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Work-in-Progress

THE INFLUENCE OF STRATEGIC ALLIANCES ON NETWORK POSITION

The need for a strong network position in strategic alliances

In today's business world no company survives alone (Håkansson and Snehota 1989).

More than ever, many of the skills and resources essential to a company's prosperity lie outside its boundaries, and outside the management's direct control (Elmuti and Kathawala 2001). In this new world of networks, coalitions and alliances, the strategic alliances and partnerships are not an option, but a complex situation where networks are competing (Duysters et al. 1999a, 347).

There are many reasons for forming an alliance or a partnership. One of the most common reasons for it is globalization or entering new markets (Lynch 1993, 1; Glaister and Buckley 1996, 301; Doz and Hamel 1998, 1). Specific motives for forming strategic alliances are improving the performance of innovations, access to

markets, co-opting and blocking competitors, getting access to complementary assets, organizational learning, strategic positioning, and cost and risk aspects (Narula and Dunning 1998, 380).

Some of the alliances are profitable for the parties, but often the strategic partnerships do not seem to generate expected results, even if the parties seem to be complementing each other and are strategically fit (Spina and Zotteri 2000). Thus there must be some factors present influencing the success of the strategic positioning of a company that do not solely depend on the dyadic relationship of the parties in the partnership. These factors seem to be related to the network view of markets, which is supported by the notion that when the unit of analysis moves to three actors and beyond, the significance of the network phenomena appears (Easton and Håkansson 1996, 408).

Indirect relationships, which connect actors that have no direct relationships between themselves, is an important element in the networks. Because of the connectedness of the relationships, a change in one relationship is spread to different parts of the network (Hadjikhani and Håkansson 1996, 445). This can be often seen in business practices, where an unrelated relationship between two actors in a totally different market and environment can have a strong impact on how customers perceive the same actor in other relationships and environments (see e.g. Hadjikhani and Håkansson 1996). Evidently an actor needs to try to achieve a favorable strategic positioning in the eyes of potential customers. In the project marketing context, for example Cova et al. (2002) have proposed a framework called sociogram method,

which consists of the development of two relational positions based on milieu analysis and customer analysis.

Purpose of the study

It is possible that a carefully planned network positioning of the company should be involved in the process of supply partnership formation already in the beginning. Therefore, the purpose of the present study is to develop a model that captures the dynamics of the relationship between strategic partnerships and the network position of a company. In this study we will focus on the focal net and the focal company as units of analysis.

Consequently, the research questions are as follows:

- 1) What is the relationship between strategic supply partnerships and the network position of a company?*
- 2) What are the direct and indirect influences of supply partnerships on a supplier's network position?*
- 3) How can strategic supply partnerships be used to influence the network position of a company?*

The study consists of the following phases: 1) a literature review focusing on the relationship between supply partnership formation and network position; 2) a tentative model of the factors influencing the strategic positioning of a company; 3) a pilot case study; 4) further development of the model by using an in-depth single case study. In the present working paper for the IMP2004 conference we will focus on creating

preconditions for a literature review. The purpose of this review will be to explore the factors and contingency factors related to the supply partnership formation process and the strategic network position of a company.

Strategic alliances from the network perspective

The definition of strategic alliances is not coherent in the existing literature. In the present paper strategic alliances and strategic supply partnerships are used as synonymous concepts. Strategic alliance is defined as an informal or formal arrangement between two or more companies with a common business objective (Czinkota and Ronkainen 1998, 456). Strategic alliances are seen as a manifestation of inter-organizational cooperative strategies that entail the pooling of skills and resources by the alliance partners in order to achieve one or more goals linked to the strategic objectives of the cooperating firms (Czinkota and Ronkainen 1995, 283). Parkhe (1991, 581) defines strategic alliances “as enduring interfirm cooperative arrangement involving flows and linkages that utilize resources and/or governance structures from autonomous organizations, for the joint accomplishment of individual goals linked to the corporate mission of each sponsoring firm”. He also suggests that interfirm cooperation is complex, embedded in various institutional arrangements, and at once forward-looking (linked to the future) and backwards-looking (linked to the cooperative history of the partners) (Parkhe 1993, 819).

Both definitions refer to external relationships between two firms, which in principle are different from the normal buyer-seller relationships, but they are also different from full acquisitions and mergers. The term strategic indicates that the alliances are formed to improve the future positions of the firms. Alliances that concern either the

present or the immediate future are not seen as strategic. Strategic alliances should have very clear and pre-specified long-term goals or ends (Håkansson and Sharma 1996, 109).

The studies on strategic alliances have been based on various research traditions, such as the transaction cost approach, the resource-based view, but also on the network approach (Blomqvist 2002, 39). Håkansson and Sharma (1996, 115) have summed up the major differences of the network view compared to the more “traditional views or market view” of strategic alliances as follows: 1) structural aspects in the network view are considered very important, 2) the network view takes a wide perspective unit of analysis in which the interdependence of the relationships is pointed out, 3) the network literature emphasizes that strategic alliances are considered as discrete, time-bound, rational structures developed with the purpose of executing a specified task.

The network or interaction approach claims that the actors in strategic alliances are influenced by 'third parties' (i.e., their networks of relationships) and vice versa (see e.g. Håkansson and Snehota 1995; Gebrekidan and Awuah 2002) and it has been argued that the strategic value of alliances can only be fully exploited by paying attention to the overall network in which a firm is embedded (Duysters et al. 1999b). In certain industries the surrounding environment can be extremely turbulent and the network very dynamic (Varis and Salminen 2000).

In project marketing studies the importance of analyzing the surrounding network has been taken into account with the concept milieu analysis (Cova et al. 2002). Gulati (1998) has also supported this view by stating that the key precursors, processes, and

outcomes associated with alliances can be defined and shaped in important ways by the social networks within which most firms are embedded. Thus, a network perspective on alliances contributes more to competitive advantage than a dyadic perspective. Zolkiewski and Turnbull (2002, 585) argue that the study of relationship management needs to be explicitly placed within the context of all network relationships. This can be done by considering the interactions within and between the separate portfolios of customers, suppliers and other influential organizations.

Duysters et al. (1999b, 183) sum up the key elements of the network approach on alliances by saying that firms are not able to make the strategic choices based exclusively on their self-interest because there are constraints by other actors. The companies have to make a strategic choice about their role and function in the network. In the network perspective alliances are managed in such a way that their total net benefits and individual alliances are managed as part of a portfolio of alliances.

Many faces of the network position construct

The definition of the network position has been rather varying in the network literature and it has been modified even by the same researchers several times since the introduction of the network approach in the 80's (see e.g. Johanson and Mattsson 1985, Mattsson and Johanson 1992, Henders 1992, Anderson et al. 1998, Aastrup 2002). The position construct is related to one of the so called network paradoxes: "*A company's relationships are outcomes of its own decisions and actions but the company itself is the outcome of those relationships and of what has happened in them*". In the same way we can state that each actor in a network is engaged in many

relationships with other actors and these relationships define the position of the actor in the network (Halinen and Törnroos 1998, 190). Thus the current position of companies is the outcome of their relationships and the offerings that have been developed, marketed and purchased within them (Ford et al. 2003, 27; Håkansson and Ford 2002, 136).

The *nature of network positions* can be characterized in many ways. Investment to positions can itself be seen as the basic task of marketing (Turnbull et al. 1996, 47). Positions can be seen as partially controlled, intangible market assets (Forsgren et al. 1995, 22) that can determine the firm's ability to compete (Duysters et al. 1999b, 183). Each position is unique and perceived differently by the various actors in the network (Gadde et al. 2003, 362; Håkansson and Snehota 1989, 196; Salmi 1996, 42). A position has both stable and dynamic character (Anderson et al. 1998, 168), and it is difficult to separate an actor's position and its role (Anderson et al. 1998, 171; Nikkanen 2003). The position is determined by the number of exchange relationships that the actor is engaged in (Johanson and Mattsson 1992, 211; Ford et al., 2002, 7), and actually the position is a consequence of the cumulative nature of the use of resources to establish, maintain and develop exchange relationships (Johanson and Mattsson 1992, 211).

From the perspective of the present study it is interesting that a position can be regarded as the location of power to influence the network (Thorelli 1986, 40). Since the position captures the overall perception of a firm's attractiveness as an exchange partner within its network context (Huemer 2003, 4), it can be regarded as a central concept for the present study.

The *ways to use the network position* are manifold. First of all, the position makes it possible to acquire resources through exchange with other parties in the context (Håkansson and Snehota 1989, 194), but from a wider perspective also to get access to, mobilize and combine critical resources and processes, promoting innovation and productivity in the network but also within the company (Snehota and Tunisi 2003, 19). The position provides the ability to develop further relationships in the network (Turnbull et al. 1996, 48). For example, if a supplier wants to have an attractive network position from its potential customers' perspective, it has to have good customer references (for a review of the role of references in industrial marketing, see Salminen 1997; Salminen and Möller 2002). A possible supply partner might also be interested in the customer references to be able to evaluate the supplier's attractiveness as a supplier partner.

From the point of view of the present study, an interesting issue is a supplier's goal to systemically change its position by combining existing relationships in new ways or by building new relationships (Ford et al. 2002). One method that companies today utilize to enhance their network positions is forming strategic partnerships. The strategic partnerships or alliances can be more or less stable, visible, and overlapping, in order to strengthen the company's position in the network (Forsgren et al. 1995, 21). To be able to use the network position concept in the present study, the concept must be operationalized. There are many alternative views regarding the construct and its elements, see Table 1 below.

Table 1. Different views of the network position construct

Authors	Elements of the construct	Description
Johanson and Mattsson, 1985	Microposition Macroposition	Micro: link between individual firms Macro: Firm's relationships with several firms
Mattson and Johanson, 1992	Limited position Extended position	Limited position: microposition Extended position: 1) qualitative dimension: function in the production systems; 2) quantitative dimension: relative importance of the resources controlled by the actor
Henders, 1992	Multidimensional Difficult to operationalize	How an actor fits into an industrial system in multiple roles
Anderson et al., 1998	Roles, dynamic element Position, static element	Different roles change the positions of an actor and are thus inseparable concepts
Aastrup, 2002	Acting base of an actor Difficult to operationalize	Sensitizing concept: base for acting in network structures, thus enabling and constraining future practices

Partnership formation process and network position

Hynes and Mollenkopf (1998) have proposed a model of strategic alliance formation comprising of the following stages: *antecedents* (product, market, or industry related factors), *motives* (such as cost advantages, risk reducing, or uncertainty) and *objectives* (desired outcomes of strategic alliances). In addition, the model includes alliance type and the factors influencing the success/failure of the alliance, as they represent significant streams of research and are likely to be related in some way to antecedents, motives or objectives.

Whipple and Frankel (1998) have proposed an alliance formation model which includes three components: *the process component* (the process of alliance development that identifies the stages or steps required for alliance formation, implementation, and long term maintenance), *the strategic component* (the strategic

considerations that correspond to each stage to provide an understanding of how alliance success is evaluated), and *the operational component* (the operational considerations that correspond to each stage to provide an understanding of how alliance success is achieved on a daily basis). To integrate the three components, each stage of the process component must include the necessary strategic and operational considerations.

Blomqvist (2002) has proposed a conceptual model, where the partnership formation process consists of four phases: *awareness* (awareness of the need for partners and awareness of potential partners), *attraction* (compatibility and goal congruence), *interaction* (interplay between communication, trust, adaptation and coordination, and commitment), and *agreement of partnership*. It can be seen that these three models are quite different from each other and context-specific. The elements of these models can be used to guide the literature review proper of the study, however.

Discussion on the possible next steps of the study

Next we will have to outline a very tentative contingency model of the partnership formation process to be able to focus subsequent literature reviews in a suitable way. The position construct must be discussed in a more analytical way, and after that a suitable position construct matching the purpose of the study has to be adopted. The position construct is inevitably intertwined with the model of partnership formation process that will be developed. Therefore, a rigorous literature review of partnership formation processes should be conducted.

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