Dancing with a Dragon: Snags in International Cooperation Between Two IT Companies

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EXECUTIVE SUMMARY

International strategic alliances are an increasingly popular way for companies to expand their operations beyond national boundaries. For small and medium-sized ICT enterprises, this route provides interesting characteristics. However, success does not come automatically in international strategic alliances.

This chapter applies the aspects of strategic fit, resource fit, cultural fit and organizational fit to analyze the cooperation between a small Dutch IT company and a major Chinese Internet content provider. Their cooperation does not run smoothly, and the chapter describes the background and presents details on their agreement. After both opposing views are described, the case is analyzed.

The chapter concludes that in this case study, there are several misfits. Even though the major misfits are in the strategic area, these could be resolved by improving the mutual understanding of positions and objectives. Moreover, it is more appropriate to approach the intended cooperation as a virtual alliance.
BACKGROUND

In today’s global economy, increasingly companies are seeking partnerships to stay ahead of the competition or sometimes just to survive. They are fueled by a number of global developments such as internationalization of markets, increasing complexity of technologies, shortening of product life cycles, high economic uncertainty and increasing speed with which innovations take place (Faulkner, 1995; Douma, 1997). Especially the technology advances in ICT are permitting an increased flow of information across borders, and enable small and medium-sized enterprises (SMEs) to compete globally regardless of the physical locations (Castells, 1996; Ball & McCulloch, 1999). However, few firms have the human, financial and technical resources to ‘go-it-alone’ in every market and with every product, especially SMEs. A key benefit in forming alliances is clearly the ability to leverage the company’s success into new customers and new markets (Gale, 1994). Therefore, global alliances form one of the quickest, less risky and cheapest ways to develop a global strategy, placing a fresh set of demands on companies, while it indeed has been identified as an important strategy option for small technology-based firms (Porter & Fuller, 1986; Forrest, 1990; Bairdl, 1997; Deresky, 1997).

In defining strategic alliances literature provides many terminologies such as alliances, cooperation, joint venture, coalition and collaborative agreement. However, there is no difference in the basic meaning among those definitions, which includes cooperation, a set of agreed-upon goals, shared resources and competence, and remained independence (Porter & Fuller, 1986; Yoshin & Rangan, 1995; Faulkner, 1995; Douma, 1997; Das & Teng, 1997; Gulati, 1998). Therefore, Mulyowahyudi (2001) concludes that the international strategic alliance is cooperation between companies from different countries that unite to pursue a set of agreed-upon goals through continuously sharing their respective complementary assets and core competencies. And each of them retains its independence and identity, to gain mutual benefit and to strengthen their competitive advantage.

The success of strategic relationships is driven by both structural elements and social elements (Van der Zee & Van Wijngaarden, 1999). However, starting and successfully continuing an alliance is more troublesome than many managers had expected. The high probability of failure in alliances is now common knowledge; the estimates of the success rate of cross-border alliances and acquisitions range from only about one-third to one-half (Rodrigues, 1996; Hoeckling, 1995). There are several principal causes of failure or difficulties in business partnerships such as compatibility of partners, corporate cultures, structure, ownership, controls, exits options,
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