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A process model of global strategic alliance formation

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Abstract *Develops a conceptual framework of global strategic alliances by using the hybrid type of organization as part of the framework. The framework illustrates the relationships of various characteristics that might be present in an industry and across national boundaries that would influence alliance participation. The model developed here is based on four echelons, the exploratory, recurrent, relational, and outcome stages. Concludes with some general comments on the proposed global strategic alliance framework.*

Many of today's companies are relearning how to compete more effectively, not only in domestic markets, but also in global markets. To accomplish this adaptation many of these companies are altering the strategies employed. They are now de-emphasizing autonomy in favor of alliances through cooperation, coordination, and corroboration of their competitive efforts. Indeed, these strategic alliances are changing the competitive imperatives of the business environment. Many of these companies are seeking to develop a sustained competitive edge given the turbulent environment of increased government regulation and new global competitors upon the horizon within many of today's industries.

Organizations are attempting to improve competitiveness by developing and bringing together new sources of technologies and skills, resulting in the formation of new organizational structures (Hamel, 1996; Prahalad and Hamel, 1990; Yoshino and Rangan, 1995). Strategic alliances may be the answer for many companies attempting to acquire these highly sought after resources while maintaining their vigilance upon other strategic priorities (e.g. domestic market share), while strengthening their global competitive strengths as they share resources needed to enter new markets (Hamel and Prahalad, 1989). Much of this recent growth in global alliances is due to both the shrinking of the world markets and increased competition.

Recently there has been a significant growth in research on the use of strategic alliances, as related alliances, such as vertical and horizontal (Harrigan, 1988; Burgers *et al.*, 1993; Garcia-Canal, 1996), or as unrelated alliances (Lei and Slocum, 1992). However, there is little agreement as to why some strategic alliances seem to be successful (Cravens *et al.*, 1993; Burgers *et al.*, 1993; Gulati, 1999; Ohmae, 1989) while others seem destined at the outset (Robert, 1992; Hamel, 1991). Although numerous researchers have offered assorted types of frameworks, including joint ventures (Datta, 1988) and models of interorganizational cooperation (Borys and Jemison, 1989; Hagedorn, 1993; Inkpen and Beamish, 1997), none of these approaches necessarily captures the overall process of strategic alliance formation given the greater impetus being placed on globalization (Bartlett and Ghoshal, 1991; Kogut, 1985).

Furthermore, previous research postulates that an international level of analysis should include an understanding of a country's culture (Beamish *et al.*, 1991). National culture has been suggested to be a determinant of an organization's behavior and economic growth (Franke *et al.*, 1991; Grosse and Goldberg, 1991; Grosse and Trevino, 1996; Kogut and Singh, 1988). However, the global strategic alliance literature has consistently overlooked the influence of national culture on this process.

The effects of national culture on strategic alliances have been primarily ignored by the strategic alliance literature (e.g. Simonin, 1999). Several authors have postulated and examined the relationship between strategic alliances and corporate culture as being a determinant of the level of success of the alliance. However, few have mentioned the obvious relationship of national culture on an organization's management practice. As more evidence suggests, Western management practices do not always adequately translate over to organizations operating outside of Anglo-spheres of influence (Hofstede, 1980, 1991; Newman and Nollen, 1996). Therefore, greater emphasis should be placed on the effects of national culture on different forms of management practices. Therefore, national culture will affect the outcome of global strategic alliances. Given the fact that this dilemma currently exists, the purpose of this paper is to develop a conceptual process framework that considers potential factors which are characteristics of most strategic alliances operating in a global environment.

The overall objective of this paper will be accomplished by first conducting a relevant review analyzing strategic alliances and national culture literature. The literature review includes research from the hybrid organization perspectives (Borys and Jemison, 1989; Ring and Van de Ven, 1992; Ring, 1994), transactional costs (Pearce, 1997; Teece, 1982; Williamson, 1975), resource dependency (Gulati, 1995; Pfeffer and Nowak, 1976), and the game theory approaches (Cable and Shane, 1997; Lado *et al.*, 1997; Parkhe, 1993a). Second, the paper develops a research-based, conceptual framework built around important issues and constructs of what research has identified as effective alliances. Research adopted for use in developing the framework will be extracted from both practitioners' (James, 1985; Kanter, 1989; Lei and Slocum, 1992; Ohmae, 1989; Robert, 1992), as well as academicians' (Borys and Jemison, 1989; Burgers *et al.*, 1983; Hagedorn, 1993; Harrigan, 1988; Hamel, 1991; Parkhe, 1991, 1993a) perspectives. The paper will conclude with some general comments about the developed conceptual process framework.

Literature review

Organizations often form alliances for a number of reasons and have various options and alternatives at their disposal in forming an alliance. The most notable types of alliances include different types of joint ventures, product swaps, licensing agreements, as well as supplier and buyer arrangements (Bleeke and Ernst, 1993; Borys and Jemison, 1989). The cooperative relationship or hybrid type organization is a useful medium for evaluating the strategic alliance arrangement. This occurs when two or more organizations attempt to compete as a single unit (Borys and Jemison, 1989; Oliver, 1990; Ring and Van de Ven, 1992). According to Ring and Van de Ven (1992), the hybrid form of organization is in the middle, that is between the hierarchy and market structures, as initially identified and discussed by the transaction cost contingency (Teece, 1982; Williamson, 1975).

Ring and Van de Ven (1992) suggest that hybrid organizations are often more effective at competing in a global setting because it allows for the combination of independent organizations under one distinct competitive unit. The ability to combine two independent organizations with different competitive and/or comparative advantages can result in a greater overall advantage and often times allows the new organization the ability to access the global market (Prahalad and Hamel, 1990). This process has the potential to give the new organization advantages in both economies of scale and scope, as well as reduce the amount of risk encountered by either organization separately (Borys and Jemison, 1989).

Ring and Van de Ven (1992) assert that transaction cost theory, and even to some extent agency theory, is too broad of a theoretically foundation to use in analyzing strategic alliances. According to these researchers, alliances fall in the middle of the hierarchy and market dimensions of transaction costs theory (Teece, 1982). Moreover, if one attempted to examine these dimensions on a continuum with the traditional dimensions, hierarchies and markets as contrasting anchors, strategic alliances or the hybrid organizations would be placed in the center of the continuum. Hence, the strategic alliance organization, according to these researchers, could be considered as either a recurrent or relational contract type of the hybrid organization.

The recurrent contracts which are part of the hybrid organization deal with short-term agreements where both parties are equal and autonomous, while sometimes attempting to seek out a longer term mutually acceptable relationship. Such relationships can only be successful when two essential criteria are evaluated and accepted by the members: trust and risk (Buckley and Casson, 1988; Ring and Van de Ven, 1992). Trust being the confidence each member has in the other's goodwill towards the relationship, whereas risk is seen as the willingness to reduce the uncertainty towards the goals of the alliance. Thorelli (1986) noted that hybrid organizations are often times viewed as a network of relationships where both power and trust are continually evaluated. Through this type of arrangement, organizations can either exchange influences, resources, and/or take advantage of the other member(s) of the hybrid. As organizations attempt to explore the different options made available to them, and the level of trust and risk increase, members may move from a recurrent contract to a relational contract stage.

A relational contract is entered into by two or more organizations for a much longer period. Recurrent contracts normally lay the groundwork for this arrangement, which again is based on mutual trust and risk and often times allows for completion of many of the common motives (Ring and Van de Ven, 1992). In this new scenario, both partners are autonomous and considered legally equal. Disputes are resolved through a formal mechanism for the benefit of both parties, unlike transaction cost theory where opportunistic behavior can routinely be found (Williamson, 1975).

Pfeffer and Nowak (1976) maintain that organizations actually form hybrid relationships in response to the resource dependence dilemma facing the different units. This contention is somewhat supported by Ring and Van de Ven (1992) in that both parties are viewed as autonomous and do attempt to take advantage of the markets. Borys and Jemison (1989) suggested that there are generalized criteria to explain why organizations enter into the hybrid model of organization. First, the hybrid may be formed for many purposes, one of which is the development of a strategic alliance. Second, the organizations involved should understand the boundaries of the other organization as well as the potential boundaries and the mechanisms needed to resolve problems and operate the alliance (Ring and Van de Ven, 1992). A third criterion facing a hybrid form of organization is related to the need to create wealth and value back to the original organizations. At the same time, some argue that organizations need to ensure that they are not being "deskilled" or losing their "core competencies" (Hamel, 1991; Lei and Slocum, 1992; Root, 1988). Finally, the hybrid type organization should be geared towards the stability of the strategic alliance.

In sum, strategic alliances can be viewed as a form of a hybrid organization. Although transaction cost and gaming theory approaches have been associated with alliances (Parkhe, 1993b; Thorelli, 1986), alliances are actually different from those forms of transactions (Borys and Jemison, 1989; Hagedorn, 1993). The hybrid organization perspective can be complemented through consideration of national culture in the process.

National culture is reflected in the designs of an organization as culture influences the relation to authority, conception of self, and ways of dealing with conflicts (Inkeles and Levinson, 1969). A national culture can be defined as "the collective programming of the mind acquired by growing up in a particular country" (Hofstede, 1991, p. 5). Therefore, the collective programming of a nation leaves an imprint on a person's process for daily living including work, leisure, and social skills. The self-identity of the individual is tied to a nation's culture that produces differences between nations. For example, Japan has a collectivistic culture, whereas the USA has an individualistic culture (Hofstede, 1980, 1991). The differences in national cultures may aid in explaining why organizations of these two nations are characterized as having different perspectives (Markus and Kitayama, 1991).

National culture is a macro level concept. Consequently, for national culture to play a role in an organization's decision making process, a linkage must be made between national culture and the organization. The organization is a reflection of the national culture (Clarke, 1979). Thus, if the organization is molded and constrained by national culture, then the top management team can also be influenced by national culture. One such linkage can be found through the upper echelon theory (Hambrick and Mason, 1984). Upper echelon theory proposes that the demographics of the top management team members influence their decision making process in the form of bounded rationality. Bounded rationality implies the top management team will make decisions based upon their personal criteria (Hambrick and Mason, 1984).

These demographics include age, functional tracks, other career experiences, education, socioeconomic roots, financial position of the organization, and group characteristics of the top management team (Hambrick and Mason, 1984). From a psychological perspective, the top management team is bounded by their cognitive base values (Hambrick and Mason, 1984; March and Simon, 1958). National culture will influence these demographics and cognitive base values, consequently influencing strategic decisions (Hofstede, 1991; Schneider and De Meyer, 1991).

Interestingly, upper echelon theory provides a tool to be able to predict strategic choices of an organization through the demographics of the top management team. The basis for this ability to predict is that the more complex the decision (e.g. strategic alliances), the more likely the behavior of the top managers will influence their decisions (Cyert and March, 1963; Hambrick and Mason, 1984; March and Simon, 1958). Employing Hofstede's (1991) definition of national culture, the top managers' behaviors will then be influenced by their country of national origin.

Culture is strongly related to an organization's perception of its environment and therefore can be reflected in its strategy (Franke *et al.*, 1991; Inkeles and Levinson, 1969; Katz *et al.*, 2000). Cultural differences among nations have been well documented (e.g. Franke *et al.*, 1991; Hofstede, 1980; Grosse and Trevino, 1996). For example, if a Japanese organization's top management team perceives, based on its cultural background, that the long-term gain is a higher priority than the short term, then an organization will emphasize a long-term strategy. Conversely, if a US organization's top management team perceives that the short-term gain has a higher priority among powerful stakeholders than the long term, then a US organization will emphasize a short-term strategy. Thus, an organization's country of origin will play a significant role in how organizations react in a strategic alliance.

Framework of strategic alliance process

Using the two hybrid arrangements suggested by Ring and Van de Ven (1992), a framework is developed examining integral components of an alliance. The framework will also elaborate on the process of cooperation, coordination, and corroboration. The recurrent contract stage, if viewed as mutually successful in the short term, lays groundwork and foundation for the long-term relational contract stage. In any case, both stages should lead to some form of competitive advantage as well as some unintentional exposure of the organization's core competencies and skills to the other member(s). However, before any recurrent contracts can be developed, examination needs to be completed by all interested parties before any legitimate contracts can be discussed or proposed.

The framework analyzing strategic alliances is developed around four principle components or processes by the organizations: the exploratory stage, recurrent contracts stage, relational contracts stage, and outcome stage (see Figure 1). Within each stage, there are requirements and evaluation processes that the members can use to analyze and determine whether or not to continue investing in the current alliance. These four stages will be explored in detail to obtain a more comprehensive understanding of the framework and to relate the stages back to the literature.

Exploratory stage

The exploratory stage is the initial process of bringing together two or more autonomous organizations, and these units attempt to fill gaps either in their technology, resources, or markets (Ring and Van de Ven, 1992). Included in this process is the scanning of governmental regulations and ethical issues for both the multinational and domestic organizations. Moreover, organizations should consider the role of national culture in the process. A significant difference between national cultures based on the countries of origin of the potential members of the alliance should signal planners of the alliance to be ready to allocate greater resources than originally anticipated. The ability of the

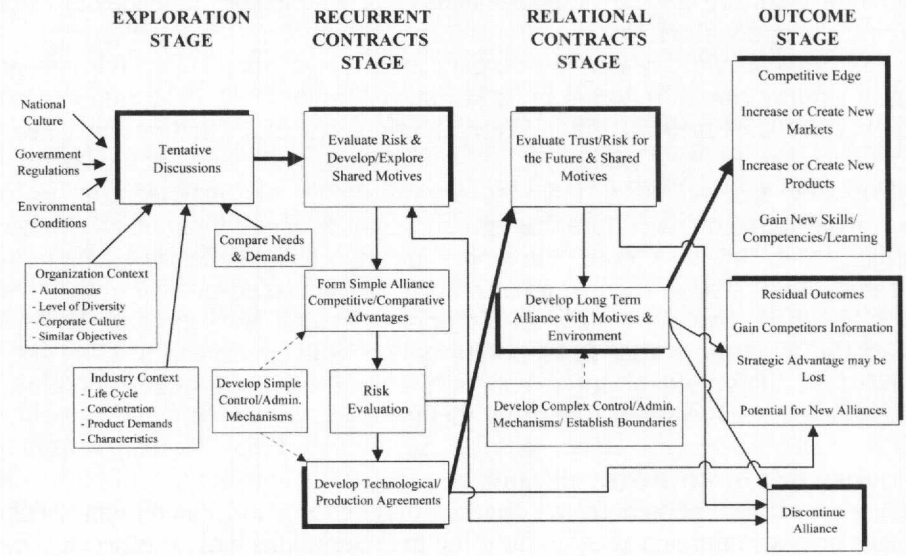

Figure 1.
Process model of strategic alliance formation

organizations to be successful in this stage depends on the members' initial tentative agreements. After the initial agreements are reached, the mutual organizations can move into the recurrent stage. This paper first examines the exploration stage in more detail and attempts to integrate relevant research into the framework.

Within this stage, three primary areas should be examined before any tentative agreements between two or more organizations can be reached. The organizations' need to be separate autonomous organizations; moreover, the motives and objectives of each multinational company and national companies need to be addressed and examined (Oliver, 1990; Robert, 1992). The organizations must be willing to deal with the possibility of failure (a result of most alliances; see Harrigan (1988)), the difficulties of operating an alliance (Killing, 1983), and the considerable amount of time needed to manage an alliance (Koot, 1988). Some researchers indicate the size of the members and performance. This includes whether both past performance of the organization and past alliances will affect management's decision of whether or not to enter an alliance with each other (Burgers *et al.*, 1993; Hagedorn, 1993).

Organizations entering into alliances attempt to understand the impact of different cultures on the alliance. These cultures can include the difference or similarity in their respected corporate cultures as well as national cultures (Hamel, 1991; Kale and Barnes, 1992). This research stream suggests that organizations within different cultures have very different goals and motives along with different needs. Additionally, organizations that enter into these arrangements must realize that there is some gap in the resources available on both sides. The other members may take opportunistic behavior of the situation (Borys and Jemison, 1989; Contractor and Lorange, 1988; Root, 1988). This opportunistic behavior by an organization can be the result of some unmet needs in the market or lack of technology in a given industry.

These unmet needs in the market result from a deficiency of some crucial resource or technology that a member on its own is unable to gain or acquire. This lack of resource or technology can come in various forms, including some natural resource, technological inability, or cost of production, each potentially acting as an entry barrier for an organization (Contractor and Lorange, 1988). By having organizations coordinate efforts through strategic alliances, it is often times believed that these unmet needs can be satisfied. However, many organizations also have other motives for entering into an alliance, including increasing a firm's technology base (Ohmae, 1985; Steinmueller, 1988; Womack, 1988), attempting to reduce costs in research and development (Hladik, 1988; Harrigan, 1988; Hagedorn, 1993), developing some new innovative processes (Burgers *et al.*, 1993), or capitalizing on opportunities to capture new markets (Porter and Fuller, 1986; Harrigan, 1988; Steinmuller, 1988). Because firms may knowingly or unknowingly exhibit this opportunistic behavior, all parties in the new alliance should ensure that no unnecessary proprietary knowledge leaks or is given prematurely to the other members. This may be especially if it could be used in the future or with other product markets by a competitor (Lei, 1991; Lei and Slocum, 1991, 1992; Parkhe, 1991, 1993b).

The turbulence of the environment in which the organization competes could also determine the players in the exploratory stage. The more turbulent the environment, the more willing organizations are to enter some sort of alliances (Cravens *et al.*, 1993; Hamel, 1991; Parkhe, 1993b). As rapid changes occur within either the internal or external industry, a firm will seek to reduce its exposure to risk. By scanning the environment, each organization can determine what strategic move is best for its organization for the long run (Burgers *et al.*, 1993). On successful completion of this stage, organizations then move into the recurrent contract stage.

Implications for management. The ability of management to develop effectively and manage a successful alliance depends a great deal on how the processes employed in this stage are completed. Management can put into place a number of processes that can ensure that an alliance is successful, as well as a means for evaluating when to cancel a potential alliance. The first, and quite possibly the most important, process is the evaluation of the organization's needs and demands compared to the organizational mission. Once management understands where it is going, it should evaluate the organizational context and industry context. During this process, management should examine multiple potential partners. Whichever process management decides to use, it should be consistent in using the evaluation process for all and any potential partners. This process will ensure that each partner is examined in context with the most critical needs and demands of the organization. This stage of the process could be time consuming, but done correctly, it also ensures that management is employing its limited resources in a systematic manner.

While management is examining the pool of potential partners, it should concurrently examine the national culture, government regulations, and other environmental conditions that might affect an alliance. This examination should be completed in the partner's home country as well as any potentially new markets. Again, management should examine the mission of its own organization, while also deciding on what new markets or products the firm is interested in entering. This stage of an alliance formation can be quite time consuming, however, a little more time spent here understanding where the organization is going and evaluating partners will save time and resources as the organization develops more formal alliances. Management should be aware that many potential partners would not fit into the organization's long-term plans, and therefore should not hesitate to eliminate them from its list, and not vice versa. That is, management should not serendipitously modify the process selection to make it more inclusive.

Recurrent contract stage

After the exploratory stage is complete and both organizations agree to develop some type of alliance, the process moves into the recurrent contract stage. An evaluation of the risk and motives of both organizations through short-term arrangements (Ring and Van de Ven, 1992) highlight this stage. Important areas of discussion in this area include the development and review of each organization's motives, the risk associated with the stage, the structure needed, and evaluation of the trust of the partners associated with these short-term dealings.

Each organization attempts to learn how the other acts and reacts given certain opportunities, resulting in a sort of test study which can some day lead the organization to a more formalized alliance (in the next contract stage). However, within this stage all members bring some type of competitive or comparative advantage to the agreement for the alliance to utilize. Many of these early alignments may simply comprise the swapping of personnel, developing supplier and buyer relationships, and minor leasing agreements. In doing this, both companies can evaluate the trust level they have generated with the other.

If trust has not been established the organization can continue using the same procedures until it no longer benefits either party. If the level of trust is unacceptable by any member within the short-term alliance, it is discontinued before any crucial core competencies or strategic advantage is lost (Buckley and Casson, 1988; Lei and Slocum, 1992; Ring and Van de Ven, 1992). Robert (1992) suggests that organizations should not enter alliances to correct a weakness by either member. Therefore, if trust can be evaluated and it seems to be high by both parties, then the current alliance should result in some form of benefit to both participants.

By engaging in short-term alliances, companies recognize that the other member can gather and gain some information that could be useful in other markets (Hamel, 1991). At this stage, most companies should be protecting their distinct advantages; however, a worst case scenario would result in the loss of some portion of the company's core competency. Although the company could lose some competitive advantage at any stage, this potential dilemma is highly unlikely at this stage, especially if the organization does not disclose unnecessary information (Lei and Slocum, 1992).

The organizational structure used for the alliance formation at this stage should be very simple, if any, to allow the organization the ability to accomplish its mission while remaining free from unnecessary bureaucracy. If possible, the alliance's administrative and control costs should be kept at an absolute minimum (Kanter, 1989). This process ensures an easy and quick exit by all members, if failure or distrust arises at any time in the arrangement. On acceptance of the other members in the alliance as trustworthy, many alliances move into a more permanent form, or the relational contract stage.

Implications for management. This stage suggests that management has used the process in the exploration stage to select a partner to enter the new markets or develop new products. The recurrent contract stage is highlighted by a number of processes management can use to ensure success in both the short and long-term. In the short-term, the processes used ensure that the partners evaluate the risk and motives for partner selection. Management should realize by know, if not sooner, that the new partner will have its own motives for entering an alliance. Therefore, probably the most important process in this stage is communication. This provides management with a number of outcomes. First, management can articulate what it expects from the alliance, also it enables management to hear or understand what the partner either expects or desires from the alliance. This is important, because management should have in place a number of processes to evaluate the mutual risks and trusts between them. These might include sharing of non-competitive information or market analysis knowledge, depending on the industry.

These short-term processes can then lead to a longer term relationship. In this longer-term relationship, management can set up some formal reporting to carry out the mission of the alliance. During this period, management can put forward processes to improve the flow of information and evaluate the success of the partner selection as well as the mission of the alliance. It would want some type of baseline results and some form of reporting or control mechanisms. This will provide the necessary responses to management on how well the previous processes were developed and utilized. At this stage, management might realize that this course of action of alliance formation for entering either new markets or products might not be the best course of action for the organization. If so, it should discontinue the alliance and use these processes as a learning experience. On the other hand, at this stage, management might want to explore further a more formal alliance with a partner because it deemed this collaborate partner as being trustworthy and having common goals.

Relational contract stage

The relational contract stage is based on the assurance that all opportunistic behaviors are, or nearly are, extinct from the other members of the alliance. Also that the level of risk and trust are high in the alliances; once accomplished, members can then move forward and seek a longer-term alliance. However, if trust between any members fluctuates, the alliance should be terminated or repositioned back to a recurrent stage before any long-term commitment is made (Buckley and Casson, 1988; Ring and Van de Ven, 1992). If problems arise because of different motives at this point, the problem may become so large that an organization could lose its competitive edge (Hagedorn, 1993).

Once both parties agree on the direction of the alliance, it becomes difficult to continue if mistrust or unethical behavior occurs in the future. Therefore, trust is probably the single most important consideration for the alliance's success. The alliance, once formed, needs a more complex organizational structure to respond to needed demands from both members. Additionally, the alliance will also have to address the turbulent environment, including other competitors or governments in the case of many multinational companies.

Included in this complex structure are systems to address the sharing of the needed technologies, resources, and skills. Many practitioners have argued that this part of the structure needs to be considered before the actual formation of the alliance takes place (Kanter, 1991; Lei, 1991). This point of view also seems to be supported by much of the current empirical research (Burgers *et al.*, 1993; Hagedorn, 1993; Parkhe, 1991). The costs associated with developing a relational contract are higher, and the need for a mechanistic organizational structure should be put into place as needed to handle the additional responsibilities and costs (Kanter, 1990).

This structure also provides guidance in the alliance for efficiency, stability, and legitimacy that it might not have had without any formal structure (Oliver, 1990). A last area of importance of the alliance structure is the boundary limits of the members, as well as the new structure itself (Borys and Jemison, 1989). To improve efficiency and effectiveness toward the achievement of the alliance mission, the boundaries need to be clearly differentiated and communicated between alliance members (Ring and Van de Ven, 1992). With set boundaries, it becomes easier for the new alliance to communicate a single shared direction to all members of the alliance. This process also may improve both the organizational asymmetry and partners' trust in the alliance (Oliver, 1990).

Implications for management. The relational contract stage is the result of developing and implementing adequate processes in the previous two stages. The fruits of those stages support and ensure the organization has evaluated a pool of potential partners and ensured the alliance outcomes have mutual benefits to both parties. In this stage, management must put in place a number of processes that continue those earlier agreements for the long term. Long term would of course be relative to the partners, depending on the partners' stated mission, an industry characteristic, as well as markets conditions.

One process that management must do is communicate under what conditions both partners will continue the alliance. Stated succinctly, how long will the alliance be in place? The length of time will aid in driving both partners in forming the type of control and administration systems that will be employed. This process will ensure adequate resource deployment for not only needed resources, but also personnel. The process also will help in developing the reporting systems of the outcomes as well as future alliance needs. As in the previous stage, management must discontinue the alliance either when the alliance has completed the stated objectives or when it no longer fulfills any of the partners' needs.

Outcome stage

The outcome stage is highlighted by the potential to gain some competitive edge (Kanter, 1989). However, this stage has other alternative types of outputs that can occur along with the intended strategy, including discontinuance and residual outcomes. Although no organization sets out to fail or to furnish its knowledge unilaterally to the competition, such is the case in many alliances. This section will elaborate on each of these potential outcomes in more detail.

If the process of formation and development of an alliance was successfully completed by organizations, then they also should gain a competitive advantage. These advantages might be associated with the opening of new markets through new product development or expansion of a multinational corporation. In either case, both organizations in the alliance should be able to gain some form of monetary reward. Costs should normally be less than if the development was being funded by a single organization or collaborating partner (Parkhe, 1993a; Harrigan, 1988; Lei, 1991).

The organizations can also gain competitive edges in developing new skills, core competencies, and learning. As members are rotated into the alliance, the organizations can gain valuable learning skills because of their everyday dealings with the other organizations' members. However, this can also be an area of concern if both members do not contribute equally to the partnership (Cravens *et al.*, 1993). If one member always takes from the arrangement and does not reciprocate, it could raise fears that one organization is trying to "de-skill" the other member of the alliance (Lei, 1991; Parkhe, 1991; Robert, 1992).

A second possible result of the outcome stage is discontinuation of the alliance, which can result from either the relational contract or the recurrent contract stages. In both cases, failure could be a direct response to the lack of trust by either member. As discussed earlier, with the absence of trust, the alliance may be doomed to failure. However, failure could also come at the expense of a number of other factors associated with either member. Success is also possible, however. Success can result from the termination of a recurrent contract that reaped rewards for both organizations but is no longer desired. Success can also be found at the termination of a long-term relational contract that benefited both members.

A final dimension of the outcome stage is residual outcomes. In this dimension, outcomes were not the principle goal of the members but might have been a secondary one. Members within the corroboration are able to use some of the gains accomplished, such as technology or research and development, in their other markets. These gains can be a direct result of the innovation and research addressing this area or by learning how the other members actually engage in the processes (Lei, 1991; Hagedorn, 1993; Parkhe, 1991). Therefore, if the member is a direct competitor, it must compete and coordinate with the competition simultaneously. This learning may also help the competition by entering different parts of the value-added chain in some future time (Lei and Slocum, 1992).

Finally, by working with the competition, a company may come to over-rely on the competitor. In this scenario, the strategic advantage a member had before the alliance may be lost or consumed by the competition. It becomes apparently important that if members contribute equally to the alliance, they still need to keep some skills, knowledge, and/or core competencies in reserve for the future.

Implications for management. The outcome stage is the result of management putting in place a number of processes that ensure the organization selects and nourishes a partner with mutual goals and expectations. However, the outcome stage also by definition requires management to put some processes in place to measure the alliance's outcome. Management needs to put systems in place that actually measure the outcomes. In line with this is measuring those outcome relations to expected returns as developed in the first and second stage. These outcomes are meaningful as one measure of success of the alliance.

During this stage, management must also put into place processes that are residual in character. These residual outcomes of the alliance are potentially useful and pervade the entire organization. Processes that management can use include job rotation, cross-training, as well as joint research and development activities with the other partner. Again, systems for processing information gained from these activities also should be put in place to better understand the relationship between the outcomes to those expected earlier.

Conclusions

This paper developed a conceptual framework of strategic alliances by using the hybrid type of organization as part of the framework. The framework illustrates the relationships of various characteristics that might be present in an industry that would influence alliance participation. The model is based on four stages: the exploratory, recurrent, relational, and outcome stages – through which organizations proceed to determine whether to enter or continue an alliance. Each stage has unique characteristics that influence the processes adopted by managers of an organization as it decides whether to continue in the alliance. This framework is unique, suggesting that strategic alliances actually follow a set of stages before entering any long-term commitments, with the inclusion of national culture as a factor to be considered in the alliance planning process. Although research has been investigating the different aspects of the proposed framework, the model could be further enhanced through additional research.

Because strategic alliances appear to be a continuing trend, researchers must understand them from both practitioners' and researchers' perspective. This work has taken a key step to bridge these dyadic dimensions, but it is important to continue this line of research to heighten understanding of this phenomenon. Further, the generalizability of the framework developed in this paper should be established through empirical research.

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