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Value and Alliance Capability and the formation of Strategic Alliances in SMEs: the impact of Customer Orientation and Resource Optimisation

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Synopsis
Strategic alliances offer significant opportunities to organisations, including the ability to expand their capabilities and to optimise value. In exploring the question of whether firms with differing value expectations choose to enter strategic alliances with firms of different capabilities, this study adopts a qualitative research approach using five Business to Business (B2B) manufacturing small and medium enterprises (SMEs). The study focuses on improving our understanding of three related questions, first, whether or not SMEs aim to capture or create value from the alliance; second, what is the nature of their capabilities and third, what is the inter-relationship between value and capabilities in SME alliance formation.

Introduction and Background
Studies have demonstrated the benefits of interorganisational alliances as a strategic tool supporting improved organisational performance across a range of functions (e.g. Dyer and Singh, 1998; Hoang and Rothaermel, 2005). Strategic alliances are cooperative arrangements between two or more firms, who share reciprocal inputs, to realise improved competitive performance by sharing resources while maintaining their own corporate identities (Ireland et al., 2002). These interorganisational alliances facilitate resource exchange with the intent of developing processes, products or services (Gulati, 1998; Pangarkar et al., 2016). Some firms have demonstrated considerable strength in creating and capturing value from alliances (Hannah, 2016; Sarkar et al., 2008; Heimeriks and Duysters, 2007).

Few SMEs compete effectively on their own against large and multinational companies in a dynamic and highly competitive landscape (Narula, 2004). SME survival depends on the recognition and exploitation of market opportunities, a strategy which is impacted by their capabilities and their value orientation (e.g. Shane and Venkataram, 2000; Zahra et al. 2005). Alliances offer SMEs the ability to act with the capacity of a large or multi-national company, facilitating access to critical resources such as markets, networks, expertise, finance and supply chains (O'Dwyer et al., 2011).

Issues and Questions Considered
At firm level, alliances are typically formed to build and strengthen core competencies and to progress strategic goals rather than address tactical and operational concerns (Kohtamaki et al., 2017; Rao and Reddy, 1995). The core concept of company capability in this context is to create successful alliances based on the ability of a company to learn and its internal learning processes (Drualans et al., 2003). Wang and Rajagopalan (2015) suggest that the range of alliance capabilities can be classified under three headings (1) individual-alliance capabilities (2) alliance portfolio capabilities and (3) dyad specific capabilities. Individual alliance capabilities refer to a firm's ability to manage the alliance life cycle, while alliance portfolio capabilities refer to a firm's ability to develop and coordinate an alliance portfolio, and dyad-specific alliance capabilities refer to didactic relational capability (Wang and Rajagopalan, 2015). Several organisational capabilities have been linked to value including coordination, communication, and interfirm learning; while value capture has been linked to interfirm and intrafirm learning, and governance capabilities (Wang and Rajagopalan, 2015) and value creation have been linked to resource acquisition and management (Matthyssens et al., 2016; Murray et al., 2009).

Studies have established the benefits of inter-organisational alliances, however some firms have demonstrated considerable strength in creating and capturing value (Sarkar et al., 2008; Heimeriks and Duysters, 2007). Value is typically created through collaboration and control, both internal and external (Matthyssens

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et al., 2016; Inemek and Matthyssens, 2013). The value created can be tangible and/or intangible and its extent is dependent on the alliance partners and their capabilities, (Reypens et al., 2016; Hillebrand et al., 2015). Thus it can range from narrow specificity to a broader development of capability (i.e. how to create and capture value across boundaries). "Alliances are used to develop a collection of value-creating resources that a firm cannot create independently" (Ireland et al., 2002: 427). Wang and Rajagopalan (2015: 251) note that "partnering firms have the opportunity to create value by leveraging complementary assets and learning from each other while dealing with the challenges posed by conflicts, unexpected contingencies, and moral hazards".

Methodology

A qualitative research approach was adopted to address the theory building nature of this study, gathering holistic rich data (Miles, 1979) enabling deeper insight, understanding the area of exploration, the measurable variables and/or phenomenon (Amaratunga et al., 2002). Following Yin's (1994) suggestion regarding the use of multiple research methods to build strong case studies, this research utilised observation, interviews, participation in meetings, and evaluation of documentation, which facilitated converging lines of inquiry. In total fifty-seven interviews were conducted with five case companies in Ireland over a twenty four month period. The longitudinal nature of the study facilitated theory building and allowed the themes of customer orientation and resource optimisation to be added to the interview protocol as they emerged from the research process.

Outcomes and Findings

This study provides insight into the complex nature of strategic alliances for these manufacturing B2B case SMEs, illustrating that they are strongly customer orientated and use their resources to build sustainable competitive advantage by leveraging alliance capabilities to either capture or create value. The key contributions demonstrate that value and capability orientations are intertwined in influencing strategic alliance formation; notably, that the case SMEs with individual alliance capabilities focus on value creation and the case SMEs with either dyadic or portfolio capabilities focus on value capture. The findings also suggest three relationships (1) between alliance individual capabilities, value creation orientation, customer orientation and resource integration management; (2) alliance portfolio capabilities, value capture orientation, customer orientation and resource management orientation; and (3) alliance dyad capabilities, value capture orientation, customer orientation and resource management orientation.

In the context of these findings, SMEs choosing alliance partners should carefully consider three issues, (1) their own resources and resource orientation (is their intent to integrate or manage resources?), (2) the potential alliance partner's capabilities (are they capable of individual, dyadic or portfolio alliance relationships?), and (3) whether or not their goal is to create or capture value for customers in the context of a competitive marketplace.

There are several implications for B2B SME managers arising from this study. First, SME managers should focus on understanding the impact of alliance capability and the nature of the alliance relationships on the strategic orientation and performance of the partner firms. Second, the resource orientation of the allied partners should be explored to ensure compatibility with alliance goals. Third, the impact of differing value orientations in an alliance relationship should be explored at the initiation of the relationship in order to increase chances of alliance success. Fourth, B2B SME firms need to remain strongly customer orientated and use their resources to build sustainable competitive advantage by leveraging alliance capabilities to either capture or create value.

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Forthcoming Research Bulletin

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