

## IMPACTS OF ALLIANCE COMPETENCE AND RESOURCES AND RESOURCES ON ALLIANCE SUCCESS : EVIDENCE FROM FURNITURE BUSINESSES IN THAILAND

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### Abstract

This study examined the influence of alliance competence on resource – based alliance success. The integrative model was developed and proposed that an alliance competence contributes to alliance success, both directly and through the acquisition and creation of resources. The model was derived from SPP model [1] as well as [2] ‘s model which work on alliance success. We offered two views to explain alliance success. The resource – based view focuses on firm’s resources. The underlying premise is that when alliance partners possess valuable, rare, and difficult to imitate resources, then the alliance should be successful. The relational view perspective suggests that alliances are successful when firms develop an alliance competence that allows them to secure, develop, and maintain alliances. Data were collected from 138 furniture exporting businesses in Thailand and a questionnaire was used as an instrument. The statistics used for analyzing data were correlation analysis and the Ordinary Least Squares (OLS) regression analysis. The results indicate that higher levels of alliance competence practice can lead to enhance relational – based competitive advantage and improve organizational performance. The findings of this research thus point to the importance of alliance competence practices for organizations in this industry. Finally, we discuss the benefits of the framework including its ability to allow bettering understanding a key question of “What factors contribute to alliance success?”

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**Keywords:** Alliance Competence, Idiosyncratic Resources, Complementary Resources



## Introduction

Despite of the astonishing growth in alliance movement over the former decades [3], there is increasing evidence that alliance performance has remained weak [4]. Although reported failure rates are generally high, ranging from 40 to 70% [5], some firms seem to consistently enjoy better alliance performance than others. Strategic alliances are an important feature of the aerospace industry and many studies have sought to evaluate their performance. Most have taken a policy perspective exploring the economic and political benefits claimed for collaboration of this type [6]. In global business-to-business markets, shared resources between partners often result in competitive advantages and enhanced relationships between firms. To improve their technology and to foster innovation in the rapid changing environment, firms increasingly rely on external sources to obtain knowledge. Through close interactions with and learning from external partners, firms can gain access to new knowledge, resources, and techniques [7]. Thus, nowadays alliance strategy is one of the effective ways for firms to ensure survival and success in business performance. This brings us to study this key question: What factors contribute to alliance success?. Figure 1 illustrates the conceptual model of “alliance competence model of resources and alliance success.” Two theories including resource-based view and relational view are synergy to describe, explain, predict, and link all variables in the framework, guide proposing hypotheses, and conclude to interpret findings which are analyzed from collected data. Seven hypotheses were then developed for assessing the strategic worth of these resources in marketing relationships.

**Alliance competence** is an organizational capability for finding, developing and managing alliances [2]. Alliance competence is a higher-order resource which is a combination of three interconnecting components lower order resources including alliance experience-based knowledge, alliance manager development capability, and partner identification capability.

That is, more of each of these three lower order resources will contribute to increasing a firm’s competence in finding, developing and managing alliances.

**Alliance Experience-Based Knowledge** is knowledge which firm learns from previous success as well as failure with their partners and this knowledge can be used in order to manage risk that might be happen in the future. [8] suggests that a “deep base of experience” with alliances gives firms an edge over their competitors. Firms that participate in alliances learn from their successes as well as their failures. This experience helps managers to avoid the problems with previous failed alliances and use the knowledge gained from successful alliances in the future. [2] suggest that when firms go through the experience of identifying alliance partners, developing and managing alliances, as well as dissolving alliances, firms gain experience which may be converted into a valuable resource—knowledge. Such a resource is difficult to imitate because the knowledge is often tacit and embedded in the people associated with the alliance. Even if a firm were to collect and disseminate the information developed in managing an alliance, the information would be incomplete. Thus alliance experience-based knowledge is a lower order resource that facilitates an alliance competence. Indeed, [9] argue that an alliance’s ability to combine complementary resources in a manner (e.g., creating idiosyncratic resources) that contributes to alliance success is related to alliance experience-based knowledge and the

ability to identify and select partners with needed complementary resources.

**Alliance Manager Development Capability** refers to manager's ability to structure and run alliance both in the bad and good situation which contribute to alliance success. Following [8] and [10], [2] argue that firms with an alliance competence "have the ability to *develop* capable alliance managers" who will "structure and run alliances in ways that minimize the abuses of such alliance mismanagement as poor conflict resolution and allow the partner firms to successfully combine and synthesize their complementary resources over time into idiosyncratic resources that lead to competitive advantage." Such managers serve as a resource [11] for firms and because they have skills that are superior to the skills of personnel in competing firms [12].

**Partner Identification Capability** is an organization's capabilities to select the right efficient and effective partner to maximize their competitive advantage which will lead firms to achieve its goals. Selecting the right partner with which to form an alliance is crucial. [13] discusses developing a relationship portfolio that contains relational resources that contributes to a firm efficiently and effectively producing a market offering valuable to some segment(s). [12] and [8] suggest that firms that scan for promising partners may also often achieve an alliance "first mover" advantage that allows them to gain access to and preempt competition from scarce resources offered by potential alliance partners. [9] suggest that some firms consciously seek out partners with complementary resources. Complementary resources or complementary competencies are viewed as important for creating the potential for mutual gain [14]. Firms with an alliance competence should be better at identifying potential partners with key complementary resources. Therefore, consistent with [2], alliance competence should be positively related to complementary resources. Therefore the first three hypotheses were proposed (H1a-d through H3a-d).

Hypothesis 1: The higher alliance experience-based knowledge is, the more likely that firm will gain greater (a) complementary resource, (b) idiosyncratic resource (c) relationship-based competitive advantage, and (d) alliance performance

Hypothesis 2: The higher alliance manager development capability is, the more likely that firm will gain greater (a) complementary resource, (b) idiosyncratic resource (c) relationship-based competitive advantage, and (d) alliance performance

Hypothesis 3: The higher partner identification capability is, the more likely that firm will gain greater (a) complementary resource, (b) idiosyncratic resource (c) relationship-based competitive advantage, and (d) alliance performance

**Complementary resources** are defined as the degree to which firms in an alliance are able to eliminate deficiencies in each other's portfolio of resources by supplying distinct capabilities, knowledge, and other entities which enhance each other's ability to achieve business goals [5].

According to RBV and resource advantage theory, such entities as capabilities and knowledge are resources because, they are used by a firm to compete in its marketplace [15] - [16]. Clearly, one of the reasons that firms enter into alliances is because they lack certain



capabilities needed to be successful in a certain arena [5], [8], [15]. When firms have complimentary abilities, each partner can concentrate on the part of the value chain where it can make the greatest contribution. Resource advantage theory suggests that the primary way that complementary resources lead to alliance competitive advantage is indirect in that they constitute the lower order or basic capabilities that must be combined via idiosyncratic resources into a system that can't be matched by competitors [13]. Complementary resources are also directly affect the development of idiosyncratic resources because they motivate the development of higher order idiosyncratic resources that can be used to successfully combine and deploy the complementary resources pooled by the partner firms [17]. The resource-based core of [17] work maintains that complementary resources contribute to alliance success through the *creation* of idiosyncratic resources. [17], as well as [2], find empirical support for this relationship.

**Idiosyncratic resources** were defined as ability which developed from partner firms during the life of the alliance [2]. [18], [17], and [2] define alliance idiosyncratic resources as those that "(1) are created to enhance the ability of the partner firms to use their respective resources to achieve competitive advantage, (2) are created through the combining of the respective resources of the partner firms, (3) are developed during the life of the alliance, (4) are unique to the alliance, and (5) are developed during the life of the alliance." [9] posit that when firms contribute resources to an alliance there may be "a synergistic effect whereby the combined resource endowments were more valuable, rare, and difficult to imitate than they had been before they were combined". [19] argues that the most critical resources are those that are superior in use, hard to imitate, difficult to substitute for, and more valuable within the firm than outside. According to the RBV, a firm's competitive advantages reside in the inherent heterogeneity of the immobile strategic resources the firm controls [11], [19]. Strategy is viewed as a firm's conscious move to leverage its idiosyncratic endowment of strategic resources [20]. Thus, the principal drivers of a firm's competitive strategy and performance may be internal to the firm. Although the RBV recognizes that a firm's physical resources are important determinants of performance, it places primary emphasis on the intangible skills and resources of the firm [11], [19], such as international experience, global orientation, and external globalizing conditions. Two recent empirical studies support the hypothesis that idiosyncratic resources contributes to alliance success. Both [17] and [2] find a positive relationship between idiosyncratic resources and alliance success. Therefore, consistent with their work, idiosyncratic resources are proposed to be positively related to both aspects of alliance success.

**Relationship-Based Competitive Advantage** refers that firms gain relational rents not only superior financial and market performance but also their distinctive capabilities that competitors are unable to duplicate by implementing a value-creating inter-organizational strategy. This strategy is not simultaneously implemented by any current or potential competitor and for which such other firms cannot duplicate the benefits of this strategy [11], [9], [21].

Firms that are successful in managing their value chain are posited to achieve positions of competitive advantage which are viewed as either cost leadership or value advantages [22]. Resource-based theory, therefore, can contribute to explain the strategic nature of marketing

relationship. Specifically, firms engage in relationships when compatible partners are identified whose complementary resources, when combined with their own resources, provide competitive advantages; that is, RBCAs. RBCAs might arise from particular categories of resources, alone or in combination with other basic resources. It is important to realize that it is uncommon for RBCAs, as with competitive advantages in general, to arise from a single resource. Rather, RBCAs most often are created by bundling many different types of resources across relationship. As the combinations become more complicated, the ability of competitors to purchase, imitate, invent around, or substitute for those RBCAs diminishes. Competitive advantage theory suggests that successful firms generate competitive advantage and superior performance. Alliances, therefore, are deemed successful when they enable a firm to achieve competitive advantage that will, in turn, lead to superior performance. Therefore, it is proposed that:

*Hypothesis 4: Complementary resources are positively related to idiosyncratic resources.*

*Hypothesis 5: Idiosyncratic resources are positively related to relationship-based competitive advantage (RBCA).*

*Hypothesis 6: Idiosyncratic resources are positively related to alliance performance.*

Hypothesis 7: Relationship-based competitive advantage (RBCA) is positively related to alliance performance.

## Objectives

The key research question is to answer whether or not alliance competence are important for firm to get superior performance. Furthermore, the specific research purposes and results are as follows: (1) To investigate the influence of alliance competence (alliance experience-based knowledge, alliance manager development capability, and partner identification capability) on complementary resource, idiosyncratic resource, relationship-based competitive advantage, and alliance performance, (2) To test the impact of complementary resource on idiosyncratic resource, (3) To examine the impact of idiosyncratic resource on relationship-based competitive advantage, and alliance performance, and (4) To investigate the effect of relationship-based competitive advantage on alliance performance.

## Methodology

A population of 724 Thai furniture exporting firms was investigated in this study, of which 138 were fully completed and usable, effectively a response rate of 21.46. According to [23], the response rate for a mail survey was considered acceptable. CEOs (MD or top executive director) in each firm were our key informants. Nonresponse bias and common method variance was test in the beginning. The results indicated that there was not a serious concern. The questionnaire was developed with 5- point scale and guided by the literature review, consultation with experts.

The measurement items and the results of reliability and validity analyses was checked and reported in table 1. Then, the ordinary least squares (OLS) regression analysis was used to explicitly test and examine the influences of AC on business performance which are shown in table 2 and fig 2.



## Results

Results presented in Table 1 include descriptive statistics, scale reliabilities, factor loadings, and zero – order correlations for all variables. All of the reliability estimates for all constructs (Cronbach alpha coefficients) were above 0.70 [24]. Factor analysis conducted were done separately to investigate the underlying relationships of a large number of items and to determine whether they could be reduced to a smaller set of factors. All factor loadings were greater than the 0.40 cutoff and were statistically significant [24]. Variance inflation factors (VIFs) were examined for all of the variables included in the study to assess the potential problems with multicollinearity (VIF, calculated as  $1 / 1 - r^2$ ). The VIFs range from 1.844-2.066, well below the rule-of-thumb cutoff of ten suggested by [25]. It was concluded that multicollinearity was not a serious issue here.

Table 2 showed the results of hypotheses testing by regression separate into three groups; results provide evidence fully supported consist of Hypotheses 3, 4, 5, 6, and Hypotheses 7. Besides, the evidence provides partial supported are comprise Hypotheses 2 but Hypotheses 1 is not support. In summary, this research empirically shown that alliance competence has two dimensions which effect on complementary resource, idiosyncratic resource, relationship-based competitive advantage, and alliance performance, namely, alliance manager development capability and partner identification capability. We concluded that the proposed model was accepted.

## Conclusion

The present study stresses the two theoretical perspectives including resource-based view and relational view to explain the model of the impact of alliance competence on alliance performance through complementary resource, idiosyncratic resource and relationship-based competitive advantage. The results indicate that two dimensions of alliance competence (alliance manager development capability, and partner identification capability) have a positive impact on its consequences including complementary resource, idiosyncratic resource, relationship-based competitive advantage, and alliance performance. Alliance experience-based knowledge has no effects on these consequences. Specifically, complementary resource positively impact on idiosyncratic resource. In addition, the findings confirm both idiosyncratic resource and relationship-based competitive advantage positively affects alliance performance. Accordingly, these evidences will provide the directions and suggestions for Thai furniture businesses to improve their strategies and business performance.

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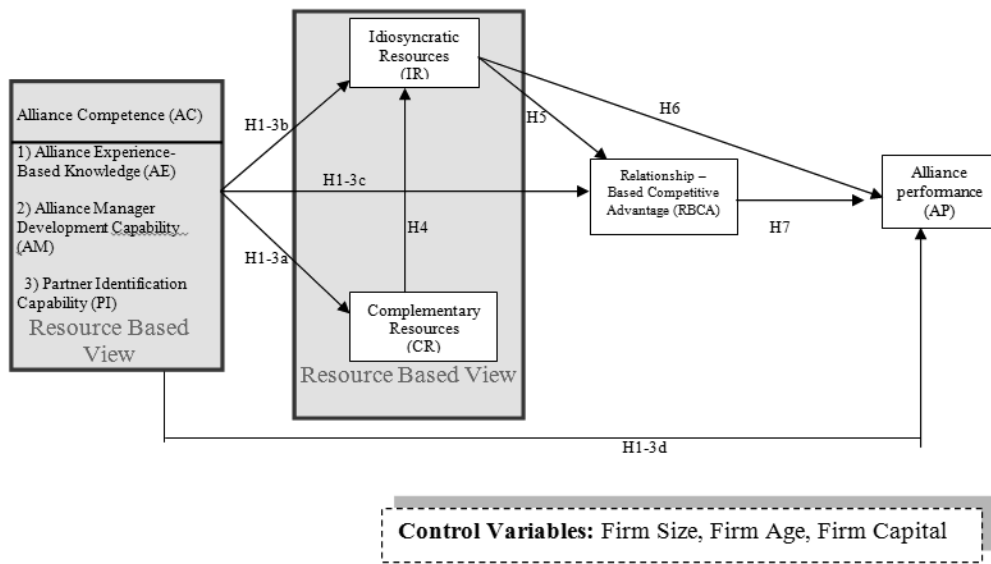


Figure 1: An Integrative Model of Alliance Success



Table 1: Variables in the model, Descriptive Statistics,

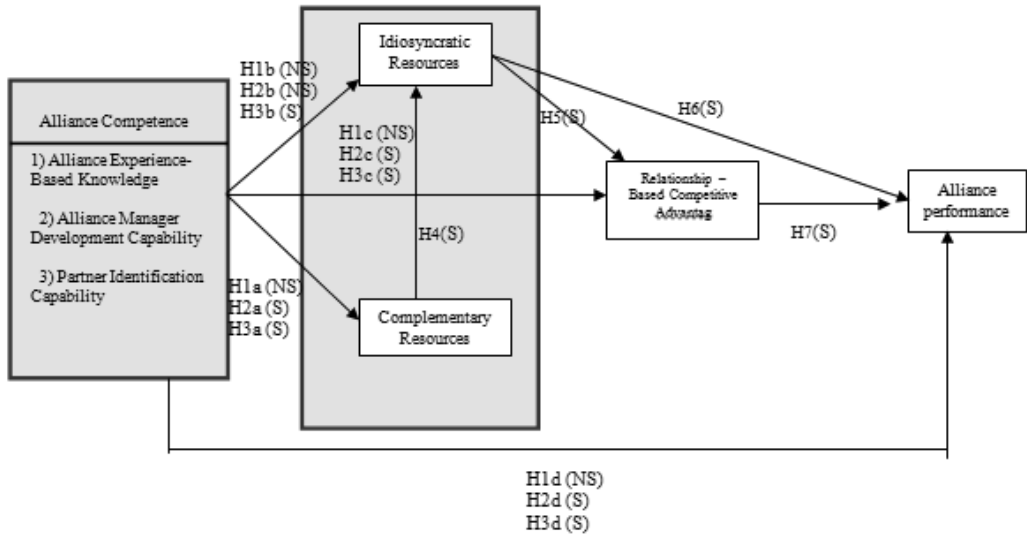
Constructs	AE	AM	PI	IR	CR	RBCA	AP
Mean	4.06	4.05	4.03	3.76	3.81	3.77	3.58
S.D.	0.66	0.66	0.62	0.72	0.67	0.64	0.64
AE	1.00						
AM	0.72**	1.00					
PI	0.41**	0.51**	1.00				
IR	0.45**	0.49**	0.54**	1.00			
CR	0.46**	0.57**	0.59**	0.61**	1.00		
RBCA	0.41**	0.46**	0.39**	0.41**	0.41**	1.00	
AP	0.38**	0.47**	0.44**	0.64**	0.59*	0.70**	1.00

\*\*p < .05, \*p < .10

Table 2: Results of regression analysis Cronbach’s alpha, Factor loadings, and Correlations among all variables

IV	Dependent Variables						
	1 CR	2 IR	3 RBCA	4 AP	5 IR	6 RBCA	7 AP
AE	.059 (.096)	.195 (.111)	.122 (.108)	.021 (.106)			
AM	.348** (.101)	.176 (.118)	.243** (.119)	.297*** (.111)			
PI	.426*** (.082)	.435*** (.094)	.225** (.092)	.294*** (.090)			
CR					.642*** (.073)		
IR						.550*** (.062)	.313*** (.066)
RBCA							.479*** (.074)
FB	-.014 (.046)	.012 (.052)	.057 (.051)	.090 (.090)	.027 (.050)	.066 (.045)	.051 (.038)
FA	-.013 (.045)	-.091 (.052)	-.062 (.051)	-.094 (.049)	-.090 (.051)	-.017 (.046)	-.037 (.039)
FC	-.035 (.046)	.051 (.053)	-.012 (.052)	-.021 (.051)	.030 (.051)	-.035 (.046)	-.019 (.039)
Adjusted R <sup>2</sup>	.439	.366	.234	.278	.377	.371	.556
Maximum VIF	1.943	1.969	1.929	1.844	1.959	2.066	1.987

\*\*p<.05, \*\*\*p<.01 \*Beta coefficients with standard error in parenthesis



S = Supported  
NS = Not Supported

Figure 2: The Results of Hypotheses Testing