other form;
- no valid response items, where the recipient wrote to decline the completing of the questionnaire.

Valid responses totalled 68 completed questionnaires. These were coded and input into the SPSS for Windows v 9.0 statistical software and a set of frequencies computed for the 44 questions asked in the survey. These responses are analyzed and reported in Chapter Five of this thesis. The raw statistics are contained in Appendix Two.

The survey attempts to provide a broad view of the practice of large banking firms with regard to their strategic alliances. It encompasses 20 countries across Europe (UK, Western and some Eastern Europe) while surveying the largest 217 banks in this geographical area.

This broad approach is appropriate in the context of a thesis that is focussed on large firms and cross-border alliances. However, this limits the nature and degree of statistical analysis that can be carried out. With a valid response size of 68 and numbers of valid responses per country ranging from nil to 16 with an average of 4.5, it is not possible to carry out a statistically significant analysis even when using the Nonparametric Test version of the Chi-Square Test (as provided in Appendix Three).

The appropriate method is to use the frequencies output as mentioned above and provided in Appendix Two.

The survey therefore provides a broad view of practice. While outside the gambit of this thesis, there is scope for a survey of all banks located in the geographical area, unrestricted as to size, thereby generating a sample of over 3,000 possible respondents. This approach would lend itself to more detailed statistical analysis.

4.2.3 Thematic, Semi-structured Interviews

Interviews were conducted with 24 senior managers across 9 European countries and were designed to provide insights into the manager's perceptions of the issues facing their firms in the alliance process.

The initial questionnaire (see Appendix One) sent out in the postal survey, as detailed above, included a space at the end for administrative questions. Question 12 asked if the respondent 'Would be willing, in principle, to participate in a follow-up interview?' with a yes/no possible answer. Question 13 asked for the contact details of the respondent. Respondents who ticked the 'yes' box in question 12 were contacted with a view to re-confirm their willingness to be interviewed, and interviews were arranged as appropriate. A letter detailing the research agenda, the format and broad questions to be raised in the interview and confirming the logistical details was sent to the interviewee. Thus the sample was semi-self-selecting and well briefed prior to the interview being conducted.

A total of 24 interviews in 9 European countries were conducted. The interview travel, accommodation and transcription costs were funded by, variously, the Banking Centre and the International Research Group – both at Loughborough University Business School, the Birmingham Business School at the University of Birmingham, and the British Council offices in Basel, Madrid and Paris. Interviews were conducted in English at the head office of the subject bank. In the main they were tape-recorded always with the explicit knowledge and consent of the interviewee and lasted on average 45 minutes to 1 hour, though some took as long as 1 ½ hours. In some cases another academic accompanied the author.

The interviews were semi-structured in nature, asking these questions:

i) What are the key environmental or competitive issues that your bank faces?
ii) What alliances has the bank entered into and why?
iii) How does the bank go about forming an alliance?
iv) How do you manage an alliance relationship?

v) How do you allow and encourage an alliance to evolve?

The semi-structured nature of the interview allowed the interviewer to interact with the interviewee and to gain access to the interviewee's 'accounts and articulations' and to allow them to 'be recounted' (Mason, 1996).

A 'grounded theory' approach was taken in the interview process. Thus the purpose was, from an initial set of broad research questions, to generate, collect and analyze data from which theory could be built (Punch, 1998).

The locus of strategic decision-making in large organizations is generally considered to be at head office level, though some debate between the emergent and traditional schools of thought does exist. Even if the decision process is an emergent one the final responsibility to articulate the strategic goals, vision, of the bank lies at or near the Board. Interviewees in this sample were mainly main board members (14 out of 24) or a head office executive (9 out of 24). The interviewees were drawn from the strategic decision-makers and they ranged from members of German and Swiss banks' supervisory boards, chief executives and executive directors to corporate planning managers and similar head office officials. The sample was broadly representative of a wide geographical scope, with the subject banks being classified into four categories: regional (e.g., German Landesbanken), national, international (mainstream national banks with a significant international presence) and global (banks with a substantial presence in most continents). The head offices of the banks at which interviews were conducted were located in the nine European countries visited. In ownership terms a distinction was drawn between joint stock and cooperative banks. The former are those owned by shareholders, whether public or private sector, while the latter include cooperative and mutual banks (i.e., those 'owned' by their members or customers). This analysis is summarized in the matrices in Tables 4.6 and Table 4.7.

The responses to the interviews were first disaggregated into the process of the alliance – from formation to dissolution – and an analysis written (provided in Chapter 6) that sought to identify and distil the major concerns of the managers interviewed.

Table 4.6: Analysis of Country of Interview and The Responsibility Level of Interviewee

country/ responsibility level	Supervisory board	chairman	main board	head office executive	subsidiary board	*Total*
Belgium				2		2
France		2				2
Germany			2	3		5
Holland			1	1		2
Norway			2			2
Spain			1			1
Sweden			1			1
Switzerland	2					2
United Kingdom			4	3		7
Total	2	2	11	9		24

Table 4.7: Analysis of Country of Interview and Geographical Operational Scope of Joint Stock and Cooperative Banks

country/ geographical scope	Mainly regional	Mainly national	International	global	total ( )	*total [ ]*	grand total
Belgium		(1) [1]			1	1	2
France		(1)	(1)		2		2
Germany	[1]	(1) [2]		(1)	2	3	5
Holland				[2]		2	2
Norway		(1)		(1)	2		2
Spain		(1)			1		1
Sweden		(1)			1		1
Switzerland	(1)		(1)		2		2
United Kingdom	(1)	(2) [1]	(1)	(2)	6	1	7
total ( )	2	8	3	4	17		
total [ ]	1	4		2		7	
grand total	3	12	3	6			24

Key: ( ) = Joint Stock Banks. [ ] = Cooperative Banks.

At the start of each interview the interviewee was assured that all comments and observations made would be treated in the strictest confidence and was asked whether the interview could be taped. Only those who consented were tape recorded.

It did not appear that the interviewees were being more guarded when the tape-recorder was being used. The responses seemed to be genuine and comprehensive. After each interview, recorded or otherwise, a file note was made of the main issues discussed. Each taped interview was transcribed verbatim. These accounts, along with any file notes and interview notes, were used as the source documents in the analysis. Thus the data gathered was rich and contextually specific and consisted of the 'knowledge, views, understandings, interpretations, experiences' (Mason, 1996) of the interviewees coupled with the author's analysis.

Only nine of the interviews were held in the UK. In the UK interviews one was conducted with a German national working for a British bank. The remaining interviews were conducted with nationals, as far as one could tell, of the country of origin of the bank. In the case of interviews held in continental Europe, although the English language was ostensibly a second language, this was not considered problematic as the international language of business and banking is English and because all interviewees displayed fluent English language skills.

The primary issue in any interview process, especially one that is not strongly structured, is to develop a meaningful dialogue between interviewer and interviewee (a subjective relationship) while eliciting the more objective insights of the interviewee. Many methodologists have commented on the need for this continuous balancing act.

To achieve the successful completion of interviews there are three necessary conditions that need to be met: accessibility, cognition and motivation.

The term 'accessibility' relates to a decision about whether the interviewee has the knowledge that the interviewer seeks. In these interviews the interviewees were semi-self-selecting in response to a questionnaire about strategic alliances. Furthermore all the interviewees were located at the top end of their firm's hierarchy, a place generally considered to be the locus of strategic decision-making.

The term 'cognition' relates to the interviewees understanding their role and what is expected of them in the interview. Prior to each interview the basic parameters were made explicit in a letter confirming the interview and then again verbally at the start of the interview. These parameters were: type (semi-structured), context (rich contextual addition to questionnaires), topic (strategic alliances) and time constraints (amount of interviewee's time requested).

The term 'motivation' refers to the need for interviewees to be aware that their thoughts and ideas on the interview subject were of value to the interviewer and the research. This value was displayed through respondents being asked in the questionnaire if they would be willing to be interviewed thereby indicating that the interviews were an integral part of the study. Their semi-self-selection also shows that interviewees considered that they had some further insights that would add value to the research. Finally, through the encouraging nature of the probing or follow up questions and the obvious interest in the interviewee's observations shown by the interviewer, value was shown to the respondents.

All three criteria of accessibility, cognition and motivation were met in the establishment and conduct of the interviews. The interviews can therefore be broadly termed successful in gathering valuable data.

4.3 Conclusion

The thesis has been designed to examine the research question 'Do Strategic Alliances Add Value?' at industry and firm level in Europe. Through analysis of the foundation theory (Coase, 1937), a historical review, a questionnaire survey and in-depth interviews the thesis attempts to provide a multi-dimensional examination of the research question.

Chapter Five

Postal Survey Findings

5.1 Introduction

This chapter reports, summarizes and discusses the outcome of the 44 questions contained in the questionnaire. A copy of the questionnaire is provided in Appendix One. A comprehensive review of the sample and the analysis method is provided in Chapter Four. The observations below are based on the Descriptive Statistics – Frequencies analysis, carried out using SPSS for Windows vs 9.0, as provided in Appendix Two of this thesis.

5.2 Strategic Alliances – A Definition

In Chapter One an ex ante definition was proposed for a strategic alliance (Hamilton, Morison and ul-Haq, 1996), that is, *A durable relationship established between two or more independent firms, involving the sharing and pooling of resources to create a mechanism (corporate or otherwise) for undertaking a business activity or activities of strategic importance to one or more of the partners for their mutual economic advantage.* It was noted that the alliances defined in these forms would constitute the subject of this study.

The definition was provided to the recipients of the postal questionnaire in the covering letter and a set of questions asked to identify the respondent's views as to the validity of the definition.

The respondents were asked:

'In respect of strategic alliances you have entered how important do you consider the following possible characteristics to be?'

The scale used here and throughout such questions was 'extremely important', 'very important', 'somewhat important', 'not very important' or 'not at all important'.

5.2.1 Durability

Of 59 responses received, a substantial 81.4% considered durability to be a 'very' (57.6%), 'extremely' (23.7%) or 'somewhat' (16.9%) important characteristic of a strategic alliance. Only 1.7% disagreed and responded that durability was 'not at all important'. There is, therefore, substantial support from the respondents for the contention that durability, ex ante, is an integral characteristic of a strategic alliance.

However, the issue of duration is a complex one. Embedded, and often made explicit, in the decision to establish a strategic alliance between two firms, for example, is the understanding that their strategic intents are served, at least initially, by entering into the alliance. Both firms expect to gain some advantage through the alliance whether the advantage is offensive or defensive. At time zero the strategic intents of the partners are co-aligned. As the alliance moves from time zero onward, the alliance partners' strategic intents co-evolve.

Durability (ex post) is not absolute but rather conditional, predicated on the firms entering into a strategic alliance receiving the anticipated gains that the alliance is presumed to be able to generate for them, a collaborative advantage when competing with other firms in their competitive space. Further, they hope that this newly formed alliance will repay the effort in establishing it by generating these advantages over a period of time. This will only be realized if the alliance is also sensitive to changes in strategic intent of the member firms and co-evolves to meet these needs.

There is a difference between 'anticipated' and 'realized' durability. It is possible for a strategic alliance to have an anticipated durability (ex ante), which may also be for a finite period or limited life-span, on inception but for either or all partners

to exit from the strategic alliance at a later stage if a change (ex post) in, for example, the conditions of competition or own firm strategic intent occurs.

The very high importance attributed by respondents to the issue of durability probably reflects a wish that the strategic alliance will continue to co-evolve and deliver a collaborative advantage to the member firms, repaying the effort and resources invested in it.

5.2.2 Sharing or Pooling of Resources

A high number of the 59 responses, 96.6%, considered that the sharing or pooling of resources was 'very' (64.4%), 'somewhat' (25.4%) or 'extremely' (6.8%) important. A very small 3.4% viewed this as 'not very important'. There is substantial support for the contention that the sharing and pooling of resources is an integral characteristic of a strategic alliance.

Firms that enter into strategic alliances do so because they believe that their strategic intents will be better served together than separately. This often requires some form of sharing and pooling of resources. It may be through the endowment of a new joint venture company with tangible or intangible assets or alternatively through allowing 'claims to usage' by the alliance partners on the member firms' assets and capabilities, including embedded and explicit knowledge.

5.2.3 Creation of a Separate Company

While 59.3% of the 59 respondents to this question viewed creation of a separate company 'somewhat' (40.7%), 'very' (15.3%) or 'extremely (3.4%) important', a substantial remainder considered it as 'not very' (30.5%) or 'not at all (10.2%) important'. There is clear support for the contention that a cooperation mechanism needs to be established but that it does not necessarily have to be in the form of a separate company.

This broadly balanced split reflects the variety of inter-organizational structures available to be utilized by strategic alliances. In the BNP/Dresdner strategic

alliance (discussed in Chapter Six), for example, a number of forms were used in co-existence: a global agreement to cooperate, the linking of technology, cross-border marketing and introductions, and the setting up of joint venture companies in Eastern Europe. These various inter-organizational structures were a result of the strategic intentions of the alliance. Each type is considered appropriate to deal with a particular set of objectives. They portray a number of risk versus reward balances and a number of types may co-exist and may change over time.

Indeed the first order decision is that the alliance firms' strategic intents are served by a cooperative relationship and the second order decision is what form – joint venture or non-joint venture – the cooperation should take.

5.2.4 Strategic Importance to Partners

A substantial 87.9% of the 58 responses to this question held that this characteristic was 'very' (50.0%), 'extremely' (22.4%), or 'somewhat (15.5%) important'. Only a small number responded that it was 'not very' (10.3%) or 'not at all (1.7%) important'. There is clear support for the contention that strategic importance to partners is an integral factor in a strategic alliance as one would anticipate.

This reflects the fact that the nature of a strategic alliance entered into is to provide a strategic advantage to the members as compared to non-members.

5.2.5 Mutual Economic Gain

Of 57 responses to this question a substantial 98.2% viewed mutual economic gain as a 'very' (52.6%), 'extremely' (28.1%), or 'somewhat (17.5%) important' characteristic. Only 1.8% considered this criteria 'not very important'. There is clear support for the contention that mutual economic gain is important in strategic alliances.

5.2.6 Own Firm Economic Gain

Out of 57 responses received for this question, a substantial 98.2% of respondents view own firm economic gain as 'very' (59.6%), 'extremely' (31.6%), or 'somewhat (7%) important' characteristic. Only a small minority considered it 'not very important' (1. 8%).

The previous two characteristics display the same overall view. That is, a strategic alliance has to generate economic gain for all the members to be of value. This value may not be equally distributed; and it must be noted that respondents, as one would expect, rank their own firm's economic gain higher than that of their partner or partners.

This question and response has embedded in it the nature of the firms under investigation in this thesis – European banks – that is, common actors which carry out their activities in economic space and see the world in terms of economic gain. If the same question was posited to the National Health Service, the response could well be different, with the strategic intent being to maintain health, alleviate suffering and enhance the quality of life, say, rather than to generate a financial return.

5.2.7 Other

A total of 6 (8.8 % of total) responses were received. This category encouraged the respondent to suggest additional characteristics of a strategic alliance that they considered important.

These reported characteristics can be broadly placed under four headings: relationships, resources, loyalty and markets.

5.2.7.1 <u>Relationships</u>.

i) the creation of a strong bond for the (finite) length of the alliance (extremely important)

ii) the long-term commitment to the market and the strategic alliance.

These responses reflect the diversity of the notion of durability in strategic alliances. The first response points to the development of a strong relationship, or bond, between the firms for the duration of the strategic alliance, whatever that period may be. The second takes the opposing view that a strategic alliance is, by its very nature, a long-term commitment to both a partner and a market (one that may be product or service or geographical). This dichotomy will reflect the particular characteristics, and motivations, of the strategic alliances entered into by the respondents.

5.2.7.2 Resources

i) the creation of, and access, to increased and specialized resources (very important).

The firms in a strategic alliance may create, through collaboration, a new form of resource that each individual firm may not have in its existing resource portfolio. For example, the sharing of knowledge may lead to innovation and the creation of a new product, service or process. In addition each firm may have specialized capabilities, and cooperation allows an exchange of, or affords access to, these capabilities.

5.2.7.3 Loyalty

i) the need for exclusivity among partners (very important)

ii) the need for limited competition on each member's home market (somewhat important).

The former and latter are linked by the concept of mutual commitment. The former may suggest a focussed strategic alliance in which, for example, a retail bank and an insurance company ally, and life assurance products are sold through the bank's retail distribution channels (branch, direct mail, telephone, internet et al). Such an agreement would be exclusive (perhaps due to regulatory controls in this product sector, for example) but might allow scope for a further parallel strategic alliance with a general insurance company to expand the offered product range.

An example of the latter might be a cross-European strategic alliance, such as the conception of Scandinavian Banking Partners, where the membership is

configured so there is a limited overlap between the geographical areas of competition and the mutual use of partners' networks to deliver cross-border services to their customers.

5.2.7.4 Markets.

i) the targeting of third countries only (very important)

ii) the provision of an all embracing product range (very important)

iii) market, or regulatory, restrictions.

The first item relates back to 5.2.7.3 above, in that collaboration is restricted to new entry to third countries, with competition continuing in first countries. An example would be two European banks setting up joint ventures in Eastern Europe as a method of entering a new geographical market while continuing to compete in the rest of the world.

The second item refers to the concept of a bank increasing the revenue per customer by encouraging the customer to source all their financial service needs from the main relationship bank. Thus the bank has to be able to offer a full range of services, some of which may be sourced via strategic alliance partners.

The third item connects to the regulatory restrictions imposed on banks entering into new geographical, product or service markets. These may include, in the former case, a requirement that to enter into joint venture in a particular country a minimum level of local ownership is necessary or in the latter case being subject to industry or legal requirements to train salespeople to certain standards. One respondent mentioned the SE Asia region and noted that entry was possible only, in some instances, by means of a joint venture or a strategic alliance with a local partner. In addition, managerial issues included the gaining of access to distribution channels, access and availability of banking licences, minority vs. majority shareholding, long-term commitment to the market and the desirability of a local partner.

In addition to the 68 completed questionnaires, a total of ten bank representatives responded that the questionnaire was not applicable to them and therefore did not

complete it. The reasons given for non-completion, some of which overlap, are contained in Table 5.1.

Of the ten non-completes half specifically noted that they had no strategic alliances as defined in the survey's covering letter and three noted that they had no strategic alliances. In the questionnaire there was space provided for respondents to note their comments, but all declined to propose an alternative definition or characterization of a strategic alliance.

One French bank's London office noted that they do not expect to enter into durable relationships with other lenders but instead '...expect to join with others, including competitors, from time to time, for particular tranches of business, but would not see it as a continuing relationship except on an *ad hoc* and opportunistic basis'. A German bank official noted that they 'expand...business activities basically by takeovers or taking majority stakes in partners. Strategic alliances play no significant part in expanding the business activities...'.

In the view of a number of strategic managers, homogeneity was unlikely rather than varied nature of cooperative activity between commercial organizations and diversity in the form, nature, purpose and importance of such strategic alliances was prevalent.

There are vast differences among firms, depending upon a number of factors. These include the range of options available to generate competitive advantage, the degree of expertise in establishing and managing alliances ('alliance-ability'), the willingness to use cooperative strategies such as strategic alliances and the degree of control that firms wish to exercise over their activities. Nevertheless, the major constituent parts of the definition of a strategic alliance (Hamilton, Morison and ul-Haq, 1996) mooted at the start of this thesis and embedded in the research have been found to have a high degree of support from the respondents of the questionnaire (classified as over 70% of respondents stating that the characteristic was 'extremely', 'very' or 'somewhat important'). These characteristics are durability, sharing or pooling of resources, creation of a mechanism, strategic importance and mutual economic advantage.

Table 5.1: Reasons of Non-Completion of Questionnaire

reason given	number of banks
do not have strategic alliances	9
do not plan strategic alliances	3
do not have or plan 'durable' relationships	1

5.3 The Rationale for Conceiving Strategic Alliances

Strategic alliances are entered into for a wide range of reasons. This section of the questionnaire asked respondents to state how important they considered five reasons for entering into strategic alliances in the banking sector: the reduction in the cost of capital, the sharing of risks, entry into a new product market, entry into a new geographical market and accessing of new distribution channels.

Respondents were asked: 'How important are the following reasons for entering into a strategic alliance?'

5.3.1 'Capital cost reduction'

Of 63 responses, a total of 63.5% considered capital cost reduction to be 'somewhat' (30.2%), 'very' (23.8%) or 'extremely (9.5%) important'. The remainder viewed this motivator as 'not very' (25.4%) or 'not at all (11.1%) important'. On balance the reduction in the cost of capital through entering into strategic alliances was a factor in choosing the alliance route but not an overwhelming one.

There is a general presumption in banking firms that reducing the cost of capital is a desirable goal, as testified to by the 63.5% of respondents. However, the responses were skewed in favour of the 'somewhat important' classification with a high 'not very important' classification.

It should be noted that the pressure on capital in the banking sector is lower than in other industries and is reduced by three factors:

i) `the nature of the subject firms, that is large European banks, with, in the main, easy access to the global bond and equity markets at fine rates;

ii) a sector, banking, that has the highest allocation and utilization of global capital;

iii) a high profit generation among the major banks coupled with a lack of profitable expansion opportunities leading to a surplus of under-

utilized retained earnings and resultant share buy-backs (e.g., Barclays and Nat West).

On balance, reduction in capital usage is not a major issue for these respondents.

5.3.2 'Sharing risks'

Of 64 responses, a clear majority of 79.7% considered the sharing of risks as a 'very' (37.5%), 'somewhat' (31.3%) or 'extremely' (10.9%) important reason for entering into strategic alliances. Only 20.3% held the opposing view that this criteria was 'not very' (15.6%) or 'not at all' (4.7%) important. The sharing of risks is therefore a significant characteristic of strategic alliances.

Risks to be shared may be tangible, such as the loss of capital inserted into a new venture; or they may be intangible, such as the loss of reputation if the venture fails. An alliance with an expert partner may reduce the likelihood of failure. In European Union countries changes in legislation have enabled European banks to market their products and services in other member countries. The local bank, for example in the UK, has an extensive knowledge base about legislation, distribution systems, consumer preferences and segments, pricing and competition in the UK. When entering into another European country, the UK banks face a new set of risks generated through information asymmetry and mitigate these risks through allying with a local firm. This alliance may act as a lower risk - learning, risk identification and market potential gauging - experience prior to a full entry.

5.3.3 'Entering a new product market'

Of 62 responses received on this topic a high 79% viewed this reason for entering into a strategic alliances as 'very' (46.8%), 'extremely' (19.4%) or somewhat (12.9%) important'. Only 21% considered it an unimportant reason. Therefore entering a new product market is a significant driving factor for entering into a strategic alliance.

The partners may, for example, bring specific product manufacturing, processing and distribution knowledge to the alliance. Many alliances allow the front, customer facing, firm to market a new product which is manufactured and processed by another, non-customer facing, firm, thereby combining the customer relationship with processing knowledge and capability.

5.3.4 'Entering a new geographical market'

Of 64 responses received, 75% consider this reason 'very' (40.6%), 'extremely' (20.3%) or 'somewhat (14.1%) important'. The remainder viewed this reason as 'not very' (18.8%) or 'not at all' (6.3%) important. Entering into a new geographical market is thus a significant reason for entering into a strategic alliance.

The local partner may bring knowledge, access, contacts, and locally based resources and may smooth regulatory hurdles.

5.3.5 'Accessing distribution channels'

Of 63 responses, 88.9% considered this reason 'very' (46%), 'somewhat' (23.8%) or 'extremely' (19%) important. The small remainder held the view that this reason was 'not very' (7.9%) or 'not at all (3.2%) important'.

On the face of the above aggregate results, accessing distribution channels may be said to be a significant factor in entering into strategic alliances; but is not substantiated due to a typographical error in the questionnaire. In the initial mailing to UK banks, resulting in 17 responses, the question read '<u>Assessing</u> Distribution Channels'. This error was corrected to read '<u>Accessing</u> Distribution Channels' in the subsequent mailing to continental European banks, resulting in 51 responses.

The primary reasons, in the European banks surveyed in this thesis, for entering into strategic alliances are sharing risks and entering into a new product or geographical market.

5.4 The Rationale for Forming Strategic Alliances

The decision to form a strategic alliance has a number of dimensions. Three questions regarding the formation of alliances were asked in the questionnaire and related to the degree of activity, the propensity to enter into alliances with competitors and the control vs. influence issues.

5.4.1 'How many strategic alliances does your company have?'

Of 58 responses, a majority of 67.2% stated they had between 1 to 4 alliances. Of the remainder, 22.4% had between 5 to 9, 5.2% between 10 to 15 and 5.2% enjoyed more than 15. The question elicited a general response that displays a tendency towards a smaller number of strategic alliances.

The question does not differentiate between 'serial-alliancers' who maintain a limited number of relatively short-term alliances and 'parallel-alliancers' or 'compulsive-alliancers' who, as a matter of preference, effectively outsource production, operations or distribution through the strategic alliance route. It also does not differentiate between large global alliances or smaller intra-country alliances.

5.4.2 'We do or are willing to enter into strategic alliances with our competitors'

Of 60 responses, 58.3% either 'agree' (51.7%) or 'strongly agree' (6.7%) with this statement. A figure of 23.3% 'neither agree or disagree' and the remainder 'strongly disagree' (10%) or 'disagree' (8.3%). The majority are willing to enter into strategic alliances with their competitors.

In the sector (banking) and segment (large European) under analysis, the majority of participants will be competitors in one area or another – product, service, customer segment, geographical location etc. The impetus on collaboration is to find areas of mutual benefit while continuing to compete in other areas – a hybrid or Composite Strategy (Burton, 1995a).

5.4.3 'We consider that there is a direct positive relationship between ownership, in equity terms, and management control and influence in strategic alliances.'

A total of 68 responses were received. Of these a high 76.5% 'agree' (55.9%) or 'strongly agree' (20.6%) with this statement. A small number (17.6%) of respondents 'neither agree nor disagree' and an even smaller number (5.9%) 'disagree'. There is a clear view that this relationship between ownership and control holds.

Indeed it is a factor of the nature of publicly quoted companies that the degree of equity ownership determines the number of votes under one's control or influence which is available, but not necessarily used, at a firm's Annual General Meeting. In many alliances, however, no equity relationship exists and the control and the degree of influence over resources and direction is negotiated between parties to the alliance. This negotiation is either through contractual agreements or on a continuous basis and depends on the degree of congruence between the strategic intents of member firms and the alliance.

5.5 The Rationale for Organizing Strategic Alliances

An alliance has to be actively managed to be effective. The locus and nature of strategic alliance management may differ from that of the internal hierarchies of the partner firms and will need to address the probable differences in the work and priority cultures of these member firms.

A number of questions regarding the management of alliances were asked in the questionnaire.

5.5.1 'We consider our strategic alliances have met or are meeting our strategic objectives'

Of 65 responses received, a high 80% either 'agree' (61.7%) or 'strongly agree' (18.3%) with this statement. A minority of 16.6% 'neither agree nor disagree' and 1.7% 'disagree' and 1.7% 'strongly disagree'. The majority of respondents

clearly thought that their strategic alliances have or are meeting their strategic objectives.

These responses may reflect a lifecycle view of the alliances. Successful alliances may be at the start of the lifecycle, with initial objectives being met, or may be well established, with the ongoing and final objectives being met. Alliances regarding which 16.7% of respondents stated 'neither agree nor disagree' to the above question may be in the start and middle phases of the lifecycle (that is, it is too early to make a judgement) while the 'failed' alliances (those which have not been successful (or have been fully successful) in meeting the strategic objectives of the partners) may well have been disbanded.

The skew is for successful strategic alliances and may be reflective of the wider experience of alliance partners of successful outcomes or may be due to the skew in respondents. That is, those banks that chose to respond to the questionnaire, by completing and returning it, were those that had a generally positive experience of alliances. Those with a generally negative experience may have declined to return the questionnaire.

5.5.2 'The objectives of our alliances are specific.'

Of 61 responses received, a large majority of 96.7% 'agree' (52.5%) or 'strongly agree' (44.3%) with this statement. Only 3.3% 'neither agree nor disagree'.

Indeed the decision to enter into a strategic alliance is a generally a positive decision to gain access (or deny other competitors access) to resources, markets, knowledge etc. through alliances. Prior to this decision the firm must have pre-identified (broadly or narrowly) this need. The strategic alliance is usually a conscious choice, an outcome of this process, and thus reflects these pre-existing, and generally specific, objectives.

5.5.3 'Our strategic alliances identify and undertake specific tasks in support of these objectives'

Of 61 responses, 96.7% 'agree' (60.7%) or 'strongly agree' (36.1%) with this statement. A tiny 1.6% 'neither agree nor disagree'. A clear majority of respondents overwhelmingly agree that their strategic alliances identify and undertake specific tasks in support of these objectives.

The level of response reflects the responses in the previous question and is an outgrowth of the 'management by objectives' view embedded in the respondent's strategic alliances.

5.5.4 'We encourage our strategic alliances to take calculated initiatives'

Of 61 responses a majority of 65.6% 'agree' (49.2%) or 'strongly agree' (16.4%) while the remainder 'neither agree nor disagree' (27.9%) or 'disagree' (6.6%) with this statement.

A much lower percentage broadly agreed with the view that strategic alliances are encouraged to take calculated initiatives (65.6%) than those (in the two previous questions) who agreed with the statements about specific objectives (96.7%) and specific tasks (96.7%).

This finding may imply that firms managing alliances simultaneously ask for specific objectives and tasks while allowing a varied degree of calculated initiative in pursuit of these.

This may be reflective of the nature of the relationship between the firm's internal dynamics and its decision to enter into a strategic alliance. A firm may host a range of concurrent behaviours – management by objectives, engendering continuous innovation, taking calculated risks, underlying or occasional lethargy, developing emergent strategies, imposing strategic intents, suffering external discontinuous shocks. The strategic alliance, on the other hand, is generally set up to fulfil a specific need of the partner firms – perhaps to fill a resource or access

deficiency. During the lifetime of the alliance it may be subject to many of the behaviours of the partner firm(s) but the balance may be different. Managers of the alliance will also be empowered to act with a varied degree of independence, from the member firms, in achieving the overall outcomes desired by the member firms.

5.5.5 'We are strongly committed to our strategic alliance partners.'

A total of 61 responses were received. Of these 65.6% 'agree' (47.5%) or 'strongly agree' (18%) with this statement. The remainder 'neither agree nor disagree' (26.2%) or 'disagree' (8.2%) with this statement.

While the majority agree with this statement, we saw, however, earlier in this chapter that mutual economic gain and own firm economic gain are 'very', 'extremely' or 'somewhat (98.2%) important' factors in a strategic alliance. If the strategic alliance meets these overarching economic gain objectives, then the commitment obtains. If not, the degree of commitment would probably be reduced. This latter view of conditional commitment is reflected in the 26.2% who 'neither agree nor disagree' with the statement and further supported by the 8.2% of respondents who 'disagree'. The last group are even more likely to change alliances if the external economic rational changes.

5.5.6 'When entering into a strategic alliance we devote substantial time to establishing methods for making decisions.'

Of 61 responses a high majority of 83.6% 'agree' (65.6%) or 'strongly agree' (18%) with this statement. The remainder 'neither agree nor disagree' (13.1%) or 'disagree' (3.3%) with this statement.

Strategic alliances may, for example, have a concrete tangible form through a joint venture or a more diffuse form through a cooperating mechanism. The joint venture will have its own board of directors and the balance of power would generally reflect the shareholding in the joint venture by the strategic alliance partners. A non joint venture cooperating mechanism would require a contractual

agreement or ad hoc arrangements. Contractual agreements may delineate the level of claim to mutual resources, profit sharing, decision-making processes etc. all of which will have to be discussed, negotiated and codified. Ad hoc arrangements will require an agreement about the process of decision-making and intensive negotiation prior to a decision being made. All require an investment in the processes of making decisions.

Agreement on the decision making process is particularly relevant and important where there are significant differences in culture between the partners. Such differences may be due to size (large international and small regional), product expertise (retail bank and an insurance company), ethos (investment bank and commercial bank), regulatory structures (life assurance and funds management), linguistic expertise and embedded presumptions (French and German), national culture and ethos (Brazil and the UK).

5.6 The Rationale for Evolution in Strategic Alliances

The concept of co-evolution can describe the evolution of 'national contexts' and the 'zones of manoeuvre' available in these national contexts, Clark (2000). At the next level down, this concept may be used to analyze geographically determined regional or industry contexts and further, at the increasingly micro level, the individual firm. In this chapter co-evolution is used in this latter firm level context.

At the start of an alliance the strategic intents of the member firms can be said to be co-aligned — that is, facing in a similar direction with a similar intent. As an alliance moves through time, the external environment, internal drivers for all partner firms, and the drivers for individuals and the projected outcomes involved in the alliance (especially if in the form of an independent joint venture) co-evolve and may converge or diverge in varied combinations as discussed in Chapter Six.

Questions about this evolution process were asked in the questionnaire.

5.6.1 'When entering into strategic alliances we devote substantial time to establishing methods for monitoring the implementation of decisions'

Of 61 responses a majority of 70.5% 'agree' (52.5%) or 'strongly agree' (18%) with this statement. The remainder 'neither agree nor disagree' (26.2%) or 'disagree' (3.3%) with this statement.

It follows from the above discussion about managing, that in the complex environment of a strategic alliance it is important for partners to monitor the implementation of decisions. This is especially important because implementation may take place within one firm, a joint venture for example, while the broad decision was made by more than one firm. There may not be direct control of the activities of the alliance by member firms, rather a monitoring and influencing of activity may be the appropriate form of management.

5.6.2 'When entering into strategic alliances we devote substantial time to establishing a method for resolving conflicts'

Of 61 responses 70.5% 'agree' (55.7%) or 'strongly agree' (14.8%). The remainder 'neither agree nor disagree' (27.9%) or 'disagree' (1.6%) with this statement.

A significant majority agreed with this statement. Conflicts that arise in a joint venture can be resolved in a board meeting. In a more diffuse non joint venture however, a mechanism for resolving conflicts needs to be established. This may be through a coordinating committee, for example. Such a mechanism is essential to the process of allowing the strategic alliance to co-evolve with the strategic intents of member firms.

5.6.3 'When entering into strategic alliances we devote substantial time to establishing...a number of other issues'

Out of 61 responses, a small number, 8, made additional comments under this section. These observations related to three headings: commercial benefits, marketing and dissolution.

5.6.3.1 Commercial benefits. Some respondents referred to the optimizing of commercial action, sharing profits/benefits, and the legal and tax framework. As strategic alliances have at their centre the need to obtain a competitive advantage (or mitigate a competitive disadvantage), all three factors above are clearly important. The third factor is particularly important in the case of cross-border alliances or third country operations.

5.6.3.2 Marketing. Some respondents referred to methods for promoting the alliance to customers and to methods for enhancing the relationship with the partner. The former is important in engendering cross-selling of products and services to each other's customer base, and the latter is both an immediate and ongoing need.

5.6.3.3 Dissolution. A respondent referred to methods for breaking the alliance. Strategic alliances, as was seen earlier in the managing section, are set up to meet specific objectives. When the alliance no longer meets those objectives or cannot evolve to meet new, revised objectives, it may need to be dissolved. An orderly dissolution and withdrawal is preferable to its opposite and may need to be carried out according to pre-determined and perhaps pre-documented procedures. The procedures may delineate details such as providing the first refusal of the partner's shareholding to the other partner(s), the split and distribution of resources and profits, and non-competition agreements.

The dissolution of a strategic alliance may well be a positive step. Take the example of a UK firm entering a new geographical market via a strategic alliance with a local partner in Spain. Over time the UK firm would gain knowledge about local business conditions and would also build up its contacts and relationships with distributors (wholesale and retail), while the Spanish firm gains access to knowledge of new products and services. The UK firm may decide to go it alone in the Spanish market by buying out its local partner. The strategic alliance, though dissolved, would have to have met the UK firm's objective of entering the Spanish market and may also have met the Spanish firm's objective of gaining a knowledge transfer.

5.7 Current Status of Strategic Alliances

This section of the questionnaire asked respondents to provide information about the current geographical distribution of strategic alliance partners.

A total response of 68 completed questionnaires was possible. The responses are tabulated and discussed below. The 'percentage', in column three, below is as a percentage of the total possible (e.g., 68 responses equals 100%), while the 'valid percentage', in column four, is the number of responses received as a percentage of the total number of responses to that particular question (e.g., 18 equals 100%).

5.7.1 'How many of your strategic alliances are with partners in the following regions-UK?'

Table 5.2 provides details of the responses. The preference is to have one strategic alliance with a partner in the UK. This may reflect the highly concentrated nature of the UK banking sector in the hands of HSBC, NatWest, Barclays and Lloyds TSB. Where there is more than one UK alliance, this may relate to UK-to-UK alliances. The rationale for these alliances may be due to the trend, initiated in the 1980s, towards universal banking and the resultant need to rapidly build multi-purpose banks providing commercial, investment and assurance services through a mix of acquisitions, mergers and strategic alliances.

It must be noted that by 1998 the concept of the universal bank in the UK was under question. The de-merger of BZW from Barclays Bank, of NatWest Markets from NatWest Bank and the increasing focus on specific products and markets by, for example, non-banking financial services providers such as Marks and Spencer, Tesco, Sainsbury's, Virgin and Internet banks such as Egg and Smile reflected this trend.

5.7.2 'How many of your strategic alliances are with partners in the following regions-Western Europe?'

A high (39) number of strategic alliances between UK and non-UK Western European banks and between Western European banks was noted as detailed in

Table 5.2: Numbers of Partners in UK

number	*frequency*	*percentage*	*valid percentage*
1	6	8. 8	33. 3
2	2	2. 9	11. 1
3	2	2. 9	11. 1
4	3	4. 4	16. 7
5	2	2. 9	11. 1
6	1	1. 5	5. 6
10	2	2. 9	11. 1
Total	18	26. 3	100

Table 5.3: Number of Partners in Western Europe

number	*frequency*	*percentage*	*valid percentage*
1	12	17. 6	30. 7
2	5	7. 4	12. 8
3	6	8. 8	15. 4
4	5	7. 4	12. 8
5	7	10. 3	17. 9
6	1	1. 5	2. 6
7	1	1. 5	2. 6
11	1	1. 5	2. 6
19	1	1. 5	2. 6
Total	39	57. 5	100

Table 5.4: Number of Partners in Eastern Europe

number	*frequency*	*percentage*	*valid percentage*
1	4	5. 9	57. 1
2	1	1. 5	14. 3
3	1	1. 5	14. 3
4	1	1. 5	14. 3
Total	7	10. 4	100

Table 5.5: Number of Partners in North America

number	*frequency*	*percentage*	*valid percentage*
1	11	16. 2	73. 3
2	2	2. 9	13. 3
3	1	1. 5	6. 7
4	1	1. 5	6. 7
Total	15	22. 1	100

Table 5.6: Number of Partners in Asia

number	*frequency*	*percentage*	*valid percentage*
1	4	5. 9	44. 5
2	2	2. 9	22. 2
3	2	2. 9	22. 2
5	1	1. 5	11. 1
Total	9	13. 2	100

Table 5.3. The spread accorded with observations in Chapter Two whereby Western European banks tended to ally with a number of other Western European country banks to establish a cross-European network. This view is further supported by the range of one to five alliances seen with a valid percentage of over 12%.

5.7.3 'How many of your strategic alliances are with partners in the following regions-Eastern Europe?'

The number of alliances in Eastern Europe, as detailed in Table 5.4, was much lower (7) than in Western Europe. In addition, the tendency to have more than one alliance was also markedly lower. This may reflect a number of issues, such as a possible perceived low relative importance of Eastern Europe (vs. Western Europe) as a new market, the more recent nature of access and the economic re-adjustment problems of the region, the concentration of needs in the investment banking (privatisation, consolidation, securities) areas rather than retail and a tendency to retain control, for example, through own branches rather than through alliances.

5.7.4 'How many of your strategic alliances are with partners in the following regions-North America?'

The 73.3% concentration on one North American alliance, see Table 5.5, accorded with the trends observed in Chapter Two where a typical cross-border alliance consisted of a number of Western European banks and one US bank. This linking with US banks may be due to the status of New York as a major world financial centre.

5.7.5 'How many of your strategic alliances are with partners in the following regions-Asia?'

The growth in the Asian Tiger economies over the 1980s and most of 1990s period probably underlies the popularity of alliances with banks in this region as detailed in Table 5.6.

5.7.6 'How many of your strategic alliances are with partners in the following regions-Indian Sub-Continent, South and Central America, Africa, Middle East?'

Western European banks show only a limited tendency to enter into strategic alliances with partners in the regions of the Indian Sub-Continent, South and Central America, Africa and the Middle East. This may reflect the greater tendency to assert control in these regions through acquisitions (for example, Spanish banks acquiring Latin American banks) or having established branch networks dating from colonial days (for example, UK's Standard Chartered Bank).

Underpinning a strategic alliance is the understanding that member firms have access to accurate information about the financial condition of the members (reliable and audited annual reports), that there is a degree of symmetry in management style and that in the case of mishap, there is rapid, and unbiased, recourse to the courts to resolve disputes. In the case of non-Europe/US geographical areas, these underpinning conditions may be considered to be (variably) lacking by potential firms considering alliances. Therefore the tendency may be to enter through one's own operations, such as representative offices and branches, where the firm can exert direct control over decisions and processes, rather than through arm's length strategic alliances.

5.8 Future Plans for Strategic Alliances

This section of the questionnaire asked respondents to provide information about future planned or possible geographical distribution of strategic alliance partners. A number of banks refused to complete this section, presumably because of competitive issues, in spite of assurances as to the maintenance of confidentially.

A total of 68 responses were possible. They were asked to respond to:

5.8.1 'We are using or intend to use strategic alliances to expand our capability in-UK?'

A high valid percentage of 55.2% said they are using alliances and 26.3% would consider further use of alliances with UK banks as reported in Table 5.7. This latter group may have been laggards in entering into alliances who are now expanding their range of alliances or they may be experienced firms that have found alliances beneficial and intend to expand their range. The 34.2% of those who responded 'no and no future plans' may be banks that restrict their operations to a particular geographical area (the German Landesbanken are an example) or they may have existing non-alliance operations in the UK. The final category, ('no and possible future plans' (10.5%)) may refer to those who prefer a high degree of control rather than the looser control of a strategic alliance. Alternatively they may prefer to have the concept of alliances 'proved' prior to using it.

In addition, many Western European banks will also have representative office, branch or subsidiary operations in the City of London due to its position as a global financial centre. The resulting need to establish alliances will be less in terms of cross-border types, because of the ability to use own branch; but intra-country, product or service specific alliances may be more prevalent.

5.8.2 'We are using or intend to use strategic alliances to expand our capability in-Western Europe'

The high positive response, 'yes and possible future plans' (57.1%), may be due to changes in mechanisms underpinning the countries of the European Union and the resulting opportunities that have arisen. The responses are contained in Table 5.8. These changes include, for example, the harmonisation of bank regulation allowing a bank licensed in one EU country to operate in another EU country without obtaining a further licence.

Table 5.7: Expansion Intentions in UK

response	*frequency*	*percentage*	*valid percentage*
Yes but no further plans	11	16. 2	28. 9
Yes and possible future plans	10	14. 7	26. 3
No and no future plans	13	19. 1	34. 2
No and possible future plans	4	5. 9	10. 5
Total	38	55. 9	100

Table 5.8: Expansion Intentions in Western Europe

response	*frequency*	*percentage*	*valid percentage*
Yes but no further plans	9	13. 2	16. 1
Yes and possible future plans	32	47. 1	57. 1
No and no future plans	6	8. 8	10. 7
No and possible future plans	9	13. 2	16. 1
Total	56	82. 3	100

Table 5.9: Expansion Intentions in Eastern Europe

response	*frequency*	*percentage*	*valid percentage*
Yes but no further plans	1	1. 5	2. 9
Yes and possible future plans	9	13. 2	26. 5
No and no future plans	14	20. 6	41. 2
No and possible future plans	10	14. 7	29. 4
Total	34	50	100

Table 5.10: Expansion Intentions in North America

response	*frequency*	*percentage*	*valid percentage*
Yes but no further plans	7	10. 3	20. 6
Yes and possible future plans	5	7. 4	14. 7
No and no future plans	15	22. 1	44. 1
No and possible future plans	7	10. 3	20. 6
Total	34	50. 1	100

Table 5.11: Expansion Intentions in Asia

response	*frequency*	*percentage*	*valid percentage*
Yes but no further plans	4	5. 9	11. 8
Yes and possible future plans	6	8. 8	17. 6
No and no future plans	15	22. 1	44. 1
No and possible future plans	9	13. 2	26. 5
Total	34	50	100

5.8.3 'We are using or intend to use strategic alliances to expand our capability in-Eastern Europe'

The high negative response 'no and no future plans' (I41.2%) probably indicates the high uncertainty of Eastern Europe in terms of ownership of property, the ability to action and realize assets via the courts and the transition status of the economic system. Table 5.9 details the responses. All of these tend to push foreign banks towards the retention of control over their operations via branches or representative offices rather than through strategic alliances. In cases where banks (BNP/Dresdner, for example) have entered into alliances with local partners, these have been of the more tangible joint venture variety. The response 'no and possible future plans' (29.4%) probably points towards the realization that countries of Eastern Europe are in transition and that opportunities are arising. Banks that responded thus are probably cautious but may be waiting for the right opportunity to present itself.

5.8.4 'We are using or intend to use strategic alliances to expand our capability in-North America'

As noted earlier, North America, and particularly New York, is a prime world financial centre where most banks will already have substantive direct, alliance or at least correspondent bank relationships. The minority may wish to upgrade the latter. Table 5.10 details these responses.

5.8.5 'We are using or intend to use strategic alliances to expand our capability in-Asia'

Asia, as noted earlier, continues to be an area where Western European bankers wish to establish alliances. Table 5.11 details these responses.

5.8.6 'We are using or intend to use strategic alliances to expand our capability in-Indian Sub-Continent, South and Central America, Africa, Middle East'

The very high negative responses to the possibility of future expansion via the strategic alliance route in the Indian Sub-Continent, South and Central America, Africa and Middle East regions may be due to:

i) the issue of control by the parent firm of operations in areas where the 'rule of law' is not strong or where the markets are not information transparent.

ii) the focus of the respondents, large Western European banks, on the opportunities generated by the EU in Western Europe and by the collapse of the Berlin Wall in Eastern Europe.

5.9 Additional Observations

At the end of the questionnaire respondents were asked for any observations that they considered important. These responses ranged from short sentences to a comprehensive two-page response.

A British bank stated that it 'has entered into several other strategic alliances in the past, but the relationship has been terminated when the benefit has been achieved and no further value was to be gained'. This accords with the view that the strategic intent of the firm drives its actions, the firm identifies certain needs (defensive or offensive, access to tangible or intangible resources, access to products or markets) and makes the decision to fulfil these needs via a strategic alliance. The continuation of the strategic alliance is predicated on the continuation of benefits to its members.

A second British bank noted that 'strategic alliances are becoming increasingly critical — particularly due to IT and Communications — all enablers of reduced geographical constraints'. Opportunities to expand the geographical spread of countries in which the bank can offer its products and services lead to the need to

access specialized knowledge of the foreign market through a cross-border 'link', often enabled via a strategic alliance.

A British cooperative bank stated 'It is difficult to be accurate in filling in this survey. Within a group like...there are many relationships and no one person is familiar with all of them, how they work, what the objectives are etc. I have tried to give a sense of how we look at things...'. This response provides an insight into the link between an individual intra-firm strategic intents and the resulting alliance. Any particular firm may have a number of diverse strategic intents, located at different places in the firm, that are realized through a diverse set of inter-firm strategic alliances.

A German commercial bank noted that it has two types of alliances. The first type relates to three alliances with insurance companies to provide brokerage on a domestic scale in three different geographic areas. This is a product specific, geographically bounded strategic alliance. The second is a broad-based, global alliance 'together with an outstanding foreign banking group, concerning all third countries' activities'. A firm can enter into alliances to simultaneously serve a number of objectives, domestic and international.

A Luxembourg based bank drew attention to two alliances: one a product and knowledge capital based fund management operation and the other a co-location of its bank offices. The bank could use alliances as a mechanism to facilitate its operations in any area it saw fit. The configuration and purpose of the alliances can vary substantially.

A Norwegian Bank proposed three categories of the strategic alliances that it had entered into: structural, product, and infrastructure.

Structural - A number of Scandinavian banks entered into a strategic alliance with the explicit intent that, over a pre-envisioned time, members would ultimately merge to form a regional champion. Here it was intended that convergent co-evolution, leading to a merger, would take place. Due to a change in the external

context (a regional banking crisis), differential divergent co-evolution took place and the alliance was disbanded.

Product - The initial strategic intent, between the bank and an insurer, was convergent co-evolution leading towards merger. The reality was differential parallel co-evolution leading to the disbanding of the alliance and finally the acquisition of the insurer by the bank.

Infrastructure - A number of Norwegian banks have cooperated in establishing infrastructure alliances that serve the interests of all banks. However, the cost of these alliances has been borne by the larger banks that may now seek to establish their own restricted membership alliances.

The foregoing display the broad range of strategic intents that are served by various forms of strategic alliances and show that intents may change over time.

5.10 Conclusion

This chapter reports the responses to 44 questions contained in the questionnaire. The purpose of the questionnaire was to broadly survey the proclivities of senior managers in large European banks with regard to strategic alliances.

In the academic context the strategic alliance, cooperation agreement, collaborative arrangements, joint venture etc., have a variety of meanings and integral assumptions. At the start of this research a definition of strategic alliance was developed from first principles, and this definition was embedded in the research. In the first section of the questionnaire the respondents were asked to comment on the validity of the consistent parts of the definition. The majority agreed that durability, the sharing or pooling of resources, a mechanism, strategic importance to partners, mutual and own firm economic gain were all elements of a strategic alliance.

Respondents were asked how important they considered a number of reasons for entering into a strategic alliance. There was support for the sharing of risks,

entering a new product or geographical market reasons for entering into alliances. Reduction in the cost of capital is generally considered to be an important reason for entering into strategic alliances in most industries — but this was not so in this survey with regard to the European banking sector.

A number of questions regarding the formation of alliances were asked. The majority had a small, rather than large, number of alliances, were willing to enter into alliances with their competitors and held that there was a direct relationship between ownership and control.

With regard to managing these relationships, the majority reported that their alliances have met or are meeting strategic objectives, that these objectives are specific and underpinned by specific tasks. A degree of calculated initiative in pursuit of these objectives and tasks was allowed. The degree of commitment was high, and time was spent in agreeing methods of making decisions.

As the strategic intents of the members of the alliance change, so the alliance needs to evolve, as discussed at the start of this chapter and detailed in Chapter Six. Respondents stated that substantial time was taken at the start of an alliance to establish methods for monitoring the implementation of decisions and resolving conflicts. The main focus of alliance activity among the respondents was clearly on Western Europe, and this pattern was repeated with regard to future alliance activity.

Questionnaire based surveys generally have, at their core, an attempt to gain a view of the consensus with regard to the particular issue or issues being addressed. The purpose of the questionnaire and its place in this thesis is to broadly identify the proclivities of strategic managers in large European banks with regard to strategic alliances.

In addition the responses have engendered a debate in the previous pages about the complexity of the issues addressed and provided a partial answer to the question – Do strategic alliances add value?

Clearly they do but the tendency is to use alliances in a particular geographical and legal context – Europe, North America – rather than continents – Africa, Latin America - where property rights are not so clearly defined and defendable. Alliance were entered into where useful and disbanded as their use declined.

Chapter Six provides further insights regarding the use of alliances through reporting the analysis of the semi-structured interviews.

Chapter Six

The Substance of Alliances

6.1 Introduction

Key substantive issues can only be explored by dialogue with senior organisational members who are or have been prime movers in the strategic alliance and can therefore provide insights, from the inside, on the causes, effects and major processes relevant to the establishment, development and dissolution of the alliances.

This chapter is based on the interviews conducted with twenty-four senior managers, main board members or head office executives, in nine European countries. The interviews were conducted using a number of semi-structured thematic questions, as detailed in Chapter Four. The insights gleaned are reported below under the broad themes of background, conceiving cooperation, forming cooperation, organizing cooperation, evolving cooperation and dissolving cooperation which we identified as key issues in the review of the academic literature in Chapter Three.

6.2 Background

The external context typically establishes the conditions necessary for strategic alliances to be considered as an appropriate form of business organisation. Many examples of this relationship can be seen. Let me give two particular examples – OPEC in the 1970s and the EU in the 1980 and early 1990s:

When OPEC (the Organisation of Oil Producing Countries) substantially increased the price of crude oil in the 1970s the flow of surplus funds, deposited in London by the oil producing countries and lent on to the oil consuming countries, led (in conjunction with other factors detailed in Chapter Two) to the establishment of the Euromoney markets centred in London. To access these markets a number of strategic alliances - clubs and consortium banks – were

established with, largely, USA, UK and European participation. The C& CBs (also analysed in Chapter Two of this thesis) lasted only as long as the underlying business rationale lasted. As this rationale ended alternative forms - foreign banks' own branches being established in London to access the Euromoney markets directly – became the norm.

An outcome of the establishment of the European Union (and the free trade in goods, services and labour) was to allow European banks to provide their products and services in a foreign European country. This process started through cross-European strategic alliances that allowed one bank's products and services to be distributed through the network and to the customers of another bank. As the business flow increased, own branch operations became more prevalent and more complex relationships developed.

In both of the above cases the strategic alliance was used as an organisation form and method, which allowed the members to test out a potential business stream – enabled through largely market (in the former) and largely regulatory (in the latter) changes in the context – to establish its continuity. This was carried out while sharing the cost and risk through a low commitment of tangible and intangible resources.

A bank's strategic alliances strategy is externally driven by a combination of political and economic developments (the move towards monetary union and greater economic integration) and client needs (greater cross-border activity by both industrial/commercial and financial clienteles).

The context is confirmed as an important issue in the interviews conducted.

6.2.1 Regulatory Changes

In a number of instances a change in regulation at an international, national, industry or product level led to new business opportunities which then allowed the choice to use strategic alliances if thought appropriate.

The UK went through a process of deregulation and liberalisation (starting during the 1980s) which reduced the barriers to foreign banks entering into London; allowed the establishment of Universal Banks; allowed mutual financial organisations to provide consumer loans and also allowed non-financial service organisations to provide consumer financial services. Alongside this was a greater re-regulation of the quality of information about products and a transparency of charges provided to the consumer as a foundation on which to exercise their free choice.

As British banks decided to provide new products for the domestic consumer they established clearly defined strategic alliances (with an inbuilt implicit or explicit finite life) with the agenda to provide these products (in the short term) and to internalise know-how about how to produce, package, market and manage such products themselves in the future. Examples include:

- Alliances between banks and general insurance and life assurance companies to provide and all the banks to internalise know-how gained from the insurance companies with a later go-it-alone strategy being employed by some of the banks.
- Mutual organisations authorised to provide consumer loans established alliances with loan companies and gained access to the latter's credit-scoring systems.

The above general examples are supplemented by a host of specific intra-country alliances established to provide product and services in a more efficient way by using specialised providers who worked in a complementary way. In one example a major Bureau de Change operation took over the running of this service in the branches of a bank, thereby allowing the bank to outsource foreign currency and travellers cheques handling but retaining its own branding and location; in another the demand for national coverage in a sparsely populated large country led to an alliance with the Post Office accessing the extensive office network; in another case the EFTA/EU agreement allowed liberalisation but government maintained a 'golden share' in the national banks to stop takeovers which in turn lead to an increased use of alliances; in another case national (home country) restrictions on

the bank's ability to operate overseas branches may lead to a greater use of alliances.

6.2.2 Market Changes

As the Euromoney markets have developed into a global financial system with global linkages the propensity to seek business opportunities on a global scale has increased. The principles of complementarity, as seen in intra-county alliances is also at the core in international alliances and is used to capture a perceived business stream. Some alliances are set up in a strategic way (for example to access Eastern Europe), others in a more opportunistic and experimental way (to access a specific business opportunity).

In the international arena strategic alliances are used to

- Access the foreign partners' distribution network (branches) and market products prevalent in one country to consumers in the other country where the product would be considered new.
- To produce a new activity, for example, British private-equity know-how into Australia; British and New-Zealand fund management of Indian HNWI funds; British investment into private companies in Japan; Global investment expertise for variously located retail funds.

Alliances allow the ability to enter into new product or geographical markets quickly as opportunities arise and to re-configure as these opportunities change.

6.2.3 Technology Changes

The Coase (1937) conception of the firm (as analysed in Chapter One) was of closed boundaries within which the manager-entrepreneur undertook a number of activities that collectively added up to the business being conducted. The firm internalised – typically – inbound logistics, production, outbound logistics, marketing, servicing and support activities (human resources, finance etc.) – and went into the market place to gather resources or to access customers. The parts of the firm were located in one place or in a number of places (with access

through physical transport links to each other) that – critically – were all under the control of the manger-entrepreneur in terms of direction, activity, employees and the security and control of information, physical products and other parties access.

Technology – the personal computer and the internet – enables parts of the 'firm' to be located far from each other and yet still communicate without time lags. The nature of the Coasian firm is the same as the 1937 conception in that the manager-entrepreneur remains in control of direction and resources but it has changed in that the resources may be located a long way away or may belong to another firm but be 'rented' through contracts by the firm under analysis.

A non-financial services sector virtual bank can now own the marketing relationship, deliver the products electronically (alongside retail, post and agency sales networks) and outsource much of its activities - for example IT to IBM, HR to Hayes, Finance and Credit Control to a bank. The boundaries of the virtual bank (firm) now extend to the parts of the partner organisation, wherever located, that are allocated by contract to this virtual bank. The security and control of data becomes paramount and the boundaries of the firm become increasingly contractual and virtual or electronic. Examples of this process include infrastructure alliances such as DELTA and ATMs and virtual banks such as Sainsburys Bank, Egg, Intelligent Finance et al.

The developments in technology provide new opportunities for banks. Some make the high investment to gain the advantage of being first, others wait until the service is proven before providing the same. Technology reduces the boundaries between products, increases the need for scale (to off-set the costs of technology), changes the boundaries and leads to a more focused industry and an exchange of skills through contracts.

6.3 Conceiving Cooperation

Changes in the regulatory, market or technological contexts provide new opportunities for bankers to develop new streams of business and profit. The decision to enter into a particular product or geographical area is taken alongside

the decision on the most suitable method of entry. So why are strategic alliances chosen?

6.3.1 Context

Context is clearly the key determiner of the decision to use a form of strategic alliance to meet business needs. This context can be at a number of levels from international to organizational.

On the international level this can be because of the globalisation of financial services predicated on a desire to cross-borders in the pursuit of new products, markets and customers. In the interviews a number of examples pointed to the importance of the context:

- History and Geography - A Spanish bank wanted to internationalise but saw its core strength as building a bridge between Europe and Spanish speaking Latin America. The longstanding historical and linguistic link underpinned the ability to service trade and investment flows and to provide this ability to others. Later this strategy would lead to acquisitions by Spanish banks of local banks in Latin America.
- Regional Champions - At an IMF/World Bank meeting in 1984 four major Nordic banks, who knew each other from a consortium bank co-involvement in the 1970s, decided to consider the development of a strategic alliance as a precursor to merger. The reason for its foundation was the perceived need to establish a Scandinavian Champion to operate in the increasingly globally competitive environment. It was backed by strong top-level commitment and maintained through annual Salmon fishing expeditions between the top teams and their families.
- Primary Interests - A German bank whose major concern was financing, and gaining branch and customer networks in the newly open East Germany, decided to place its international expansion in the hands of a strategic alliance, the most successful part of which was equity joint ventures in Eastern Europe.
- Focus – A Californian bank disposed of its international operations and focused on the provision of credit in the home market, thereby increasing

credit quality. An alliance with a British global bank precluded poaching by other local banks with an international network by providing for the former's customers and a Californian presence for the latter.

- Various Factors – A host of other contexts and contextual changes drive alliance activity. Internal policies and procedures preclude alliances; distinctive strengths – for example fisheries financing – determine the degree of geographical growth; Government policy precludes foreign ownership of local banks to maintain national integrity or precludes the opening of some types of foreign branches; differences in personal tax regimes predispose people to live in one European country and work in another and therefore provide an opportunity for the offer of new products.

The contexts are as varied as the number of countries, banks and customer needs. In some cases the context – a prohibition on the establishment of certain types of branches by Swiss Banks outside Switzerland – determines that strategic alliances must be used. In other cases – the decision to establish eventually a Scandinavian Regional Champion – led to a choice in favour of a strategic alliance between national banks, which over time would build relationship, technology and process links leading to convergence and merger.

6.3.2 Issues

When determining whether to enter into a strategic alliance, rather than some other form of business organization, issues to consider are varied. As mentioned above some decisions may be predetermined by national legislation, but in most cases the potential entrants into the alliance may chose between organic growth, strategic alliances and mergers and acquisition routes to achieve expanding capability. What then are the key issues to consider in deciding (where the choice is available) on the alliance as the preferred form?

The interviews pointed to a broad range of reasons:

- Opportunistic – As opportunities arose to gain 'economic benefit', a realisation that may well be at business group level that the strategic alliance allows a quick reaction to capture these opportunities without an

excessive commitment of resources or contracts. An additional benefit is that the alliance is also relatively easy to terminate. Alliances may provide joint opportunities, a synergy of fit, opportunity to enter a new market, or opportunity for a partner to learn about a new sector of their domestic market.

- Legal restrictions – Some countries stop the acquisition of local banks either through formal barriers or through informal barriers. Others allow internal alliances – such as between a bank and the national post office branches – rather than an acquisition so as to maintain diverse provision.
- Sharing expertise – The alliance form allows firms that are not in the same industry to share their expertise to achieve a common goal. An example is of a 'Fastbox' outlet located in Switzerland which was built through an alliance between a kiosk retailer of cigarettes/newspapers/chocolate, an IT firm, a bank and, a provider of tickets for entertainment. Individually none of the partners would consider acquiring the other and entering into their industry. Collectively, via a strategic alliance, they can configure the service and all gain additional customers and revenue.
- Infrastructure needs – Banking requires a set of infrastructure alliances (See Chapter Seven for a discussion) that underpin and enable banking activity. Infrastructure alliances include clearing systems (BACS); electronic point of sale systems (SWITCH, DELTA); retail payment systems (VISA); automated teller machines (ATMs) and funds transfer systems (IBOS, SWIFT). The majority of banks need these services and membership is very broad thereby spreading the cost.
- Country conditions – Even where there are no formal barriers to entering a country through a strategic alliance, the nature of local conditions may preclude this choice. Clear and determinable property rights, backed up by a legal system based on proof rather than personal preference, is necessary to allow the firms in an alliance to establish and terminate contracts. Without this the only mechanism for control would be through direct ownership of the overseas firm and direction of its employees. Banks showed a tendency to enter into countries through strategic alliances where clear (tangible and intangible) property rights are possible

and show a great reluctance to enter into countries through strategic alliances where property rights are not clear.

- Organizational conditions – In some internal contexts an assignment to a strategic alliance may be considered a move out of the mainstream career path and may not attract candidates or have due importance in the partner firm's psyches. Particular banks have certain internal ethos – Co-operative Bank for example – that predispose them to enter into alliances only with those banks that have a similar internal ethos.

The decision on whether to enter into a strategic alliance, as opposed to some other form, is dependent on the objectives, special considerations (as analysed above) and the likelihood, as judged by the prospective partners, of the alliance being successful.

6.3.3 Success

A number of factors are identified as pointers toward a successful strategic alliance. A Swiss bank was clear in its review of these factors:

- a similar customer base in the retail or medium sized business area
- the bank's existing regional structure was used. Regional managers initiated and were the focus of co-operation in the region
- strategic decisions on co-operation were taken at the Head Office
- implementation of the operations was considered most important
- customer lines were managed though the Key Accounts System
- the relationship manager must be able to see a direct benefit of an alliance in servicing their customers' needs.

This clear menu was supported by a British bank which found partners which displayed a 'similar strategy, or similar perception of the external circumstances, a similar uncertainty about how to respond to it, similar difficulties I suppose in terms of resources...and a focus on SMEs...and a similar culture'.

A heavy focus on implementation was seen as a determinant of success. In IT outsourcing the long term planning horizon (3-5 years), the heavy unionisation of

the industry and the serious implications for the business if projects were not properly completed made accurate and timely implementation critical. In another case the build up, over a long time (over 70 years in one example), of relationships (which delivered good products and cleanly resolved difficulties) between a retail bank and professional workers' affinity groups, led to a great degree of customer loyalty and to the identification of the bank with the affinity groups and the customer sector.

6.3.4 Continued Use

A number of research findings pointed to the continued use of alliances. A British bank's core activity is to provide retail financial services to members of professional workers' affinity group. At establishment it provided insurance services to an affinity group. Now this bank provides a range of services to a number of such groups. Its customer acquisition and distribution method are the same, the affinity group, with both parties gaining from the relationship. So, in this case, the alliance strategy is a core part of the business model and will continue to be used.

While the reasons for entering into alliances are known, it was noted that the decision to enter into an alliance with a particular firm in a particular market could lead to other non-alliance member banks not dealing with the alliance partners as a self-protective measure.

6.4 Forming Cooperation

Once the decision to use a strategic alliance as the mechanism for meeting identified business needs is made, the next issue is how to form this collaboration. The literature identifies three main issues for consideration.

6.4.1 Core Processes

Researchers point to the core processes inherent in a strategic alliance. These processes include those to do with finance, control, learning and strategy.

With regard to finance a German bank in the sample was clear that an increase in shareholder capital to fund international expansion would be negatively correlated with the value of the shares to shareholders. So this bank tended to use methods of expansion that limited the use of expensive bank capital – equity joint ventures, contractual alliances – all of which include sharing the financial costs.

The control issues were often noted. Alliances allow a 'risk sharing' that can include the reduction of risk by co-opting local know-how thereby reducing the 'likelihood of problems'. It is clear, however, that this also leads to more tenuous control – as control is dispersed over a wider range of people in two or more firms. How do banks deal with these issues?

Again a German bank used the equity joint venture form of alliance, establishing a separate company with its own independent Board and management structure, so that there is 'respect for local necessities' with minimal interference from the head quarters of the parent companies. Developing this idea, a number of British banks started from the premise that 'relationships' were most important – that alliances were formed and based on goodwill, trust, mutual understanding and later underpinned by contracts, joint ventures, policies, rules, regulations. Serving and delivering the mutual interest was the core activity of the alliance. In one case a clear preference was for independent action, with a cultural bias against sharing, and a strong desire to maintain control.

In many cases, particularly German and British banks, managers noted the importance of learning. Alliances may be initiated by a 'regulatory impulse', an identified specific opportunity, and the parallel identification of the lack of knowledge in an area required to deliver the benefits of the opportunity. Banks sought alliances with partners who could bring 'greater experience and greater strength' in the required area. Alliances developed from a 'smaller nucleus' then grew as the rationale grew.

The parallel or convergent nature of the strategies of the firms considering entering into an alliance was very important. A Dutch bank was clear that the strategy of cross-border alliances to access the other partner's home country

branch networks, and to increase the distribution network, was flawed. Rather they chose to specialise in developing an expertise, emerging markets, which they subsequently provided to all.

6.4.2 Cultural Dissimilarity

International alliances add the dimension of cultural dissimilarity. A British bank reflected on its three small local alliances in Spain, France and Italy that were designed to gain local expertise and to try out a new market. The alliances failed to deliver and were disbanded. What were the reasons?

- 'it's very difficult for financial services organisations to cross national boundaries'
- 'you have to get it right between imposing your culture and your product offering into that market'

The cultural dimension manifests itself in a number of areas such as national characteristics (however defined), business ethos, nature of agreements, even language used. On the more practical front, international systems such as VISA, MasterCard and SWIFT allow a degree of operational homogeneity between banks which in many respects are dissimilar. The local currency cheque clearing systems, by and large, designed for local needs, and time consuming collection systems often end up being used for foreign cheques. IT systems may not be compatible and may require major investment to underpin the alliance.

A number of those interviewed pointed to some form of pre-existing relationship with an overseas bank or foreign country. This relationship, and resultant mutual understanding, was the underpinning of successful alliances. A Spanish bank mentioned, on the one hand, its linguistic and trade links with some parts of Latin America, and on the other the trade and political links with the rest of Europe. This put it in a unique position to act as a 'financial services bridge' between Europe and Latin America.

Cultural fit is used as a term to describe a 'meeting of minds', the latter a phrase that encompasses a number of issues including:

- a view of the world that is in harmony – eg: co-operative banks sharing an ideology
- a parallel or convergent understanding of the key opportunities in Europe, or in a product market
- a mutual understanding and respect on a very human level

As one British banker said, "if you get along with people you are more likely to achieve things faster and again you have to be able to, I hesitate to say the ..., share a vision..., but I think it means really sharing perhaps a cultural fit, sharing a view of the market where it's going, and seeing how that can go".

It could be said that a successful cross-border strategic alliance is one where cultural fit is high. However it may be that the best arrangement is when cultural fit in managerial processes and world-view is high (so the partners can work together), but cultural dissimilarity in product or geographical knowledge for example is also high so that there is the possibility to learn from the partner.

Thus:

Cultural Fit (managerial processes + world-view) + Cultural Dissimilarity (product or geographical knowledge) = mutually beneficial and valuable knowledge transfer = successful strategic alliance.

6.4.3 Decision-Making

Within an alliance a variety of decision-making mechanisms can be identified. These mechanisms are driven both by the nature of the business and the managerial ethos.

In the case of an investment fund alliance between British and Japanese partners the process started with a feasibility study which led to a structure that is standard in the industry – a partnership agreement with a pre-determined life to invest, gain return and dissolve. The relationship between the two parent companies is

encapsulated in a management company that runs the various investment fund companies.

This industry determined arrangement is very different from a British bank that set its own clear agenda when managing alliances. The decisions to enter into alliances between two or more banks are based on strategic thinking at Group level. Once the decision had been made the management of the functional alliance (or the functional parts of a broader alliance) were considered:

> 'very specific to subsidiaries, or operational areas and therefore the authority to manage them was delegated down to either the functional manager in the case of a technology alliance, or the chief executive of a subsidiary who is managing those alliances as a main part of his business'.

Once the decision has been made to enter into an alliance the possible internal and cross-partner structures are many fold.

A German bank, upon agreeing to collaborate with a partner, set up a joint venture vehicle and a business plan approved by the head quarters of the parent banks. The preferred method was to appoint joint venture managing directors, one from each parent, who ran a largely self-contained and self-directed joint venture.

Various ongoing processes were used to facilitate the operations of the alliance and to engender closer cooperation. These ranged from a 10 year planning horizon (British bank); specialist 2-3 person committee to prepare the 'grand vision' (Norwegian bank); a reciprocal board membership and a small cross-shareholding (a French bank); person exchange programmes (a French and a German bank); a coming together for specific activities but also maintaining a clear separate identity (a German bank).

In designing products 'review meetings' were held (reported a British bank) where decisions were made on 'what kind of products are being offered.' It was clearly important in this case to match the alliance insurance partners' product design, business culture, and delivery to the needs of the banks customers.

A British bank stated that the levels of responsibility for lending, expenditure, contracts etc. are very clearly defined. However no one place is identified as responsible for joint ventures. In general the head of a department wishing to enter into an operations based alliance would ask the 'Executive Committee member responsible for a particular area...[to take the time to]...take a view as to whether he felt it was something that he needed to bring to the table...[at the Executive Committee]...to get the approval of his colleagues.' Any approved alliances may be based on a number of legal contracts which if required will be arranged by the legal department.

These alliances would be supported by time spent in building up a personal as well as a professional relationship. Accordingly 'so we sponsor their rally cars, we play cricket against them each year, we go to their golf tournaments but more than that we report our numbers to them every month, actual numbers, profit and loss and number of customers.'

The decision making mechanisms are in two main areas:

- deciding whether to enter into an alliance, with whom to enter into it, for what purpose and under what terms.
- once the decision has been made, how to structure and manage the collaboration.
- how to develop bonding and mutual respect between the partners managers and staff.

6.5 Organizing Cooperation

6.5.1 Benefits and Dangers

The organization and configuration of the alliance attempt to reap the benefits and mitigate the dangers. The benefits are identified by managers as being important, and therefore it is important to mitigate the danger of an alternative provider taking on this business. These dangers are often of a specific nature – geographically, organisationally or customer based.

A particularly clear example of this is the Swedish bank that built an alliance with the Swedish Post Office. The benefits (and mitigations) of this alliance were of three tiers:

- Geographically specific – the need to meet the regulatory requirement to service customers all over the largely rural and widely dispersed population. Entering into this alliance secured the network and excluded competitors.
- Organisational specific – The Swedish Post Office provided lower transaction costs as their customers carry out limited transactions.
- Customer specific – The network allows the servicing of customers throughout the country, allowing the gathering of low cost deposits and the selling of new products.

The definition of a customer varies – Swedish salaried employees often have their accounts opened for them by the employer. Thus banks target and build alliances with employer firms and once the current account and salary credits are captured savings and loan products follow to develop a profitable relationship. Another example is the acquisition of a branch in Copenhagen by a German bank that was predicated on the Germans bank's desire to build a competence centre starting from servicing the Baltic Sea business through to providing shipping finance. Alternatively, process decisions such as to reduce costs or increase effectiveness may be underpinning the decision to enter into a specific alliance.

6.5.2 Form Complexity

Alliances are complex organisational forms. They range from high degrees of formality to high degrees of informality. A sample is provided below.

Formal forms include a Board based management team for a Joint Venture; a swap of board directors and an alternative or alternating chairman; Board decisions communicated to operational departments (and a dormant Steering Group); formalities due to legal structures and agreements with seamless management; 'objectives are specific, identify specific tasks, take calculated initiatives'; 'consider there is a direct positive relationship between equity and

managerial control'; dialogue at senior board level and permanent dialogue between operating departments; preferred equity joint ventures; 10% ownership swap; full recognition of clear and focused business objectives; formal Board meetings; alliances must not get too independent; international alliance is 'more planned, much more structured and more thought about and perhaps more importantly much more committed from the point of view of both parties'; mutual representation on Board of Governors dealing with strategic issues, steering group established at start disbanded and operational units for coordination substituted.

Informal forms include interchange of people; working with banks of a similar size (and similarities in decision making systems, time scales etc.); agreements that allow (but do not force) participation in each other's loans; 'committees are forbidden; 'who has the best knowledge about it, who do we talk to...who works on the tasks that they have over there'; a personnel swap between two partners of the alliance; absence of share stakes or a legal entity is not seen as an inhibiting factor in any way; periodic brainstorming, ad hoc task force activities designed to identify market opportunities, personal accountability of senior international officers in making alliances work; meetings between functional staff from partners.

There are as many forms of alliances (an unlimited combination of formal and informal forms) as there are alliances themselves.

6.5.3 Trust Building

Alliance partners deliberately build trust between their firms to facilitate a successful alliance. The trust building themes are twofold – sufficient structure to allow discussion and sufficient flexibility to allow open dialogue. As one British bank said:

> No token shareholding and the Minutes of a meeting start with 'this is what we want to do together, it was very vague, deliberately and there's been no piece of paper since. It's just informal contacts.'

Relationships at all levels were built on patience and interaction in developing products and providing services. Whilst there was general understanding between Boards of Directors and specific contracts with separate organisations, informal relationships were engendered by the emphasis on sending young specialists from the French and German partners to the other for socialisation thereby learning each others systems and cultures and then sending them into a third country.

Trust between the bank and its customer is very important. A British bank has built long-term relationships, some as long as 70 years, with affinity groups. Members of these groups trust the group and in turn the group trusts the bank. The relationship between the bank, affinity group and the individual customer is one of experience, trust, integrity and reliability.

To summarise 'the most important thing is actually that we have partners in daily business on which we can rely' and 'as the relationship builds over time, the deeper trust and personal relationships, so you can work together better and better.'

6.5.4 International Complexity

International collaborations bring increased managerial complexity. To enter into a new country (as in the case of the Franco/German collaboration) the view emerged that it was easier to develop a new operation (singly or jointly). This would mitigate the complexity and difficulty of building a common culture as well as electronic computer systems from two existing groups. Rather the new operation, though jointly owned, would build its own systems and a distinct, individual culture.

In establishing an East European joint venture the French and German banks brought with them their corporate clients. Local knowledge was important:

> 'you should know the third country, the local country [in East Europe], you should have knowledge of banking and of the business reasonings and behaviour etc.'

The international dimension has repercussions in staffing. In a Franco/German alliance a French minority group 'who have limited economic opportunities in mainstream France' lived just near the border and were put to work in the German partner bank where they could 'work like a German worker'.

The decision to go overseas is driven by a number of factors:

> A geographical expansion of a British bank to follow business opportunities through purchasing a 100 branch Portuguese bank and through following large corporate clients who are attempting to capture new business streams.

International operations may be enabled and delivered by branches, by international electronic payments systems, or by agreement with overseas, otherwise independent, branches.

6.6 Evolving Cooperation

6.6.1 Sustaining Collaboration

As an alliance is established there is alignment between the parent firms' objectives and the objectives of the alliance. Alliances require the commitment of a dynamic individual or group of individuals whose personal input leads to the alliance performing. All three levels, parent firms, alliance members and individuals, have to co-evolve. Co-evolution leads to a longer-term alliance if it is still in accord with the underlying business rationale and thereby greater security of revenue. Co-evolution is required at all levels from strategy to delivery and clear, but changing, objectives lead to the delivery of a clear and appropriate result.

6.6.2 Co-learning

As alliances evolve a number of dimensions come into play with co-learning, often referred to as the most important.

The primary requirements of co-learning in an alliance are 'recognition of an identity of interest' which continues over time, and an ability to exchange information, ideas and insights. However, information cannot flow freely in alliances 'because it's sensitive information. Those things [free information flow] will become more difficult to manage as banks, building societies or insurance companies broaden their structures, their markets and the intermingling will become more confused.' Sometimes the strategic alliance will bring specific knowledge and the partner bank will internalise it.

Despite the above proviso many of those interviewed gave importance to the human processes that led to successful alliances through co-learning. For example:

- 'Enormous value from having someone that you trust and can talk about strategy', as one CEO remarked (it is lonely at the top).
- That alliances relied on trust, cultural fit, interpersonal support, equal partnership, mutual respect, core desire to maintain the relationship at a professional and personal level, open and honest dialogue, mutual understanding.

In their daily work the alliance partners used networks and relationships to persuade and develop consensus. This consensus changed as the strategic objectives changed and developed and the positive and negative experiences of alliances determined the nature, management and development of the next alliance.

Products were co-designed to meet specific needs, in response to specific events and client needs, this was carried out at an operational level. As one banker said 'a lot of time was put into the question to find out which way we can make more business together'.

Another bank enabled the product development process by holding meetings every 4-6 weeks to identify areas of mutual concern and interest based around encouragement and coaching rather than structures. These alliance partners try to

be proactive in considering all areas of business through allowing ideas to spark and then try to develop them together.

6.6.3 International Issues

Particular firms and countries display particular concerns. The main concern, with regard to the international context, was accessing the learning curve effects of the overseas location. Entering into alliances with overseas banks to access the overseas market allowed the internalisation of the local business culture and mitigated against the perceived differences. A German co-operative bank attempted to further mitigate the national business culture 'issues' in Spain and Eastern Europe by building alliances solely with other co-operative banks, who had a similar 'co-operative ethos' overlaying their national business culture.

6.7 Dissolving Cooperation

6.7.1 Ceasing Rationales

A strategic alliance is usually established to satisfy a business need – to enter a new geographical or product market, to access new knowledge – and co-evolve as the strategic needs of their parent companies evolve.

Alliances are dissolved when they no longer serve the needs of all the partners. The method of dissolution may range from a total disbanding to an internalisation by one partner of the activity-competence of the former alliance. In both cases the alliance has not in some way 'failed' but rather delivered what it could or was required to deliver and is no longer an appropriate way for the former partners to meet their business needs.

Again the reasons for dissolution may be as varied as the alliances dissolved. A sample of the observations made by interviewees on the subject of dissolving alliances is provided below ordered by the nationality of the bank(s) that made observations regarding the dissolution of the alliance:

In the case of British banks:

- 'going back to one of the philosophies we have is shareholder return and by that it's not just mouthing the philosophy we actually try to make a decision based on it...so you've got to be constantly planning and analysing what is it you're getting out of this...what else can we do...if it's a more balanced contract, then the other side should be thinking the same thing as well'
- dissolving an alliance is a considered decision as it has a direct impact on one's and one's partners business
- agreements govern the access to underpinning technology so that if the alliance is dissolved then access to the technology will still continue
- one British-Indian JV is being terminated 'because of the particular circumstances of the alliance and it has a natural life and that's really all [there is] to be said'. Documents regarding termination are 'substantially irrelevant in a sense that it's the fact that is important, and if there's nothing for the venture to do then the venture's life is limited and terminated'
- the reasons for termination depend entirely on the venture – it may be at the end of its natural life, a failed venture or have successfully carried out what it needs to do
- they considered themselves ruthless about the tangibility of the alliance and equally ruthless about the non-viability of an alliance. Dissolving includes the issues of contracts, exit periods etc. The viability of the alliance was checked via the financial planning process

In the case of a Dutch Bank:

- it presumed a good fit between Dutch-Uruguay partners from a business point of view but suffered from a clash of cultures. The Dutch bank injected capital and management expertise but the local bank resisted the business plan developed so it pulled out. With hindsight it is important to 'talk fundamentals from the outset' to establish whether there is a meeting of minds between the prospective partners

In the case of a German bank:

- the formal termination provision may be addressed in different ways. The statutes of the alliance include termination clauses. In Germany they use 2-6 pages to address all the issues rather than the Anglo-Saxon 60 plus pages

In the case of a Norwegian bank:

- the alliance collapsed with worse relations than before except at the founding fathers/old chairman level. The gains of the 1980s – payments systems, multinational corporation subsidiary accounts – were lost. Because staving off the bankruptcy of the firm was more important than the alliance it became secondary, but could have been reactivated. The new managing directors and chairmen wanted to put blue-water between previous policies and current policies. The underlying Scandinavian consortium bank collapsed as well when the vision collapsed and practical operational initiatives started to fall to pieces. A financial crisis in the early 1990s led to a non-functioning alliance by 1992 and by 1995 all areas of the co-operation between the four banks terminated and the underlying vehicle dissolved. Now the former partners only have normal correspondent banking relationships
- it set up an alliance with a Swedish bank in London but closed because the 'war aims' of the two partners diverged after the strategic alliance was formed. They had a specialised ship financing company, together with some other rich banks. The specialist company was taken over by one of the members and the joint venture with a Swedish bank closed down because branches wanted to become too independent

In the case of a Spanish Bank:

- a former alliance with a bank in France, regarding mergers and acquisitions work, was cancelled after one and a half years due to problems with the business flow (from France into Spain rather than vice versa) and problems with letters of credit etc. An agreement with the Italian bank in the leasing area was the local initiative of an Italian bank manager in Spain and dissolved when the manager moved on to other responsibilities

In the case of a Swiss Bank:

- a failed alliance in Italy was credited to an inability to enter into cross shareholdings

In the above we have deliberately cited a wide range of factors and causes concerning dissolution, often supported by quotations from the discussions, because that does represent the spread of testimonies offered by the respondents. There are, however, some themes present through these testimonies. First the alliance is measured against some criteria – profitability, tangibility, shareholder value, and found wanting. Second, cultural incompatibility is recognised post factum. Third, the alliance has run its course, served its purpose, or is no longer appropriate in changed circumstances.

6.8 Conclusion

The senior managers' core interests, as noted by the degree of discussion in each area, were the global, national and market context and the two areas of the conceiving and forming cooperation. The organising and co-evolution areas received less attention in the discussions. This may be because, based on this review, these elements were dealt with in real time by non-Board levels of management and operational people and were not directly the responsibility of senior management, other then in setting policy. The dissolving cooperation question resulted in detailed responses with, in many cases, an expression of the lessons learnt.

The research material reported in Chapter Five generated valuable pan-European data enabling developments and trends in strategic alliance formation to be identified. The present chapter is complementary in that it explores the internal dynamics of strategic alliances in European banking. Substantive insights about the lifecycle of alliances, as seen from the inside by practicing senior managers, are reported and analysed. We found here how the alliances commenced, what the participants thought – what the ensuing experience was.

The next chapter provides a final response to the question posed at the start of this thesis – 'Do Strategic Alliances Add Value?', revisits our understanding of strategic alliances and proposes two areas of further research.

Chapter Seven

Discussion and Further Research

7.1 Introduction

In this final chapter we seek to provide a response to the question 'Do Strategic Alliances Add Value?' as posed at the start, and a leitmotiv of the thesis. The definition of a strategic alliance as posited in Chapter One is revisited and revised. A summary of the contribution of this thesis to academic knowledge and the practice of alliances is provided. A number of reflections on the methodologies employed follow and, as a result of findings in this thesis, further research into the infrastructure alliance and into the co-evolution model is proposed together with some suggestions for a future research agenda.

7.2 Conclusion

7.2.1 Do Strategic Alliances Add Value?

The observed phenomena of an exponential increase in the use of strategic alliances was examined in this thesis using the epistemology of Transcendental Realism (Lawson, 1997) wherein scientific enquiry is aimed 'at identifying the underlying structures and mechanisms…', a movement from the observed to the underlying. To investigate this movement from observed to underlying a number of scientific research tools were utilised.

We examined the research question through five types of analysis and at two levels of engagement – through an analysis of the strategic alliance from first principles (at firm level) based on the foundation work, 'The Theory of the Firm' by Coase (1937); through a 23 year historical review of secondary data (at industry level); through a review of over 400 papers in the academic literature (at firm and industry level); through a questionnaire survey of European banks (at firm level again) and through in-depth interviews of senior managers (also at firm level). This research examined the European banking industry.

As argued in Chapter One, Coase (1937) set out to explain the rationale of the firm that is, at the simplest, the existence of transaction costs and uncertainty ("bounded rationality") may make it less costly, less risky or both to internalize inherently separate economic activities within the boundaries of the firm. The strategic alliance was detailed in terms of its form, nature, purpose and importance and identified as taking an intermediate position on the continuum between market based, arm's length transactions on the one hand and relationships and hierarchic, or intra-firm transactions and relationships on the other. Glaister and Buckley (1994) identified a dichotomy between the purposes of market-based transactions and intra-firm transactions as reported in Figure 1.3. The strategic alliance allows one to balance the two extremes and therefore allow the firm to make more flexible choices, as available in the market, while at the same time securing the benefits of intra-firm operations.

The analysis of historical secondary data ranging over 23 years, as reported in Chapter Two, determined that the use of alliances went through three distinct lifecycles each of which, in different ways, added value to the alliance and member firms. The Clubs and Consortium Banks lifecycle (during the 1970s) enabled bankers located throughout Europe and the USA to internationalise (through, for example, a low commitment of capital, reduced risk, shared return and an easy potential exit) and to follow commercial opportunities whilst accessing the new established Euromarkets in London. Bankassurance (during the 1980s) allowed banks in the UK to take advantage of new opportunities afforded through the liberalization of the financial sector to provide various insurance services to bank customers, products and expertise being sourced through alliances with insurance companies. The Virtual Bank (starting during the 1990s and continuing) allowed the firms in Coase (1937) terms to disaggregate the firm through technology to disparate geographical locations and outsource to various providers whilst retaining control of the firm's operation and knowledge capital boundaries through contract based alliances. Virtual banks still exist as a viable method of organising banking services. In all these cases – clubs and consortium banks, bankassurance and virtual banks – types of alliances add value in different ways as appropriate to the different context which they operate in.

The literature review in Chapter Three, shows quiet clearly that strategic alliances add value of different degrees, of different types and of different duration in a wide range of geographical, industry and firm contexts.

Our questionnaire survey of major European banks, as analysed in Chapter Five, found that the reduction in the cost of capital, the sharing of risks, help in accessing product and geographical markets or distribution channels were all advantages gained through strategic alliances.

The analysis, reported in Chapter Six, of in-depth interviews with 24 senior managers across 9 European countries has provided further insights into the alliance process and confirmed that alliances provide a number of benefits to the partners.

To summarise:

- Strategic alliances allow the ability to balance 'markets' and 'intra-firm transaction' extremes and enjoy flexible choices in increasingly dynamic markets.
- Clubs & Consortium Banks and Bankassurance lifecycles display the value of alliances in allowing an early entry into a business area with later commitment. Virtual banks allow disaggregration of the firm while retaining strategic intent of its (owned or contracted) resources.
- Strategic alliances add value of different degrees and of different duration in a wide range of geographical, industry and firm contexts.
- Strategic alliances allowed, variously, a reduction in the cost of capital, the sharing of risks, accessing knowledge capital and resources, help in accessing product or geographical markets and distribution channels.
- Senior Directors confirmed that strategic alliances provided a number of benefits to partners. These benefits were at differential rates, of varying duration, in different ways and of varied impact.

Based on the wide-ranging analysis in this thesis it is possible to assert with a high degree of confidence that strategic alliances do add value and increase the rage of strategic options available to Senior Directors.

7.2.2 Revised understanding of a strategic alliance

In Chapter One an extensive analysis of the form, nature, purpose and importance, of strategic alliances, based on the ground breaking work of Coase (1937) and Williamson (1982, 1986), was carried out and the strategic alliance defined as:

> *A durable relationship established between two or more independent firms, involving the sharing or pooling of resources to create a mechanism (corporate or otherwise) for undertaking a business activity or activities of strategic importance to one or more of the partners for their mutual economic advantage.*
>
> Hamilton, Morison and ul-Haq (1996)

In the research reported in this thesis it emerged that strategic alliances only lasted as long as the strategic rationale lasted. As long as the alliance continued to deliver sufficient value to the partners to continue, the alliance did continue. However if the converse was true the alliance would be disbanded, for example, through gradual withdrawal, through sudden and terminal disbanding or through internalisation by one ore other partner of some key element in the alliance based cooperation. In some cases the strategic alliance had a defined period of life – either measured in time or in outcomes – before disbanding occurred.

Our research suggests that firms entering into alliances hold the explicit or implicit view that the alliance will only last as long as the strategic advantages are forthcoming. In some form the alliance partners 'anticipate' that the alliance will be dissolved at some future date. Accordingly the definition offered at the start of this thesis should be amended to:

A relationship of anticipated durability established between two or more independent firms, involving the sharing or pooling of resources to create a mechanism (corporate or otherwise) for undertaking a business activity or

activities of strategic importance to one or more of the partners for their mutual economic advantage.

Underlining the often limited lifespan of alliances, however, does not detract from the range of alliance-based value explored in these pages.

7.2.3 Contribution to Knowledge

This thesis has provided a contribution to our knowledge of alliances in a number areas: dynamic-disequilibrium, the distinction between Strategic vs. Infrastructure Alliances, the (Changing) Nature of the Firm, Directors Areas of Interest, Geographical Scope and Property Rights, and implications for Other Industries.

7.2.3.1 Dynamic-disequilibrium. This thesis provides a detailed summary of the major academic work in line with the lifecycle of an alliance: conceiving, forming, organizing, evolving, dissolving cooperation. This summary will be valuable to academics researching in this area and to practitioners initiating and running alliances as it brings together the core findings in one accessible document.

The springboard we find is that deregulation, increased use of technology, enhanced and fickle customer expectations, increased merger and acquisition activity, reduction in protectionism, increased formation of trading blocks and global competition have undermined the old certainties within which firms could achieve a sustainable competitive advantage over a long period. Markets no longer tend towards an equilibrium position but are continuously in a state of 'dynamic-disequilibrium'. Strategic alliances provide an essential mechanism and as we have shown a flexible one for rapid and repeat re-configuration to meet the external and internal challenges.

7.2.3.2 Strategic verses infrastructure alliances. The original definition of strategic alliances as 'obligational-contractual relations' which are '..[A] durable relationship[s] established between two or more independent firms, involving the sharing or pooling of resources to create a mechanism (corporate or otherwise) for

undertaking a business activity or activities of strategic importance to one or more of the partners for their mutual economic advantage'. Research led to modifying this definition to 'A relationship of anticipated durability...'. Strategic alliances are found to be set up to add value to members.

As a development of the foregoing we identified the 'infrastructure alliance', as a former strategic alliance that has broadened its membership so that it no longer provides a competitive advantage to its members but rather becomes an 'industry wide base-line provision'. Non-membership of an infrastructure alliance garners a competitive disadvantage for non-members. Infrastructure alliances add value to the industry. Infrastructure alliances are multilateral, provide a commodity service, provide strategic disadvantage by exclusion, are more embedded in the industry, have greater self-sufficiency.

For academics this new distinction between the 'strategic' and the 'infrastructure' forms of alliances opens up a new field of research as suggested in Section 7.3.1 below. Practitioners may use this classification to determine value chain modifying activities (through the strategic form) and industry dynamic modifying activities (through the infrastructure form). Some may focus on providing the industry underpinnings by deliberately forming and developing infrastructure alliances, leading to extraordinary profits for the founding shareholders as membership broadens and transaction volume increases.

7.2.3.3 The Nature of the Firm. We found evidence of 'obligational-contractual relations' underpinning all banking activity and considered them to be integral and essential and therefore posited a high industry specific 'propensity to cooperate'.

We discovered that Bankers follow income streams generated by customers. New income streams lead to bankers using alliances (1970s, 1980s) to service clients cautiously until the security of the income stream warrants direct investment. Furthermore we assert that the Coase (1937) conception of a firm as an independent organization with discernable boundaries has been changed by technology. The 'virtual firm' with the imposition of strategic intent over a number of activities, many carried out in different physical locations and by third

party providers, is possible and underpinned by a bundle of, largely explicit and some implicit, contacts. This development has also been facilitated by a variety of factors including deregulation, freer movement of people and capital, by internationalisation generally, as well as by enhanced competition between companies leading to a desire to outsource non-core activities.

Again both academic and practitioner interest in the implications for large dominant firms in particular established industries subject to competition from a fast moving, disaggregated collection of individual knowledge entrepreneurs and professional advisors is likely to be high. The academic will wish to develop understanding while the practitioner interest is more likely to be about using the understanding offered here to protect their dominant position (in the case of large firms) or to create new markets (in the case of newer faster moving firms).

7.2.3.4 Directors areas of interest. We carried out an analysis of the perspectives of Directors in the major banks in Europe according to the conceiving, forming, organizing, evolving, dissolving cooperation lifecycle.

The senior directors' core interests, as noted by the degree of discussion in each area, were the global, national and market context and the two areas of conceiving and forming cooperation. The organizing and co-evolution areas received less attention in the discussions. This may be because, based on this analysis, these elements were dealt with in real-time by non-Board levels of management and by operational staff and were not directly the day-to-day responsibility of senior management, other than in setting policy. The dissolving cooperation question resulted in some detailed responses with, in many cases, an expression of the lessons learnt. This first finding leads us to confirm earlier writing asserting the upward, outward and forward orientation of senior management.

Academic and practitioner interest is likely to be aligned with great interest in how Senior Directors (making global, national, market context, conceiving and forming stages judgements and decisions) can ensure delivery through operational (including front end) staff, whilst subject to the co-evolution of the partners' strategic intent and the partners and alliances delivery capability.

7.2.3.5 Geographical scope and property rights. We found that strategic alliance activity was clearly restricted to Europe and the same pattern was repeated for future alliance activity. A clear disinclination to enter into alliances in certain continents or sub-continents (Africa, Latin America) where property rights are not so clearly defined or defendable was observable in the interviews whilst capital cost reduction was not considered to be of major importance in choosing the alliance route. It should be said that the willingness of Spanish banks to engage in Latin America, no doubt predicated on long standing linguistic and trade links, is a possible exception to this generalisation.

Academics may be interested in investigating the optimal level of discernible and determinable property rights and access to capital required to make alliances a possible choice whilst practitioners may wish to define the levels of risk acceptable in undertaking alliances.

7.2.3.6 Contribution to other industries. It would be fair to suggest that there are three key findings that have application to other industries. The first is our notion of the possibly changed nature of the firm, where dispersed capabilities are backed by strategic intent. A non-banking example of disaggregation is the pharmaceutical industry with its strategic alliances and/or cooperation with biotechnology companies, together with outsourced activities, some cross-border. The second, though more tenuous, would be the strategic alliances vs. infrastructure alliance distinction. This is clearly found in the world of I.T, where for example, all web-sites have bought into Google, where Google has become a core requirement for the internet to work. The third is the strategic alliance co-evolution model explored in a later section.

7.2.4 Reflections on Methodology

The methodologies employed in this thesis are detailed in Chapter Four. To reflect on their appropriateness and on the way it all worked out in practice may be helpful.

7.2.4.1 Questionnaire. The original research agenda was to consider substantial cross-border alliances and accordingly the sample of banks in 20 countries, on the continent of Europe, broadly defined, was subject to a qualifying hurdle, namely an asset size of over US$10,000 Billion. The resulting small response did not generate findings that may have been of general importance, rather provided insights for further investigation. Not using the asset size hurdle would have led to a potential sample size of approximately 3,000 banks and allowed more statistical validation of findings and captured data on a wider range of in-country alliances.

The questions were formed using a five point Likert scale ranging from 'strongly agree' to 'strongly disagree' and a broad bi-polarity established in reporting the findings in Chapter Five. On reflection, if a ranking and rating system had been used in the design of the questionnaire then a finer degree of discrimination in the views of respondents could have been identified and reported.

7.2.4.2 Literature. The very substantial, and international, underpinning literature regarding alliances was filtered through the medium of the editors of major international journals and collections. This process resulted in 400 papers being analysed. An alternative, and equally acceptable, method would have been to use the Citation Index to gauge the influence of a particular academic paper on thought in the alliances field and to build an analysis from these papers.

7.2.4.3 Control group. Our study raises the question of the existential status of the control group. The questionnaire was completed by banks who were both willing and relatively qualified in the sense of having experience of strategic alliances. The control group is all those banks who excluded themselves on the grounds that they had no relevant activity on which they could report. And the interview sample was determined by the questionnaire sample, where questionnaire respondents were asked to indicate whether they were willing to be interviewed as well, on the grounds of having 'something to say'. In short this research operation casts some doubt on the standard view that the researcher either has a control group or has not, by opening up the possibility of the self-selection of research groups and the implicit control group.

7.2.4.4 Triangulation. Our research did not use this technique of triangulation as formally defined. On the other hand it did use a variety of methodological thrusts – desk research, literature analysis, interviews and a survey – and we would like to suggest that this multiple methodology has enriched the findings. In particular it has enabled our leverage of the definition of the strategic alliance and has facilitated our reconstruction of the theory of the firm.

7.3 Further Research

In these last pages we would like anticipate, as it were, a question often asked of candidates in the Viva Voce, namely does your research prompt suggestions for further research? We leave two lines of inquiry to offer food for thought.

7.3.1 Infrastructure Alliances

Whilst substantial research exists regarding the strategic alliance, some of which is reported in Chapter Three, much less research has been carried out on the infrastructure alliance detailed in Chapter One.

Infrastructure alliances are a 'base line provision' that are fundamentally important to the provision of banking services and banks have a high pre-existing propensity to enter into infrastructure alliance. Given the importance of such alliances this may well be an area warranting further research.

Research could examine areas such as:

- the forces driving a strategic alliance to become an infrastructure alliance
- the degree of potential 'oscillation' between infrastructure and strategic forms
- the diverse forces acting on the 'oscillation' process
- the lifecycle of an infrastructure alliance
- the value chain of an infrastructure alliance
- the co-evolution of infrastructure alliances and the member firms (see below for 'The Co-Evolution Model')

- the divergence between the provision of financial products and the provision of cross-industry infrastructure to support these products
- regional and global convergence in infrastructure alliances
- obtaining and sustaining a competitive advantage in infrastructure alliances
- capturing and retaining profitability in infrastructure alliances.

7.3.2 The Co-Evolution Model

In the forgoing analysis the co-evolution of the alliance partner strategic intent, in a similar direction, was a prerequisite to the continuation of the alliance.

This co-evolution may be said to take three major forms – parallel co-evolution, convergent co-evolution, divergent co-evolution.

Parallel Co-evolution - This is where the strategic intents of the two firms are evolving along paths that allow the continuation of the strategic alliance in the broad nature as at establishment. The initial matching of intents continues and evolves over time at the same rate, in a similar direction. Any slight changes in the speed of evolution of the individual intents of the member firms or in the degree of parallel evolution are compensated for by the 'springiness' or flexibility of the strategic alliance. If the degree of convergence or divergence in intents is too great and cannot be compensated for, then the following classifications apply.

Convergent Co-evolution - This is where the strategic intents of the two firms converge over time and the rationale behind the strategic alliance is strengthened. This strengthening may ultimately lead to the merger of the two firms and the 'dissolution' of the alliance.

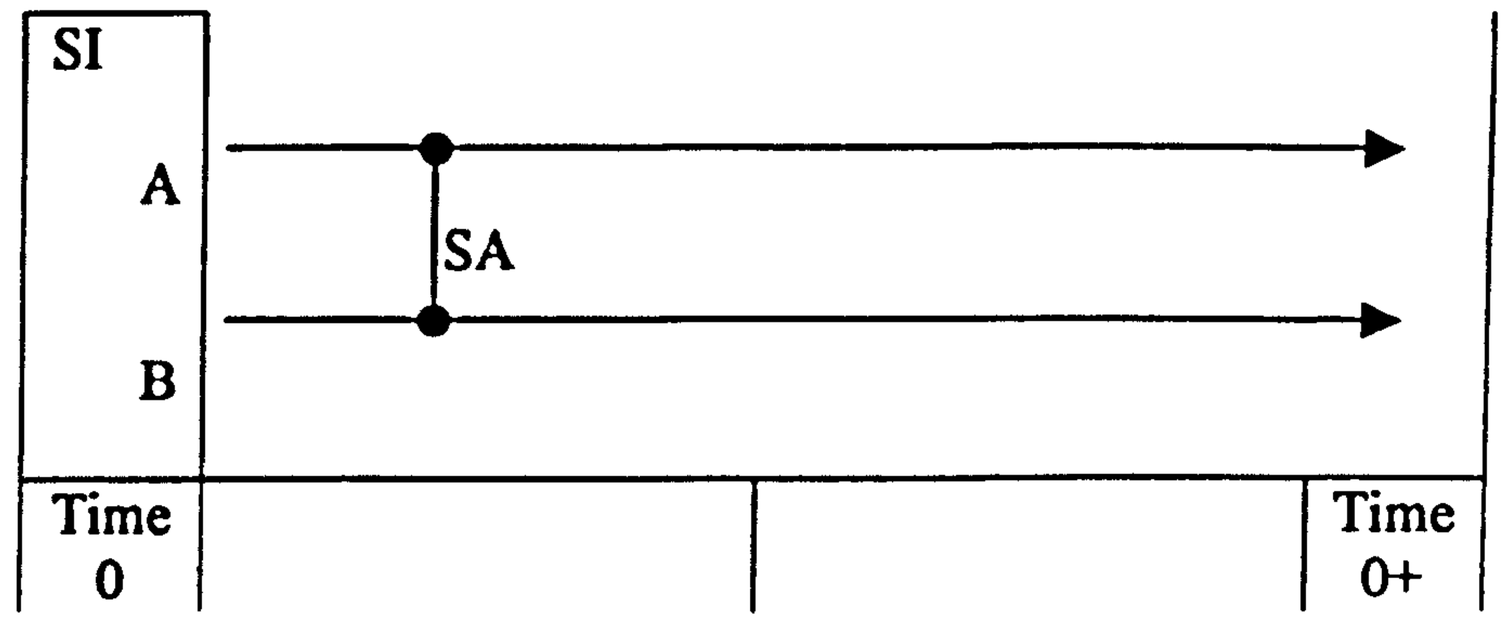
Divergent Co-evolution - This is where the strategic intents of the two firms diverge over time and the rationale behind the strategic alliance is weakening. This weakening may ultimately lead to the dissolution of the alliance.

With regard to the form of the alliance, the parallel type of co-evolution will tend to maintain the form or forms used at establishment, the convergent type will tend to move the alliance towards the 'hierarchical' nature whilst the divergent type will tend to move the alliance towards a 'markets' nature.

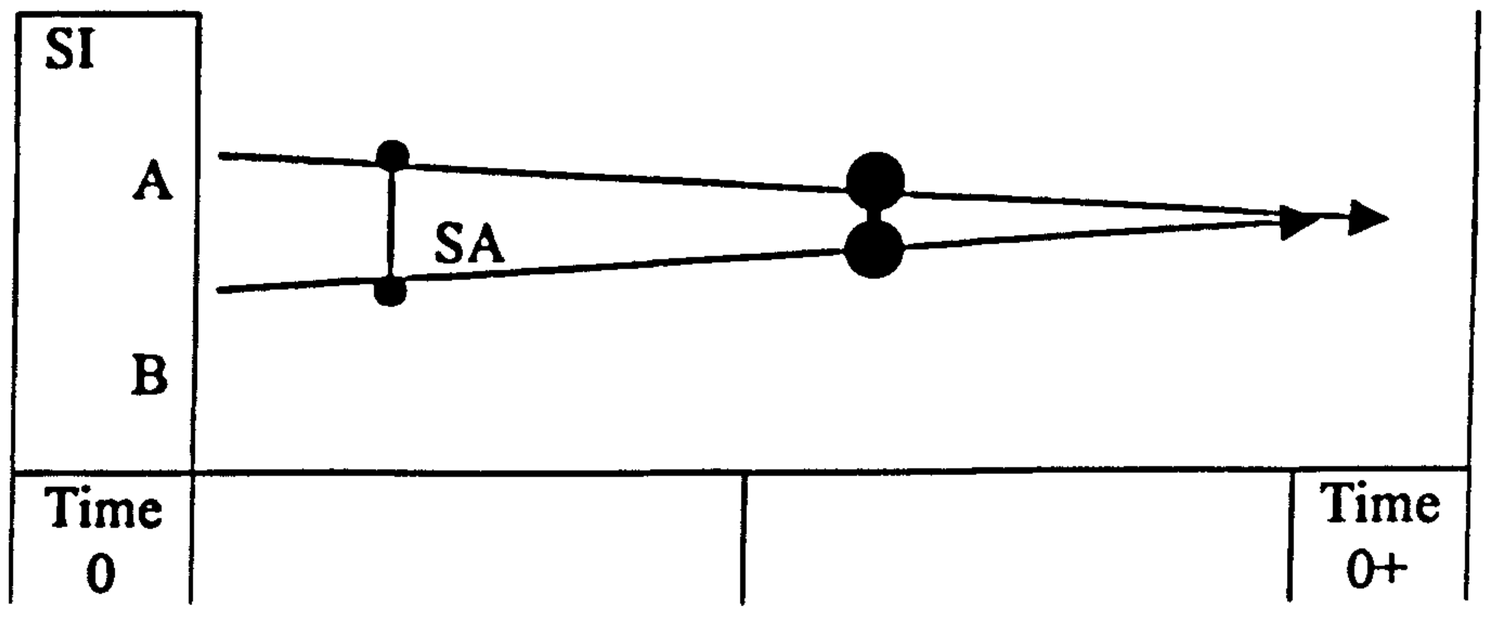
An example of this process is the development of the BNP and Dresdner strategic alliance from initiation to dissolution, a process that took place over a 10 year period. It commenced as a response to the commercial opportunities made available by the opening up of Europe to cross-border financial services provision. The alliances' most successful achievements were focused joint venture operations in the emerging Eastern Europe. As competitors entered those countries with full operations, BNP and Dresdner decided to go it alone and accordingly disbanded the alliance.

The BNP and Dresdner alliance may be characterised, from time zero to time 10 years, as:

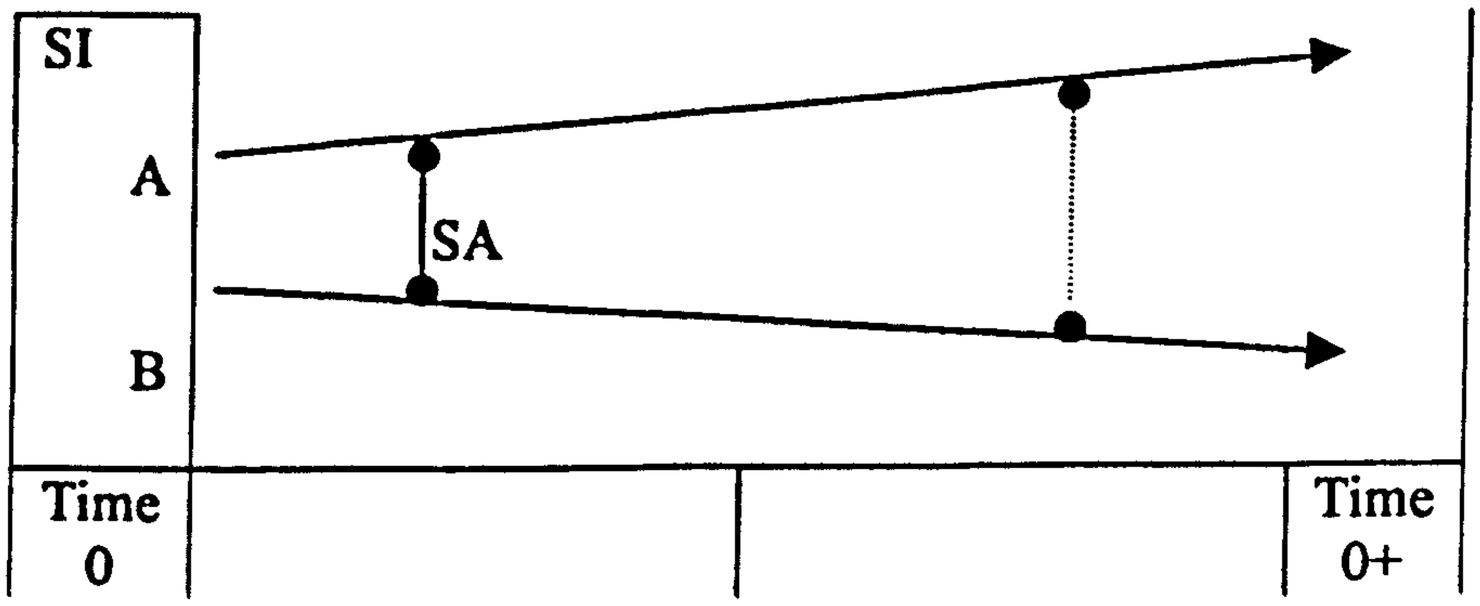
- parallel co-evolution - At commencement both banks strategic intents were aligned
- divergent co-evolution - As country specific concerns, such as the reintegration of East Germany into Germany, impacted on the concerns of top management intents became divergent
- convergent co-evolution - Simultaneously the position immediately above, the Eastern European joint ventures were a tangible manifestation of convergent intents in relation to those operations
- divergent co-evolution – As the rationale for the joint ventures, the 'binding agents' of the global alliance declined so the whole alliance diverged to the point of dissolution.



Parallel Co-Evolution



Convergent Co-Evolution



Divergent Co-Evolution

Key:
SI = Strategic Intent
SA = Strategic Alliance
A = Alliance Member A
B = Alliance Member B
Time 0 = Time at Start of Alliance = Co-Alignment
Time 0+ = Time in the Future

Figure 7.1: Schema for Classifying Co-Evolution of Firm Level Strategic Intents in Strategic Alliances

A full exposition of the lifecycle of this alliance is contained in Itschert and ul-Haq (2003).

The three generic cases above are modified by the concept of differential co-evolution. This concept notes that each firm's strategic intent will co-evolve at different rates and that this will have an impact on the nature, purpose, importance, form and validity of the strategic alliance.

The addition of this concept allows three modified categories – differential parallel co-evolution, differential convergent co-evolution, differential divergent co-evolution.

Differential Parallel Co-evolution - This is where the evolution of the strategic intents of the two firms are at different rates but in a broadly similar direction. Whilst this allows the continuation of the alliance, the faster evolving firm, for example, may pull the slower evolving firm and the strategic alliance in a new joint direction.

Differential Convergent Co-evolution - This is where the strategic intents of the two firms evolve at different rates but in a convergent direction. Whilst this allows the continuation of the alliance it may only do so until such time as the faster evolving firm, for example, decides to internalise the alliance and the slower evolving firm, inside its boundaries.

Differential Divergent Co-evolution - This is where the evolution of the strategic intents of the two firms is at different rates but in a divergent direction. The faster evolving firm, for example, if it finds benefits from the strategic alliance may internalise it or on the other hand it may evolve beyond the alliance.

The three generic, and three sub-generic, concepts above point to the complexity of the concept of anticipated durability. The complexity of the real situation is many layered with:

- the speed of evolution of each firm's strategic intent changing over time with spurts of innovation interspersed with moments of complacency

- changes in the nature of co-evolution over time with parallel, convergent and divergent (and differential) episodes being interspersed
- exponential increases in complexity if more than two firms are members of the strategic alliance with all the firms, and the strategic alliance, being subject to co-evolution of their respective strategic intents. All six classifications of co-evolution (and many intermediate positions) may subsist at the same time in a multi-member alliance
- the differential effects of the internal and external forces that tend towards inspiration, innovation, and conversely, complacency and atrophy in firms' strategic intents
- the further increase in complexity of co-evolution in alliances in few-party and many-party situations.

In an increasingly dynamic and (often discontinuous) change orientated commercial environment, a firm's ability to re-configure its strategic intent rapidly, and to implement this intent, is a core competence as suggested earlier. The strategic alliance is one mechanism to assist in this process. If the alliance provides no collaborative advantage then it will be abandoned or allowed to atrophy.

The co-evolution model presented here is our own idea rather than something taken from the academic literature. We feel it has been helpful here in throwing light on alliance persistence and alliance termination. At the same time, precisely because it is new this model may benefit from critical development by others.

7.3.2.1 The Co-Evolution Model and Real Option Theory. It is possible that valuable insights into the process of effective co-evolution in both strategic and infrastructure alliances can be obtained by combining the proposed research on the new 'The Co-Evolution Model' with the existing 'Real Option Theory'. A migration of 'option models ...from financial markets to corporate decision making' has been seen (Kogut and Kulatilaka, 2004). In 'strategically interesting settings...having made an initial investment, firms can actively engage in follow-on activities that can influence outcomes and identify new possible actions and goals.' (Adner and Levinthal, 2004). The Co-Evolution Model by the author

allows for the continuous re-configuration of an alliance (or set of alliances) – at all levels from strategic intent to operational delivery – and adds to the current debate. Adner and Levinthal (2004) suggest that real options, should not be used only to 'engage in some prespecified opportunity set' but rather they should be used in a more flexible way, combining 'a real options logic for initiating investments...[with]...an organisational design that can abandon initiatives efficiently' thereby allowing rapid and fluid co-evolution. It is beyond the scope of this thesis to exam this confluence of interest and models, but others may well wish develop this area.

Appendix One

Postal Survey Questionnaire

TEXT BOUND INTO

THE SPINE

Survey Ref: UKBK 194

Sample code: [ ] [ ] [ ] 1-3

CONFIDENTIAL QUESTIONNAIRE

Loughborough University Banking Centre

Strategic Alliances in Banking Survey

The questionnaire aims to elicit information regarding the attitudes of the banking sector in the UK towards Strategic Alliances.

Please would you complete this questionnaire and return it in the enclosed reply-paid envelope.

We thank you in advance for taking the time and effort to complete the questionnaire.

Ian C Morison
Rehan Ul-Haq

1. How many strategic alliances does your company have?

Please circle **one** answer number

Office use only

1. 1 to 4
2. 5 to 9
3. 10 to 15
4. More than 15

[ ] 4

2. We do or are willing to enter into strategic alliances with our competitors:

Please circle **one** answer number

Office use only

1. Strongly agree
2. Agree
3. Neither agree nor disagree
4. Disagree
5. Strongly disagree

[ ] 8

We consider that there is a direct positive relationship between ownership, in equity terms, and management control and influence in strategic alliances.

Please circle **one** answer number

Office use only

1. Strongly agree
2. Agree
3. Neither agree nor disagree
4. Disagree
5. Strongly disagree

[ ] 9

4. We consider that our strategic alliances have met or are meeting our strategic objectives.

Please circle one answer number

Office use only

1. Strongly agree
2. Agree
3. Neither agree nor disagree
4. Disagree
5. Strongly disagree

10 [ ]

5.

	Strongly agree	Agree	Neither agree nor disagree	Disagree	Strongly disagree	Office use only	
	(Please circle one answer number per question).						
a. The objectives of our alliances are specific	1	2	3	4	5	[ ]	11
b. Our strategic alliances identify and undertake specific tasks in support of these objectives	1	2	3	4	5	[ ]	12
c. We encourage our strategic alliances to take calculated initiatives	1	2	3	4	5	[ ]	13
d. We are strongly committed to our strategic alliance partners	1	2	3	4	5	[ ]	14

6. When entering into a strategic alliance we devote substantial time to establishing:

	Strongly agree	Agree	Neither agree nor disagree	Disagree	Strongly disagree	Office use only	
	(Please circle one answer number per question).						
a. Methods for making decisions	1	2	3	4	5	[ ]	15
b. Methods for monitoring the implementation of decisions	1	2	3	4	5	[ ]	16
c. Method for resolving conflicts	1	2	3	4	5	[ ]	17
d. Other (please indicate)	1	2	3	4	5	[ ]	18
	1	2	3	4	5	[ ]	19
	1	2	3	4	5	[ ]	20
	1	2	3	4	5	[ ]	21
	1	2	3	4	5	[ ]	22

7. How many of your strategic alliances are with partners in the following regions:

	Number	Office use only	
a.	UK		23
b.	Western Europe		24
c.	Eastern Europe		25
d.	North America		26
e.	South and Central America		27
f.	Indian Sub-continent		28
g.	Asia		29
h.	Africa		30
i.	Middle East		31
j.	Others (please indicate)		32

We are using or intend to use strategic alliances to expand our capability in:

	Yes but no further plans	Yes and possible future plans	No and no future plans	No but possible future plans	Office use only	
	(Please circle one answer number per question).					
a. UK	1	2	3	4		33
b. Western Europe	1	2	3	4		34
c. Eastern Europe	1	2	3	4		35
d. North America	1	2	3	4		36
e. South and Central America	1	2	3	4		37
f. Indian Sub-Continent	1	2	3	4		38
g. Asia	1	2	3	4		39
h. Africa	1	2	3	4		40
i. Middle East	1	2	3	4		41
j. Others (please indicate)						
	1	2	3	4		42
	1	2	3	4		43
	1	2	3	4		44
	1	2	3	4		45

How important are the following reasons for entering into strategic alliances?

	Extremely important	Very important	Somewhat important	Not very important	Not at all important	Office use only	
	(Please circle one answer number per question).						
a. Capital cost reduction	1	2	3	4	5		46
b. Sharing risks	1	2	3	4	5		47
c. Entering a new product market	1	2	3	4	5		48
d. Entering new geographical market	1	2	3	4	5		49
e. Assessing distribution channels	1	2	3	4	5		50

10. In respect of strategic alliances you have entered, how important do you consider the following possible characteristics to be?

	Extremely important	Very important	Somewhat important	Not very important	Not at all important	Office use only	
	(Please circle one answer number per question).						
a. Durability	1	2	3	4	5		51
b. Sharing or pooling resources	1	2	3	4	5		52
c. Creation of a separate company	1	2	3	4	5		53
d. Strategic importance to partners	1	2	3	4	5		54
e. Mutual economic gain	1	2	3	4	5		55
f. Own firm economic gain	1	2	3	4	5		56
g. Other							
	1	2	3	4	5		57
	1	2	3	4	5		58
	1	2	3	4	5		59
	1	2	3	4	5		60
	1	2	3	4	5		61

Please provide any additional comments you wish to make in the space below:

Administration.

1. Would you like us to send you a free copy of the Strategic Alliances in Banking Survey Report?

Office use only

Please tick Yes ☐ No ☐ ☐ 62

2. Would you be willing, in principle, to participate in a follow-up interview?

Office use only

Please tick Yes ☐ No ☐ ☐ 63

Would you please provide the following information for our confidential records.

		Office use only
Name:		
Title:		
Company Name:		
Company Address:		
Telephone No:		
Total Assets of Company	£million -	☐ 64 ☐ 65 ☐ 66 ☐ 67 ☐ 68

Thank you for your participation in this survey.

Would you please return the questionnaire in the enclosed reply-paid envelope.

Return to:

R Ul-Haq
Banking Centre
Loughborough University
FREEPOST LE3677
LOUGHBOROUGH
Leicestershire
LE11 0BR.

Appendix Two

Postal Survey Questionnaire

Descriptive Statistics - Frequencies

(Analysis of Data via SPSS for Windows v. 9.0)

Frequencies

Statistics

		How many strategic alliances does your company have ?	We do or are willing to enter into strategic alliances with our competitors	We consider that there is a direct positive relationship between ownership, in equity terms, and management control and infulence in strategic alliances	We consider that our strategic alliances have met or are meeting our strategic objectives	The objectives of our alliances are specific	Our strategic alliances identify and undertake specific tasks in support of these objectives
N	Valid	58	60	68	60	61	61
	Missing	10	8	0	8	7	7

Statistics

		We encourage our strategic alliances to take calculated initiatives	We are strongly committed to our strategic alliance partners	When entering into a strategic alliance we devote substantial time to establishing methods for making decisions	When entering into strategic alliances we devote substantial time to establishing methods for monitoring the implementation of decisions	When entering into a strategic alliance we devote substantial time to establishing a method for resolving conflicts	When entering into a strategic alliance we devote sustantial time to establishing - Other
N	Valid	61	61	61	61	61	8
	Missing	7	7	7	7	7	60

Statistics

		How many of your strategic alliances are with partners in the following regions -UK	How many of your strategic alliances are with partners in the following regions-Western Europe	How many of your strategic alliances are with partners in the following regions-Eastern Europe	How many of your strategic alliances are with partners in the following regions-North America	How many of your strategic alliances are with partners in the following regions-South and Central America	How many of your strategic alliances are with partners in the following areas-Indian Sub-continent
N	Valid	18	39	7	15	4	3
	Missing	50	29	61	53	64	65

Statistics

		How many of your strategic alliances are with partners in the following regions-Asia	How many of your strategic alliances are with partners in the following regions-Africa	How many of your strategic alliances are with partners in the following regions-Middle East	How many of your strategic alliances are with partners in the following regions - Other	We are using or intend to use strategic alliances to expand our capability in -UK	We are using or intend to use strategic alliances to expand our capability in -Western Europe
N	Valid	9	3	1	17	38	56
	Missing	59	65	67	51	30	12

Statistics

		We are using or intend to use strategic alliances to expand our capability in - Eastern Europe	We are using or intend to use strategic alliances to expand our capability in - North America	We are using or intend to use strategic alliances to expand our capability in - South and Central America	We are using or intend to use strategic alliances to expand our capability in the - Indian Sub-continent	We are using or intend to use strategic alliances to expand our capability in - Asia	We are using or intend to use strategic alliances to expand our capability in - Africa
N	Valid	34	34	30	28	34	30
	Missing	34	34	38	40	34	38

Statistics

		We are using or intend to use strategic alliances to expand our capability in the - Middle East	We are using or intend to use strategic alliances to expand our capability in - Others	How important are the following reasons for entering into strategic alliances? - Capital cost reduction	How important are the following reasons for entering into strategic alliances? - Sharing risks	How important are the following reasons for entering into strategic alliances? - Entering a new product market	How important are the following reasons for entering into strategic alliances? - Entering a new geographical market
N	Valid	29	5	63	64	62	64
	Missing	39	63	5	4	6	4

Statistics

		How important are the following reasons for entering into strategic alliances? - Accessing distribution channels	In respect of strategic alliances you have entered, how important do you consider the following possible characterist ics to be? - Durability	In respect of strategic alliances you have entered, how important do you consider the following possible characterist ics to be? - Sharing or pooling resources	In respect of strategic alliances you have entered, how important do you consider the following possible characterist ics to be? - Creation of a separate company	In respect of strategic alliances you have entered, how important do you consider the following possible characterist ics to be? - Strategic importance to partners	In respect of strategic alliances you have entered, how important do you consider nthe following possible characterist ics to be? - Mutual economic gain
N	Valid	63	59	59	59	58	57
	Missing	5	9	9	9	10	11

Statistics

		In respect of strategic alliances you have entered, how important do you consider the following possible characterist ics to be? - Own firm economic gain	In respect of strategic alliances you have entered into, how important do you consider the following possible characterist ics to be? - Other	Additional comments	Name of Respondi ng Bank	Country of Respondin g Bank
N	Valid	57	6	11	68	68
	Missing	11	62	57	0	0

Frequency Table

How many strategic alliances does your company have ?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1 to 4	39	57.4	67.2	67.2
	5 to 9	13	19.1	22.4	89.7
	10 to 15	3	4.4	5.2	94.8
	More than 15	3	4.4	5.2	100.0
	Total	58	85.3	100.0	
Missing	System	10	14.7		
Total		68	100.0		

We do or are willing to enter into strategic alliances with our competitors

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Agree	4	5.9	6.7	6.7
	Agree	31	45.6	51.7	58.3
	Neither agree nor disagree	14	20.6	23.3	81.7
	Disagree	5	7.4	8.3	90.0
	Strongly disagree	6	8.8	10.0	100.0
	Total	60	88.2	100.0	
Missing	System	8	11.8		
Total		68	100.0		

We consider that there is a direct positive relationship between ownership, in equity terms, and management control and infulence in strategic alliances

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	14	20.6	20.6	20.6
	Agree	38	55.9	55.9	76.5
	Neither agree nor disagree	12	17.6	17.6	94.1
	Disagree	4	5.9	5.9	100.0
	Total	68	100.0	100.0	

We consider that our strategic alliances have met or are meeting our strategic objectives

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	11	16.2	18.3	18.3
	Agree	37	54.4	61.7	80.0
	Neither agree nor disagree	10	14.7	16.7	96.7
	Disagree	1	1.5	1.7	98.3
	Strongly agree	1	1.5	1.7	100.0
	Total	60	88.2	100.0	
Missing	System	8	11.8		
Total		68	100.0		

The objectives of our alliances are specific

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	27	39.7	44.3	44.3
	Agree	32	47.1	52.5	96.7
	Neither agree nor disagree	2	2.9	3.3	100.0
	Total	61	89.7	100.0	
Missing	System	7	10.3		
Total		68	100.0		

Our strategic alliances identify and undertake specific tasks in support of these objectives

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	22	32.4	36.1	36.1
	Agree	37	54.4	60.7	96.7
	Neither agree nor disagree	1	1.5	1.6	98.4
	Disagree	1	1.5	1.6	100.0
	Total	61	89.7	100.0	
Missing	System	7	10.3		
Total		68	100.0		

We encourage our strategic alliances to take calculated initiatives

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	10	14.7	16.4	16.4
	Agree	30	44.1	49.2	65.6
	Neither agree nor disagree	17	25.0	27.9	93.4
	Disagree	4	5.9	6.6	100.0
	Total	61	89.7	100.0	
Missing	System	7	10.3		
Total		68	100.0		

We are strongly committed to our strategic alliance partners

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	11	16.2	18.0	18.0
	Agree	29	42.6	47.5	65.6
	Neither agree nor disagree	16	23.5	26.2	91.8
	Disagree	5	7.4	8.2	100.0
	Total	61	89.7	100.0	
Missing	System	7	10.3		
Total		68	100.0		

When entering into a strategic alliance we devote substantial time to establishing methods for making decisions

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	11	16.2	18.0	18.0
	Agree	40	58.8	65.6	83.6
	Neither agree nor disagree	8	11.8	13.1	96.7
	Disagree	2	2.9	3.3	100.0
	Total	61	89.7	100.0	
Missing	System	7	10.3		
Total		68	100.0		

When entering into strategic alliances we devote substantial time to establishing methods for monitoring the implementation of decisions

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	11	16.2	18.0	18.0
	Agree	32	47.1	52.5	70.5
	Neither agree nor disagree	16	23.5	26.2	96.7
	Disagree	2	2.9	3.3	100.0
	Total	61	89.7	100.0	
Missing	System	7	10.3		
Total		68	100.0		

When entering into a strategic alliance we devote substantial time to establishing a method for resolving conflicts

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	9	13.2	14.8	14.8
	Agree	34	50.0	55.7	70.5
	Neither agree nor disagree	17	25.0	27.9	98.4
	Disagree	1	1.5	1.6	100.0
	Total	61	89.7	100.0	
Missing	System	7	10.3		
Total		68	100.0		

When entering into a strategic alliance we devote sustantial time to establishing - Other

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	See text of Questionnaire	8	11.8	100.0	100.0
Missing	System	60	88.2		
Total		68	100.0		

How many of your strategic alliances are with partners in the following regions -UK

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1	6	8.8	33.3	33.3
	2	2	2.9	11.1	44.4
	3	2	2.9	11.1	55.6
	4	3	4.4	16.7	72.2
	5	2	2.9	11.1	83.3
	6	1	1.5	5.6	88.9
	10	2	2.9	11.1	100.0
	Total	18	26.5	100.0	
Missing	System	50	73.5		
Total		68	100.0		

How many of your strategic alliances are with partners in the following regions-Western Europe

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1	12	17.6	30.8	30.8
	2	5	7.4	12.8	43.6
	3	6	8.8	15.4	59.0
	4	5	7.4	12.8	71.8
	5	7	10.3	17.9	89.7
	6	1	1.5	2.6	92.3
	7	1	1.5	2.6	94.9
	11	1	1.5	2.6	97.4
	19	1	1.5	2.6	100.0
	Total	39	57.4	100.0	
Missing	System	29	42.6		
Total		68	100.0		

How many of your strategic alliances are with partners in the following regions-Eastern Europe

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1	4	5.9	57.1	57.1
	2	1	1.5	14.3	71.4
	3	1	1.5	14.3	85.7
	4	1	1.5	14.3	100.0
	Total	7	10.3	100.0	
Missing	System	61	89.7		
Total		68	100.0		

How many of your strategic alliances are with partners in the following regions-North America

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1	11	16.2	73.3	73.3
	2	2	2.9	13.3	86.7
	3	1	1.5	6.7	93.3
	4	1	1.5	6.7	100.0
	Total	15	22.1	100.0	
Missing	System	53	77.9		
Total		68	100.0		

How many of your strategic alliances are with partners in the following regions-South and Central America

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1	4	5.9	100.0	100.0
Missing	System	64	94.1		
Total		68	100.0		

How many of your strategic alliances are with partners in the following areas-Indian Sub-continent

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1	3	4.4	100.0	100.0
Missing	System	65	95.6		
Total		68	100.0		

How many of your strategic alliances are with partners in the following regions-Asia

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1	4	5.9	44.4	44.4
	2	2	2.9	22.2	66.7
	3	2	2.9	22.2	88.9
	5	1	1.5	11.1	100.0
	Total	9	13.2	100.0	
Missing	System	59	86.8		
Total		68	100.0		

How many of your strategic alliances are with partners in the following regions-Africa

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1	3	4.4	100.0	100.0
Missing	System	65	95.6		
Total		68	100.0		

How many of your strategic alliances are with partners in the following regions-Middle East

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1	1	1.5	100.0	100.0
Missing	System	67	98.5		
Total		68	100.0		

How many of your strategic alliances are with partners in the following regions - Other

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	See text of Questionnaire	17	25.0	100.0	100.0
Missing	System	51	75.0		
Total		68	100.0		

We are using or intend to use strategic alliances to expand our capability in -UK

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes but no further plans	11	16.2	28.9	28.9
	Yes and possible future plans	10	14.7	26.3	55.3
	No and no future plans	13	19.1	34.2	89.5
	No but possible future plans	4	5.9	10.5	100.0
	Total	38	55.9	100.0	
Missing	System	30	44.1		
Total		68	100.0		

We are using or intend to use strategic alliances to expand our capability in -Western Europe

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes but no further plans	9	13.2	16.1	16.1
	Yes and possible future plans	32	47.1	57.1	73.2
	No and no future plans	6	8.8	10.7	83.9
	No but possible future plans	9	13.2	16.1	100.0
	Total	56	82.4	100.0	
Missing	System	12	17.6		
Total		68	100.0		

We are using or intend to use strategic alliances to expand our capability in - Eastern Europe

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes but no further plans	1	1.5	2.9	2.9
	Yes and possible future plans	9	13.2	26.5	29.4
	No and no future plans	14	20.6	41.2	70.6
	No but possible future plans	10	14.7	29.4	100.0
	Total	34	50.0	100.0	
Missing	System	34	50.0		
Total		68	100.0		

We are using or intend to use strategic alliances to expand our capability in - North America

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes but no further plans	7	10.3	20.6	20.6
	Yes and possible future plans	5	7.4	14.7	35.3
	No and no future plans	15	22.1	44.1	79.4
	No but possible future plans	7	10.3	20.6	100.0
	Total	34	50.0	100.0	
Missing	System	34	50.0		
Total		68	100.0		

We are using or intend to use strategic alliances to expand our capability in - South and Central America

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes but no further plans	1	1.5	3.3	3.3
	Yes and possible future plans	3	4.4	10.0	13.3
	No and no future plans	18	26.5	60.0	73.3
	No but possible future plans	8	11.8	26.7	100.0
	Total	30	44.1	100.0	
Missing	System	38	55.9		
Total		68	100.0		

We are using or intend to use strategic alliances to expand our capability in the - Indian Sub-continent

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes but no further plans	1	1.5	3.6	3.6
	Yes and possible future plans	3	4.4	10.7	14.3
	No and no future plans	19	27.9	67.9	82.1
	No and possible future plans	5	7.4	17.9	100.0
	Total	28	41.2	100.0	
Missing	System	40	58.8		
Total		68	100.0		

We are using or intend to use strategic alliances to expand our capability in - Asia

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes but no further plans	4	5.9	11.8	11.8
	Yes and possible future plans	6	8.8	17.6	29.4
	No and no future plans	15	22.1	44.1	73.5
	No but possible future plans	9	13.2	26.5	100.0
	Total	34	50.0	100.0	
Missing	System	34	50.0		
Total		68	100.0		

We are using or intend to use strategic alliances to expand our capability in - Africa

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes and possible future plans	3	4.4	10.0	10.0
	No and no futuure plans	22	32.4	73.3	83.3
	No but possible future plans	5	7.4	16.7	100.0
	Total	30	44.1	100.0	
Missing	System	38	55.9		
Total		68	100.0		

We are using or intend to use strategic alliances to expand our capability in the - Middle East

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No and no future plans	19	27.9	65.5	65.5
	No and possible future plans	10	14.7	34.5	100.0
	Total	29	42.6	100.0	
Missing	System	39	57.4		
Total		68	100.0		

We are using or intend to use strategic alliances to expand our capability in - Others

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	See text of Questionnaire	5	7.4	100.0	100.0
Missing	System	63	92.6		
Total		68	100.0		

How important are the following reasons for entering into strategic alliances? - Capital cost reduction

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Extremely important	6	8.8	9.5	9.5
	Very important	15	22.1	23.8	33.3
	Somewhat important	19	27.9	30.2	63.5
	Not very important	16	23.5	25.4	88.9
	Not at all important	7	10.3	11.1	100.0
	Total	63	92.6	100.0	
Missing	System	5	7.4		
Total		68	100.0		

How important are the following reasons for entering into strategic alliances? - Sharing risks

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Extremely important	7	10.3	10.9	10.9
	Very important	24	35.3	37.5	48.4
	Somewhat important	20	29.4	31.3	79.7
	Not very important	10	14.7	15.6	95.3
	Not at all important	3	4.4	4.7	100.0
	Total	64	94.1	100.0	
Missing	System	4	5.9		
Total		68	100.0		

How important are the following reasons for entering into strategic alliances? - Entering a new product market

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Extremely important	12	17.6	19.4	19.4
	Very important	29	42.6	46.8	66.1
	Somewhat important	8	11.8	12.9	79.0
	Not very important	13	19.1	21.0	100.0
	Total	62	91.2	100.0	
Missing	System	6	8.8		
Total		68	100.0		

How important are the following reasons for entering into strategic alliances? - Entering a new geographical market

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Extremely important	13	19.1	20.3	20.3
	Very important	26	38.2	40.6	60.9
	Somewhat important	9	13.2	14.1	75.0
	Not very important	12	17.6	18.8	93.8
	Not at all important	4	5.9	6.3	100.0
	Total	64	94.1	100.0	
Missing	System	4	5.9		
Total		68	100.0		

How important are the following reasons for entering into strategic alliances? - Accessing distribution channels

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Extremely important	12	17.6	19.0	19.0
	Very important	29	42.6	46.0	65.1
	Somewhat important	15	22.1	23.8	88.9
	Not very important	5	7.4	7.9	96.8
	Not at all important	2	2.9	3.2	100.0
	Total	63	92.6	100.0	
Missing	System	5	7.4		
Total		68	100.0		

In respect of strategic alliances you have entered, how important do you consider the following possible characteristics to be? - Durability

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Extremely important	14	20.6	23.7	23.7
	Very important	34	50.0	57.6	81.4
	Somewhat important	10	14.7	16.9	98.3
	Not at all important	1	1.5	1.7	100.0
	Total	59	86.8	100.0	
Missing	System	9	13.2		
Total		68	100.0		

In respect of strategic alliances you have entered, how important do you consider the following possible characteristics to be? - Sharing or pooling resources

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Extremely important	4	5.9	6.8	6.8
	Very important	38	55.9	64.4	71.2
	Somewhat important	15	22.1	25.4	96.6
	Not very important	2	2.9	3.4	100.0
	Total	59	86.8	100.0	
Missing	System	9	13.2		
Total		68	100.0		

In respect of strategic alliances you have entered, how important do you consider the following possible characteristics to be? - Creation of a separate company

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Extremely important	2	2.9	3.4	3.4
	Very important	9	13.2	15.3	18.6
	Somewhat important	24	35.3	40.7	59.3
	Not very important	18	26.5	30.5	89.8
	Not at all important	6	8.8	10.2	100.0
	Total	59	86.8	100.0	
Missing	System	9	13.2		
Total		68	100.0		

In respect of strategic alliances you have entered, how important do you consider the following possible characteristics to be? - Strategic importance to partners

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Extremely important	13	19.1	22.4	22.4
	Very important	29	42.6	50.0	72.4
	Somewhat important	9	13.2	15.5	87.9
	Not very important	6	8.8	10.3	98.3
	Not at all important	1	1.5	1.7	100.0
	Total	58	85.3	100.0	
Missing	System	10	14.7		
Total		68	100.0		

In respect of strategic alliances you have entered, how important do you consider nthe following possible characteristics to be? - Mutual economic gain

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Extremely important	16	23.5	28.1	28.1
	Very important	30	44.1	52.6	80.7
	Somewhat important	10	14.7	17.5	98.2
	Not very important	1	1.5	1.8	100.0
	Total	57	83.8	100.0	
Missing	System	11	16.2		
Total		68	100.0		

In respect of strategic alliances you have entered, how important do you consider the following possible characteristics to be? - Own firm economic gain

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Extremely important	18	26.5	31.6	31.6
	Very important	34	50.0	59.6	91.2
	Somewhat important	4	5.9	7.0	98.2
	Not very important	1	1.5	1.8	100.0
	Total	57	83.8	100.0	
Missing	System	11	16.2		
Total		68	100.0		

In respect of strategic alliances you have entered into, how important do you consider the following possible characteristics to be? - Other

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	See text of Questionnaire	6	8.8	100.0	100.0
Missing	System	62	91.2		
Total		68	100.0		

Additional comments

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	See text of Questionnaire	11	16.2	100.0	100.0
Missing	System	57	83.8		
Total		68	100.0		

Country of Responding Bank

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Austria	1	1.5	1.5	1.5
	Belgium	4	5.9	5.9	7.4
	Denmark	1	1.5	1.5	8.8
	France	3	4.4	4.4	13.2
	Germany	16	23.5	23.5	36.8
	Greece	1	1.5	1.5	38.2
	Holland	5	7.4	7.4	45.6
	Ireland	3	4.4	4.4	50.0
	Italy	4	5.9	5.9	55.9
	Luxembourg	1	1.5	1.5	57.4
	Norway	2	2.9	2.9	60.3
	Portgual	1	1.5	1.5	61.8
	Spain	2	2.9	2.9	64.7
	Sweden	3	4.4	4.4	69.1
	Switzerland	4	5.9	5.9	75.0
	UK	17	25.0	25.0	100.0
	Total	68	100.0	100.0	

Appendix Three

Postal Survey Questionnaire

Non-Parametric – Chi Squared Test - Frequencies

(Analysis of Data via SPSS for Windows v. 9.0)

NPar Tests

Chi-Square Test

Frequencies

How many strategic alliances does your company have ?

	Observed N	Expected N	Residual
1 to 4	39	14.5	24.5
5 to 9	13	14.5	-1.5
10 to 15	3	14.5	-11.5
More than 15	3	14.5	-11.5
Total	58		

We do or are willing to enter into strategic alliances with our competitors

	Observed N	Expected N	Residual
Strongly Agree	4	12.0	-8.0
Agree	31	12.0	19.0
Neither agree nor disagree	14	12.0	2.0
Disagree	5	12.0	-7.0
Strongly disagree	6	12.0	-6.0
Total	60		

We consider that there is a direct positive relationship between ownership, in equity terms, and management control and infulence in strategic alliances

	Observed N	Expected N	Residual
Strongly agree	14	17.0	-3.0
Agree	38	17.0	21.0
Neither agree nor disagree	12	17.0	-5.0
Disagree	4	17.0	-13.0
Total	68		

We consider that our strategic alliances have met or are meeting our strategic objectives

	Observed N	Expected N	Residual
Strongly agree	11	12.0	-1.0
Agree	37	12.0	25.0
Neither agree nor disagree	10	12.0	-2.0
Disagree	1	12.0	-11.0
Strongly agree	1	12.0	-11.0
Total	60		

The objectives of our alliances are specific

	Observed N	Expected N	Residual
Strongly agree	27	20.3	6.7
Agree	32	20.3	11.7
Neither agree nor disagree	2	20.3	-18.3
Total	61		

Our strategic alliances identify and undertake specific tasks in support of these objectives

	Observed N	Expected N	Residual
Strongly agree	22	15.3	6.8
Agree	37	15.3	21.8
Neither agree nor disagree	1	15.3	-14.3
Disagree	1	15.3	-14.3
Total	61		

We encourage our strategic alliances to take calculated initiatives

	Observed N	Expected N	Residual
Strongly agree	10	15.3	-5.3
Agree	30	15.3	14.8
Neither agree nor disagree	17	15.3	1.8
Disagree	4	15.3	-11.3
Total	61		

We are strongly committed to our strategic alliance partners

	Observed N	Expected N	Residual
Strongly agree	11	15.3	-4.3
Agree	29	15.3	13.8
Neither agree nor disagree	16	15.3	.8
Disagree	5	15.3	-10.3
Total	61		

When entering into a strategic alliance we devote substantial time to establishing methods for making decisions

	Observed N	Expected N	Residual
Strongly agree	11	15.3	-4.3
Agree	40	15.3	24.8
Neither agree nor disagree	8	15.3	-7.3
Disagree	2	15.3	-13.3
Total	61		

When entering into strategic alliances we devote substantial time to establishing methods for monitoring the implementation of decisions

	Observed N	Expected N	Residual
Strongly agree	11	15.3	-4.3
Agree	32	15.3	16.8
Neither agree nor disagree	16	15.3	.8
Disagree	2	15.3	-13.3
Total	61		

When entering into a strategic alliance we devote substantial time to establishing a method for resolving conflicts

	Observed N	Expected N	Residual
Strongly agree	9	15.3	-6.3
Agree	34	15.3	18.8
Neither agree nor disagree	17	15.3	1.8
Disagree	1	15.3	-14.3
Total	61		

When entering into a strategic alliance we devote sustantial time to establishing - Other

	Observed N	Expected N	Residual
See text of Questionnaire	8	8.0	.0
Total	8[a]		

a. This variable is constant. Chi-Square Test cannot be performed.

How many of your strategic alliances are with partners in the following regions -UK

	Observed N	Expected N	Residual
1	6	2.6	3.4
2	2	2.6	-.6
3	2	2.6	-.6
4	3	2.6	.4
5	2	2.6	-.6
6	1	2.6	-1.6
10	2	2.6	-.6
Total	18		

How many of your strategic alliances are with partners in the following regions-Western Europe

	Observed N	Expected N	Residual
1	12	4.3	7.7
2	5	4.3	.7
3	6	4.3	1.7
4	5	4.3	.7
5	7	4.3	2.7
6	1	4.3	-3.3
7	1	4.3	-3.3
11	1	4.3	-3.3
19	1	4.3	-3.3
Total	39		

How many of your strategic alliances are with partners in the following regions-Eastern Europe

	Observed N	Expected N	Residual
1	4	1.8	2.3
2	1	1.8	-.8
3	1	1.8	-.8
4	1	1.8	-.8
Total	7		

How many of your strategic alliances are with partners in the following regions-North America

	Observed N	Expected N	Residual
1	11	3.8	7.3
2	2	3.8	-1.8
3	1	3.8	-2.8
4	1	3.8	-2.8
Total	15		

How many of your strategic alliances are with partners in the following regions-South and Central America

	Observed N	Expected N	Residual
1	4	4.0	.0
Total	4[a]		

a. This variable is constant. Chi-Square Test cannot be performed.

How many of your strategic alliances are with partners in the following areas-Indian Sub-continent

	Observed N	Expected N	Residual
1	3	3.0	.0
Total	3[a]		

a. This variable is constant. Chi-Square Test cannot be performed.

How many of your strategic alliances are with partners in the following regions-Asia

	Observed N	Expected N	Residual
1	4	2.3	1.8
2	2	2.3	-.3
3	2	2.3	-.3
5	1	2.3	-1.3
Total	9		

How many of your strategic alliances are with partners in the following regions-Africa

	Observed N	Expected N	Residual
1	3	3.0	.0
Total	3[a]		

a. This variable is constant. Chi-Square Test cannot be performed.

How many of your strategic alliances are with partners in the following regions-Middle East

	Observed N	Expected N	Residual
1	1	1.0	.0
Total	1[a]		

a. This variable is constant. Chi-Square Test cannot be performed.

How many of your strategic alliances are with partners in the following regions - Other

	Observed N	Expected N	Residual
See text of Questionnaire	17	17.0	.0
Total	17[a]		

a. This variable is constant. Chi-Square Test cannot be performed.

We are using or intend to use strategic alliances to expand our capability in -UK

	Observed N	Expected N	Residual
Yes but no further plans	11	9.5	1.5
Yes and possible future plans	10	9.5	.5
No and no future plans	13	9.5	3.5
No but possible future plans	4	9.5	-5.5
Total	38		

We are using or intend to use strategic alliances to expand our capability in -Western Europe

	Observed N	Expected N	Residual
Yes but no further plans	9	14.0	-5.0
Yes and possible future plans	32	14.0	18.0
No and no future plans	6	14.0	-8.0
No but possible future plans	9	14.0	-5.0
Total	56		

We are using or intend to use strategic alliances to expand our capability in - Eastern Europe

	Observed N	Expected N	Residual
Yes but no further plans	1	8.5	-7.5
Yes and possible future plans	9	8.5	.5
No and no future plans	14	8.5	5.5
No but possible future plans	10	8.5	1.5
Total	34		

We are using or intend to use strategic alliances to expand our capability in - North America

	Observed N	Expected N	Residual
Yes but no further plans	7	8.5	-1.5
Yes and possible future plans	5	8.5	-3.5
No and no future plans	15	8.5	6.5
No but possible future plans	7	8.5	-1.5
Total	34		

We are using or intend to use strategic alliances to expand our capability in - South and Central America

	Observed N	Expected N	Residual
Yes but no further plans	1	7.5	-6.5
Yes and possible future plans	3	7.5	-4.5
No and no future plans	18	7.5	10.5
No but possible future plans	8	7.5	.5
Total	30		

We are using or intend to use strategic alliances to expand our capability in the - Indian Sub-continent

	Observed N	Expected N	Residual
Yes but no further plans	1	7.0	-6.0
Yes and possible future plans	3	7.0	-4.0
No and no future plans	19	7.0	12.0
No and possible future plans	5	7.0	-2.0
Total	28		

We are using or intend to use strategic alliances to expand our capability in - Asia

	Observed N	Expected N	Residual
Yes but no further plans	4	8.5	-4.5
Yes and possible future plans	6	8.5	-2.5
No and no future plans	15	8.5	6.5
No but possible future plans	9	8.5	.5
Total	34		

We are using or intend to use strategic alliances to expand our capability in - Africa

	Observed N	Expected N	Residual
Yes and possible future plans	3	10.0	-7.0
No and no futuure plans	22	10.0	12.0
No but possible future plans	5	10.0	-5.0
Total	30		

We are using or intend to use strategic alliances to expand our capability in the - Middle East

	Observed N	Expected N	Residual
No and no future plans	19	14.5	4.5
No and possible future plans	10	14.5	-4.5
Total	29		

We are using or intend to use strategic alliances to expand our capability in - Others

	Observed N	Expected N	Residual
See text of Questionnaire	5	5.0	.0
Total	5[a]		

a. This variable is constant. Chi-Square Test cannot be performed.

How important are the following reasons for entering into strategic alliances? - Capital cost reduction

	Observed N	Expected N	Residual
Extremely important	6	12.6	-6.6
Very important	15	12.6	2.4
Somewhat important	19	12.6	6.4
Not very important	16	12.6	3.4
Not at all important	7	12.6	-5.6
Total	63		

How important are the following reasons for entering into strategic alliances? - Sharing risks

	Observed N	Expected N	Residual
Extremely important	7	12.8	-5.8
Very important	24	12.8	11.2
Somewhat important	20	12.8	7.2
Not very important	10	12.8	-2.8
Not at all important	3	12.8	-9.8
Total	64		

How important are the following reasons for entering into strategic alliances? - Entering a new product market

	Observed N	Expected N	Residual
Extremely important	12	15.5	-3.5
Very important	29	15.5	13.5
Somewhat important	8	15.5	-7.5
Not very important	13	15.5	-2.5
Total	62		

How important are the following reasons for entering into strategic alliances? - Entering a new geographical market

	Observed N	Expected N	Residual
Extremely important	13	12.8	.2
Very important	26	12.8	13.2
Somewhat important	9	12.8	-3.8
Not very important	12	12.8	-.8
Not at all important	4	12.8	-8.8
Total	64		

How important are the following reasons for entering into strategic alliances? - Accessing distribution channels

	Observed N	Expected N	Residual
Extremely important	12	12.6	-.6
Very important	29	12.6	16.4
Somewhat important	15	12.6	2.4
Not very important	5	12.6	-7.6
Not at all important	2	12.6	-10.6
Total	63		

In respect of strategic alliances you have entered, how important do you consider the following possible characteristics to be? - Durability

	Observed N	Expected N	Residual
Extremely important	14	14.8	-.8
Very important	34	14.8	19.3
Somewhat important	10	14.8	-4.8
Not at all important	1	14.8	-13.8
Total	59		

In respect of strategic alliances you have entered, how important do you consider the following possible characteristics to be? - Sharing or pooling resources

	Observed N	Expected N	Residual
Extremely important	4	14.8	-10.8
Very important	38	14.8	23.3
Somewhat important	15	14.8	.3
Not very important	2	14.8	-12.8
Total	59		

In respect of strategic alliances you have entered, how important do you consider the following possible characteristics to be? - Creation of a separate company

	Observed N	Expected N	Residual
Extremely important	2	11.8	-9.8
Very important	9	11.8	-2.8
Somewhat important	24	11.8	12.2
Not very important	18	11.8	6.2
Not at all important	6	11.8	-5.8
Total	59		

In respect of strategic alliances you have entered, how important do you consider the following possible characteristics to be? - Strategic importance to partners

	Observed N	Expected N	Residual
Extremely important	13	11.6	1.4
Very important	29	11.6	17.4
Somewhat important	9	11.6	-2.6
Not very important	6	11.6	-5.6
Not at all important	1	11.6	-10.6
Total	58		

In respect of strategic alliances you have entered, how important do you consider nthe following possible characteristics to be? - Mutual economic gain

	Observed N	Expected N	Residual
Extremely important	16	14.3	1.8
Very important	30	14.3	15.8
Somewhat important	10	14.3	-4.3
Not very important	1	14.3	-13.3
Total	57		

In respect of strategic alliances you have entered, how important do you consider the following possible characteristics to be? - Own firm economic gain

	Observed N	Expected N	Residual
Extremely important	18	14.3	3.8
Very important	34	14.3	19.8
Somewhat important	4	14.3	-10.3
Not very important	1	14.3	-13.3
Total	57		

In respect of strategic alliances you have entered into, how important do you consider the following possible characteristics to be? - Other

	Observed N	Expected N	Residual
See text of Questionnaire	6	6.0	.0
Total	6[a]		

a. This variable is constant. Chi-Square Test cannot be performed.

Additional comments

	Observed N	Expected N	Residual
See text of Questionnaire	11	11.0	.0
Total	11[a]		

a. This variable is constant. Chi-Square Test cannot be performed.

Test Statistics

	How many strategic alliances does your company have ?	We do or are willing to enter into strategic alliances with our competitors	We consider that there is a direct positive relationship between ownership, in equity terms, and management control and infulence in strategic alliances	We consider that our strategic alliances have met or are meeting our strategic objectives	The objectives of our alliances are specific	Our strategic alliances identify and undertake specific tasks in support of these objectives
Chi-Square[a,b,]	59.793	42.833	37.882	72.667	25.410	60.639
df	3	4	3	4	2	3
Asymp. Sig.	.000	.000	.000	.000	.000	.000

Test Statistics

	We encourage our strategic alliances to take calculated initiatives	We are strongly committed to our strategic alliance partners	When entering into a strategic alliance we devote substantial time to establishing methods for making decisions	When entering into strategic alliances we devote substantial time to establishing methods for monitoring the implementation of decisions	When entering into a strategic alliance we devote substantial time to establishing a method for resolving conflicts	How many of your strategic alliances are with partners in the following regions -UK
Chi-Square[a,b,]	24.574	20.508	56.311	31.131	39.131	6.111
df	3	3	3	3	3	6
Asymp. Sig.	.000	.000	.000	.000	.000	.411

Test Statistics

	How many of your strategic alliances are with partners in the following regions-Western Europe	How many of your strategic alliances are with partners in the following regions-Eastern Europe	How many of your strategic alliances are with partners in the following regions-North America	How many of your strategic alliances are with partners in the following regions-Asia	We are using or intend to use strategic alliances to expand our capability in -UK	We are using or intend to use strategic alliances to expand our capability in -Western Europe
Chi-Square[a,b,]	26.308	3.857	18.867	2.111	4.737	31.286
df	8	3	3	3	3	3
Asymp. Sig.	.001	.277	.000	.550	.192	.000

Test Statistics

	We are using or intend to use strategic alliances to expand our capability in - Eastern Europe	We are using or intend to use strategic alliances to expand our capability in - North America	We are using or intend to use strategic alliances to expand our capability in - South and Central America	We are using or intend to use strategic alliances to expand our capability in the - Indian Sub-continent	We are using or intend to use strategic alliances to expand our capability in - Asia	We are using or intend to use strategic alliances to expand our capability in - Africa
Chi-Square[a,b,]	10.471	6.941	23.067	28.571	8.118	21.800
df	3	3	3	3	3	2
Asymp. Sig.	.015	.074	.000	.000	.044	.000

Test Statistics

	We are using or intend to use strategic alliances to expand our capability in the - Middle East	How important are the following reasons for entering into strategic alliances? - Capital cost reduction	How important are the following reasons for entering into strategic alliances? - Sharing risks	How important are the following reasons for entering into strategic alliances? - Entering a new product market	How important are the following reasons for entering into strategic alliances? - Entering a new geographic al market	How important are the following reasons for entering into strategic alliances? - Accessing distribution channels
Chi-Square[a,b,]	2.793	10.571	24.594	16.581	20.844	35.333
df	1	4	4	3	4	4
Asymp. Sig.	.095	.032	.000	.001	.000	.000

Test Statistics

	In respect of strategic alliances you have entered, how important do you consider the following possible characteristics to be? - Durability	In respect of strategic alliances you have entered, how important do you consider the following possible characteristics to be? - Sharing or pooling resources	In respect of strategic alliances you have entered, how important do you consider the following possible characteristics to be? - Creation of a separate company	In respect of strategic alliances you have entered, how important do you consider the following possible characteristics to be? - Strategic importance to partners	In respect of strategic alliances you have entered, how important do you consider nthe following possible characteristics to be? - Mutual economic gain	In respect of strategic alliances you have entered, how important do you consider the following possible characteristics to be? - Own firm economic gain
Chi-Square[a,b,]	39.508	55.508	27.525	39.241	31.211	48.053
df	3	3	4	4	3	3
Asymp. Sig.	.000	.000	.000	.000	.000	.000

a. 0 cells (.0%) have expected frequencies less than 5. The minimum expected cell frequency is 14.5.

b. 0 cells (.0%) have expected frequencies less than 5. The minimum expected cell frequency is 12.0.

c. 0 cells (.0%) have expected frequencies less than 5. The minimum expected cell frequency is 17.0.

d. 0 cells (.0%) have expected frequencies less than 5. The minimum expected cell frequency is 20.3.

e. 0 cells (.0%) have expected frequencies less than 5. The minimum expected cell frequency is 15.3.

f. 7 cells (100.0%) have expected frequencies less than 5. The minimum expected cell frequency is 2.6.

g. 9 cells (100.0%) have expected frequencies less than 5. The minimum expected cell frequency is 4.3.

h. 4 cells (100.0%) have expected frequencies less than 5. The minimum expected cell frequency is 1.8.

i. 4 cells (100.0%) have expected frequencies less than 5. The minimum expected cell frequency is 3.8.

j. 4 cells (100.0%) have expected frequencies less than 5. The minimum expected cell frequency is 2.3.

k. 0 cells (.0%) have expected frequencies less than 5. The minimum expected cell frequency is 9.5.

l. 0 cells (.0%) have expected frequencies less than 5. The minimum expected cell frequency is 14.0.

m. 0 cells (.0%) have expected frequencies less than 5. The minimum expected cell frequency is 8.5.

n. 0 cells (.0%) have expected frequencies less than 5. The minimum expected cell frequency is 7.5.

o. 0 cells (.0%) have expected frequencies less than 5. The minimum expected cell frequency is 7.0.

p. 0 cells (.0%) have expected frequencies less than 5. The minimum expected cell frequency is 10.0.

q. 0 cells (.0%) have expected frequencies less than 5. The minimum expected cell frequency is 12.6.

r. 0 cells (.0%) have expected frequencies less than 5. The minimum expected cell frequency is 12.8.

s. 0 cells (.0%) have expected frequencies less than 5. The minimum expected cell frequency is 15.5.

t. 0 cells (.0%) have expected frequencies less than 5. The minimum expected cell frequency is 14.8.

u. 0 cells (.0%) have expected frequencies less than 5. The minimum expected cell frequency is 11.8.

v. 0 cells (.0%) have expected frequencies less than 5. The minimum expected cell frequency is 11.6.

w. 0 cells (.0%) have expected frequencies less than 5. The minimum expected cell frequency is 14.3.

Appendix Four

Summary of Strategic Alliances Readings

Appendix Four

Summary of Strategic Alliances Readings

Author(s)/Title	Year	Summary/Observations
Afriyie A technology-transfer methodology for developing joint production strategies in varying technological systems	1988, CL-CSIB	Thesis- 'without the tool of a systematic framework for analysing technology-transfer processes, it is possible that cooperative partners may miss valuable market opportunities , while host-country policies may not take into consideration the full range of existing technological capabilities within and outside the host environment'
Afuah How much do your co-opetitors' capabilities matter in the face of technological change?	2000, SMJ, March	Thesis- Question asked 'What happens to...firms'…'competitive advantage when the technological change renders...obsolete the capabilities of their co-opetitors – the suppliers, customers, and complementors whose very success may underpin that of the firm and with whom it must collaborate and compete' Findings – 'a firm's post-technological change performance decreases with the extent to which the technological change renders co-opetitors' capabilities obsolete'
Ahuja The duality of collaboration: Inducements and opportunities in the formation of interfirm linkages.	2000, SMJ, March SE Strategic Networks	Thesis- Investigates the propensity of firms to establish interfirm linkages with potential competitors. Finds two broad classes of factors – inducement or incentives to collaborate (to gain access to assets, lean new skills etc), and opportunities (provided by its position in the prior network structure). Three forms of 'accumulated capital' affect firm's inducements and opportunities- Technical, Commercial, Social. Positive correlation with possession of first two and attractiveness as alliance partner.
Anand, Ainuddin, Makino An empirical analysis of multinational strategy and international joint venture characteristics in Japanese MNCs	1997, BK-CS-APP	Thesis- [results] indicate that Japanese subsidiaries formed to pursue global strategies tend to be less capital-intensive, but to hold a larger equity share of the foreign parent, and to have a higher proportion of parent-company employees. Global subsidiaries also tend to be more frequently attracted to a host site by the availability of labour and investment incentives'
Anand, Khunna Do firms learn to create value? The case of alliances.	2000, SMJ, March, SE Strategic Networks	Thesis- 'We investigate whether firms learn to manage interfirm alliances as experience accumulates'. Found strong learning effects in joint ventures (none in licensing contracts). Especially strong for research and production JVs, weak for marking joint ventures. 'An alliance can be viewed as an incomplete contract between firms, in the sense that detailed interactions between alliance partners can rarely be fully pre-specified'.

Ariño Veracity and commitment: cooperative behaviour in first-time collaborative ventures	1997, Beamish, Killing, CS-EP	Thesis-'it was observed that a firm's level of veracity is positively associated with its perception of how it is "locked into" the collaborative venture (CVs); that its veracity is positively associated with its perception of the partner's cooperative behaviour; and that in CVs in which the companies partner for the first time, the use of equity increases a firm's commitment'.
Ariño, Torre Learning from failure: toward an evolutionary model of collaborative ventures	1998, SE, Org Sc	Thesis- Study interaction between two partners in a failed international joint venture. 'conclude that positive feedback loops are critical in the evolutionary process, that relationship quality is both an outcome and a mediating variable, and that procedural issues are critical from the start in fostering a climate for positive reinforcement and the building of mutual trust and confidence in the relationship'
Asvathitanont Strategic alliance: Key factor of success in planning and implementing	1997, MBA-IBF, Dissertation	Thesis- Review of types of alliances and reasons for entering into alliances.
Aulakh, Kotabe, Sahay Trust and performance in cross-border marketing partnerships: a behavioural approach	1997, BK-CS-NAP	Thesis-'findings support the importance of bilateral relational norms and informal monitoring mechanisms in building interorganizational trust and improving market performance of international partnerships'.
Barkema, Shenkar, Vermeulen, Bell Working abroad, working with others: how firms learn to operate international joint ventures	1997, AM-J, SE	Thesis-'Successful international joint ventures entail both learning to operate across national boundaries and learning to cooperate ...Experience with domestic joint ventures and with wholly owned subsidiaries contributed to the longevity of international joint ventures, but prior experience with international joint ventures did not'.
Barnes, Crook, Koybaeva, Stafford Why our Russian alliances fail	1997,LRP	Thesis-'This article presents a framework identifying key characteristics of Russian business culture that are likely to conflict with Western business culture'. 'Underlying assumptions in work culture. Wilkins, 1983, - 'views a work culture as an implicit 'social contract', which bridges the gap between the formal expectations of the employment contract and the employees' informal perceptions on how things really work in an organization. The social contract consists of the informational information that employees need to know about how an organization functions'. Table 2 provides key assumptions – Work means, ends, and rewards.

Baum, Calabrese, Silverman Don't go it alone: Alliance network composition and startup's performance in Canadian biotechnology.	2000, SMJ, March SE Strategic Networks	Thesis- Investigate the impact of the network held on the early performance of a start-up alliance. Predicted that start-ups 'could enhance their initial performance by 1) establishing alliances, 2) configuring them into an efficient network that provides access to diverse information and capabilities with minimum costs of redundancy, conflict, and complexity, and 3) allying with established rivals that provided an opportunity for learning and less risk of inter-alliance rivalry'. Research into 142 Canadian biotech start-ups' provides broad support for the hypotheses.
Beamish, Delios Improving joint venture performance through congruent measures of success	1997a), Beamish, Killing, CS-EP	Thesis-'We advance the proposition that performance dissatisfaction is rooted in a lack of congruity in performance objectives at the time the IJV was formed.'.
Beamish, Delios Incidence and propensity of alliance formation	1997, BK-CS-APP	Thesis- Decline since 1986 in the propensity to conclude alliances. Japanese MNEs use JV form more than European of US MNEs.
Bell, Barkema, Verbeke An eclectic model of the choice between wholly owned subsidiaries and joint ventures as modes of foreign entry	1997, Beamish, Killing, CS-EP	Thesis-Tested a new eclectic framework (strategic, transactional, locational, resource-based) on 168Dutch foreign ventures. Research confirmed that 'all four types of variable add to the explanation of entry mode choices-that is, that firms expand through JV or WOS' (Wholly Owned Subsidiaries).
Berg, Hoekman Entrepreneurship over the product life cycle: joint venture strategies in the Netherlands	1988, CL-CSIB	Thesis- 'innovation includes identifying new markets and new uses for old products – as well as introducing new technologies. Thus, the entrepreneurial model of innovation via JVs still applies to services, including wholesaling, banking, and transportation'

Bouchikhi, de Ronde, Leroux Process and evolution in Alliances	1998 CP, Balliol, Oxford	Thesis- 'introduce a descriptive framework, grounded in structuration theory, which views alliances in terms of an anatomy {or structure] and physiology [or action] reciprocally shaping and being shaped by each other' Non Linear Approaches-Refers to: Ring & Van de Ven, 1994 – 'interfirm relationships are a recurring sequence of processes of negotiation, commitment, execution. Each phase is governed by formal, legal, and informal social-psychological processes and focused on attaining efficient and equitable (or fair) outcomes and , if required, an serve as a conflict resolution mechanism' Dox, 1996 – 'learning – revaluation – readjustment cycles' Giddings, 1989 – 'treatment of structuration theory where structure and action are intricately interconnected and on cannot speak of one without implicitly refereeing to the other. Dox, 1996-p81-'strategy content, and outcomes, are hard to understand without an understanding of how participants in the processes that generate these outcomes interact' Opening up black box of process – Who is involved, why does it exist, what is it that is being done, how is this being done.
Buckley, Casson A theory of cooperation in international business	1988, CL-CSIB	Thesis- Attempts to analyse 'cooperation' and uses 50:50 Equity Joint Ventures as the research site. Definition of cooperation advocated ... 'coordination effected through mutual forebearance'...'an aggressive party perpetrates some act that damages another party's interests, while a neutral party behaves more passively: it simply refrains from some act that would benefit someone else. In either case, the party is deemed to cheat; if it refrains from cheating, it is said to forbear. Often, both options are available: the party can either commit a damaging act or merely omit to perform a beneficial one. Under such conditions, neutrality is regarded as weak cheating and aggression as strong cheating'
Buckley,Casson An economic model of international joint venture strategy	1997, Beamish, Killing, CS-EP	Thesis-'The model explains the increasing role of international joint ventures in the 1980s in terms of the accelerating pace of technological innovation and the globalization of markets'
Burton Locomotives or juggernaughts? – Partnership with the Japanese	1995b	Thesis- Uses Rover/Honda example – Article based on 1995 paper. 'Locomotive School' – West should link its enterprise to East Asian dynamism 'Juggernaught School' – Pacific Rim companies will destroy Western companies and ultimately Western economies unless governments step in to arrest their progress.

Chi Option to acquire or divest a joint venture	2000, SMJ, June	Thesis- Refers – Kogut (1991) – 'A JV contract typically does not give either partner the right to acquire or divest the venture at an ex ante specified price. In such a case, the partners will have to negotiate a price ex post if one of them wants to acquire the other's stake, thus making the option's exercise price indeterminate ex ante'. 'One key attribute is that the two JV partners can easily develop differing valuations of the venture's assets because how much each can gain from the assets without their partner depends on the extent to which their independently held assets complement those of the venture' 'trade off between flexibility and commitment'
Child, Yan, Lu Ownership and control in Sino-Foreign joint ventures	1997, BK-CS-APP	Thesis- 'Although there is evidence of focus in the areas of parent company control, foreign influence tends to predominate across all the main areas of joint venture management. The investigation indicates that resource dependence and related perspectives have considerable theoretical power for predicting and explaining the control of joint ventures, at least between developed and developing country partners'
Choi, Lee A knowledge based view of cooperative interorganizational relationships	1997, Beamish, Killing, CS-EP	Thesis-Consider interorganizational transfer of knowledge – 'tacit or implicit knowledge is more difficult to transfer via the market...incentives and enforcement mechanisms must be established to ensure effective transfer of knowledge between organizations and to facilitate their continuous strategic change'.
Chung, Singh, Lee Complementarity, status similarity and social capital as drivers of alliance formation.	2000, SMJ, Jan	Thesis- 'findings indicate that the likelihood of investment banks' alliance formation is positively related to the complementarity of their capabilities, as well as their status similarity' Social capital also important in choosing alliance partners.
Combs, Ketchen Explaining interfirm cooperation and performance: toward a reconciliation of predictions from the resource-based view and organizational economics.	1999, SMJ	Thesis- Resource based view – 'suggests that firms seek to capitalize on and increase their capabilities and endowments' See p 868 Organizational economics – 'asserts that firms focus on minimizing the costs of organizing' See p 869. Research – 94 publicly held restaurant chains. Findings –'Understanding the antecedents and consequences of organizational actions is a central theme in strategic management research' An integrated view is largely supported.

Contractor, Lorange Why should firms cooperate? The strategy and economics basis for cooperative ventures	1988, CL-CSIB	Thesis- 'what makes the recent spate of cooperative associations different is that they are typically being formed between firms in industrial free-market economies where there are few external regulatory pressures mandating a linkup'. , 'in many situations, the international firm is better seen as a coalition of interlocked, quasi-arms-length relationships'. Rationales for cooperation – Risk reduction; economies of scale and production rationalization; exchanges of complementary technologies and patents; co-opting or blocking competition; overcoming Government-mandated investment and/or trade barriers; facilitating initial international expansion; vertical quasi integration…a distinction was drawn between ventures in which the partners make similar inputs (Horizontal ventures) versus ventures in which the contributions of the partners are complementary, with quasi-vertical integration providing synergy'…'ongoing viability of the venture depends on the continuing mutual dependence of the partners'
Das, Teng Managing risks in strategic alliances.	1999, AM-E	Thesis- Discussion- Relational risk-'is concerned with the probability that partner firms lack commitment to the alliance and that their possible opportunistic behaviour could undermine the prospects of an alliance' Performance risk- 'is the probability that an alliance may fail even when partner firms commit themselves fully to the alliance' Property resources-'when there are clear property rights and a firm's ownership is absolute and is protected by law' Knowledge resources-protection dependent on a knowledge barrier against the unintended transfer of knowledge. Managing risks-Managing issues such as control, flexibility, security, and productivity. Quote- 'Both cooperation and competition must be preserved in an alliance as dynamic and permanent conditions. A sense of competition should be interwoven with the spirit of cooperation'
Demers, Hafsi, Jorgensen, Molz Industry dynamics of cooperative strategy: dominant and peripheral games	1997, BK-CS-NAP	Thesis-'the dominant games are often associated with national models of competition in stable. Mature industries. The peripheral games are often associated with firm-level virtual diamond in emerging industries or industries being reconfigured. Globalization is driving an increasing number of industries and segments into a reconfiguration phase where cooperative strategies are essential'.
Dickson, Weaver Environmental determinants and individual level moderators of alliance use	1997,AM-J, SE	Thesis-Sample 433 Norwegian manufacturing firms – 'Results support a multidimensional view of perceived uncertainty and the existence of significant variation in the link between perceived environmental and alliance use, which arises as a consequence of key managers' entrepreneurial and individualism/collectivism orientations'

Dollinger, Golden, Saxton The effect of reputation on the decision to joint venture	1997, SMJ	Thesis-'This paper focuses on the impact that reputation has on the decision to proceed with a strategic alliance. 'Findings indicate- 1) reputation is a multidimensional construct 2) the personal information-processing characteristics of the decision-maker mediate the reputation effect and may suppress the reputation information 3) subject may compensate weaker elements of reputation for stronger ones when making decisions. 4) product and management reputation are the most important factors 5) reputation is a factor affecting the decision regardless of whether the proposed target is a supplier or a competitor.
Doz Keeping score in alliances: Process continuity and discontinuity	1998, CP, Balliol, Oxford	Thesis-'Expectations about the alliance's value creation comprises both how the nature of the opportunity brought by the alliance holds potential value and how complementarity between partners can be harnessed to create such value' 'Expectations ...cover both value creation, (the opportunity's potential value and how cooperation between partners will be pursued successfully) and value appropriation (how the partners will equitably share benefits, presumably in proportion to their contributions to the alliance's success)' The initial conditions change with learning from joint or coordinated action, from joint task and its difficulties, from process of cooperation, learn about each other's skill's, cooperation may lead to partners sharpening their own goals.
Doz Technology partnerships between larger and smaller firms: some critical issues	1988, CL-CSIB	Thesis– 'Critical issues in partnerships – convergence of purpose [cultural distance, uncertainties, misunderstandings, hidden agendas]; consistency of position within large firm [mitigate risk of internal politics]; interface [design and interdependence]'…'Adjustment and flexibility have to be part of most partnerships' 'the obstacles that face strategic partnerships between large established bureaucratic companies and smaller, entrepreneurial fledgling firms are formidable indeed'
Doz, Olk, Ring Formation processes of R&D consortia: Which path to take? Where does it lead?	2000, SMJ, March SE Strategic Networks	Thesis- Strategic networks (53 R&D consortium researched) can be formed via two distinct paths 1) Emergent – environmental change, common interests, similar views among potential members 2) Engineered by triggering entity (focal person, organization, government involvement) which then seeks members.

Dussauge, Garrette Cooperative Strategy. Competing Successfully through Strategic Alliances	1999, Book	Thesis – 'provides managers with a framework to analyse strategic alliances, and thus help them deal better with the issues raised by inter-firm collaboration' Framework- 1) Features of alliances – Multiple decision-making centres, Constant bargaining and Clash of interests. 2) Main types of alliances- i. Partnerships between non-competing firms International expansion joint ventures Vertical partnerships Cross-industry agreements ii) Alliances between competitors Shared-supply alliances Quasi-concentration alliances Complementary alliances
Dussauge, Garrette, Mitchell Learning from competing partners: Outcomes from durations of scale and link alliances in Europe, North America and Asia	2000, SMJ, Feb	Thesis-'Link alliances ...partners contribute different capabilities' ' Scale alliances...partners contribute similar capabilities' Partners more likely to take over link alliances...scale alliances more likely to continue' 'The results support the view that link alliances lead to greater levels of learning and capability acquisition between partners than do scale alliances'
Dyer Effective interfirm collaboration: How transactors simultaneously achieve high asset specificity and low transaction costs	1998a), CP-Balliol, Oxford	Thesis- Model of interfirm cooperation –Demonstrated commitment to future interaction + information sharing + use of self informing safeguards = promise credibility which leads to reduced transaction costs and increased investment in relation specific assets leads to transaction value through joint performance.
Dyer Improving performance by transforming arms-length relationships to supplier partnerships: The Chrysler case.	1998b), CP-Balliol, Oxford	Thesis-Analyses structural and relational characteristics 1989-1994.

Dyer Improving performance by transforming arms-length relationships to supplier partnerships: The Chrysler case	1997, CP	See 1998 Version.
Dyer Effective interfirm collaboration: how firms minimise transaction costs and maximise transaction value	1997, SMJ	Thesis- 'This study of automotive transaction relationships in the USA and Japan offers data which indicate that transaction costs do not necessarily increase with an increase in relation-specific investments' Transaction costs constitute –search costs, contracting costs, monitoring costs, enforcement costs. 'the incentive to make transaction-specific investments is tempered by the fact that the more specialized a resource becomes, the lower its value in alternative uses' 'received theory predicts that as asset specificity increases, so does the full array of transaction costs…as asset specificity increases above some threshold, the costs of contraction become prohibitive and transactors move to unified governance/hierarchy' Findings-'Japanese automotive transactors minimize transaction costs by minimizing search, contracting, monitoring, and enforcement costs over the long term. The do this by controlling opportunism in their exchange relationships through self -enforcing safeguards rather than legal contracts.... While a legal contract may minimize transaction costs in the short run, the safeguards [goodwill trust, financial hostages] used in Japanese alliances result in lower transaction costs over the long term' 'transaction costs differ between automakers due to: 1) differences in their commitment to suppliers to engage in repeated exchange, (2) differences in the scale and scope of exchanges between the supplier and automaker, (3) differences in interfirm information sharing, (4) differences in the mix of safeguards chosen to govern the exchange, notably a reliance on self-enforcing safeguards which are efficacious over an indefinite time horizon (as opposed to contracts which are only effective for a finite time horizon), and (5) differences in investments in co specialized assets. We have suggested that the propositions are interrelated, meaning that they are highly correlated and mutually reinforcing'.

Dyer, Nobeoka Creating and managing a high-performance knowledge sharing network: The Toyota case.	2000, SMJ, March SE Strategic Networks	Thesis- 'Toyota's ability to effectively create and manage network-level knowledge sharing processes (bilateral and multilateral with its suppliers) at least partially explains the relative productivity advantages owned by its suppliers' 'Toyota's network has solved three fundamental dilemmas with regard to knowledge sharing by devising methods to 1) motivate members to participate and openly share valuable knowledge (while preventing undesirable spillovers to competitors), 2) prevent free riders, and 3) reduce the costs associated with finding and accessing different types of valuable knowledge. Toyota has done this by creating a strong network identity with rules for participation and entry into the network. Most importantly, production knowledge is viewed as the property of the network'. Savings by suppliers are retained by the suppliers in the short term. Note – 1) Knowledge Based View of the Firm (Kogut, Zander, 1992) – Firms exist because they are better than markets at transferring, recombining and creating knowledge. 2) After Grant, 1996 – Learning Routing defined as 'a regular pattern of interactions among individuals that permits the transfer, recombination, or creation of specialized knowledge' Dyer, Nobeoka , 2000. 3) Paper examines 'learning that is facilitated by interorganizational routines that are purposefully designed to facilitate knowledge transfers across organizational boundaries'
Dyer, Singh The relational view: Cooperative strategy and sources of interorganizational competitive advantage	1998, AM-R	Thesis- 'Suggest that a firm's critical resources may span firm boundaries and may be embedded in interfirm resources and routines' 'Identify four potential sources of interorganizational competitive advantage 1) Relation specific assets 2) Knowledge-sharing routines 3) Complementary resources/capabilities 4) Effective governance 'Define interfirm knowledge sharing routine as 'a regular pattern of interfirm interactions that permits the transfer, recombination, or creation of specialized knowledge' (Grant, 1996)
Dymsza Successes and failures of joint ventures in developing countries: lessons from experience	1988, CL-CSIB	Thesis- Developing country JVs involve the TransNational Corporation, the National Partner, the Host Government and the Home Country Financial Institutions. Key factors for success analysed.
Elg The role of network relations on the extended interorganizational arena	1998, CP-Balliol, Oxford	Thesis-As a firm enters into a 'process of industry or market intergration...firms are likely already to be situated in an original net of relations that involves commitments, investments and future expectations' thus ' original relations of a firm can be expected to affect its behaviour as the boundaries surrounding its established net of interorganizational relations dissolve'

Erden Stability and satisfaction in cooperative FDI: partnerships in Turkey	1997, Beamish, Killing, CS-EP	Thesis-'It was observed that widespread usage of various agreements among partners leads to high stability; partner contributions are complementary; foreign investors have 2.5 times more revenue sources than locals; the technology input and the amount of incorporated foreign capital are separately associated with the favourable distribution of revenue sources; and foreign investors are highly satisfied with their joint ventures'.
Faulkner, Pitkethly, Child Change processes in multiorganisational partnerships: Some national comparisons	1998,CP, Balliol, Oxford	Thesis- Really about post merger and acquisition change and integration of processes not strategic alliances. However national characteristics of acquirer of interest: US-Absorb acquisition, control it through systems, budgets, target setting. Explicit knowledge flow from parent to subsidiary. Japanese- more likely to be concerned with establishing relationships and to attempt to pass tacit knowledge. French- colonial approach with strategic decisions in France, operational decisions on the spot by subsidiaries within set strategic frameworks. German – least self-confident, generally failed to adopt a clear, effective post-acquisition method – often too slow, too remote, too uncertain in their management methods to get good results.
Florin The case for nonequity interfirm cooperative arrangements	1997, BK-CS-NAP	Thesis-Why interfirm cooperative arrangements … 'Efficiency in exchange, measured as a reduction of transaction costs and operating costs, and innovation are proposed as performance outcomes, mediated by relational exchange based on trust, specialization , and efficient experimentation.'
Glaister, Buckley Task-related and partner-related selection criteria in UK international joint ventures	1997, BJM	Thesis-'paper identifies partner selection criteria in a sample of UK international joint ventures with Western European, US and Japanese partners. Task related – knowledge of local market, access to distribution channels, access to links with major buyers and access to knowledge of local culture Partner related- trust between top management teams, relatedness of partner's business and reputation. Found-'The greatest variation in the relative importance of selection criteria occurs with the geographical location of the joint venture' Note – Refutes Yoshino & Rangan , 1995, and states that 'Our position is that alliances are a generic form of cooperation between firms and that equity joint ventures are a special case of alliances, where cooperation is cemented through equity holdings'.
Glasiter, Husan, Buckley UK international joint ventures with the triad: Evidence for the 1990s	1998, BJM	Thesis- Purpose of paper-Analyse UK-Triad joint venture activity over 1990-96 period Findings of trends in paper.

Gomes-Casseres Joint venture cycles: the evolution of ownership strategies of US MNEs, 1945-75	1988, CL-CSIB	Thesis- Tracks lifecycles – Notes: factors behind changes ownership strategies – Country factors (geographic distribution of investment, host-government policies); Industry factors (limited); Firm factors (overseas diversification). Joint venture formation cycle –' match each other's competitive moves'…'capabilities evolve as firms learn to compete in new industries and become familiar with new environments, and as opportunities for global integration grow' … 'As a result, the emphasis of corporate strategies may shift from expanding the firm's capabilities to exploiting existing capabilities' 'picture a world at rest, so to speak, where firms compete in an oligopoly, but where none has a persistent advantage over another. Then introduce an exogenous factor that upsets this balance, such as an innovation or new market that opens up new areas for competition.' Lifecycle reviews…Three phases.
Golden Further remarks on retrospective accounts in organizational and strategic management research	1997, AM-J	Thesis- 'Golden, 1992, attempted to address two questions in the study of strategic and organizational change 1) To what extent do CEOs accurately recall and report their firms' past strategies? 2) Under what conditions are retrospective accounts the most and least accurate?. Conclusion – 'I maintain my suggestion that future researchers be critical of retrospective data. However, if significant efforts are made to minimize retrospective biases and error and these data can be validated, retrospective data may well provide unique access to past organizational events'.
Graham Deference given to the buyer: variations across twelve cultures	1988, CL-CSIB	Thesis- 'There are numerous reasons why American executives have difficulty conducting business in Japan. But perhaps the most important cause of problems for Americans is the basic misunderstanding regarding the structure of interpersonal and business relationships'
Gray, Yan Formation and evolution of international joint ventures: examples from US-Chinese partnerships	1997, BK-CS-APP	Thesis-Initial effects -Institutional environment, bargaining power, prior relationship and ongoing effects – political and economic climate – all imprint on the stability of a JV.
Green, Keogh Collaboration in the UK upstream Oil and Gas industry five years on	1998,CP, Balliol, Oxford	Thesis- analysis of collaboration in Oil & Gas industry including a listing of firms, projects and conference literature.

Gulati Network location and learning: The influence of network resources and firm capabilities on alliance formation	1999, SMJ	Thesis- Findings – 'Data from extensive fieldwork show that by influencing the extent to which firms have access to information about potential partners, such resources are an important catalyst for new alliances, especially because alliances entail considerable hazards' 'This study highlights the importance of network resources that firms derive from their embedded ness in networks for explaining their strategic behaviour' 'Results show that network resources, as indicated by firms' location in the interfirm network of prior alliances in which they are embedded (and also the position of our partners), were a significant predictor of the frequency with which firms entered into new alliances. There is also some evidence that the extent of the capabilities firms accumulated with forming alliances also positively affected the frequency with which they entered into new alliances' 'once firms have developed the administrative control procedures for creating new alliances, they are able to put that knowledge to use in any kind of alliance'
Gulati Alliances and Networks	1998, SMJ	Thesis- Observations-'Social Network Perspective - Identifies five key issues for the study of alliances; 1) the formation of alliances 2) the choice of governance structures 3) the dynamic evolution of alliances 4) the performance of alliances 5) the performance consequences for firms entering into alliances 'Observed that many new opportunities for alliances were presented to firms through their existing sets of alliance partners' 'My fieldwork suggests that social networks of prior ties not only influenced the creation of new ties but also affected their prior design, their evolutionary path, and their ultimate success'
Gulati, Nohria, Zaheer (Eds) Introduction to the special issue: Strategic Networks	2000a), SMJ, March SE-Strategic Networks	Editorial-'Do alliances and networks really matter when it comes to firm performance?'
Gulati, Nohria, Zaheer Strategic networks.	2000b), SMJ, March SE Strategic Networks	Thesis- 'the network of relationships in which firms are embedded profoundly influence their conduct and performance' 'we highlight the idea that strategic networks potentially provide a firm with access to information, resources, markets, and technologies; with the advantages from learning, scale and scope economies; and allow firms to achieve strategic objectives, such as sharing risks and outsourcing value-chain stages and organizational functions. Networks also have a potential dark side and may lock firms into unproductive relationships or preclude partnering with other viable firms. In this way, a firm's network of relationships is a source of both opportunities and constraints. As economic activity becomes sharply more important, the firm's network assumes enhanced strategic importance'

Hakansson, Johanson Formal and informal cooperation strategies in international and industrial networks	1988, CL-CSIB	Thesis-'We can summarize by saying that firms with strong positions in their industrial network will seek formal cooperation with prestigious actors in tightly structured networks that are considered important. Firms with less strong positions will try to develop informal cooperation, thus establishing a position before it is made visible. This tendency will be accentuated in international business because of the comparatively lower transparency there than at home.'
Harrigan Strategic alliances and partner asymmetries.	1988b, CL-CSIB	Thesis- 'Harrigan (1985) argues that ventures are more likely to succeed when partners posses complementary missions, resource capabilities, managerial capabilities, and other attributes that create a strategic fit which the bargaining power of venture's sponsors is evenly matched. Partner's needs to be engaged in a particular strategic alliance are stabilizing to the relationship, while a wide variety of asymmetries are destabilizing to a venturing relationship. Thus, partners will stay together as long as they need each other and their venture remains successful, unless the terms invoked by the bargaining agreement's "divorce clause" are so egregious that they constitute an exit barrier that perpetuates a partnership long after its usefulness to at least one of the partners has expired' 'Results suggest that ventures are more successful where partners are related (in products, markets, and/or technologies) to their ventures or horizontally related to them then when they are vertically related or unrelated to their ventures'
Hennart, Kim, Zeng The impact of joint venture status on the longevity of Japanese stakes in US manufacturing affiliates	1998, SE, Org Sc	Thesis- 'We find that Japanese parents are more likely to terminate their stakes in US joint ventures than in wholly-owned subsidiaries. This higher termination rate of joint venture stakes is explained by the higher probability of selling them, but not of liquidating them'
Hennart, Reddy Research Note- Digestibility and asymmetric information in the choice between acquisitions and joint ventures: Where's the beef?	2000, SMJ, Feb	Thesis- Argued that joint ventures might be preferred to acquisitions when – 1. 'when assets needed by the investor were held by another firm and were difficult to extricate from other unneeded assets held by that firm (Hennarts's 1988 "digestibility" hypothesis' 2. 'when a full acquisition would increase management costs (the post-post-acquisition management problem)' 3. 'when potential acquirers did not know how to value potential targets (Balakrishnan and Koza's 1993 "asymmetric information hypothesis")' 4. 'when legal or institutional constraints made acquisition difficult'

Hennart, Reddy The choice between mergers/ acquisitions and joint ventures: the case of Japanese investors in the United States	1997, SMJ	Thesis-'paper investigates the determinants of the choice between two alternative methods of pooling similar and complementary assets: the merger/acquisition and the Greenfield equity joint venture' Findings- 'The results show that joint ventures are preferred over acquisitions when the desired assets are 'indigestible', i.e., when they are commingled with the nondesired assets because the U.S. firm owning them is large and not divisionalized. Joint ventures are also chosen when the Japanese investor has had no previous experience of the American market and hence seeks to avoid post merger integration problems, when the Japanese investor and the U.S. partner manufacture the same product, and when the industry entered is growing neither very rapidly nor very slowly'. Contrast two different theories- joint ventures arise to reduce the transaction costs involved in purchasing firms – or JVs are favoured when the desired assets are linked to nondesired assets, thus making an acquisition indigestible. Latter thesis supported. Thus 'Joint venture is primarily a device to obtain access to resources which are embedded in other organizations'
Heracleous Strategic thinking as double-loop learning: Barrier and facilitating factors	1997, WP	Thesis- Quotes Hamel & Prahalad, 1989 –'strategic intent' and Hamel, 1996, 'strategy as revolution'. 'Strategic thinking – to discover novel, imaginative strategies, which can re-write the rules of the competitive game: and to envision potential futures significantly different from the present [synthetic, divergent, creative]. ...links with double loop learning, Argyris, 1992. ; cognitive activity which ideally involves suspending and challenging prevailing assumptions (mental maps) about organisational factors and micro/macro environmental factors, and charting possible futures' 'Strategic planning – to operationally the strategies developed through strategic thinking, and to support the strategic thinking process [analytical, convergent, conventional] ...links with single loop learning – activity carried out within the parameters of what is to be achieved'
Herbert, Beamish Characteristics of Canada-based international joint ventures	1997, BK-CS-NAP	Thesis-'The research demonstrates that IJVs are formed to speed up market entry, that they generally involve fifty-fifty equity splits, and that they exhibit relatively high performance rates'
Hergert, Morris Trends in international collaborative agreements	1988, CL-CSIB	Thesis- Used INSEAD database of 839 collaborative agreements. Characteristics – 'share risk and reward...only cover part of the activities of the participants...partners provide input (funding, skills, personnel) to the project on a continuing basis...the total project cannot be broken down into independent subprojects with well-defined performance characteristics and interfaces'...'cooperation is simpler on precompetitive development, as rewards from eventual sales are distant. However, as the project nears the marketing phase, the incentive to cheat on a partner or to benefit at each other's expense may become strong. The implication is that collaboration becomes more difficult to create and sustain as markets evolve'

Hladik R&D and international joint ventures.	1988, CL-CSIB	Thesis- 'Firms, however, may be able to influence the balance of benefits and problems through their choice of joint venture partner and through carefully controlled goals and boundaries to joint activities' – Similarity of partners; previous working relationships; clear delineation of technology contribution to JV all mechanisms to minimize risk.
Holm, Eriksson, Johanson Business Networks and Cooperation in International Business Relationships	1997, Beamish, Killing, CS-EP	Thesis- 'The analysis shows that relationship profitability is directly affected by relationship commitment, and indirectly through commitment, by business network connections'
Hopkins, Hopkins Strategic planning-Financial performance relationships in banks: A causal examination	1997, SMJ	Thesis-Data from 112 banks. Findings-'The results suggest that the intensity with which banks engage in the strategic planning process has a direct, positive effect on banks' financial performance, and mediates the effects of managerial and organizational factors on banks' performance. Results also indicate a reciprocal relationship between strategic planning intensity and performance. That is, strategic planning intensity causes better performance and, in turn, better performance causes greater strategic planning intensity'
Horton, Richey On developing a contingency model of technology alliance formation	1997, BK-CS-NAP	Thesis-'focusing on the issues of opportunism, trust, and reciprocity, this chapter develops a prescriptive model arguing that a firm's incentive to form a technology alliance is contingent on three sets of factors: firm factors, project factors, and environmental factors'.
Hoskins, McFadyen, Finn A comparison of the motivation of Japanese and Canadian participants in international joint ventures in television and film: the role of cultural distance and management culture	1997, BK-CS-APP	Thesis- Differences-Learning more important for Japanese etc.
Hull, Slowinski, Wharton, Azumi Strategic partnerships between technological entrepreneurs in the United States and large corporations in Japan and the United States	1988, CL-CSIB	Thesis- 'Differences between U.S. and Japanese industry in terms of the size distribution of firms, areas of technology expertise, types of organization design, and patterns of interorganizational cooperation present opportunities and challenges for partnerships between the two nations'... 'However, the fruits of the partnership over time are likely to rest largely with the cooperation supplying the manufacturing process to manufacture competitively'

Human, Provan An emergent theory of structure and outcomes in small-firm strategic manufacturing networks	1997, AM-J,SE	Thesis- 'We have found that involvement in an SME manufacturing network can be advantageous for firms and have both transactional and transformational outcomes…Network planners and organizers should find it helpful to know that firms can achieve multiple outcomes, both economic (transactional) and non economic (transformational) from network participation. However, these outcomes do not appear to be attained equally across all network forms, and the timing of network success may also vary.'
Inkpen Research Note- A note on the dynamics of learning alliances: Competition, cooperation, and relative scope	2000, SMJ, July	Thesis- Critiques Khunna, Gulati, Nohria (1998) – 'authors develop the concept of private and common benefits to the alliance partners and suggest that firms often fail to understand the magnitude of partner asymmetric differences' – but dynamic processes in alliance learning situations omitted. 'More typically are alliances in which the partners openly acknowledge both asymmetric alliance objectives and an expectation of learning via private benefits'
Inkpen Learning and knowledge acquisition through international strategic alliances	1998, AM-E	Thesis – ' Strategic management researchers have began to identify knowledge as the key resource that managers need to appreciate and understand if they are to create sustainable competitive advantage' 'In bringing together firms with differing skills, knowledge bases, and organizational cultures, alliances create unique learning opportunities for the partner firms. Based on the assumption that organizational learning is both a function of access to new knowledge and the capabilities for using and building such knowledge, the paper focuses on alliance knowledge accessibility and firm learning effectiveness.'
Inkpen An examination of knowledge management in international joint ventures	1997, BK-CS-NAP	Thesis-Effective knowledge transfer in IJVs predicated on –flexible partner intent, managerial commitment, redundancy (superfluity), trust and reductions in performance-induced myopia.
Inkpen, Beamish Knowledge, bargaining power and the instability of international joint ventures	1997, AM-R	Thesis-'the high rate of instability in international joint ventures (IVJs) has been well documented...we develop a theoretical framework for instability for IVJs grounded in a bargaining power and dependency perspective. Instability is defined as a major change in partner relationship status that is unplanned and premature from one or both partners' perspectives. 'The core argument is that the instability of IVJs is associated with shifts in partner bargaining power. Shifts in the balance of bargaining power occur when partners of an IVJ acquire sufficient knowledge and skills to eliminate partner dependency and make the IJV bargain obsolete'. 'Unless a MNE has acquired the local knowledge to manage the venture automously, a wholly owned subsidiary is not a viable option. Thus the acquisition of local knowledge can facilitate the transition to a subsidiary, and is a necessary factor in the decision'.
Inkpen, Currall International joint venture trust: an empirical examination	1997, BK-CS-NAP	Thesis- 'the antecedents of IJV manager trust (length of prior joint venture relationship, joint venture risk, forbearance, and joint venture partner control), as well as the impact of trust on JV performance were analysed'

Inkpen, Dinur Knowledge management processes and international joint ventures	1998, Org Sc	Thesis-'The authors examine the processes used by alliance partners to transfer knowledge from an alliance context to a partner context. The identify four key processes – technology sharing, alliance-partner interaction, personnel transfers, and strategic integration- that share a conceptual underpinning and represent a knowledge connection between parent and alliance'
Johnson Procedural justice perceptions among international joint venture managers: their impact on organizational commitment	1997, BK-CS-NAP	Thesis-'suggests that the joint venture manager's perceptions of the procedural justice of strategic decision making may have an impact on several aspects of organizational commitment: to the IJV and its parents, to the IJV top management team, and to implementing the IJV's current strategy'.
Johnson, Cullen, Sakano, Takenouchi Setting the stage for trust and strategic integration in Japanese-US cooperative alliances	1997, BK-CS-NAP	Thesis- 'Results show that partner cultural sensitivity is an important contributor to trust building for both sides of the dyad [US and Japanese ICAs –International cooperative arrangements]. Complementarity with the partner contributed to trust for the US but not for the Japanese. Similarity between ICA partners led to trust for the Japanese but not for the US partner'.
Jones, Hesterly, Fladmoe-Lindquist, Borgatti Professional service constellations: how strategies and capabilities influence collaborative stability and change	1998, SE, Org Sc	Thesis-'When constellation [alliances among multiple firms] members pursue a collectivist strategy, they focus on their mutual benefits and employ a relational logic. Given these firms' need for intensifying relations with partners and clients, constellation members restrict interactions to certain select partners a and clients and intensify their interactions'
Joshi, Kashlak, Sherman How alliances are reshaping telecommunications	1998, LRP	Thesis- Observations-Uses Miles & Snow, 1978, orientations to analyse changes in the US Telecommunications. M & S Typology- Prospectors- broad product lines, focus on product innovation and new market development Defenders- focus on achieving efficiency in their existing operations and have relatively narrower product lines. Analyzers-combine attributes of both prospectors and analysers-efficiency and exploration of new markets. Reactors-Lag in response to changes in environment.

Kale, Singh, Perlmutter Learning and protection of proprietary assets in strategic alliances: Building relational capital.	2000, SMJ, March SE Strategic Networks	Thesis- The paper notes that firms participate in alliances to learn know-how and capabilities from their partner firm whilst at the same time protecting themselves from the opportunistic behaviour of the partner in acquiring the subject firm's proprietary assets –learn & protect. Premise is that 'relational capital' ('level of mutual trust, respect and friendship that arises out of close interaction at the individual level between alliance partners') leads to a mitigation of opportunistic behaviour.
Kalmbach Jr, Roussel Dispelling the myths of alliances	1999, AC-Outlook,	Thesis- Introduction-Alliances already account from 6 to 15% of the market value of typical companies. 82 % of executives believe alliances will be the prime vehicle for future growth. Expected to account for 40% of market value in 25% of companies. 39% of alliances are considered unequivocal successes. 30% outright failures. Problematic myths: Strategy & Design-Alliances are not marriages but are based on enlightened self-interest and diplomacy. Integration - Alliance integration is about bargaining power. Governance – must be tailored to resource capability and value. Internal capabilities – alliance capabilities must permeate the organization through line management. Performance measures –Partnership Value Assessment method.
Kaufman, Wood, Theyel Collaboration and technology linkages: A strategic supplier typology	2000, SMJ, June	Thesis- Constructs Strategic Supplier Typology – Axis – Collaboration & Technology Low C, Low T – Commodity Supplier/ High C, Low T – Collaboration Specialist High C, High T – Problem-Solving Supplier/ Low C, High T – Technology Specialist 'As predicted, firms in the PS quadrant: -have the largest number of employees -have the most firms and the highest percentage of export sales in any quadrant -pay amongst the highest wages have, along with CSs, the highest gross margins'

Khanna The scope of alliances	1998, SE, Org Sc	Thesis- Benefits – 'Private benefits as those that accrue to subsets of participants in an alliance, and common benefits as those that accrue collectively to all participants. We demonstrate how the choice of alliance scope affects the mix of private and common benefits, and draw on earlier work to show how this, in turn, affects alliance partners' incentives to invest in learning' Evolution – Intra-Alliance Evolution ...'Central to the application of this framework, as illustrated by the analysis of stability issues above, is the notion that investments in learning from (and contribution to) one's alliance partner are made in response to the expectation of future benefit streams' Inter-Alliance Evolution... 'The expectation of benefit streams of various kinds affects the decision to enter into an alliance, as well as how an alliance evolves. One way to understand the sequences that firms enter into, therefore, is to focus on those aspects of realizing these benefit streams about which there is some learning over time. This learning can be construed to contribute toward the development of an "alliance capability". By the term alliance capability we refer to the firm's ability to identify partners, initiate alliances, and engage in the ongoing management and possible restructuring and termination of alliances'
Khanna, Gulati, Nohria The dynamics of learning alliances: Competition, Cooperation, and Relative scope.	1998, SMJ	Thesis- Findings – 'We show how the tension between cooperation and competition affects the dynamics of learning alliances. 'Private benefits' and 'common benefits' differ in the incentives that they create for investment in learning. The competitive aspects of alliances are most severe when a firm's ratio of private to common benefits is high' 'Private benefits are those that a firm can earn unilaterally by picking up skills from its partner and applying them to its own operations in areas unrelated to the alliance activity. Common benefits are those that accrue to each partner in an alliance from the collective application of the learning that both firms go through as a consequence of being part of an alliance.'
Killing Understanding alliances: the role of task and organization complexity	1988, CL-CSIB	Thesis- Task Complexity + Organizational Complexity = Alliance Complexity
Korbin Trends in ownership of US manufacturing subsidiaries in developing countries: an interindustry analysis	1988, CL-CSIB	Thesis- 'Technology, marketing and global integration are at the core of most explanations of ownership preferences. Changes in any of these factors that reduce the returns to unambiguous control should reduce the propensity to prefer wholly owned subsidiaries; to the extent that technology matures, for example, one would expect preferences for sole ownership to decline.'

Kogut The network as knowledge: Generative rules and emergence of structure	2000, SMJ, March	Thesis- 'The thesis of this article is that a structure of a network is an emergent outcome generated by rules that guide the cooperative decisions of firms in specific competitive markets'. Concludes- 'Networks are more than just relationships that govern the diffusion of innovations and norms, or explain the variability of access to information across competing firms. Because they are the outcome of generative rules of coordination, networks constitute capabilities that augment the value of firms. These capabilities, e.g., speed to market, generate rents that are subject to private appropriation. It is through an understanding of networks as knowledge encoding coordination within and between specialized firms in specific cooperation and competitive structures that "missing" sources of value can be found'
Kogut A study of the lifecycle of joint ventures	1988, CL-CSIB	Thesis- 'Joint ventures, like any form of organization, undergo a cycle of creation, institutionalisation, and with high probability, termination'...'the central thesis of this chapter is that the reasons for the termination of a joint venture frequently lie in the motives responsible for its creation'... 'but though cooperative in intent, joint ventures are troubled by the enduring influence of competitive rivalry on stability'... 'it would be foolhardy to view a joint venture as anything but the institutional cooperation of firms within the larger competitive context'
Kogut, Singh Entering the United States by joint venture: Competitive rivalry and industry structure	1988, CL-CSIB	Thesis- 'Unquestionably, our results can be interpreted as supportive of a transaction-cost perspective. In this view, the tendency to create joint ventures in R&D-intensive and growing industries reflects the opportunity costs due to delays when entry is by Greenfield investment.'... ' but, it should be noted that, in any event, although it is possible to transform the problem into a transaction-cost framework, the value of opportunity cost derived from delays in entry is strategically determined.'
Koot Underlying dilemmas in the management of international joint ventures	1988, CL-CSIB	Thesis- Dilemmas – (1) Exploit or invest in finance and know-how (2) Mould operations or let them grow (3) Fight or produce a team like cooperative effort (40 Select your joint venture manager or let a joint venture manager develop his staff.

Koza, Lewin The co-evolution of strategic alliances	1998, OrgSci	Thesis- Summary-'Paper proposes a framework which views strategic alliances in the context of the adaptation choices of a firm. Strategic alliances, in this view, are embedded in a firm's strategic portfolio, and co-evolve with the firm's strategy, the institutional, organizational and competitive environment, and with the management intent for the alliance' 'Lewin et al (1998) have advanced a theory of the evolution of new organizational forms as a outcome of the co-evolution of the competitive environment, firm intentionality, and the institutional environment of the firm under conditions of stochastic or chaotic environmental uncertainty' 'However, singularly absent from the literature are the studies of the evolution of alliances over time, as they co-evolve with the changing strategies of firm, evolving industry practices, and the changing regulatory and institutional environment' 'In this paper we advanced the view that strategic partnerships – joint ventures and alliances – need to be understood and should be researched in the context of the adaptation choices of the firm over time. Strategic alliances, in this view, are embedded within the firm's strategy, the institutional, organizational and competitive environment, and with management strategic intent for the alliance'
Koza, Lewin The co-evolution of strategic alliances	1998, SE, Org Sc	Thesis- 'The firm's choice to enter into an alliance can be distinguished in terms of its motivation to exploit an existing capability [exploitation alliances] or to explore for new activities [exploration alliances]' 'However, singularly absent from the literature are studies of the evolution of alliances over time, as they co-evolve with the changing strategies of firm, evolving industry strategic practices, and the changing regulatory sand institutional environment' '...we advance the view that strategic partnerships – joint ventures and alliances – need to be understood and should be researched in the context of the adaptive choices of the firm over time. Strategic alliances, in this view, are embedded within the firm's history and strategy portfolio and co-evolve with the firm's strategy, the institutional, organizational, and competitive environment, and with the management strategic intent for the alliance'
Kumar, Nti Differential learning and interaction in alliance dynamics: A process and outcome discrepancy model	1998, SE, Org Sc	Thesis-'Firms enter into these type [knowledge intensive alliances]of alliances to create economic value and to acquire knowledge to enhance their competencies. The degree to which the partners can realize their objectives is dependent on their absorptive capacities and the collaborative strategies adopted by the partners. Outcome [economic, learning] and process [interaction and psychological satisfaction]discrepancies may emerge as collaboration unfolds. ...How partners assess and react to discrepancies shapes the development path of an alliance'
Kumar, Seth The design of coordination and control mechanisms for managing joint venture-parent relationships	1998, SMJ	Thesis- Identify that the 1) degree of strategic interdependence and 2) the moderating role of environmental uncertainty in explaining the design of control mechanisms.

Larson, Bengtsson, Henriksson, Sparks The interorganizational learning dilemma: collective knowledge development in strategic alliances	1998, SE, Org Sc	Thesis- 'the way that partners manage the collective learning process plays a central role in the success and failure of strategic alliances' Learning strategies: Collaborative-highly receptive and highly transparent Competition – highly receptive and non transparent Compromise – moderately receptive and transparent Accommodation – non-receptive and highly transparent Avoidance – neither receptive nor transparent
Lecraw Countertrade: A form of cooperative international business arrangement	1988, CL-CSIB	Thesis- Countertrade [barter, compensation or buyback, production sharing, industrial offsets, switches, unblocking funds] increasingly likely.
Leung, Smith, Wang, Sun Job satisfaction in joint venture hotels in China: an organizational justice analysis	1997, BK-CS-APP	Thesis- 'found that procedural and performance-based distributive justice was related to job satisfaction and interactional justice was not...etc'
Leverick, Cooper Partnerships in the motor industry: Opportunities and risks for suppliers	1998, LRP	Thesis- Findings- UK based automotive supplier-manufacturer relationships are more prevalent. 'A well managed supplier relationship can clearly be highly beneficial to both parties in terms of potential time and cost savings and in acting as a forum for generating ideas on product and process improvements...Good management practice has a major part to play in increasing the chances of a successful relationship' – four issues – partner selection, communication, information sharing, external monitoring.
Li, Shenkar The perspectives of local partners: strategic objectives and structure preferences of international cooperative ventures in China	1997, BK-CS-APP	Thesis- 'the findings show that the strategic objectives of local partners of local partners have a significant effect on their selection of a cooperative structure, with equity JVs being sought when local partners seek to explore international markets and seek technological know-how and management and marketing skills'
Lin, Yu, Seetoo Motivations, partners' contributions, and control of international joint ventures	1997, BK-CS-APP	Thesis- IJV benefits – 'motivations of the partners'; costs – 'the contributions they make'

Lorange Black-box protection of your core competencies in strategic alliances	1997, Beamish, Killing, CS-EP	Thesis-'the black box of an alliance protects each partner's position through formal contractual arrangements, strategic exposure of latent power (such as ongoing attractiveness as a partner), and maintenance of a strong managerial influence in the venture's board. Black-box protection must be well-defined, yet dynamic to allow the evolution of knowledge'.
Lu, Bjorkman International joint venture decision making	1997, BK-CS-APP	Thesis-Typology of decision making in IJVs. Competitive environment – Implementation (passive role), Competitive strategy (active role) Institution environment –Institutional (passive), Political (active)
Lu, Lake Managing international joint ventures: an institutional approach	1997, Beamish, Killing, CS-EP	Thesis-Categorises the institutional environments of the IJV into two sets. 1) host country's state control, professionalization processes, and local and competitive contexts, 2) interparent relations - configuration of parent companies' characteristics and interfirm dynamics...expectations from 1 and 2 usually in conflict ...thus flexible management systems required to cope with a variety of institutional pressures.
Luo, Chen Business strategy, investment strategy, and performance of international joint ventures: the case of China	1997, BK-CS-APP	Thesis- 'Based on empirical analysis, a good fit between business strategy and investment strategy is critical to IJV performance'
Lyles Learning among joint venture-sophisticated firms	1988, CL-CSIB	Thesis- 'the firms have built upon their experiences and maintained flexibility in their approaches to JVs. This has resulted in multiple experiences, successes, experimentations, and failures that have lead to the richness of their own corporate histories and schemata. It creates a depth to the organization that transcends highly decentralized organization structures'
Lyles, Salk Knowledge acquisition from foreign parents in international joint ventures: an empirical examination in the Hungarian context	1997, Beamish, Killing, CS-EP	Thesis-'Adaptation mechanisms such as capacity to learn, articulated goals, and structural mechanisms such as the provision of training, technology, and managerial assistance but foreign parents were positively associated with the degree to which IJVs reported acquiring knowledge from their foreign parents'.
Madhavan, Koka, Prescott Networks in transition: How industry events (re) shape interfirm relationships	1998, SMJ	Thesis- Observations- 'Develop a framework which explains how industry networks evolve over time and in response to specific events ' 'Our main thesis is that industry events may be either structure-reinforcing or structure-loosening and that their potential structural impact may be predicted in advance' Considers nature, occasions and directions of such change thus 1) articulating what network changes to expect when specific types of industry events take place, 2) determining how to use the anticipated network changes to a specific firm's advantage.

Madhok Economizing and strategizing in foreign market entry	1997, BK-CS-NAP	Thesis-'argued that an exploration of the two perspectives [economizing and strategizing] provides a basis for a more comprehensive theoretical understanding'.
Madhok, Tallman Resources, transactions and rents: managing value through interfirm collaborative relationships	1998, SE, Org Sc	Thesis-'In our argument, critically, the relationship between organizations is seen not simply as a governance structure of a hybrid nature but, more importantly, as a productive resource for value creation and realization. In this light, transaction-specific investment in what we term relational specificity becomes imperative' 'The paper occasions (a) a shift in focus from the form to the process of governance, which has direct implications for value creation and realization and (b) a shift in the primary identity of transaction-specific and relation-specific expenditures from cost to investment in future value'
Makino, Beamish Matching strategy with the choice of ownership structure: Japanese joint ventures in Asia	1999, AM-E	Thesis- Findings- Formation of Japanese joint ventures can be classified by ownership structure – Intrafirm JVs; Cross-national domestic JVs; Traditional international JVs [outside Japan between a Japanese and local firm]; Trinational international JVs [outside Japan between Japanese and third country firm that neither originates in Japan nor in host country]. Executive Commentary [Yasukawa] 'Establishing effective communication mechanisms among affiliates is key to successful global management'
Makino, Delios Local knowledge transfer and performance: Implications for alliance formation in Asia	1997, BK-CS-APP	Thesis- 'proposes three means (channels) of overcoming local knowledge disadvantages...find that partnering with local firms can (first channel) be a primary strategy for accessing local knowledge and improving JV performance. JV experience in the host country (the second channel) also mitigates local knowledge disadvantages and leads to increased JV performance. The third channel, the foreign parent's host-country experience, leads to increased performance in the absence of a local partner.... the need for a local partner declines as parent experience in a host country increases'
Mayrhofer Franco-British Strategic Alliances: a contribution to the study of intra-European partnerships	1997,WP	Thesis-Looks at 97 intra-European partnerships. Quotes Kogut, 1988 – Three perspectives on Joint Ventures- -Transaction cost theory -Strategic behaviour approach -Organisational learning approach Considers shortcomings of secondary sources of research Some useful observations about EU. Eg. 'The reorganisation of markets – open markets and markets controlled at Community level – has the effect of imposing on firms new styles of growth as well as managerial and organisational constraints (Urban and Vendemini, 1992)

Medcof Why too many alliances end in divorce	1997, LRP	Thesis-'With multi prospective partners, selection issues are more complex than with just on prospective partner. The long-term alliance strategy of the firm focuses primarily on organisational learning of new technical, managerial and partnering skills and on improving organizational positioning in the evolving landscape of alliance activity' 'Between 1988 and 1992 over 20 000 business alliances were formed in the USA alone, contributing to the 25% annual rate of increase in alliances since 1985' Paper about partner selection issues in multi-partner alliances. Issues ' Strategic fit, capable, compatible, committed, control' Differentiates between Hub and Virtual alliances.
Merchant International joint venture performance of firms in the nonmanufacturing sector	1997, BK-CS-NAP	Thesis-'Results indicate that participation [of non-manufacturing firms] in IVJs creates economic value [increased share price] on only 40 percent of firms [100] in the sample'.
Merchant, Schendel How do international joint ventures create shareholder value?	2000, SMJ, July	Thesis- 'attempts to identify conditions under which announcements of international joint ventures lead to increases in shareholder value of participating US firms...specifically, partner-venture business relatedness, the pursuit of R&D-orientated activity, greater equity ownership and large firm size, all are found to have a positive impact on firms' JV-based value creation'
Mitchell Getting it together- Strategic alliances	1998 (Opinion piece in Marketing Business)	Thesis- Observations-How to construct and manage an alliance rules.

Mockler Multinational strategic alliances: a manager's perspective	1997, SC	Thesis-About 'emergent entrepreneurial-contingency process'
Monge, Fulk, Kalman, Flanagin, Parnassa, Rumsey Production of collective action in alliance-based intorganizational communication and information systems	1998, SE, Org Sc	Thesis- Public goods based theory – Two goods – 'connectivity, the ability of partners to directly communicate with each other through the information and communication system, and communality, the availability of a commonly accessible pool of information to alliance partners' Four types of alliances – pre competitive, competitive, joint value creation, value chain.
Moxon, Roehl, Truitt International cooperative ventures in the commercial aircraft industry: gains, sure, but what's my share?	1988, CL-CSIB	Thesis- issues 'subject to negotiation in an international cooperative venture'...the strategic direction [synergy between the new and existing programmes; the best adaptation to its perception of its future environment; compatibility with its own resources] of the venture; technology transfer and information sharing; management control and ['partners in a cooperative relationship link themselves together to achieve certain benefits, but retain a desire to control the direction of the venture as it develops'] decision making.
Nair, Stafford Strategic alliances in China: Negotiating the barriers	1998, LRP	Thesis- Purpose-Challenges and strategies for success – 'The Chinese respect power, intelligence and hard work'
Naylor, Lewis Internal alliances: Using joint ventures in a diversified company	1997, LRP	Thesis-John Mowlem Construction, 'a divisionalized civil engineering firm learnt from its experiences in operating alliances to improve internal procedures. In effect, it developed a system of internal joint ventures' Normally independent construction firms enter into single project limited duration contracts.
Nooteboom, Berger, Noorderhaven Effects of trust and governance on relational risk.	1997, AM-J, SE	Thesis-Tests the probability that something will go wrong and the size of the loss incurred when it does against the effects of governance and trust on the risk perceived by agents of firms in alliances. Trust-defined as 'an individual trusts someone if he or she believes the other is likely to cooperate even if the latter is not coerced to do so and has no material interest in doing so...an individual trusts someone when he or she is willing to forgo guarantees based on coercion or self-interest'
Nordberg, Campbell, Verbeke Can markets-based contracts substitute for alliances in high-technology markets?	1997, Beamish, Killing, CS-EP	Thesis-'This research investigates whether in high-technology settings such short-term contracts can substitute for longer-term cooperative alliances. Though the short-term transaction costs are high, the results suggest that, similar to alliances, certain market-based contracts do result in long-term learning and transferable firm-specific advantages'

Nti, Kumar Cost reduction learning and competition in strategic alliances	1998,CP, Balliol, Oxford	Thesis-'Consider an alliance between two competitors in a homogeneous product duopoly market ...formulate game theory model to study the problem of competition and differential learning in strategic alliances' 'a firm's absorptive capacity is ultimately dependent on the firm's motivational orientation, technological competence, the quality of its human assets, and organizational culture. Absorptive capacity is a characteristic of the firm that is acquired and shaped over many years and not likely to change during the course of a particular alliance relationship...Given the flexible organizational form and the transitory nature of strategic alliances, these employees eventually transfer the skills and information gained from the alliance back to their parent companies. Differentially appropriated knowledge may enable one firm to fill a critical gap in its knowledge or skill base and emerge from the alliance as a more capable and formidable competitor' 'By collaborating through the alliance, the firms create an opportunity to secure a portion of short term benefits but the interaction may change the long term competitive advantage of the firm as critical technologies and know-how are exchanged'
Ocasio Towards an attention-based view of the firm	1997, SMJ	Thesis-'The central argument is that firm behaviour is the result of how firms channel and distribute the attention of their decision makers.... what they do [Focus of Attention] depends on what issues and answers they focus their attention on...[Situated Attention]. [which in turn] depends on the specific situation and on how firm's rules, resources, and relationships distribute various issues, answers, and decision –makers into specific communications and procedures' [Structural Distribution of Attention]. Summarises –Barnard 1938) – Environment of Decision –'encompasses the multiple material, social, and cultural factors, both internal and external to the firm, that impinge upon any decision activity. The myriad of elements of its external environment include economic and financial markets (competitors, customers, suppliers), tradable resources (raw materials, labour, and capital), technology, and institutional rules (government laws and regulations, professional norms, industry benchmarks)
Olk The effect of partner differences on the performance of R&D consortia	1997, BK-CS-NAP	Thesis-'Dissimilarity on one dimension (nationality) was positively related to performance; for another (research location) it was negative'.
Olson, Singsuwan The effect of partnership, communication, and conflict resolution behaviours on performance success of strategic alliances: American and Thai perspectives	1997, BK-CS-APP	Thesis- 'all three performance factors (market share, sales growth, ROI) were affected by the strategic alliance success factors (partnership attributes, communication techniques, and conflict resolution behaviours) to some degree'

Oman Cooperative strategies in developing countries: the new forms of investment	1988, CL-CSIB	Thesis- Examines NFI [New Forms of Investment]...EJVs, Contractual Interfirm Cooperation Arrangements...rather than Traditional FDI.
Osborn, Hagedoorn The institutionalization and evolutionary dynamics of interorganizational alliances and networks	1997, AM-J, SE	Thesis-Reviews differing perspectives in the analysis of alliances and networks – Economics based (R&D collaborations, international business, transaction costs), Corporate strategy perspective, the Interorganisational field perspective (technology and learning, social and individual characteristics, institutionalisation). Findings-'We encourage researchers to incorporate elements of a multidimensional orientation in their future research' ...'One more robust and realistic view of alliances and networks might be built on a foundation of dualities. Our review suggests but a few of these. Alliances are older than firms, but they are still new to many firms. They are temporary mechanisms and long-lasting relationships. They are cooperative and competitive weapons. Each is unique, but they often share similar properties. They have intended purposes, yet their emergent benefits may be more important etc.'
Pan The formation of Japanese and US equity joint ventures in China	1997, SMJ	Thesis-'Substantial differences [between USA and Japanese] were found with respect to six key characteristics...selection of Chinese partner, selection of second foreign partner (where more than one foreign partner is involved), foreign equity ownership, foreign capital contribution, EJV business scope and EJV location.... tentative explanations for these differences are offered from the perspectives of risk orientation, cultural similarities, and the impact of political events in China'.
Pan, Tse Cooperative strategies between foreign firms in an overseas country	1997, BK-CS-APP	Thesis- 'Hong Kong firms were sought after more frequently by a non-Kong Kong firm, which reflects the role that Hong Kong firms play in China...we found that compared with British firms, the likelihood of Hong Kong firms being sought after as a second foreign partner increased when a high-control mode of operation was adopted. This finding confirms that Hong Kong firms are valuable because of their expertise, knowledge, an connections in China'
Papanastassiou, Pearce Cooperative approaches to strategic competitiveness through MNE subsidiaries: insiders and outsiders in the European market	1997, Beamish, Killing, CS-EP	Thesis- 'It may thus be that the UK based operations of US and Japanese MNE's can assemble the creative and organizational scope to accede to European leadership positions within hierarchical approach to global strategy of their groups. The UK subsidiaries of continental MNEs may be fighting to escape a more hierarchical position in their groups' European operations'.

Park, Ungson The effect of national culture, organizational complementarity, and economic motivation on joint venture dissolution	1997, AM-J, SE	Thesis- 'In this research we conceptualised complimentarity between joint venture partners in terms of their similarity on certain organizational variables and the convergence of their economic motivations' Findings-'Opportunistic threat and rivalry appear to be a stronger indication of the dissolution of joint ventures than organizational variables' 'cross-border joint ventures with partners from culturally distant countries have longer durations and are less likely to end' ' US-Japanese joint ventures are less likely to dissolve...within the Japanese culture, specific values engender trust, learning, and long-term horizons – all of which favour the stability of alliances'.
Pearce Toward understanding joint venture performance and survival: A bargaining and influence approach to transaction cost theory	1997, AM-R	Thesis- 'Posits that the joint venture (JV) form of governance imposes a greater burden of bargaining and political influence costs than is present in a hierarchy' Uses Transaction Cost Theory approach – TC theory has been suggested to be most useful for integrating the economic implications of organizational behaviour into a strategic analysis of the firm. Williamson, 1991, addressed three forms of governance costs- -adapting to disturbances -administrative mechanisms -differential incentive intensity
Pearce, Branyiczki Legitimacy: an analysis of three Hungarian-Western European collaborations	1997, Beamish, Killing, CS-EP	Thesis- 'its is argued that insight into the different assumptions foreigners often bring to their cooperative arrangements can be gained by framing such contacts as clashes in systems of legitimacy. Focusing on which partners' actions are viewed as desirable or appropriate in their respective social settings helps to illuminate the role of social support in maintaining behaviour, as well as ways assumptions are sustained and changed'.
Pucik Strategic alliances with the Japanese: Implications for human resource management.	1988, CL-CSIB	Thesis- U.S. and European manufacturing JVs in Japan have difficulties. Reasons for establishment – 'exchange technological know-how or brand recognition for access to the Japanese market; defend their traditional markets by cooptation of a potential Japanese competitor; or expand segments of worldwide business by combining the competitive advantages' Implementation disappointing – Why ?...issues of recruitment and staffing, training and development, performance appraisal, compensation and reward system, human resources practice and competition strategy.
Ramanathan, Seth, Thomas Explaining joint ventures: alternative theoretical perspectives	1997, BK-CS-NAP	Thesis-'suggest that alternative perspectives from property rights, agency theory, and prospect theory address some of the limitations of the transaction cost perspective on joint ventures'.

Reuer, Koza Research Note-Asymmetric information and joint venture performance: Theory and evidence for domestic and international joint ventures	2000, SMJ, Jan	Thesis- Considers 'asymmetric information perspective'-'concerned with transaction costs in the market for firms' and 'indigestibility view –costs of integrating the target firms labour force we submitted that the perspectives are complementary and overlapping, suggesting that firms need to contend with both ex ante valuation uncertainties and ex post integration challenges when assembling resources' 'Findings lend support to the asymmetric information perspective on resource combination through joint ventures'
Reuer, Koza On lemons and indigestibility: resource assembly through joint ventures	2000, SMJ, Feb	Thesis- 'We argue that these two views [asymmetric information and indigestibility] are complementary, rather than competing, in explaining the usefulness of joint ventures. We suggest that the perspectives are overlapping inasmuch as resource indivisibility contributes to asymmetric information' 'Our article suggested that the embeddedness and the sharing of resources contribute not only to heightened ex post transaction costs due to problems of resource extraction and integration, but also to information asymmetries and corresponding ex ante resource valuation problems'
Reuer, Miller Agency costs and the performance implications of international joint venture internationalization	1997, SMJ	Thesis- 'This paper examines one specific type of IJV evolution. IJV internalisation, wherby one firm acquires the IJV by buying out its partner(s). Standard agency theory variables are hypothesized to influence parent firm valuation effects. The results indicate that parent firm valuation effects are positively related to the parent firm equity owned by insiders and the interaction of debt financing and free cash flow'.
Ring Patterns of process in cooperative interorganizational relationships	1997, BK-CS-NAP	Thesis- an approach to assessing processes and outcomes of cooperative inorganizational relationships (CIORs) – Processes/Outcomes Negotiational/Expectations regarding risks and trust Transactional/Commitments for future action Administrative/Execution of commitments and renegotiation or termination Assessments/Equity and efficiency Informal/sensemaking, understanding, committing
Robins, Tallman, Fladmoe-Lindquist Alliance strategies for emerging economies: A structural approach to autonomy and dependence in US-Mexican alliances	1998,CP, Balliol, Oxford	Thesis - Findings-'Contributions of strategic resources by US parents and contributions of local resources by Mexican parents had the anticipated positive effects on performance, while operational dependence had a negative effect. Contributions of strategic resources also appear to diminish operational dependence, creating an additional effect on performance' 'supply of labour by the local partner appears to have a positive effect on quality underscores the importance of local control of local activities and suggests that a host country partner who is capable of working effectively with general strategic guidance from the foreign parent may be vital to alliance success' Conclusion-'The international parent may achieve the greatest success by providing strategic guidance and key sources of competitive advantage to an alliance, relying upon local partners to take the lead in high cultural content activities such as marketing or labour management, and giving venture managers the autonomy to exercise control at operational levels'

Root Some taxonomies of international cooperative arrangements	1988, CL-CSIB	Thesis-Taxonomies + 1) 'In addition to performance failure, I interpret fiduciary risk also to include disclosure risk: the risk that other participants will use the proprietary knowledge of a given participant for their individual gain outside the arrangement to the detriment of the given member....I interpret environmental risk as the downside risk so that risk exposure becomes the maximum possible loss of assets from adverse changes in the environment' 2) 'A firm enters an international cooperative arrangement when it concludes that (1) its incremental benefits of participation exceed its incremental costs and (2) these incremental net benefits exceed those of open-market transactions or of intrafirm cooperative arrangements that would accomplish the same mission'
Roussel, Laird Minimalist or Invader. A systematic view of alliance governance	1999, AC-Outlook	Thesis- Model- 2x2 Resource Complexity vs Value. The Mitigator – H/L The Minimalist – L/L The Invader – H/H The Lean Performer – L/H
Rowley, Behrens, Krackhardt Redundant governance structures: An analysis of structural and relational embeddedness in the steel and semiconductor industries	2000, SMJ, March	Thesis- 'Network researchers have argued that both relational embeddedness – characteristics of relationships – and structural embeddedness – characteristics of the relational structure – influence firm behaviour and performance' Argue – relational and structural impacts on firm performance are related and is contingent on the industry context. Findings – 'Strong ties in a highly interconnected strategic alliance network negatively impact firm performance' Positive relation to firm performance – Weak ties/semiconductor, strong ties/steel
Sarkar, Cavusgil, Evirgen A commitment-trust mediated framework of international collaborative venture performance	1997, BK-CS-NAP	Thesis-'Along with the rise of the globally networked virtual corporation, there is a growing scepticism of the long-standing neoclassical economic premise that the market operates through discrete and anonymous transactions. Growing evidence indicates that interfirm exchanges are relationship-based, and that competitive advantage lies in a firm's network of associations and exchange ties it shares with its business partners'.
Saxton The effects of partner and relationship characteristics on alliance outcomes	1997, AM-J, SE	Thesis-'Findings support a positive relationship between partner firms' benefits from alliance participation and partner reputation, shared decision making, and strategic similarities between partners'.

Schaan, Beamish Joint venture general managers in LDCs	1988, CL-CSIB	Thesis- 'a major challenge facing JVGMs [Joint venture general managers] in LDCs [least developed countries] is that in addition to being good general managers, they also have to be good diplomats, able to operate constantly within two or more frames of reference and sets of values, and be able to successful manage the idiosyncrasies of their parents'.
Sedaitis The alliance of spin-offs versus start-ups: social ties in the genesis of post-soviet alliances	1998, SE, Org Sc	Thesis- 'The relational costs of the more concentrated ties increases the cost of search, however it lowers the cost of malfeasance'
Si, Bruton Knowledge transfer in international joint ventures in transitional economies: the China experience	1999, AM-E	Thesis- Problem- 'Although China is the world's most active joint venture market, satisfaction with the performance of many international joint ventures in China is declining. This can be traced in part to the inability of many firms to property assess their knowledge acquisition goals within the joint venture' Notes that 'The China Market, as in most transitional economies, has tremendous potential for Western firms. However, the Western firms must think through their own and their Chinese partners' knowledge needs' Provides a China/Western importance ranking comparison for types of knowledge transfer in 3 categories (Governmental, Culture, Market) and 10 sub-categories.
Simonin Ambiguity and the Process of Knowledge Transfer in Strategic Alliances	1999, SMJ	Thesis - Findings- Research based on 147 multinationals cross-sectional sample 'highlight the critical role played by knowledge ambiguity as a full mediator of tacitness, prior experience, complexity, cultural distance, and organizational distance on knowledge transfer. These significant effects are further found to be moderated by the firm's level of collaborative know-how, its learning capacity, and the duration of the alliance' Results tabulated with managerial implications stated.
Simonin The importance of collaborative know-how: an empirical test of the learning organization	1997, AM-J	Thesis- 'In this research, I proposed and tested a model of how firms learn from their strategic alliances. Based on a survey of 151 firms, the results suggest that experience alone is insufficient for the achievement of the greatest benefits from collaboration. Experience must be internalised first, and collaborative know-how must be developed for this experience to contribute to future collaborative benefits' Tangible collaborative benefits – strategic and financial Intangible collaborative benefits – learning or knowledge based.
Singh The impact of technological complexity and interfirm cooperation on business survival	1997	Thesis- 1) 'Businesses commercialising high and medium complexity technologies had significantly higher risks of dissolution 2) 2) High complexity technology firms significantly reduced their dissolution risks by collaborating.

Singh The impact of technological complexity and interfirm cooperation on business survival	1997, AM-J, SE	Thesis-Considers the impact of technological complexity on business survival and finds that 'technological complexity is a significant influence on business failure. Businesses commercialising high and medium-complexity technologies face higher risks of dissolution tan low-complexity businesses. Though high-complexity technologies may promise financial and market success, this potential comes at the cost of higher risk of business failure'
Singh, Mitchell The effect of losing a partner on business survival	1998,CP	Thesis- Findings-Collaboration is beneficial, with risks – Collaboration strategy is an evolutionary process, two-edged nature of collaboration (Assists business survival in one environment , yet inhibits adaptation/industry evolution: failure of once-successful businesses)
Sohn, Paik Diversification as a supplementary means of control in international joint ventures: the case for Japanese MNCs in Korea	1997, BK-CS-APP	Thesis- 'the results offer broad support for the proposition that large-scale diversification may serve as a valuable supplementary means of exercising control in international joint ventures'
Stabell, Fjeldstad Configuring value for competitive advantage: On chains, shops, and networks	1998, SMJ	Thesis- '...paper explores the idea that the value chain, the value shop, and the value network are three distinct generic value configuration models required to understand and analyze firm-level value creation logic across a broad range of industries and firms' Findings-Re: Value Creation Logic/Business Value Structure: Chain-Transformation of inputs into products/Interlinked chains Shop- (re)solving customer problems/Referred shops Network-Linking customers/Layered and interconnected networks See Table 1, p 415 for summary and rest of paper for discussion.
Stiles Co-operative/competitive influences on network partnerships in the airline industry	1999, IFSM	Thesis - Definition used – 'Coalitions between two or more firms, either formal or informal, who share compatible goals, acknowledge a level of mutual interdependence, and are formed for strategic reasons' Findings - On page 14 a grid of 12 airline alliances on High/Low Co-operation and High/Low Competitive 2x2 matrix.
Stiles Managing strategic alliance success: Determining the influencing factors of intent within the partnership	1997, WP	Thesis-Aims to 'consider the influence particular characteristics of the partner firm in an alliance may have on biasing each to lean towards a co-operative or a competitive perspective' Findings-Firms enter Competitive mode if resources mobile, Cooperative if resources immobile (embedded in firm).

Stuart Interorganizational alliances and the performance of firms: A study of growth and innovation rates in a high-technology industry	2000, SMJ, August	Thesis- 'argues that alliances are access relationships, and therefore that the advantages which a local firm derives from a portfolio of strategic coalitions depend upon the resource profiles of its alliance partners...also argues that alliances are both pathways for the exchange of resources and signals that convay social status and recognition' Research in horizontal technology alliances demonstrates above statements.
Sulej Strategic structure and orientation in UK/international equity joint ventures	1998, CP, Balliol, Oxford	Thesis-Considered 1,425 two partner Equity Joint Ventures (1945-1989) with partners in W.Europe, Scandanavia, Japan and USA.
Swan, Ettlie U.S.-Japanese manufacturing equity relationships	1997, AM-J, SE	Thesis- 'Joint ventures were significantly more likely to be used in politically sensitive industries and in new entities, when the Japanese partner had experience with the product'.
Sydow, Windeler Organizing and evaluating interfirm networks: a structurationist perspective on network process and effectiveness	1998, SE, Org Sc	Thesis-'Network practices are rather viewed as embedded in the social context of the interfirm network, the industry, and the society, which in turn are produced and reproduced by these practices'
Tallman, Sutcliff, Antonian Strategic and organizational issues in international joint ventures in Moscow	1997, Beamish, Killing, CS-EP	Thesis-'Foreign and Russian partners appear to have similar concerns for protecting their own interests but choose somewhat different organizational methods to accomplish them'

Taylor The Darwinian Shakeout in Financial Services	1999, IFSM	Thesis- A) Financial services has been subject to three major trends in recent years 1) Deregulation and privatisation 2) The introduction of new technologies and new products 3) The entry of new competitors from other countries, and other industries B) Changes in industry structure Opening up of financial markets Establishment of major financial conglomerates Mergers and acquisitions of [British] investment banks Mergers in insurance sector Bank losses via corporate clients investing in 'emerging markets' and SE Asia C) Challenges for business leaders 'The impact of the global changes taking place in financial services will be to reduce profits, to increase market volatility and risk, and to encourage organisations to arrange ever larger mergers and acquisitions in an effort to cut costs and share risks. Heavier competition and narrower margins will also force management to abandon non-performing businesses and focus on those activities where they can produce a world-class performance.' D) Agenda for Action Management in the financial services industry will need help, advice, and should make investments to improve their structures, managerial systems, operating processes and corporate cultures and skill levels' Areas – Environmental scanning; competitive and political intelligence; contingency planning; treasury management; public affairs; crisis management; overhead cost reduction; employee involvement; international strategies; electronic commerce; new channels; customer services (to create a 'super service' culture to maintain and grow the business in more intensely competitive markets)
Tiemessen, Lane, Crossan, Inkpen Knowledge management in international joint ventures	1997, BK-CS-NAP	Thesis- Conditions (partner choice, control mechanisms, motivation, expectation, experience) Structure and process (inter firm and JV harvesting and transfer) Outcomes (Learning and performance)
Torel International joint ventures: managerial lessons to draw from European-Argentine partnerships	2000, PhD, University of Neuchatel	Thesis - 'Our aim in this research was to present a systematic view of European-Argentine JVs ...The perspective differs with previous studies that analyzed the influence of a limited number of variables on JV performance'

Tyebjee Japan's joint ventures in the United States	1988, CL-CSIB	Thesis- More are likely – 'Most unstable (those in which the equity relationships, power and roles of th were shifting over time) were those in which one or more of three conditions were not met: (1) the compo the board in terms of the constituencies represented did not reflect the equity structure (2) the growth obje the parents were not congruent so that one viewed the desirability of investment for growth more aggressi the other, and (3) the joint venture had evolved out of an arms-length supplier-distributor relationship wit clear idea of why an equity joint venture was a preferred arrangement'.
Tyler, Steensma The effects of executives' experiences and perceptions in their assessment of potential technology alliances	1998, SMJ	Thesis- 'Results suggest how top executives' experiences and perceptions influence their attitudes technology alliances and the kinds of information they attend to when individually assessing alliance opport Executives, who 'perceived their firm to emphasize technology and to have had success with previous techn alliances...placed more weight on opportunity-based information (i.e. significance of this technology to strat potential to learn) and less weight on threat-based information associated with performance risk (i.e., po decrease development risk, availability of technological substitutes, and total expected cost of development)
Walker Network analysis for cooperative interfirm relationships	1988, CL-CSIB	Thesis- 'proposes two tasks for network analysis: (1) identifying the extent of a firm's cooperative strateg evaluating the relative efficiency or strategic value of a cooperative relationship'... 'identifying fir cooperative strategies thus requires decomposing an organization's relationships into three parts – the str "extensive" component, the passive or attractive component, and the reciprocity component'.
Westney Domestic and foreign; learning curves in managing international cooperative strategies	1988, CL-CSIB	Thesis- 'An essential and complementary part {to making the deal] of understanding the phenomenon is c process orientated research on how the deals are managed once they are made. This will mean draw different theoretical base for hypotheses, and such studies will view cooperative strategies as a subtype (subtypes) of a more general process, such as organizational learning'
Yeung Cooperative strategies and Chinese business networks: a study of Hong Kong transnational corporations in the ASEAN region	1997, BK-CS-APP	Thesis-'It argues that existing studies of cooperative studies are mostly unidimensional (focusing on cooperation) and economistic (using the transaction framework)...the chapter shows that HKTNCs [Ho Transnational Corporations] cooperative strategies are manifested in at least three dimensions: internalisation of entrepreneurship based on regional ties, interfirm collaboration based on personal friend extra firm cooperation based on political patronage'
Zajac Commentary on 'Alliances and Networks' by R. Gulati	1998, SMJ	Thesis- Observations - 'I have noticed an increased general willingness on the part of senior managers to co alliance option (relative to the alternative of merger/acquisition or going it alone). Is this simply a func manager's direct experience or vicarious learning about alliances, or might there be broader social forces that have somehow raised managerial consciousness regarding business cooperation and strategic alliances there such a thing as alliance competency, and where might it reside in an organization?'

Key to Sources:

AC-Outlook	= Accenture
AM-E	= Academy of Management Executive
AM-J	=Academy of Management Journal
AM-R	= Academy of Management Review
BJM	= British Journal of Management
BK-CS-APP	= Book Cooperative Strategy Asia Pacific Perspectives
CL-CSIB	= Cooperative Strategies in International Business Collection
CP-Balliol, Oxford	= Conference Paper Balliol, Oxford
CS – EP/APP/NAP	= Cooperative Strategies Collection- Beamish and Killing
IFSM	= International Forum on Strategic Management
LRP	= Long Range Planning
OrgSci	= Organization Science
SE	= Special Edition
SMJ	= Strategic Management Journal
WP	= Working Paper

Note:
Full Reference provided in References List if paper used in Thesis

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