Dynamics in Strategic Alliances: A Theory on Interorganizational Learning and Knowledge Development

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ABSTRACT

The objective of this paper is to develop a dynamic theory of interorganizational learning and knowledge acquisition in strategic alliances. Strategic alliances are becoming an increasingly important organizational form to gain access to new knowledge and to leverage existing knowledge. By establishing an alliance with one or more partners, an organization will gain valuable learning opportunities to acquire knowledge and to enhance its competitiveness. The degree to which the partners can realize their learning objectives is dependent on their absorptive capacities and the collaborative strategies adopted by the partners. These collaborative strategies may include the trust between alliance partners as well as the willingness to share existing knowledge. In order to gain insights into the dynamics of interorganizational learning and knowledge acquisition, the authors propose a simulation model to test different conditions influencing the outcome of an alliance. The results can improve our understanding of the key factors that influence the acquisition of knowledge in strategic alliances. The paper concludes with a discussion of guidelines to assess and manage the outcome of strategic alliances.

Keywords: Collaborative Strategies, Interorganizational Learning, Knowledge Acquisition, Strategic Alliances, System Dynamics

INTRODUCTION

In many markets and industries, alliances are no longer a strategic option but a necessity. An alliance can be broadly defined as a situation where two or more organizations come together because of their mutual interest in interorganizational learning and collaboration to leverage existing knowledge levels. The number of U.S. corporate alliances has grown by more than 25 percent annually for the past five years (Harbison & Pekar, 1989). Drucker (1995) suggested that the greatest change in the way business is being conducted is the accelerating growth of relationships based not on ownership but on partnership. An important explanatory factor in the growth of alliances is that these forms of cooperation provide a platform for organizational learning and access to new knowledge gained during the alliance (Grant, 1996; Hamel, 1991; Khanna, 1998; Kogut, 1998).

The motivations for an organization to enter an alliance include attempts to achieve competitive advantages by gaining market access, improve scale economics, and develop competence through collaboration (Astley, 1989; Hamel, 1989; Lorange & Roos, 1992). While the number of alliances has grown over

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the last few years, the actual performance of strategic alliances seems to be disappointing (Harrigan, 1988; Porter, 1987). Doz (1996) suggests that a key to better understand the pitfalls of strategic alliances can be found in the benefits and difficulties of organizational learning among the cooperating firms. Other researchers have identified particular learning problems, such as the risk of uncontrolled information disclosure and asymmetric diffusion of core competencies to partner firms as constraints for a successful alliance (Bresser, 1988; Hamel, 1991; Inkpen & Beamish, 1997).

The literature is replete with theoretical research (Kumar & Nti, 1998; Makhija & Ganesh, 1997; Mody 1993) as well as empirical studies (Dodgson, 1993; Lane & Lubatkin, 1998; Simonin, 1999) addressing the issues of alliance learning. While this stream of research addresses some important questions concerning the conditions under which organizations exploit alliance learning opportunities, little is known about the dynamic nature of interorganizational learning that occurs among cooperative firms. The primary objective of this paper is to integrate various perspectives on learning in alliances and to extend existing frameworks of interorganizational learning by making explicit causal feedback mechanisms that, we contend, will help decision makers gain insights into the dynamic behavior of alliance learning.

The model described in this paper is an explicit dynamic theory expressed in a micro-world simulation, grounded in the relevant literature, with which we can test different conditions for strategic alliances. Although the representation of the system along with the outcomes of joint learning is highly aggregated, reflecting on simulation experiments with the model nevertheless provides insights into the dynamic behavior of interorganizational learning.

An Interorganizational Learning Framework

During strategic alliances, interorganizational learning can be achieved by transferring existing knowledge from one organization to another organization, as well as by creating completely new knowledge through interaction among the organizations (Larsson et al., 1998). The framework we apply assumes conditions where two organizations form an alliance to create completely new knowledge.

The proposed framework is a feedback view of two individual firms with collective organizational actions to form new knowledge during a strategic alliance. The presentation begins with a basic framework which is gradually detailed and expanded in the following sections of the paper to create a model appropriate to support corporate policy discussions.

Organizational learning, as opposed to individual learning, is learning at a collective level that occurs as knowledge is transformed from an individual to a collective state (Spender, 1996). The central proposition of our framework captures organizational learning as a multi-stage process following Nonaka (1994) and Tushman and Scanlon (1981). In the first stage knowledge is created through collaboration between two or more partners. This interactive and collaborative process creates the alliance knowledge, which in turn leads to diffused accumulated knowledge. The level of collaboration is determined by the transparency of each firm as well as the levels of their motivation to cooperate. If either firm is not transparent, no existing knowledge is disclosed and thereby cannot be reviewed by the other or used collectively to generate new knowledge (Larsson et al., 1998). Transparency in a firm is a choice, determined mainly by the individual trust level of each firm, which is influenced by the existing knowledge level. As the organizations gain new knowledge, the level of existing knowledge increases, and trust grows. The lack of interorganizational trust is therefore a barrier to organizational knowledge creation (cf. Dodgson, 1993; Nonaka, 1994). The learning rate is influenced by the level of diffused accumulated knowledge as well as the existing knowledge of an organization. As Powell et al. (1996) argued, knowledge facilitates the use of other knowledge. If new knowledge becomes available various organizational factors determine how fast new knowledge can be
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