

Relational capital, strategic alliances and learning

In-depth analysis of Chinese-Russian cases in Taiwan

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Abstract

Purpose – The purpose of this paper is to portray and analyze the importance of learning and knowledge transfer in strategic alliances created in the context of emerging markets, Russia and Taiwan in particular, and to identify the influence of relational capital factors on the effectiveness of learning in strategic alliances. Strategic alliances are one of the main tools companies resort to learn, acquire and develop new knowledge and skills.

Design/methodology/approach – This research is conducted by case study with four international strategic alliances between Taiwanese and Russian companies.

Findings – The results showed that the main driver determining the propensity of the companies located in the emerging markets to establish strategic alliances is learning intent. More specifically, the companies are willing to acquire partner's managerial, marketing and production knowledge and skills. Relational capital created between partners, and presented through the existence of trust, communication and openness proved to have a determinant influence on the effectiveness and quality of learning process in the strategic alliances, especially in the context of the emerging markets. However, there is an inverted-U relationship between the learning potential of an alliance and the strength of relational involvement of the alliance partners, who utilize the certain means to prevent the negative effects of over-embeddedness.

Originality/value – The major contributions that were made by the study are the following: the authors made an attempt to synthesize different approaches and investigate what are the primary factors affecting strategic alliances formation and operation in the emerging markets context. The authors extended the previous research by reviewing, not only the impact of the relational capital on the process of learning among the partners in the strategic alliances but also by analyzing the forces influencing the strength of these ties. The authors further investigated whether the continuous strengthening of the relational ties is necessary and always beneficial for the companies.

Keywords Case study, Learning, Embeddedness, International strategic alliances

Paper type Case study



1. Introduction

As early as 1989, Ohmae noted that alliances were becoming absolutely essential and necessary to company's strategy, which has been proven by the growth of strategic alliances importance during the 1990s (Cravens *et al.*, 2000). According to Ernst (2003),

alliances have become an important part of business for a number of companies, which is proven by the fact that in the beginning of the twenty-first century, a significant number of the world's largest firms invested more than 20 per cent of their assets into alliances, while many others had around 30 to 50 per cent of their research expenditures or annual revenues dependent on them. Partner alliances research showed that more than 80 per cent of Fortune's 1,000 chief executive officers expected that about 26 per cent of their companies' revenues would come from alliance activities in 2007-2008 (Kale and Singh, 2009).

Analyzing and trying to explain such rapid growth of international partnerships (Aldakhil and Nataraja, 2014), scholars suggested that strategic alliances are viewed by many companies as an opportunity to gain new sources of valuable competitive advantages (Kale *et al.*, 2000; Reuer and Ragazzino, 2014; Varadarajan and Cunningham, 1995), which make them "even more a part of the economic landscape" (Lei *et al.*, 1997). International strategic alliances are also regarded as primary vehicles for knowledge access, knowledge transfer, knowledge and skills acquisition and learning (Dyer and Singh, 1998; Ernst, 2003; Hamel, 1991; Inkpen, 1998; Khanna *et al.*, 1998; Lei *et al.*, 1997; Lin and Guan, 2015; Lyles and Salk, 1996; Ulrich *et al.*, 1993). Highly potential learning opportunities provided by strategic alliances occur as a result of a combination of diverse unique skills and capabilities brought by the partners (Iyer, 2002). Except acquiring the skills, knowledge and expertise that help better manage current alliance, a firm also gets quick access to necessary knowledge and information that can be used to fill existing gaps and build companies' strengths and competencies in other areas and projects. The idea of crucial importance of knowledge-based competencies for a company's long-term survival is supported by both resource- and knowledge-based theories (Barney, 1991; Teece, 2000; Yli-Renko *et al.*, 2001).

This creates a challenge for the companies. On the plus side, engagement in cooperative relationships determined by the current global business environment is regarded as potential tools of companies' growth and competitiveness. On the minus side, it often turns out to be difficult enough to ensure the successful outcome of a particular alliance. Under these conditions, executives and managers need to have a better understanding of what is really necessary to guarantee alliance success and how to manage them better. In a world where firms started relying on alliances more than ever, "having a superior capability to manage them is in itself a source of competitive advantage" (Kale and Singh, 2009).

During the past decades, the importance of emerging markets for a global economy has significantly increased (Tsai and Chen, 2013), so did the number of contacts and interactions among the companies located both in developed and developing countries. However, most of the prior works studying international strategic alliances attempt to review and analyze different aspects of partnerships mainly from a developed countries perspective (Alhorr *et al.*, 2012; Hitt *et al.*, 2004). There is an obviously limited amount of research on international strategic alliances formed by the partners located in the emerging markets (Lee and Beamish, 1995). Therefore, it appears to be necessary to study partnerships formed among companies based in the countries with an emerging economy, as well as their underlying motives and implications.

Talking about emerging markets in general, we still want to focus mainly on two countries located in the important regions of Asia-Pacific and Eurasia, namely, Russia and Taiwan. Reviewing the selected economies, we want to know what do the

companies located there look for in their alliance partners, how do different environments affect their alliance preferences and, therefore, provide information for companies willing to do business there. Both countries aim to achieve integration into the global markets and are considered to be emerging economies. However, Russia and Taiwan have different paths of development, which is probably determined, not only by their dissimilar historic paths but also by the influence of distinct cultures as well as political, social and economic institutions. The overall subject of this research can be broadly formulated as laws of international strategic alliances formation in the world economy, problems of its creation and functioning as a form of strategic agreement in the course of long-term planning and also tendencies of the development of this phenomenon in the emerging market context.

The purpose of this research is as follows:

- to examine the process of international strategic alliances management and knowledge transfer among the companies located in the emerging markets; and
- to discuss the main factors influencing the process of learning and knowledge transfer in the strategic alliances located in the emerging market context.

The research aims at answering the following questions:

- Q1. What are the key motivations of companies from emerging markets in establishing international strategic alliance?
- Q2. How does the relational capital influence on the process of learning and knowledge transfer in the strategic alliances?
- Q3. What are the roles of trust, communication and openness in the process of learning?
- Q4. How the operational and cultural dissimilarities between the partners located in different emerging markets may have impact on the process of learning and on the creation of relational capital?
- Q5. Whether the process of learning may affect the level of partners' embeddedness in the strategic alliances?
- Q6. Under the conditions of environmental uncertainty and ambiguity in the emerging market context, what is the needed level of relational ties strength in the strategic alliances?

2. Literature review

2.1 Strategic alliances

As more and more companies becoming involved in strategic alliances, the number of scholars and executives attempting to analyze and evaluate alliance strategies are also increasing. Research regarding strategic alliances varies from studying the conditions favorable to alliance formation to estimating alliances outcome, including the questions of partner selection, relational capital and many others. Talking about what unites all strategic alliances, [Spekman et al. \(1998b\)](#) also suggested that all have such similarities as follows:

- compatibility of partners' goals that are directly related to their strategic intents;
- mutual resource commitment and getting access to the resources of another partner; and
- reciprocal opportunity for organizational learning.

Based on the reviewed literature for the purpose of the present study, we will define strategic alliances as an agreement between two or more companies to combine their resources and coordinate activities to achieve mutually beneficial objectives.

As to the theoretical perspectives on strategic alliances, the first is *knowledge-based view* that regards companies as the depositories of knowledge and competencies, which are seen as the most strategically important firm resources. Possession of distinct knowledge resources, which are determined by their value, difficulty to imitate and rareness among others, as well as organizational ability to create, transfer, replicate and utilize them to transform them into an economic product or services are regarded as an important element of a companies' strategy and the major source of their growth, development and success (Grant and Baden-Fuller, 2004; Kogut and Zander, 1993; Nielsen, 2005; Steensma and Lyles, 2000; Yli-Renko *et al.*, 2001). Inkpen (2000) identifies that the creation of new knowledge is a major challenge for a company. Still, it's worth doing because knowledge enables organizational actions and new knowledge provides capacity for organizational renewal (experimentation, innovation and change). Knowledge-based view suggests that organizational capabilities represent the result of the integration of multiple knowledge bases, accumulation and combination of which can enhance a firm's performance, help to establish and sustain competitive advantage and ensure a company's long-term survival (Grant, 1996; Khamseh and Jolly, 2008; Nielsen, 2005). These knowledge capabilities can be learned through internal or external sources and internalized for building a company's expertise and creating competitive advantage.

In this respect, the main factor that stimulates companies to forgo arm's-length arrangements and form an alliance is determined as the desire to access and find more efficient ways of transferring knowledge (Grant and Baden-Fuller, 2004; Long *et al.*, 2014; Steensma and Lyles, 2000). Inkpen (2000) confirms this idea by proving that alliances provide unique opportunities to learn and leverage partners' knowledge bases and skills that differ from their own and, therefore, have the potential to create new knowledge and innovation. In this way, knowledge-based theory is closely connected with an organizational learning stream of research.

The studies on *organizational learning* have shown that learning can enhance the performance, innovativeness and survival of companies (Song, 2015). At the same time, much research has proved that learning is difficult to manage, because of its transient and complex nature. De Geus (1988) defines learning as the ability of a company to "absorb information from external environment and apply it to business strategy". Stata (1989) supports this view by saying that organizational learning is the main process by which innovation occurs because it provides new insights and information. Both authors agree with the idea that the speed of learning is a key consideration for any company, and that rate of learning may represent the only sustainable competitive advantage. Overall, learning can help a company to acquire and develop new competencies, provide an ability to change and adapt to environmental changes and remain competitive (Ulrich *et al.*, 1993).

Organizational learning depends on having an access to new knowledge and the capabilities for using and building on such knowledge (Inkpen, 2000). Working with a partner can provide such an opportunity. Ulrich *et al.* (1993) supposes that learning cannot occur unless knowledge and ideas are shared across the boundaries. By collaborating with the others, companies can learn or retain their capabilities, which is important for ensuring competitive success (Dyer and Singh, 1998; Kogut, 1988). The process of learning among partners, however, can be significantly influenced by many factors, among which relational capital plays a critical role.

Social capital perspective of the firms suggests that “critical resources and value-creation activities span the boundaries of the firm and may be embedded in its interfirm relationships”. The context of these relationships may have important influence on the creation, sharing and transfer of knowledge (Culpan, 2009). Perez-Luno *et al.* (2011) define social capital as “the sum of potential and actual resources embedded within, available through and derived from the networks of relationships by an individual or social unit”. According to Tsang *et al.* (2004) social capital is “positive and beneficial sociopsychological aspects of the relationship” between partners because higher capital will provoke positive feelings and stimulate interactions.

Social capital perspective is built on the assumptions of potential benefits that members of a network have by being engaged in close favorable relationships (Culpan, 2009; Walter *et al.*, 2007). By exchanging different types of information regarding companies’ activities, partners increase the intensity and breadth of interactions among them, which can improve common knowledge available to both actors and the effectiveness of acquisition of more tacit components of information. This can possibly help a company to establish new knowledge-related capabilities (Nielsen, 2005).

Yli-Renko *et al.* (2001) argue that social capital in relationships provides a company with an opportunity to “tap into the knowledge resources of its partner”. Establishing relationship-specific assets, knowledge-sharing routines and effective governance structure, a firm can leverage the created aspect of social capital embedded into relationships for developing its own knowledge base and building competitive advantage. Social capital can also be important for a company’s long-term success because it determines the effectiveness of knowledge acquisition and exploitation.

In compliance with Perez-Luno *et al.* (2011), we suppose that social capital can also be of two types: structural and relational. Structural capital refers to the overall pattern of connections between actors, that is, who you reach and how you reach them (the number of partners, density and connectivity). Relational capital describes the kind of personal relationships people develop with each other through a history of continuous interactions. Relational capital is based on close interpersonal ties among companies, which serve as means for learning partners’ competencies and testing reliability (Kale *et al.*, 2000). In our research, we mainly concerned with the second type of social capital, which is characterized by continuous, repeating and trustful relationships (Perez-Luno *et al.*, 2011).

2.2 Learning process

Regarding learning as an ongoing process of knowledge and information transfer and acquisition by the alliance partners, we suppose that, for the process to be efficient, it should consist of three main components, primarily the main aim or subject of learning, environment that stimulate or obstruct learning and the means of learning. We assume

that with awareness that there is a gap between resources needed and those actually possessed, especially with regards to key skills and competencies, and this stimulates a company to seek possible solutions on how to fill them. In the case when a firm's own resources are insufficient, it starts looking for external sources and, as a possible variant, can establish cooperative relationships with those who have the necessary knowledge. It's the same intention to learn that also makes companies make significant efforts and be open and willing to cooperate. Gradually knowing the partner, identifying the major areas of its expertise and competencies, exchanging knowledge and information, both parties develop deeper understanding of each other and strengthen relationships. When the companies realize that this partnership meets their expectations and needs, they become more committed and involved in the alliance. Commitment and mutual understanding can sufficiently improve the quality of relationships and information shared among partners. Without commitment, there will not be any desire to learn or exchange knowledge.

Following Huber's (1991) well-known model of organizational learning, we also suppose that the learning process itself consists of such stages as knowledge acquisition, information distribution, information interpretation and organizational memory. Knowledge acquisition is the process of obtaining knowledge. Information distribution is the process of sharing information acquired from various sources and, subsequently, the creation of new information or understanding. Information interpretation is the process of interpreting the distributed information, so that it can be understood by everyone. Organizational memory is the means of knowledge storage for future use. Interpretation of knowledge can be seen as an especially important stage of the learning process because giving meaning to a number of various interpretations and developing shared understanding influences the behavior of organizations through changes in its routines, procedures and norms.

3. Research methodology

3.1 Motivation for strategic cooperation for companies from emerging economies: case of Russia and Taiwan

Young *et al.* (2011) state that transition economies that are at different stages of transition is an important and not very well-known sector of world economy. They represent an interesting and appealing market for many multinational companies, which are gradually turning their attention to these economies, and are more willing to do business within them. Talking about emerging economies in general, we chose to focus our research attention on Russia and Taiwan, both of which can be related to this group of countries, but are still considered to be significantly different for economic, social and historic reasons.

Russia represents one of the biggest, most strategically important and fastest-growing economies in transition (Dyker, 2001; Young *et al.*, 2011). The Russian market has a big potential and is seen as a lucrative area for many organizations, who would like to do businesses in this vibrant economy (Young *et al.*, 2011). However, it has inherited Soviet ideological and political systems with an emphasis on Party control, heavy industry, high defense budget, large industrial enterprises, heavily bureaucratic and tariff protection against manufactured import (Buck *et al.*, 2000). For historical reasons, the country is also straggling behind in organizational technology (Dyker, 2001).

International strategic alliances, especially when it comes to understanding the key factors that are relevant to the success of these cooperative strategies, can present the main evolution and modernization driver for many Russian companies. First of all, cooperation with the international partners can help to sustain their competitive position in the foreign markets by providing innovative up-to-date technologies and necessary capabilities and knowledge that is often difficult to develop internally (Schilling, 1998).

Another highly potential and significant opportunity lies in the elimination of managerial inefficiency and the improvement of decision-making processes (Lyles and Baird, 1994). Filatotchev *et al.* (1996) suppose that the central planning systems that have been influencing Russian managers for a long time have resulted in a lack of the appropriate entrepreneurial behavior and skills necessary for successful competition in the international markets. Uhlenbruck *et al.* (2003) also noted that the scope of the required changes in the companies located in emerging economies may exceed managers' and employees' cognitive abilities. Therefore, cooperation with the foreign companies may be beneficial to the Russian firms because such partners can facilitate the competitiveness of the established alliance and, at the same time, grant an opportunity to acquire new skills and knowledge and develop more effective capabilities by learning from a partner.

Taking into account a negative impression on Russian economy in the minds of foreign investors, we suppose that Russian companies can establish legitimacy and better image by striking an alliance with a company that already possesses a substantial positive reputation and, therefore, can help its partner to gain more weight in the marketplace (Ahlstrom and Bruton, 2001; Hitt *et al.*, 2004; Shan and Hamilton, 1991). The created reputation can enhance Russian companies' global competitiveness and also provide access to necessary resources and skills (Ahlstrom and Bruton, 2001).

With respect to Taiwan, the country has been well-known for its rapid and stable economic growth for a long time. Taiwan is one of the most dynamic centers of financial and economic development in the Asia-Pacific region and plays an economically important role in the world markets (Vradij, 2007). Taiwan's businesses, as well as individual entrepreneurs, have demonstrated growing commitment to research and development and innovation. As one measure of this trend, according to the WEF's Global Competitiveness Report 2014-2015, Taiwan ranks the 16th in the Growth Competitiveness Index, an evaluation of economies' potentials to achieve sustained economic growth over the medium to long term.

From the point of view of potential possibilities for the development of business, scientific and technical cooperation, Taiwan could be considered a prospective partner for Russian business in Southeast Asia. For Taiwanese firms, strategic alliances with Russian companies may represent an opportunity to leverage existing resources (Johnson *et al.*, 1996). By establishing an alliance, Taiwanese companies can get an opportunity to accumulate and combine valuable, rare and non-substitutable resources and capabilities that are difficult to imitate and turn them into an important competitive advantage over competitors (Barney, 1991; Dyer and Singh, 1998; Inkpen, 1998). The major sphere of particular interest for Taiwanese companies is still the acquisition of local market knowledge and access. Partnering with a local firm may provide a foreign company with a ready access to consumers, better knowledge of consumption preferences, local markets and culture, an established distribution network and can

teach how to manage specific and often-complicated policies and regulations of the local government (Hitt *et al.*, 2004). In this way, we can say that Russian firms act like a source of important resources (access to local markets) and help Taiwanese firms learn (local market knowledge).

On the overall, it can be supposed that the main benefits that Taiwanese companies can acquire from strategic alliances with the Russian firms are the integration of complementary resources, and learning skills and capabilities from their partners that help to enhance their own competencies.

3.2 In-depth case study

We have selected case study approach as the main research paradigm for the following three reasons:

- (1) nature of the proposed research questions;
- (2) the depth of analysis; and
- (3) recommendations sought from within the strategic alliance literature.

First, according to Yin (1984), a case study is:

[...] an empirical inquiry that investigates a contemporary phenomenon within its real life context; when the boundaries between a phenomenon and its context are not clearly evident; and in which multiple sources of evidence are used.

The phenomenon we examine within the framework of current research is the process of strategic alliance formation and management. The subject of our case studies, or the cases themselves, is strategic alliances created between the Russian and Taiwanese companies.

The nature of the research questions determines what type of research methodology is to be applied. Yin (1984) has identified five types of research questions, such as “who”, “what”, “where”, “why” and “how”. The case study approach is the strategy of choice, when dominant research questions are “how” and “why”. Therefore, keeping in mind the reasons for undertaking the present study and the following questions outlined in the beginning, which is about how the process of knowledge transfer is executed and facilitated in strategic alliances formed between the companies from emerging economies, we can assert the choice of the case study strategy.

Second, this study analyzes in-depth how knowledge and information is transferred in strategic alliances and how relational factors influence this process. Qualitative techniques, and case studies in particular, allow for a better understanding of these issues because they provide deeper insights into the stories, perceptions and experiences of the companies involved in strategic alliances. It is a more flexible approach that does not demand structured questions and pre-defined set of answers, unlike quantitative methods. Another important point, which determines the choice of qualitative interview instead of survey interview, is that the latter is aimed at the generalization of the obtained data, whereas the former is intended to capture and portray complexity of the analyzed phenomena and provide a more comprehensive view on it. Moreover, direct approach and close interaction established between the researcher and what is being researched provides access to richer and more extensive information than could not be easily obtained from any other source, including a database.

Third, according to the previous literature, the research about international strategic alliances in emerging markets are rare (Lee and Beamish, 1995), especially for the Russia and Taiwanese companies alliances, and as a result, this research is pioneering and exploratory. Therefore, the case study approach is better to depict the in-depth phenomenon as how the relational capital plays its role in the learning process of such Russia–Taiwan strategic alliances.

However, like any other methods, the case study approach also has its drawbacks that should not be ignored and must be taken into consideration. This methodology provides a number of descriptive explanations, which help researchers to understand the motives behind companies' actions and decisions, as well as reasons of conflicts and misunderstanding between them. Still, it's not statistically valid because it deals with a large number of variables. Therefore, the issue of reliability and validity must be taken into account.

Golden-Biddle and Locke's (1993) suggested that authenticity, plausibility and criticality are the three main dimensions to check whether the qualitative researches are convincing or not. This study follows their suggestions to achieve reliability and validity. First, to increase the authenticity, this research collected in-depth data by interviewing with the informants who are the key decision-makers to initiate and to execute the strategic alliances. Second, this research incorporated richly grounded data, including primary and secondary data, to reflect on the real-world cases that increase the plausibility. Third, by contrasting the case analysis with theoretical perspectives, the findings of this research also provide novel and critical findings of learning in strategic alliances.

3.3 Case selection criteria

The sample of our study is compromised mainly of supplier–buyer type relationships, but of a closer and more integrated nature. This choice was verified by the literature review, which states that the term “strategic alliances” covers a variety of forms of cooperative relationships, one of which can be supplier–buyer ties (Grant and Baden-Fuller, 2004; Spekman *et al.*, 1998a). Heide and John (1990) also support this idea by showing that relationships among buyers and suppliers have been undergoing significant changes and becoming closer.

To select the cases, we were looking for those close and long-term relationships in which partners (both suppliers and customers) “depend on one another for much of their business”, develop “interactive relationships [...] share information freely, work together when trying to solve common problems [...] jointly plan for the future and [...] make their success interdependent” (Spekman *et al.*, 1998b). In other words, we wanted to select those companies that view their partners and contribution as essential to success of the alliances and recognize the importance of the other.

Utilizing the model developed by Heide and John (1990), we selected relationships (including those of purchasing nature) that are characterized by joint actions of the involved parties and continuity. Joint actions here mean that companies move from a simple performance of single transactions toward carrying out activities in a cooperative or coordinated way, while continuity implies that relationships move from short-term actions toward continuous or open-ended cooperation.

3.4 Case selection process

The research is focused on international strategic alliances, particularly on those created between Russian and Taiwanese companies. The Taiwanese firms were chosen because of the current location of the researcher in Taiwan, as it was assumed that it would be easier and faster to contact and interview the respondents here. The Russian firms have been selected for several reasons. First, it's the country of origin of one of the researchers; therefore, there is a better an innate understanding of the laws and features of business behavior of the country in question. Second, language knowledge could ease the problem of communication, conducting interviews and obtaining information. Finally, Russia and Taiwan seem to have distinct business relations. In spite of the fact that, because of Russian contacts with China, there is no official diplomatic relations between the selected countries, businesses and economic relationships are still developing actively. If in 1987 when the cooperation just began trade volume between Taiwan and Russia was only US\$7.6 million, then in 2005, it has reached US\$2.7 billion, and in 2008, it was already US\$3.6 billion (Vradij, 2006). Therefore, the research is needed to get a better understanding in this area.

Another criterion for company selection was their willingness to participate in the conducted research and to cooperate fully, which should be expressed in their commitment to provide valid and complete information. The last point is of high importance because it's necessary to obtain an unbiased and complete picture of the companies in question.

Therefore, this research investigates four international strategic alliances formed by Russian and Taiwanese companies, which are engaged in business relationships that are of particular strategic importance and value for them. The four cases are M case, V case, R&T case and ACE case. The focal companies of the former three cases are Russian companies, whereas the focal firm of the ACE case is a Taiwanese company. The detailed backgrounds of the focal companies and the alliance formation will be further addressed in the following case analysis section. By studying these cases, we can get a thorough understanding of how the selected companies cooperate with their partners, solve problems occurring between them as well as share information and transfer knowledge.

However, some problems were encountered while selecting the cases. First, there was the difficulty of obtaining the representative sample of firms because no database or available directory of international strategic alliances or joint ventures in Russia exists. Second, mailing questionnaires to send to the companies suffered from a common problem of low response rates. Third, respondents appeared unsure about some questions that seemed to touch on information regarded as confidential or private, and tried to provide general information that can be obtained from their respective Web sites. The primary reason for such behavior is that Russian executives are usually suspicious about different kinds of interviews and surveys and, therefore, reluctant to complete them, especially if the source of research is international. They feel more secure and demonstrate more willingness to participate in studies when some trust in the researchers has been developed; this trust requires a prior relationship or establishing a personal contact. As a result, obtaining and conducting interviews with the representatives from the selected companies turned to be a time-consuming issue and took enormous efforts.

3.5 Data collection and analysis

Data have been collected through face-to-face interviews, telephone interviews, e-mail replies, company's reports and Web sites. Interviewees were recommended by the companies who have been highly involved and responsible for establishing and maintaining the cooperation of the alliances, including the head of export sales division from M case, one of V's owners who controls 40 per cent of the company's stock, managers responsible for the alliances from R&T case and the sales assistant manager of export sales department from ACE case. They have long been holding high positions in the organizations to make decisions in the strategic alliances.

The interviews were semi-structured with open-ended questions because this type is less formalized and allows new questions to be added based on the information provided by the interviewee. During the interview, notes were made and then written out and combined with the secondary data collected from various sources.

Data analysis was started at the same time as data collection was performed, which helped to get a deeper understanding of the obtained information. After all the interviews were finished and the replies obtained, gathered information was analyzed for consistency. All answers were read thoroughly, and the most important issues were highlighted accordingly. Based on the analyzed data, description of each case was made and sent to the person participating in the interview, so that obtained information could be checked for mistakes and completeness, and so that corrections and adjustments could be made.

4. Case analysis

4.1 M case

SITRONICS Microelectronics is one of the business divisions of the high-tech corporate group SITRONICS, the largest manufacturer and exporter of microelectronics in Russia and Commonwealth of Independent States (CIS). The division is headed by JSC M case, a plant with half a century's history, the technological leader of Russian semiconductor industry and one of the country's prominent high-technology firms. The firm's historically sound position in the defense industry in Russia afforded it access to quality materials and resources. JSC M case performs scientific research, development, production and sales of integrated circuits for domestic and overseas markets. M case possesses its own research center composed of about 200 employees. Of the company's annual revenue, 15-20 per cent is spent on research and development, which complies with the global practice of innovative business.

According to the official information published on the company's Web site, JSC M case has over 15 years of foreign trade experience in the competitive markets of CIS and South-Eastern Asia. An active role in distribution of M case's export products is played by trade missions in China and Taiwan. The respondent informed that export activities in Taiwan were started as early as 1998-1999. However, the cooperation with Taiwanese companies began only recently, in 2007. Currently, there is one major unexecuted representative office that sells M case's products in Taiwan and provides technical support for the clients in this region, and four other Taiwanese companies that act as distributors of M case's export products in South-Eastern Asia. All contacts and working relationships are managed in accordance with the conditions of the existing agreements signed among the companies.

According to an M case interviewee, the choice of a partner does not represent a great problem because “Taiwanese market of microelectronics can be considered narrow. There are not so many market players”. Some companies can be chosen based on the recommendations from the existing ones, and some are already well-known because of the previous contacts. Other common way of searching for a partner includes surfing the Internet, attending various exhibitions and undertaking business trips that help to study the market potential with a view to expand market presentation.

The main spheres of cooperation are joint sales activities and market research. The latter is seen as a means that can help to determine the direction of company’s future development, as well as to provide ideas on how to keep market positions and increase the existing market share. However, the ultimate goal for the M case is not just to cooperate, but to consolidate all sales through one channel and to establish company’s own solid presence in the region. To achieve this aim, the firm has chosen cooperative strategy because of the lack of necessary market knowledge and competitive skills. That’s how the company’s representative put it: South-Eastern Asian market is highly potential and having a lot of perspectives for growth and development. It’s one of the most dynamic, fast-growing and promising markets of microelectronics. In this respect, Taiwanese market is a case of point. Through establishing cooperative relationships with the Taiwanese companies, we can improve and upgrade our products. M case also possesses a lot of unused production capacity, which can help to double output, still market presence in Taiwan is difficult to expand alone, because of the high market competitiveness.

Another aspect that determines M case’s interest in cooperation with the Taiwanese companies is the desire to learn the latest world market trends and demands. Taiwanese partners help by contributing their ideas and suggestions for a product’s modification and improvement, and also by suggesting on ways of better market promotion. This provided insights on what has to be done or changed to help a company to strengthen existing or develop new competencies, and also to improve M case competitive position.

Cooperation with the Taiwanese companies is also regarded as an opportunity to learn the way of business conduct on the international scale:

The domestic Russian market is characterized by slower development pace, which is evident through the fact that the same IC could be used for 10 or more years, while international producers offer new quality prototypes.

Characterizing the nature of the existing relationships, the respondent underlines that the existing partners are trustworthy. “We can trust the partner based on the results of joint work, their commitment and attitude”. Trust is also pronounced to be an important part of cooperation. However, at the same time, the M case is trying to protect itself from possible opportunistic or dishonest behavior of its partners. “We are constantly trying to create and keep internal competition among companies we work with, which can prevent them from making secret deals that can lead to damping”.

According to the respondents, the main difficulties and challenges occurring in the course of cooperation are planning and production coordination. Taiwanese partners often do not thoroughly understand the complexity of the production process. We can reach an agreement on time frame, deadline and imported items, but partner can all at once change the choice and ask for the new arrangements at the last moment. It does not only delay our work but also create great problems in near-term planning.

Overall, there are no great conflicts or problems that could be considered unsettled or indeterminable. All points at issues are settled in the course of negotiations. The representatives from the both sides organize inter-visits no less than once a year.

Regarding the exchange of information, the respondents point out that all facts and all data are accessible for a partner and are provided freely. Still, the core technology that is developed by the M case and belongs to the company itself can be considered proprietary. Thus, this knowledge is retained by the company and not shared with the partners.

Technical information is open and available to everyone who is interested in M case's products. Some general facts can be found on the company's bilingual Web page. The detailed product specification is presented upon the request. Commercial information concerning M case's financial data is also transparent. When Taiwanese partners request documents needed for the tax inspection, we always ready to provide the necessary information.

Looking into the future, the M case would like to develop faster, open full representative office and consolidate sales. Better levels of coordination, as well as precise forecasting and risk sharing, is not only desirable but also necessary, because all these would provide company with a better understanding of future tendencies and improvement needed. "It could help us to produce today the product that would be in demand tomorrow, and also to increase sales and market share".

According to the company's representative, plans and expectations are always higher than those set originally. However, the primary objective, which is stated as improvement and expansion, remains the same. "The company's ambitions are greater than this, but the main obstacle in the course of their realization is high level of market competition".

4.2 V case

V Group is a Russian mechanical engineering company positioned as the largest bicycle, scooter and components manufacturer in Russia. In 2009, the company signed several agreements with Asian producers of all-terrain vehicles (ATVs) and was licensed to carry out the activities associated with the production of this equipment. Presently the total number of company's employees is around 2,500 and the main spheres of operation are manufacturing and selling of bicycle and scooter products. From the year 2009 on, V case has been actively working in collaboration with a Taiwanese company – specifically a producer of ATV – and the cooperation between the two companies has been ongoing for almost two years. The major scope of joint business activities includes purchases and sales of heavy ATVs in the Russian market.

The original intents of establishing cooperation were to find a partner that offers quality products and to organize an ATV joint venture in Russia relying on partner's experience. "We didn't nourish any plans of moving complete technological production cycle from Taiwan to Russia, but rather were intended to disperse production between the two countries".

However, in the course of joint work and communication, both companies encountered significant misunderstanding:

The majority of our (V case) partners pay close attention to the advices and recommendations provided by us, while still there are some firms, such as our Taiwanese partner, that are

unwilling to listen to the opinion of those, who really use the ATVs and is more familiar with the real market situation.

This fact significantly hindered cooperation and changed the partnership objectives that had been declared in the beginning. The current strategic choice for the Russian company lies between two different options: whether to help its partner to improve the product and increase investments in the forward market promotion of the vehicle, or to abandon cooperation with the Taiwanese company for the company's own good and find a new partner:

I think that it's not worthwhile and not profitable to find a new partner, because significant financial resources were already devoted to the current project to establish existing partner's brand recognition and promote its product.

From the respondent perspective, the main objectives and interests of the Taiwanese partner were evident from the very beginning. At the time relationships were established, Taiwanese side experienced some difficulties in selling its products on the international markets, especially in Europe. According to the Russian side, these problems were caused by the wrong marketing strategy and several incorrect steps undertaken by the partner's top management. At the first stage of cooperation and till now our company (V case) remains the major buyer of the ATVs produced by the partner (taking into account only heavy vehicles). Around 80 per cent of their (partner) sales volume comes from orders placed by us.

The Taiwanese ATV market can be considered narrow because there are not that many players within it. V case had to choose a partner among six existing companies producing ATV but only three firms were regarded as having the potential for cooperation. The company that was finally selected as a partner was supposed to offer reliable product at acceptable price, and moreover, its sales volume was insignificant at that time. "Regarding partner's small volume of sales, we consider that big amount of orders placed by our company could be used as a bargaining power". The cooperation was thought to be beneficial for both sides and was assumed to help to jointly develop and introduce good ATV that would gain a solid foothold in the Russian market.

V case's director considers his company contribution to the alliance to be the dominant one. It mainly consists of information, experience and knowledge sharing, and also involves financial investments needed to realize the proposed product improvements and changes. At the same time, the Russian side of the alliance did not take much notice of the contributions made to these relations by its Taiwanese partner. The key reasons are the lack of intent and commitment to listen to the suggested advice and opinions. However, the respondent still finds that this cooperation provided his company with some expertise and knowledge, which is primarily the understanding of the way business is conducted in Taiwanese companies.

The major challenge encountered in the course of cooperation is the opportunistic behavior shown by the Taiwanese side, which came through insincerity, attempts to provide deliberately misleading information, expression of suspicions and accusations of infractions regarding obligations and the company's own non-performance of obligations given to the Russian partner. "There is always a feeling like our partner is trying to take advantage of this cooperation and acting in his own interests just to gain profit". What is the most important is that all these difficulties remain the potential sources of conflicts and cause mutual stress in the relations.

Despite the fact that there are already problems in the process of communication that harm mutual understanding between the two sides, the process of knowledge and information transfer is characterized by the respondent as satisfactory. There are no attempts to hide any data related to production goals and either company's future plans. That kind of information is openly and freely transferred. Still, there is another approach to the data on price, suppliers and sales volume. This information is either secret, or corrupt, which means that it cannot be relied on in any way.

Regarding trust, the Russian side holds to a simple opinion that "If there is no trust, there can be no business". With the lack of the former, it's impossible to build and develop any successful cooperative relations. The respondent states that the key mean to gain confidence is to be able to keep given promises, and also to behave honestly, which means not to give obligations that cannot be performed. Trust is built and sustained gradually step-by-step, and to maintain it, a company should never deceive its partner.

Estimating their present ties with the partner, the respondent considers it not satisfying the achievement of the originally stated objectives and goals. V case's director considers that at this stage of cooperation, his company became less dependent on the Taiwanese partner. However, this partnership taught the Russian company new knowledge, based on which the V case director thinks that his company will organize his company's own independent production line in Russia just in two years. In cooperation with the Taiwanese partner, this goal could be achieved one year earlier, but there still is a considerable disadvantage of being financially dependent because companies would have to establish equal joint venture. We wanted to cooperate, to find a reliable partner to learn his production and technological skills, and also to help him to establish presence in the Russian market. As for now, we regard the present cooperation as temporary, and consider that sooner or later, we can set up complete production cycle without any intermediaries in Russia.

The lack of trust and confidence in the partner has led to the fact that the V case plans to continue this cooperation only for two years. After that timeframe, the company wants to manufacture ATVs for the Russian market on its own. Still, any unexpected events (such as a new strong entrant appears in the market) or shifts in the industry situation can hasten the process, and make the V case to take immediate steps and allocate resources necessary for the ATV business development.

4.3 R&T case

The third case represents a both-side analysis because it combines information and points of view received from the both partners of the alliance. The interviews were conducted with the partners from the both countries, were checked for constituency, summarized and adopted a triangle verification. This analysis demonstrates an integral approach because it provides different perceptions and points of view on the same issues.

The following companies established their cooperation about one year ago by signing a contractual agreement stating that the Russian company would share their production technology with the Taiwanese firm, while the latter provided the resources necessary for manufacturing. The alliance between Russian and Taiwanese companies represented as the R&T case in this paper in which R represents the Russian company and T represents the Taiwanese company. The main objective and the expected result of

cooperation for the both sides was joint production. According to the coordinator supervising the cooperation project in the Taiwanese company, "At this date the original intentions have not changed significantly".

The Taiwanese respondent considers that the initial goal for cooperation for its partner was the exploitation of resources available at her company. These resources include experienced personnel, such as engineers, who have been working in this field for several years and are familiar with the national market structure; well-organized system of working with suppliers; and the presence of the ties with highly specialized producers of components necessary for the future production. "Our company is well-acquainted with the key manufacturers, and not only possesses high-qualified human resources, but also has comprehensive knowledge of the local market". The Russian partner, in turn, was chosen based on the personal relationships existing between the both companies' top management. That's how the Taiwanese respondent puts it: "I think personal ties play not the least role in our cooperation. Partner selection and decision-making processes are both significantly influenced by this factor".

The Russian respondent assumes that the original plans of his company are clearly understood by the Taiwanese partners and he does not expect there to be any confusion in this question. As for the Russian company's own aims, except for the joint production that was equally mentioned by the representatives of the both sides, the other motives include joint marketing, as well as assistance in searching for and communicating with the Taiwanese suppliers. As we can see, both partners have distinct definition of what aims are being pursued in this alliance and accurately remark upon the intentions of the other side. However, there is an ambiguous situation with the joint marketing pronounced only by the representative of the Russian company.

As for the mutual contributions made to the alliance, both sides are in agreement with each other in considering that the Taiwanese company provides human resources, shares knowledge and production experience. It also contributes its market knowledge and utilizes personal ties established with the other businesses in Taiwan. The Taiwanese partner defines the primary contribution made by the Russian side as financial capital, while the latter supposes that it mainly gives back market knowledge and access. Evaluating the existing situation, the Taiwanese respondent shared an opinion that the present form of cooperation is not significantly different from what was expected in the beginning, while the Russian company did not provide any opinion on this subject.

In spite of the seeming agreement existing between the partners, there are still some difficulties encountered in the course of cooperation. The Taiwanese representative finds the major sources of potential and existing disputes, including no clear plan of coordinated actions or joint strategy, lack of precise and complete technical information and high level of confidentiality that significantly obstructs the process of information sharing. I personally do not have access to all information regarding the cooperation because part of it is concealed and protected. I think it's awkward, as I'm the project coordinator and have to communicate with the Russian representatives and employees a lot.

Divergence in organizational and operational approaches represents another difficulty. The problem here is not only in the distinction of working habits and methods but also in the unwillingness of the one side to understand and accept the working principles offered by the other. At the same time, there is no clear set of tasks, which are

usually expressed verbally and are seldom formally in writing. This lack of distinct organization of work of the Russian specialists and engineers affect the process of cooperation and cause misunderstanding among partners.

With regard to the opinion and examples expressed earlier, it seems surprising to learn that the Russian partner mentioned only the fourth point among the reasons of potential disputes listed by the Taiwanese representative, namely, the different working habits and approaches between the two companies. The other source of misunderstanding indicated by the Russian respondent is mental structure divergence:

I actually don't see any great or unsolvable problems or potential conflicts existing in our relationships. I think that all occurring difficulties can be solved in the course of negotiation.

Information and knowledge exchange is characterized by both respondents as satisfactory. Within the frame of face-to-face meetings, there are no problems in communication, except some difficulties in translation. However, the Taiwanese respondent maintains that language ignorance remains the major problem, which becomes especially apparent in the process of business correspondence.

From the perspective of the Taiwanese partner in the process of communication, human element is considered important. According to her, the character and attitude of one person, especially if he/she is the key figure in the process of cooperation, can hinder the smoothly running of a business and achieving results in time.

As it was already mentioned before, a high level of information confidentiality also obstructs and, in many ways, slows down the process of information transfer and exchange. The existing data are divided into open and secret, and the latter is available to a limited number of employees. However, from the Taiwanese respondent's point of view, it leaves other members of the organizations unaware and does not positively influence the effectiveness of cooperation and communication. There is often a situation when data are necessary for the smooth daily routine operations being checked for sensitivity and timekeeping.

In this regard, the issue of trust can be considered to play a crucial role in the process of cooperation. Both respondents estimate trust as highly important in any kind of business relationships. The key factor that sustains credibility in the present partnership is the mutual objective that unites both companies. The process of communication is constantly improving, thereby increasing the levels of trust and mutual understanding among the partners. As for the question of establishing trust at the initial stages of cooperation, the Taiwanese respondent holds to an opinion that new companies should always be checked for financial solvency. Until you make sure that a potential partner has an ability to make payments, there is by no means to enter any contractual obligations with him. That's the principle that was also effective when we started cooperation with the current partner.

Regarding the present stage of cooperation, the representatives of the two companies consider relationships conforming to the original goals and intentions and estimate this partnership as satisfactory. Based on this, the Taiwanese respondent indicates that: "The future plans should not be significantly modified, and starting from summer joint production should be launched". This will mark the beginning of a new stage in the relationship and, from the point of view of the Taiwanese company, should have a positive impact as a whole. "The original reason for establishing cooperation should be reached".

4.4 ACE case

Company ACE Geosynthetics was established in 1996 in Taichung, Taiwan. The main sphere of its operations is geogrid and geotextile manufacturing. It must be noted that the firm was a pioneer in this field in Taiwan because it was the first to introduce the automatic production line, and start exporting geogrid. ACE is also proud of the quality of its products that comply with ISO and CE standards, which is proven by the certificates they hold. The company cannot be considered a large one, as the total number of its employees is around 200 people, but it possesses substantial production capacity and financial abilities.

The ACE company originally did not intend to enter the Russian market; neither was it looking for a Russian partner in particular. The firm has a global presence and is actively working on the European markets. The present partner took the first step in establishing contacts and searching for cooperation. The joint work was started only last year, but was preceded by the long process of mutual interactions and communication. That's how it was put by the respondent: "We need to communicate a lot before starting the business".

As for the Russian market and its potential for the ACE company, the interviewee expressed a cautious opinion, saying that the market value is unclear, and that entering such a country represents high risks for the firm because of significant differences in national language and culture. However, when discussing the future potential of the cooperation, the interviewee showed an interest in the present relationships and expressed the wish that the partner introduce more market opportunities for his company, which are limited now, because the partnership was initiated not that long ago.

What is interesting and must be particularly highlighted is that the Taiwanese company is not really aware of the Russian party's original motives and intentions for cooperation. In spite of the fluid communication process (such a conclusion was made based on the information provided by the respondent), the firm seems not to understand how their partner feels in the alliance, what he wants and what his objectives are. Still, giving a general opinion about the partner's interest in the present partnership, the interviewee supposed that ACE's competencies in producing the quality product might be the main source of attraction for the Russian side. He also mentioned that ACE's contribution of the market knowledge and experience to the alliance can represent a sphere of particular importance for the partner.

Commenting on the process of communication and information sharing, the interviewee characterized it as satisfactory, but suggested that some improvements are still needed. The contacts and interactions of both sides can be regarded as intensive and frequent, but the input of the companies is estimated as not being equal. The respondent shared that his company is open for any kind of conversation, whereas the same cannot be said about the partner, who, according to the opinion of interviewee, is hiding some part of information and unwilling to provide all the facts and data, which sometimes distorts the process of cooperation and hurts communication. At the same time, it must be noted that the interviewee is not afraid of the partner's opportunistic behavior, "not at all" – as he put it because he is confident in the importance of benefits that this cooperation provides for the Russian side.

From the point of view of the respondent, trust can help to improve the communication and relationship, but it's a gradual process. The companies have not

encountered any conflicts yet, but there are some challenges that have to be taken into account and dealt with patiently. The interviewee indicated the two main existing problems: regulations and communication. The latter implied a misunderstanding that occurs among the partners from time to time, and is solved through additional conversations and clarifications. However, the former represent a more complex issue because it relates to the government standards and regulations that must be met by the Taiwanese product. This is the most difficult part in cooperation because institutional settings differ significantly and the laws and rules applied by the Russian authorities are not fixed. "Custom regulations are a big issue for us, because it is very different". According to the interviewee, it takes a lot of time and effort to reach an agreement about these questions, and even when they have been settled, the problems still occur.

Estimating the present relationships and expressing ideas about the future of the cooperation, the respondent thinks that ACE just "open the market door to Russia". It's too early to judge the results of the alliance because both sides just started to know each other and more time is needed for observation and evaluation.

5. Results and discussion

5.1 Strategic intent for alliance formation

The creation of strategic alliance results from a number of goals and motives pursued by a company. The reasons driving a company to choose a cooperative strategy will influence its expectations from the established alliance, its choice of partner and, of course, its own position and behavior in the alliance.

Entering new markets, especially those characterized as developing, is often associated with high risks as a consequence of unfamiliarity with the local market features, high level of indigenous competition as well as barriers posed by governmental officials, organizations, structures and existing rules and laws. Keeping all these aspects in mind, many companies are more willing to cooperate with local firms that know the domestic market and consumers have already established connections and ties and a well-developed distribution and supply network and can teach foreign company the basic principles of operation in a new unfamiliar environment. Adhering to such an approach can also provide a company with a number of benefits arising from fast market penetration and low-cost structure.

Both the Taiwanese and Russian markets are deemed as emerging; however, the countries' levels of development differ significantly. Russia represents a transition economy that continues moving gradually from the central planning system that existed in Soviet times to the market-based economic structure; Taiwan, on the other hand, has been named one of the "Asian Tigers", and shows strong economic development and growth, an economy considered to be market-based and which belongs mainly to mature emerging economies. Moreover, according to different estimates, Taiwan's high-tech sector is considered rapidly growing, with semiconductors and other electronics industries as the most remarkable industries within it. Tseng and Goo (2005) propose an idea that Taiwan is a good example of an emerging knowledge economy. Such a divergence between the countries economic development, although both are related to emerging ones, should cause Taiwanese and Russian companies to have different motivations for strategic alliance formation.

The Taiwanese market is regarded by the Russian firms as one of the most dynamically developing in the Asia-Pacific region (Vradij, 2006). In the context of

potential opportunities existing for economic and scientific cooperation, Taiwanese companies always appeared to be positive prospective partners in the eyes of Russian businessmen and the interviewees supported this point of view. In their opinion, the establishment of cooperative relations with the representatives of Taiwanese business is regarded as an important source of knowledge about how to compete on a global scale, and stay tuned with the actual technological and market trends and tendencies.

Russian businesses became comfortable working in the domestic market, and complied with the internal market dynamics and structure. Globalization that leads to the appearance of new international market entrants and players, and also makes local companies search for profit and growth opportunities outside their country of origin, brings new business realities. Russian companies accustomed to conducting business a certain way began to realize that, to stay competitive and survive in the international markets, they must acquire new knowledge concerning international standards of business behavior as well as to develop innovative approaches to the management of operations, production and marketing. In this regard, the respondents indicated that the formation of strategic alliances with Taiwanese firms presents great possibilities to learn the current international trends, global consumer needs and get a comprehensive understanding of the applied international standards and business approaches.

Two of the Russian companies represented in the cases possess valuable proprietary technologies and know-how, but, as it was highlighted by its representatives, firms' commercialization and marketing experience is insufficient. Therefore, managerial and production expertise and techniques were also listed among the major areas of interest for the partners in the alliances.

As for the Taiwanese companies, the primary motives stimulating their interest in cooperating with the Russian firms can be stated as the desire for acquiring the necessary technological skills and knowledge, gaining access to the partners' established net of suppliers and buyers and political connections in the local market. Here, a distinct example is represented by the M case. The company is offering its technological innovation and ideas to the partner; therefore, as it was stated by the Russian respondent, in that particular situation, the Taiwanese partner is not interested in getting access to the Russian market or obtaining knowledge on local market specificity, but rather is concerned with the quality product and technology offered by the M case.

According to the analysis of strategic intent for alliance formation in Russia and Taiwanese companies, address the first research question, we conclude the Propositions 1 and 2:

- P1.* As Taiwan and Russian are recognized as very dynamic and highly potential emerging markets, the main motives for two companies in both emerging markets to form a strategic alliance are to learn partner's unique skills and knowledge, to access partner's established relations and connections and to understand the business behaviors in domestic market.
- P2.* The learning objects in the alliances include acquiring business skills inwardly and entering into domestic market outwardly. The Russian companies are more interested in inwardly developing new skills and capabilities by learning the expertise and knowledge from their foreign partners, whereas the Taiwanese companies are more eager to outwardly access and develop strong positions in

the domestic market by learning the knowledge of local market structure, standards of work and operation, the way of doing business in such market and the access of local connections from their foreign partners.

5.2 Relational capital: trust, openness and interaction

The process of cooperation is not always going as smoothly as alliance participants probably want it to be. There are problems occurring in the course of work that negatively influence the mutual understanding and cooperation. We observed that, among the factors that have noticeable effect on the process of learning and exchanging of knowledge in the course of cooperation, personal relationships established among companies' senior level managers and employees play a significant role in the strategic alliances.

Lack of trust can be indicated as one of the most acute problems preventing partners from open communication, which is considered as being critical to an alliance success and closely interlinked with many alliance functions (Parkhe, 1993). Another important implication is that distrust can undermine a companies' satisfaction with the alliance results.

As expected, all the interviewed companies estimated trust, intensive interactions and mutual understanding as highly important for business and personal relations as well. The V case demonstrated that a partner's opportunistic behavior can decrease or even diminish the existing credibility and challenge the reliability of a partner's words and actions. The Russian respondent denoted that the unwillingness of its partner to listen to the expressed opinions and ideas, constant attempts to hide or distort information and pursuit of their own private objectives led to the current situation, where both sides carry their own assumptions and the Russian side is considering terminating the alliance. This is an extreme situation, but it obviously shows that when difficulties and problems are not communicated in the right way and there are no joint problem-solving mechanisms and no cooperative actions but only self-interest, the results could be disappointing.

The R&T case also shows the importance of openness and communication, which can facilitate coordination and strengthen an alliance. Although the partners discuss the arising problems and provide the necessary information, there are few attempts to understand thoroughly each conflicting issue and interact openly. A great segment of information is held by the Taiwanese partner and not all proprietary is protected and has limited access. As for the Russian company, the information they give is not always clear and accurate and can lack explanation. That is probably the reason why the Taiwanese side presumes that there are many problems in the partnership, whereas the Russian side does not see any potential issues. Another difficulty in this case is a feeling of animosity between employees and managers, who play important roles in the process of cooperation. This factor also does not facilitate the creation of an open atmosphere and common understanding. Still, the partnership has been started recently, and, as it evolves and develops, there is a growing commitment and willingness to discuss and solve the problems that occur in the course of joint work.

The M case represents a very different example. It can be said that both partners are highly aware of the role that communication and trust play in the alliance viability. The companies allocate representatives that visit the respective partners and organize meetings on a regular basis. Moreover, to keep close ties with the Taiwanese side and to

be aware of the current situation, the Russian top managers themselves visit Taiwan not less than once or twice per year. In spite of some difficulties that exist in the relationship, the overall perception of the existing process of communication and interactions is satisfactory. Even when problems arise, the partners are trying to reach mutual understanding and communicate their opinions and ideas. Such types of communication obviously helped both companies to achieve their goals and to build common trust.

It should be noted that the creation of strong relationships and the quality of relational capital is emphasized by the companies from both countries. Russian partners even seem to stress this aspect more, which can be partly explained by the greater credibility that Russian businessmen give to personal connections and relations than to the protection offered by law and institutions. Taiwanese companies, in turn, emphasize the aspect of solvency first and only then do they start gradually trusting the partner and thus become more willing to communicate and share information.

Overall, we can say that the creation of strong relational capital significantly facilitates the learning process and transfer of information and knowledge among alliance parties. Still, it's also interesting to review the particular effect of the quality of a relationship on each of the alliances that display different learning patterns.

In the relational capital in Russia and Taiwanese alliances, to address the second and third research questions, we derive the following Propositions 3 and 4:

- P3.* The relational capital between partners may influence the process of learning and knowledge transfer within the strategic alliance in the emerging market context. The strength of relational capital may affect the amount of information sharing and absorbing and the type of knowledge provided, which may further result in various partners' satisfaction, necessary control mechanisms, perceptions of overall performance and future plans for cooperation.
- P4.* The three components, trust, openness and commitment in the relational capital, support the process of learning and knowledge transfer and also affect the outcome of the strategic alliance in the emerging market context.

5.3 *Embeddedness*

Our empirical research signifies the importance of establishing strong relational ties among partners, which can improve cooperation and the learning process. However, we suppose that there should be the threshold after which the increase of partners' involvement, or its embeddedness, in an alliance is undesirable and unfavorable for the cooperative parties because of decreasing learning opportunities and partnership value.

Embeddedness, overall, is positively associated with the quality and strength of cooperative relationships. The emergence and development of close and interdependent relations promotes coordination, adherence to long-term objectives and achievement of collective benefits. As we can conclude from the opinions provided by the respondents, such type of cooperation is desirable and sought by all the companies, as it can promote knowledge exchange and facilitate learning, reduce the risks and produce positive performance outcomes. However, over-involvement in the relationships with one partner can produce negative outcomes, which is also realized by our interviewees, especially those from the Russian companies.

The V case can be considered the most problematic, yet also one of the most demonstrative. The example provided by this case shows that benefits from cooperation

cannot be constant, and after a certain threshold, a firm was locked in with the current Taiwanese partner. Despite all of the problems pointed out by V case's representative, companies were initially cooperating because of the mutual benefits provided by their strategic alliance. The Russian side was satisfied with the quality of the offered product and, as a result of this partnership, developed its own manufacturing capabilities and expertise in the sphere of ATV. However, when the flow of the new information and ideas in an alliance began to decrease, the company realized that the potential beneficial effects that were created by the diversity of companies' capabilities and skills had also diminished. At this point in time, the inertia and level of embeddedness among partners was also high, which now creates additional problems for the V case, associated with significant costs and difficulties of terminating this partnership.

The M case seems to choose an appropriate strategy of overcoming the problem of over-embeddedness by the diversification of its existing network of partners and involving in cooperation with the new companies. The company's respondent shared that these partners are not that close as the primary one, but it's primarily needed to ensure firm's flexibility, which allows securing itself from unexpected market volatility. It should be noted that such considerations are mainly attributable to the Russian companies, who perceive the local environment as less stable and predictable.

Despite the fact that the majority of the analyzed alliances can be seen as embedded with a particular level of ties strength, one case probably represents a situation of under-embeddedness, that is, when the intensity of relationships is below a desirable level and, therefore, can be further strengthened to improve the process of knowledge transfer and communication. It's the case of ACE, whose ties with the current Russian partner can be characterized as weak. One of the possible reasons for this situation is that it has just been a short period of cooperation that has just begun and is in the process of development. From this point of view, under-embeddedness can be regarded as favorable in the sense that it provides the Taiwanese company with more freedom of choice among existing market opportunities and allows it to test its partner. However, if the relationships prove to be satisfactory for both sides, the further deepening of the alliance ties is seen as necessary because only an embedded network can provide better access to a partner's skills and competencies, and also facilitate resource pooling, joint problem-solving and greater cooperation. According to the above-mentioned analysis, to address the fourth, fifth and last research questions, Propositions 5 and 6 were derived as follows:

- P5.* There is an inverted U-shape relationship between the level of embeddedness and learning opportunities between alliance partners. Over- and under-embeddedness may harm opportunities to learn, reducing the value of the partnership and producing a negative outcome. Thus, the favorable level of embeddedness is crucial for learning and knowledge transfer within the alliances.
- P6.* Given the uncertain and ambiguous environments in emerging economies, the companies prefer the strategy of ties diversification, remaining stronger embedded relationships with the major partner companies. However, companies should also be cautious of avoiding over-embeddedness to ensure flexibility.

6. Conclusions

6.1 *Conclusions and contributions*

Many scientific works have been written about strategic alliances, the process of their development, functioning and, of course, about the reasons leading to their failure or success. However, little attention has been devoted to the alliances in which both of the partners are located in the emerging countries. There is not so much information on the key reasons making those firms cooperate, and also there are no works examining thoroughly the performance of these alliances. The present research is evidently aimed to fill this gap by analyzing the companies based in the emerging economies of Russia and Taiwan.

As to the recent literature about international strategic alliance, the current research can communicate with strategic alliance as a key for small business go international (Haase and Franco, 2015), especially with multinational enterprises from emerging markets (Chiao *et al.*, 2010), as international strategic alliance can complement the lake of resources (Shi *et al.*, 2014). Learning and knowledge transfer are the main motivations of international strategic alliance (Christoffersen, 2013), and the current research further explores the different kinds of knowledge and different resources required by Taiwanese and Russian partners. Mutual commitment of the alliance partners is also the main determinants of the success in strategic alliances (Aldakhil and Nataraja, 2014; Lin and Guan, 2015). The current research confirmed the importance of mutual commitment, but also observes that too much commitment of a specific relationship will induce the negative impact of over-embeddedness.

The major theoretical contributions that were made by our study are the following:

- We made an attempt to synthesize different approaches and investigate what are the primary factors affecting strategic alliances formation and operation in the emerging markets context.
- We extended the previous research by reviewing not only the impact of the relational capital on the process of learning among the partners in the strategic alliances but also by analyzing the forces influencing the strength of these ties.
- We further investigated whether the continuous strengthening of the relational ties is necessary and always beneficial for the companies.

6.2 *Managerial implications*

High environmental volatility, as well as new challenges, that companies encounter arise because of increasing global competition, changing customer's expectations and demands, shortening product life cycles, growing specialization of skills and capabilities, rapid rates of technological changes and blurring barriers to foreign trade and investment. More and more organizations realize that an individual firm cannot cope with these changes alone and understand the growing need for cooperation. Under such circumstances, international strategic alliances (and other forms of cooperation) are becoming a strategy option or a part of global competitive strategy for many companies (Hagedoorn and Schakenraad, 1994; Harrigan, 1988; Ohmae, 1989; Perlmutter and Heenan, 1986). This research, in particular, explores the black box of international strategic alliances from the very beginning to the management side. We hope that the findings of the present study can help practitioners to gain a deeper understanding of the specificity of strategic alliances created in the emerging economy

environment, their main motives and operation process. Still, the results of this study suggest a need to take a broader and more comprehensive approach to the examined topic in future.

6.3 Limitations and future research directions

The aim of this research was to investigate the formation of strategic alliance and its learning process between partners, particularly in the emerging markets context. This should include all stages of an alliance evolution such as formation, operation, evaluation and probably termination. By analyzing each of these steps, it was supposed to define the main motives determining companies' propensity to enter strategic alliance, review the mechanisms of choosing a partner and ways of exercising control. Therefore, the challenge for future research presents a limitation of this work, which can be performed in the future study on the whole process of a strategic alliance development within emerging market context.

Another point is that the findings of the present study must be interpreted with caution, because of several challenges encountered in the course of conducting the research. The unwillingness of the companies to participate in the study, as well as not providing the full information, significantly limited our choice of possible participants and probably did not provide an opportunity to collect the comprehensive information. This can be attributed to the high level of privacy and confidentiality concerning business and financial information that is typical for Russian and Asian companies. Thus, it would be interesting to include more participants into the study and, when possible, to interview representatives on both sides of the alliance. One more promising direction for future research is tracing and evaluating alliance development over time. Suggested future research can be triangulated with these findings with quantitative data (Jick, 1984; Mintzberg, 1979) to generate a theory which can later be tested more rigorously by quantitative approaches (Golden-Biddle and Locke, 1993).

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