

Chapter I

Introduction



Background of the Study

One particular aspect of an organization's overall competency base which is becoming increasingly important is its technological skills (Leonard-Barton, 1992). Nevertheless, it may not always be appropriate for firms to independently develop the technology needed for new products or manufacturing process (Steensma, 1996). A key element of an organization's technology strategy is the external acquisition of technology through various types of inter-organizational collaboration (Ford, 1988). A firm's primary focus needs to be on learning within collaborative alliances in order to strengthen existing competencies and acquires new skills (Hamel, Doz, and Prahalad, 1989).

It has been argued that strategic alliances are established for a number of purposes. The goal may not often be only to increase profits per se, but rather, the main purpose of a strategic alliance might be to learn from the other partner, e.g., how to get a complex task done (Lorange and Roos, 1992). For instance, a joint venture is encouraged when one or both firms desire to acquire the other's organizational know-how or when one firm wishes to maintain an organizational capability while benefiting from another firm's current knowledge or cost advantage (Kogut, 1988).

Scholars in the field of International Business view strategic alliances as a temporary mechanism for the expansion of multinational enterprises (Beamish, 1988; Contractor and Lorange, 1988; Osborn and Hagedoorn, 1997). The roles of alliances have been addressed in the literature of international business as mechanisms for gaining access to partners' knowledge and skills (Hamel, 1991; Dodgson, 1993a; Inkpen and Crossan, 1995; Inkpen and Beamish, 1997) and as an opportunity to learn from partners (Ciborra, 1991; Dodgson, 1993b; Hagedoorn, 1995). However, to date, research on international business that concentrated on such roles of strategic alliances has neglected four major issues.

First, researchers have not much empirically studied learning as a measure of performance of the collaboration although learning has been considered a key element in alliances. Instead, a number of studies have focused mainly on financial performance. Hence, the existing research has limited our understanding of the performance of the alliances.

Second, in the last few years, there appears to have been a proliferation of alliances such as international joint ventures, licensing, co-production agreements, joint research programs, exploration consortia, and other cooperative relationships between two or more potentially competitive firms (Contractor and Lorange, 1988). However, previous studies on international alliances appear to focus only on joint venture (e.g., Killing, 1983; Beamish, 1984; Hebert, 1994, Parkhe, 1996) with little attention to non-equity alliances. Consequently, those studies insufficiently explain the phenomena that have occurred in alliances.

Third, researchers on international alliances have suggested that a mutual gain between partners is an essence of successful strategic alliances. However, most studies have focused mainly on the interests of foreign multinational corporations (MNCs). Determinants of a successful collaboration have been examined mostly from the MNCs' perspectives. Local partners, in particular, those firms in developing countries, are treated as passive partners. Their strategic attributes affecting the outcome from the participation in the alliance have received no attention from researchers. By neglecting the perspective from local partners, the understanding of the essence of international alliance, thus, is limited.

Fourth, although learning has been considered as an important strategic objective for alliances, very few studies on international alliances have empirically explained the attributes of the knowledge that involves learning in alliances. By neglecting to explore such aspects of knowledge, the real understanding of inter-firm learning cannot be achieved.

This research intends to fill some gaps in the area of international alliances in the literature of international business by examining the perspectives on learning of local partners and including other forms of collaborations. A broader way to treat international alliance is to define it as any form of collaboration between two firms that includes substantial contributions by partners of either capital, technology, or

other assets. By this definition, this study will cover both equity and non-equity alliances. I argue that the extent to which local firms learn from their foreign partners in international alliances is determined by three attributes, i.e., partner-related, relationship-related, and knowledge-related.

One main reason to select local firms in Thailand to be the sample of the study is that international alliances are promoted by the Royal Government of Thailand to be a mechanism for local firms to develop their technological competitiveness. Technology transfer from foreign partners are expected to be achieved in order to develop technological capability in Thai industry. Evidences can be seen from measures and policies which have been enacted and implemented by the Ministry of Industry, the Board of Investment and the Department of Export Promotion.

The conceptual framework of this study draws on the perspectives of organizational learning and international strategic alliance. This dissertation is organized as follows. The first chapter states the background of the study, purposes of the study, research questions, scope of the study, operational definitions, limitations, conceptual framework of factors that account for the inter- firm learning, and contributions of the study. The second chapter reviews literatures of organizational learning and strategic alliances. Hypotheses are proposed in chapter three. Chapter four is the methodology which describes research design, measures, and methods of the data analysis. Results of the data analysis are presented in chapter five. Chapter six includes discussion, implication, and conclusion.

Purposes of the Study

1. This dissertation attempts to identify variables that represent attributes of partner, relationship, and knowledge involving in international alliances in Thailand.
2. This dissertation attempts to empirically explore factors that enhance local firms' learning from their foreign partners in international alliances.

Research Questions

1. What variables constitute attributes of partner firms, relationships, and knowledge in international alliances in Thailand?
2. To what extent that the attributes of partner firms, partners' relationships, and knowledge enhance local firm's learning from its foreign partner in international alliances in Thailand?

Scope of the Study

1. This study focuses only on the dyadic relationship in international alliances that firms in Thailand have experienced. The unit of analysis is at the firm level.
2. This study focuses on inter-firm collaborations that both partner firms retain their autonomy. Mergers and acquisitions are excluded.
3. The frame of sample contains the lists of exporters in the categories of electronic, electrical products & parts, and vehicle, part and accessories in the Board of Trade of Thailand Directory 1998-1999 and Thailand's Selected Exporter List 1997-1998, and the list of members of the Federation of Thai Industries in the sections of electrical and electronics products, and vehicles and parts.
4. The theoretical framework of the study draws on literatures of strategic alliances and organizational learning.

Limitations of the Study

1. The economic crisis in Thailand in 1997 induced some limitations in data collection, not only in terms of the liquidation of local firms in the sample but also the reluctance of respondents to contribute their time and effort in responding to questionnaires. Because of the high competition among the firm-survivors and the difficulty tackling the uncertainty of the economic environment, numerous firms were reluctant to disclose their information.

2. There is no database on international alliances in Thailand. Therefore, it is difficult to identify the partner firms or to trace back to the history of the partner firm. The analysis was inevitably based upon the questionnaires' respondents only.

Operational Definitions

Learning is defined as the upgrading in the production-related operation process of local firms in terms of production process development, new product design development, production standard development, partner's knowledge utilization, and productivity improvement.

International alliance is defined as any form of inter-firm collaborative arrangement between a foreign firm and a local firm whose contributions are either capital, technology, or other assets. A foreign partner firm is the firm whose parent company is located outside Thailand, or whose nationality is not Thai. A local firm refers to the firm that has Thailand as its home country.

Partner attributes describe the characteristics of a partner firm that are associated with its potential to learn in international alliances. Cultural similarity, receptivity, and trust are categorized as partner attributes.

Cultural similarity is defined as the similarity of values and capabilities between a local firm and its partner firm in terms of the congruency in organizational values and social norms, the compatibility in technological capability, organizational procedures, and philosophies and approaches to business dealings.

Receptivity is defined as the behaviors and the resources of a local firm that are available to utilize a new knowledge.

Trust is defined as the credibility and the benevolence that a local firm evaluates its foreign partner's fulfilling obligations in the relationship.

Relationship attributes describe the characteristics of a dyadic relationship between partners in international alliances. Ownership structure, partner firms'

complementarity, and prior tie between partner firms are categorized as relationship attributes.

Ownership structure refers to the possession of capital assets in an alliance of the partner firms, i.e., equity or non-equity.

Partners complementarity is defined as the degree of balanced contribution of partner firms (Johnson et al., 1997) in terms of scope and extent. Scope is the number of unique type of resources that partner firms contribute to the alliance. Extent is identified as the amount of resources that partner firms contribute to the alliance.

Prior tie refers to the relationship between partners in prior to the collaboration into the focal alliance in terms of alliance participation or other business relationship.

Knowledge attributes describe the characteristics of knowledge that the foreign partner brings to the focal alliance according to the perception of the local partner firm. Ambiguity, trialability, and relative advantage are categorized as knowledge attributes.

Ambiguity is defined as the degree to which the knowledge lacks its clarity in terms of the transferability, the linkages between elements of the knowledge, the relatedness to the prior knowledge base, and the articulation into a written form.

Trialability refers to the degree to which the knowledge enable a local firm to gradually apply the knowledge of its foreign partner to the firm's production process by setting up working procedures, test-run schedule and testing period.

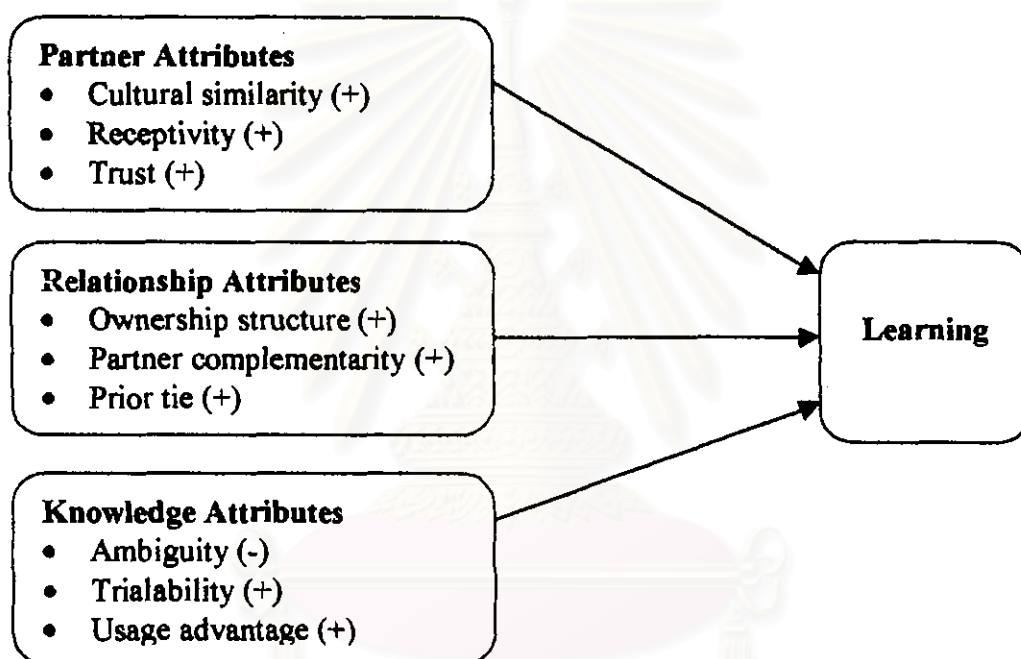
Usage advantage refers to the degree to which the knowledge benefits its user in terms of being suitable to the market, providing uniqueness, offering appropriate cost and benefit, providing efficiency improvement, and advancing and accrediting production process.

Conceptual Model

The conceptual model is developed through a survey of the relevant literatures and is presented in Figure 1. Three groups of independent variables are identified as partner attributes (i.e., cultural similarity, receptivity, trust), relationship attributes

(i.e., ownership structure, partner complementarity, prior tie), and knowledge attributes (i.e., ambiguity, trialability, usage advantage). Learning refers to the local firm's learning from the alliance. Nine independent variables are selected because the literatures have suggested that these variables influence learning in alliances, in particular, those that involve technological collaborations.

Figure 1.1: The Conceptual Model of Local Firm's Learning



Contributions

The contributions of this research are at the theoretical, empirical, and practical level.

At the theoretical level, there is a growing evidence that research carried out in the United States may not generalize well to other cultures (Erez & Earley, 1993). Therefore, this study contributes to enhance the understanding and to develop the theory of international business by providing results from another country such as Thailand in addition to those that were conducted in the United States or other developed countries. Moreover, this research links the perspective of strategic alliance with that of organizational learning to investigate the local firms' learning in

international alliances, to explore the local firms' perspectives, to examine learning as the performance of the collaboration, and to investigate the roles of knowledge attributes in local firms' learning. The findings, thus, extend the understanding of the topic that previous research in the field of international business has not much explored.

At the empirical level, this study has carefully developed and selected the research design, instrument, measures, and methods of data analysis that are appropriate and robust. In contrast to most previous studies on inter-firm learning, which are either conceptual or use only one measure of learning, this research has provided empirical results and has employed four measures of learning in an attempt to present wider scope of learning. Primary data was used to provide reality of the findings. Therefore, the current study may serve as a reference point or basis for comparison for researchers interested in studying the same or related concepts.

At the practical level, the findings benefit both the private sector and the government of Thailand. This is because the study investigates the Thai firms' perspective, thus, the findings provide reality of the Thai business. Therefore, the firms that are interested in investigating factors that enhance local firms' learning from foreign partners in the alliances may utilize this research as the base of understanding. Moreover, learning is measured here in accordance with what are established as measures of competitiveness development of Thai industries in the National Economic and Social Development Plan of the Government of Thailand. Consequently, the findings certainly extend practical knowledge of the topic to both the private sector and the Government of Thailand.

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