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Learning through Strategic Alliances: Processes and Factors

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Abstract

Intensified competitive, technological, and market pressures have made organizational learning a critical imperative in global strategy effectiveness. Firms can learn through experience and from 3 processes that involve other firms: imitation, grafting, and synergism. Interpartner learning has become critical, since experiential learning is insufficient for most firms. Several managerial implications to help improve marketers' abilities to compete effectively in today's dynamic, global business environment are provided.

During the last two decades the world economy experienced an unprecedented transformation. The convergence of several trends, including global proliferation of technology, reorganization of economic boundaries, and intensified global competition, have profoundly altered marketers' notions about the firm, markets, and competition[1]. Product and process life cycles have become significantly shorter, eroding product-based advantages and forcing firms to develop continuous streams of innovation[2]. In addition to the diffusion of technology at an increasingly rapid pace, consumers and organizational buyers have become more sophisticated, demanding differentiated and better-quality products.

Other forces have helped shape this transformation. Relatively stable domestic competition of the 1970s has now been replaced by global competition in many industries[3]. Many multinational firms, headquartered in both the developed and the newly industrializing nations, are sourcing from several countries, and are aggressively and simultaneously entering a variety of markets[4]. Industry structures are evolving rapidly, forcing firms to develop new marketing strategies in order to compete effectively and to survive.

The proportion and relative importance of industries and companies that are knowledge based is also increasing[5]. Sales growth in the computer, semiconductor and pharmaceutical industries[2], as well as in some traditional industries such as wool textiles, is now being driven by technological innovation[6]. The economies of the triad have been transformed into information-based economies[4]. Thus, firms must now directly grapple with gaining and applying new knowledge as they compete in a world of knowledge-driven competition.

Because of these converging environmental forces, the firm is now viewed as a portfolio of core competences and value-creating disciplines[7,8]. As these competences are not distributed equally among firms, global competitiveness depends on the firm's receptivity, efficiency, and absorptive capacity in organizational learning[7]. In an environment that marketers characterize as increasingly unstable and uncertain[1], interpartner learning is a means to help the firm achieve fundamental organizational goals such as increased market share, greater long-term profitability[9], and a better defined set of core competences[5].

Today, many firms, whether large or small[8], are utilizing novel collaborative arrangements with competitors, customers, suppliers and governments, and are creating vast multinational networks linked to scores of organizations around the globe[10]. They are seizing the opportunity to absorb new knowledge through cross-national collaborative arrangements and to transform their core competences, perhaps even changing the bases of competition in their industries[5]. Organizational learning has become a critical imperative for global strategic effectiveness in the 1990s.

Recently, scholars of organization behaviour and strategic management have developed valuable conceptualizations and competitive strategy implications of organizational learning[7,11,12]. Our purpose is to integrate and extend this extant literature into international marketing, particularly into interpartner learning in strategic alliances. The role of marketing in the corporation is evolving from the traditional focus on selecting target markets and developing a marketing mix. New roles include deciding when and how to partner with other firms to enhance distinctive competences[13]. Webster[13] notes that this new responsibility for marketers requires

consideration of phenomena that have traditionally been the study of organization behaviourists and sociologists. Furthermore:

The focus shifts from products and firms as units of analysis to people, organizations, and the social processes that bind people actors together in ongoing relationships[13, p. 10].

This article responds to the call for marketing scholars to develop an expanded view of the marketing function that broadens our understanding of the forces leading to the development of strategic alliances and some of the issues involved in managing these partnerships over time[10,13,14]. We present a framework that integrates literature on organizational learning and marketing strategy. Through the framework and the development of propositions, we hope to foster further research and facilitate greater managerial understanding and appreciation of interpartner learning. Then we define organizational learning and discuss its processes, present a series of propositions on interpartner learning, and provide managerial implications.

Organizational learning

Learning consists of the development of insights or awareness, which is a change in states of knowledge that expands the range of potential behaviours[12]. Individual learning becomes organizational learning when new knowledge is transferred across unit boundaries to others in the organization who can benefit from what has been learned[7]. The knowledge that is gained expands the possible actions that a firm can take in each function of the value-added chain. Although some authors (e.g.[11]) argue that learning must also involve a change in behaviour, we do not accept this view. Such factors as managerial resistance or financial constraints may prevent the immediate implementation of new insights or skills. Hedberg[15] also suggests that in many industries a particular firm must unlearn or discard previous knowledge and behaviour, to increase its effectiveness. A result is a decrease in the firm's potential range of behaviours. "Unlearning" is a difficult process that is often resisted by individuals and groups within a company.

The literature on organizational learning consistently identifies two levels of learning (e.g.[7,11,12,15,16]), One level occurs within an existing frame of reference and involves the acquisition of new skills and insights. A higher-level, but less common, type of learning involves the development of a new cognitive map. Results of this level of learning include new paradigms, organizational norms, missions, and strategies.

Learning can be viewed as outcomes and as processes. While the previous discussion centred on learning as outcomes, some of the processes of organizational learning acquisition are significant. These are discussed in the following paragraphs.

Organizational learning processes

Firms can learn through at least four processes: experience, imitation, grafting, and synergism. Learning occurs through experience as firms independently experiment and acquire knowledge through trial and error. Experience-based learning curves[17] and independent R&D departments are two well-known examples of this process. However, managers are recognizing that it is increasingly difficult to generate independently enough knowledge to compete successfully in today's knowledge-rich environment[18,19].

Imitation is an attempt to learn about the strategies, technologies, and functional activities of other firms and to internalize this second-hand experience. Traditionally, imitation has occurred through corporate intelligence[20] and other forms of environmental scanning. "Follow the leader" strategies can be an imitative result. In the late twentieth century, managers are forming alliances with other firms in an attempt to learn by close observation of their partners' unique skills[5,7,21]. This type of interpartner learning is particularly relevant among competing firms within oligopolies. Once the firm has learned what it intended to learn from the other enterprise, it pulls out of the alliance and uses the knowledge to try to outcompete its former partner. Hamel[7] labels this process of learning "competitive collaboration."

Huber[12] introduces the term grafting to explain how organizations increase their store of knowledge by formally acquiring another firm or by developing a long-term alliance with another organization that possesses information not previously available within the organization. Licensing products and processes would also fit into this type of learning. Grafting is often faster than learning by experience and more complete than learning through imitation. Multinational firms have frequently linked up with host companies in developing nations in order to possess a means of learning about the local culture and to receive information flows about dynamic local political developments[22].

Synergism occurs as firms collaborate to produce new knowledge. The sharing of R&D staffs and facilities in the pharmaceutical and computer industries[23] offers the potential for this process. Through collaboration, partners can develop innovations that may not have been possible through independent efforts. Synergistic learning may also involve ongoing, long-term alliances, such as a joint venture. This kind of learning has the greatest potential to generate discontinuous innovations which produce new markets.

Interpartner learning may entail the use of any of the latter three processes imitation, grafting, and synergism. In all three processes of interpartner learning the major source of knowledge acquisition is a related organization. A critical goal of interpartner learning is the development of core competences that spawn a stream of product, process, and marketing innovations. These core competences are the collective learning in the organization that enable a firm to co-ordinate diverse production skills and integrate multiple streams of technologies[5]. For example, NEC formed collaborations with US-based Honeywell and French-based Bull to absorb its partners' skills and, especially, others' technology. This ability to learn from others is a key factor in its position as the only global firm with a strong market share in telecommunications, semiconductors, and mainframe computers.

Factors that affect organizational learning

The integrative framework in this article (see Figure 1) positions learning as an outcome that affects other elements of performance, such as profitability. (Figure 1 omitted) Chandler's[24] strategy-structure-performance paradigm underlies the model. Organization behaviourists (e.g.[25]) and marketers (e.g.[18,26]) have also considered the effects of organizational culture on performance. Furthermore, our model incorporates the open-system insights of political economy theory (e.g.[1,13,27]) to suggest important environmental effects on organizational learning.

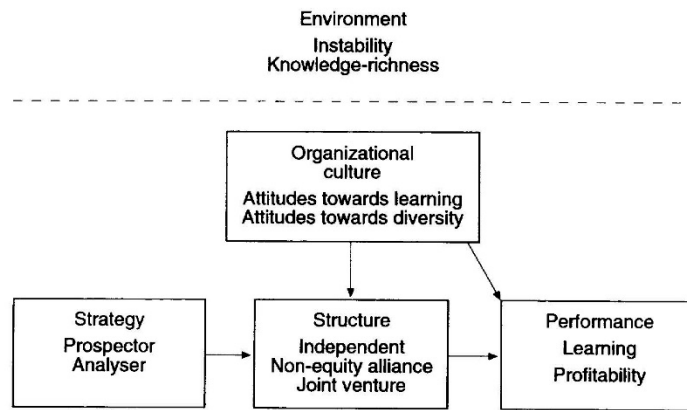


Figure 1.
A framework of
learning through
alliances

Strategic alliances are an important marketing phenomenon when the new collaborative structure is intended to improve each partner's competitive position[13]. Thus, structure follows strategy in our model. Having strategic goals distinguishes alliances discussed in this article from other forms of interfirm co-operation. Strategic alliances include partnerships among organizational customers, resellers, and/or competitors where there are shared objectives, resources, risks, and rewards[13]. Three common objectives of strategic alliances are to improve efficiency, gain market power, and learn[9]. Definitions and propositions regarding effects of the environment, organizational culture, strategy, and structure on learning as a key element of performance are discussed next.

Environment

In a conventional sense, an organization's environment consists of the actors and forces outside the firm which affect the company's attitudes, actions, and outcomes[28]. However, the boundaries between a firm and its environment are often permeable and uncertain, since the environment and the organism codetermine each other[1]. Firms operate in a global environment that is characterized as diverse, knowledge-rich, and unstable[1,18]. This dynamically-changing environment has been a major factor in the changing role for marketing in the corporation, necessitating the development and maintenance of partnerships with customers, resellers, and competitors[1,13,14].

Under conditions of environmental instability, managerial uncertainty increases[29,30]. These findings suggest that environmental stability affects an organization's perceived need for acquiring new knowledge and skills, and thus the propensity to learn. When an environment is unstable, managers seek knowledge in order to develop increased understanding of the changing market conditions and to increase their confidence in decision making[18]. In today's complex and unstable environment, more and more organizations are recognizing that an individual firm is insufficient to deal with these changes[19]. It is likely that the increased numbers of linkages between firms in the late twentieth century[31] are an attempt by managers to reduce the uncertainty associated with environmental instability. Knowledge and skills gained from

organizational partners appears to help managers become more secure in dealing with the complex and dynamic environment. Thus, we propose that:

P1: The greater the environmental instability, the greater the number of interfirm partnerships for learning purposes.

Organizational culture

Organizational culture consists of the pattern of shared values and beliefs that help individuals understand how the organization functions, thus providing them with norms for behaviour in the organization[26]. The values and beliefs of the organization's culture affect conceptions of the environment, govern the definitions that frame corporate missions, and shape how members will socially construct the problems that they face[6]. Organizational culture describes why things happen the way they do in a firm[32].

Organizational culture affects the strategic options that are perceived and chosen, and establishes management style and marketing practices[6,15,25]. Because of these effects, some strategy researchers argue that organizational culture is ultimately more important than strategy and structure[2,6].

The relationship between organizational culture and a firm's innovativeness has been a common topic of the past decade (e.g.[18,26,33,34]). These authors emphasize the need for organizations to develop a culture that places a high value on learning. Kanter[33] asserts that the extent to which leaders in organizations encourage and enable their people to solve problems, to seek new ideas, to challenge established wisdom, and to experiment, will determine the long-term competitiveness of the firm. There is evidence that those organizations whose members seek to learn from members at all levels of the organization are more likely to develop new knowledge and improved actions than those whose managers assign innovation to specialists, as an R&D department[35]. NEC's success in telecommunications, semiconductors, and mainframe computers can be traced to an organizational culture which places a high value on organizational learning throughout the firm[36]. Zaltman[37] also found that if a firm has a pro-innovation bias and proclivity for gathering information, knowledge is more likely to be shared and used. Managers in firms with prolearning cultures share the opportunities, responsibilities, and incentives to learn with all employees[33]. Thus, we derive the following proposition:

P2: A firm that has developed an organizational culture with learning as a shared norm is more likely to learn from alliances than firms that do not have a culture that is learning-oriented.

The firm's shared beliefs about the relative benefit of having diversity among its personnel is another cultural factor in learning. Organizations in most countries have historically tended to employ particularistic criteria in hiring and promotion, leading to relatively homogeneous groups of managers and professionals within firms[38].

Although employing a homogeneous workforce may reduce intraorganizational conflict and be perceived as more efficient, this cultural policy may prevent a company from becoming more effective. Efficiency is of little consequence if the firm has missed seeing opportunities which competitors with a more diverse base of employees have discovered. When employing people with

diverse characteristics, a firm can increase the probability of gaining different perspectives and developing innovations in all aspects of an organization's activities. The literature provides examples of different outcomes for firms with different personnel policies. For example, Bartlett and Ghoshal[2] found that firms which used particularistic criteria to assign managers from their home countries to overseas subsidiaries tended to be less innovative than firms which employed managers from a variety of nations. Other work suggests that demographic heterogeneity of management teams leads to greater likelihood of strategic change[39,40].

A means for firms to increase diversity of their employees is to establish strategic alliances with other firms. As a specific example, joint ventures typically incorporate employees from two or more parent organizations into a new entity. International strategic alliances, in particular, offer significant potential for the development of diversity when managers bring differing paradigms, experiences, and sets of skills into the alliance. Diversity between firms has even been viewed by some researchers as a necessary precondition for alliance formation[41].

The extant organizational learning literature appears to have failed to discover the synergistic potential of interpartner learning. This is surprising since in cross-national collaboration one would expect the potential for synthesis of each of the partner's skills, knowledge, and paradigms to create previously non-existent competences, products, and strategies. Indeed, Ouchi and Bolton[23] have demonstrated that collaborative R&D has led to new product development that would not have been possible without collaborations. Thus:

P3: Firms that seek and actively develop employee diversity through international strategic alliances are more likely to learn than firms that maintain a homogeneous workforce.

Strategy

Organizational strategy includes deliberate and emergent long-term goals, policies, and programmes that a firm chooses to take within an industry or product/market[42]. Marketers commonly describe strategy as the securing and sustaining of a competitive advantage (e.g.[14]). One of the primary sources of competitive advantage is superior skills and resources[43] attained through organizational learning[5].

The organization's strategic posture is a determinant of its learning capacity, although culture and strategy are inextricably intertwined[6,11]). Different strategies often indicate different ways companies depend on segments of their environments, and how they view the learning process.

The strategic typology of Miles and Snow[44] provides an analytic model which suggests that the perceived need to learn and the type of learning that will occur are contingent on the type of strategy being employed[6]. The Miles and Snow[44] model classifies organizations according to four strategic types: prospectors, defenders, analysers, and reactors. Brief descriptions of each strategy type are provided in the following section. Nicholson et al.'s[6] empirical research in Great Britain and McDaniel and Kolari's[45] findings in the USA provide the foundation for the discussion.

Those firms employing a prospector strategy meet the demands of a dynamic environment with diversity, flexibility, and innovation. For example, Canon, employing a prospector strategy,

introduced personal copiers at a time when Xerox, IBM, and Kodak were exclusively marketing office copiers, creating a previously untapped market. Today, Canon leads this industry, while Kodak and IBM have left the industry without success. Learning at all levels of the value-added chain is both essential and likely for prospectors as they seek to find and develop new markets and products. Prospectors are the most marketing driven of the four strategic types, and produce the most marketing innovations. Recent work on innovation activities of firms in global environments has found certain kinds of firms adopting external, collaboration-based innovation strategies, rather than internal, in-house developments[46]. Therefore, we propose that:

P4: Prospectors are the most likely strategic type to initiate strategic alliances for the purpose of synergistic learning.

Defenders operate in what they perceive as a more stable environment. They attempt to seal off a segment of the market through an emphasis on convergence and efficiency in production and distribution. This results in a narrow product-market domain. Learning is less important for defenders than prospectors, although process innovations are still important. Nicholson et al.[6] found that during periods of environmental stability, defenders can be quite successful. These firms produced few radical and a modest number of non-radical innovations, but were successful with them. Alliance formation, especially for learning purposes, are unlikely for this strategic type.

Analysers maintain a stable operational core, doing what they are best at. However, they build a flexible secondary capacity by imitating firms that introduce innovations. This imitation may occur in marketing strategy, any of the functions of a business, or in management systems. Products and marketing tactics that appear innovative in one market may simply be imitations that analysers have learned from others in foreign markets.

Strategic alliances for imitative learning purposes would appear to be highly suitable for firms that employ an analyser strategy. McDaniel and Kolari[45] found that analysers imitate the best products and markets of prospectors. Thus, we propose that:

P5: Analysers are more likely to initiate strategic alliances for the purposes of imitative learning than are the other strategic types.

Reactors are in transition between strategies or are deadlocked in a weak and ineffective strategy. Although outsiders may observe that reactors need to learn, this strategic type is often unable to learn. Nicholson et al.[6] found that these firms produced the lowest frequency of innovations.

In the specific context of interorganizational partnerships, a firm's likelihood of learning is also contingent on the strategic goals that are developed for the alliance. If a firm primarily seeks alliances to increase its economies of scale or its market power, it is less likely to develop and implement innovations than a firm that primarily seeks to learn from the other firm[2,47].

The particular strategy selected by a firm's managers should lead to an appropriate structure. These organizational structures include the use of alliance forms.

Organizational structure

In a traditional sense, structure concerns the organizational design of lines of authority and communication flows[24]. Characteristics such as centralization, formalization, and complexity are commonly used to analyse structure (e.g.[8]). Marketing strategists argue that marketing's role includes the structural determination of which functions to externalize and which to internalize[1,13,14]. The design and development of strategic partnerships is a related organizational structure decision that is the responsibility of the marketing function[1,13].

Recent investigations on the various forms of strategic alliances indicate that joint ventures, rather than non-equity agreements, are preferred to do collaborative research and development[49]. The joint venture (JV) form is preferred because it allows greater integration: information flows are facilitated and day-to-day co-ordination is improved. In addition, a separate entity decreases opportunism, since the organizations that comprise the venture have aligned incentives for the JV to be profitable[49].

How open a firm is in sharing information with its partner has been described as "transparency"[7]. Transparency facilitates the transferability of technologies, market knowledge, and competences. A JV limits the domain of learning for the partners since the facilities are separated from the parent organizations. This limitation encourages transparency within the joint venture. Moreover, implementation of learning is facilitated at the operating level when the JV possesses local autonomy. This decision-making control at the JV level enables organizational members both to develop and to proceed with new ideas and methods without waiting for higher-level approval.

However, in some non-equity interfirm agreements a partner may gain access to the entire organization and take away an unacceptable amount of knowledge. Fears of being exploited can lead to limited communication between partners, and less learning than may occur in integrated joint ventures. Harrigan[50] introduces the term "bleedthroughs" to describe undesired information flows in co-operative alliances. For managers who fear bleedthroughs, the JV structure may be a more acceptable form of alliance than looser forms of partnerships. Thus:

P6: When the strategic intents are to develop new knowledge and to protect the parent company from bleedthroughs, JV alliances are used more than non-equity alliances.

However, a paradox of organizational learning becomes evident. Whereas the JV form of alliance fosters the development of learning within the JV organization, joint ventures typically lack the integration with the parent organizations that would enable the transfer of learning to other parts of the parent firm[9]. The individuals who work with partners in international JVs may gain a great deal of knowledge about better ways to perform business functions and about new strategies and opportunities. Unfortunately, it appears that many US firms undervalue experience and knowledge gained in both alliances and subsidiary overseas assignments[35]. A lack of trust of these boundary spanners may account for some of the resistance to the implementation of learning throughout the firm. Hamel[7] also found in his case studies of three international strategic alliances that in one parent firm where interpartner learning did not take place, the blame was put on a failure to communicate learning objectives to those with inter-organizational roles. The extent of learning is an aspect of performance, which is discussed in the following pages.

Performance

Performance is generally the ultimate dependent variable in marketing and management research on organizations. However, there is little agreement on specific criteria with which to evaluate an organization's outcomes and effects[31,51]. Performance criteria can be whatever matters to the person doing the evaluating. To traditional marketers, market share or sales may matter most, to organizational behaviourists, levels of co-operation and job satisfaction may be the most important performance criteria. Innovation is an end in itself in the diffusion of innovation literature[52]. Organizational learning and innovativeness are emerging as important elements of performance for marketers[32]. Thus, learning is becoming defined as an input to an output criterion, such as long-term profitability.

Recently, the linkage between innovation and financial performance was studied empirically among domestic and international corporations based in Japan[32]. They found that innovative firms are more profitable and grow faster than less innovative firms. Case studies of interpartner learning (e.g.[5,7]) also suggest that innovative Japanese firms have been excellent in interpartner learning. Firms that learn from collaboration are better able to gain and sustain competitive advantages. Moreover, long-term financial performance is enhanced. An explanation is that firms that excel in interpartner learning are better able to adapt to dynamic environmental changes. Through collaboration with other firms, an organization can improve its ability to meet customer requirements. Therefore:

P7: Firms that learn from their partners perform higher on long-term financial measures than firms that do not learn from their partners.

Managerial implications

Faced with an ever-growing need to acquire new products, skills, insights, and strategies, marketing managers must formulate plans to improve the pace and effectiveness of organizational learning. It is important that managers recognize the limitations of their firms to develop independently sufficient levels of knowledge to compete in today's global economy. Deciding when and why to form partnerships with other organizations is a critical responsibility for marketing managers as we approach the twenty-first century.

Formerly, intelligence-gathering activities were a common method for increasing organizational learning[20]. This process may increase the firm's opportunities to imitate successful firms. However, developing alliances in order to learn from a partner can be a faster and more effective method of acquiring specific knowledge. In order to be effective, the type of alliance that is formed should appropriately match the intended learning process. Understanding the context and purposes of the alliance is a critical task for managers. Short-term, non-equity types of alliances seem to be the appropriate mode when the intent is to imitate a particular form of knowledge that the partner possesses[5]. The joint R&D venture which requires long-term commitment and sharing of resources is an effective mode when the strategic intent is to develop entirely new technologies. The synergism inherent in this type of alliance fosters innovation.

Partner selection is another important aspect of interorganizational learning. The ability to transfer knowledge from one firm to another may be a function of the complementarity and substitutability of skills between the partners. For effective learning to take place, potential partners should

manifest some parallelism in their facilities, orientations, aspirations, and experience. Limited evidence of the results and extent of interpartner learning suggest that more two-way learning occurs between partners who are both from developed countries than when one partner is from a developed nation and the other from a developing country[7,22]. Apparently, developed nation partners possess more similarities than developed country/developing country partners, facilitating the learning transfer process.

Concurrently, a measure of diversity between partners is also necessary, so that each partner can bring differing knowledge bases and competences into the alliance. When the partners are too close, or alternatively, too far apart in these dimensions, learning may not occur to the extent that was desired[41].

Managers must also be careful about the choice of skills that they attempt to learn from their partner(s). Some organizational skills may be more easily transferred than others[7]. For example, tangible skills such as product technologies, physical distribution methods, and promotion techniques may be relatively easily transferred interorganizationally. In some situations, acquisition of these skills may not even require a formal partnership. Intangible relational skills, however, such as developing appropriate negotiating styles, establishing channel member trust, and resolving conflict are more difficult to absorb and appropriate within the firm. Longer-term partnerships and mechanisms with which to transfer and diffuse this intangible knowledge must be developed.

Conclusions

Organizational learning has become a critical imperative for corporations that face intensified competitive, technological, and market pressures. In today's dynamic global business environment, marketing managers seek to learn to cope better with uncertainty and to become more competitive. Since independent, experiential learning is insufficient for most firms, interpartner learning has become necessary. In this article we have developed a framework that integrates several critical factors in organizational learning and broadens the issues that marketing managers should consider. We have synthesized streams of research on learning into propositions to fuel further inquiry and debate on organizational learning. This synthesis should heighten managerial interest and understanding of marketing implications of learning through strategic alliances.

As learning becomes a valued part of an organization's culture, innovations are developed both intra-organizationally and interorganizationally. These innovations range from new missions and strategies to new products and different ways of operating an organization. Strategic alliances are an innovative means for firms to increase their learning. Firms that have a strategy to seek new products or to imitate what is effective seem likely to form alliances with a learning motivation. When developing new technologies and transferring sensitive technologies, joint ventures appear to be the most desirable structural form of alliance. Fewer bleedthroughs occur when the learning takes place in a separate location from the parent companies. It also appears that long-term financial performance is enhanced through interpartner learning.

Operationalizing and empirically testing the constructs and propositions presented in this article should be the next step in advancing knowledge in this underresearched, but critical issue of

organizational learning in strategic alliances. Other managerially-relevant factors which affect the pace and effectiveness of interpartner learning also await discovery. Moreover, the relative importance of these factors in specific applications require further research. In this early stage of knowledge development, the mechanisms with which to measure interpartner learning accurately, and transfer it effectively, also remain unclear.

This article should provide marketing managers with greater appreciation and understanding of the importance, processes, factors, and results of interpartner learning. Based on this knowledge, managers may be better able to identify their firms' learning needs and to formulate plans to achieve their learning objectives. This should enhance their marketing effectiveness in today's dynamic, global business environment.

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