Chapter I

Alliances and Information Technology:

Fundamentals and State of the Art

José Aurelio Medina-Garrido, University of Cádiz, Spain

Salustiano Martínez-Fierro, University of Cádiz, Spain

Jose Ruiz-Navarro, University of Cádiz, Spain

Abstract

This chapter is organized into three sections. In the first section we briefly define some basic concepts about alliances, their attributes, the differences between them and traditional structures, and the types of alliance. The second section analyzes the state of the art in the literature on alliances. We stress the conceptual evolution in organizational design and the main theoretical approaches explaining alliance formation. The final section analyzes the role of information technology (IT) in the formation and running of alliances. In this respect, we stress the impact of IT on organizational structures in general, and on inter-organizational relationships in particular, with these relationships being based on the so-called inter-organizational systems.

Alliance Fundamentals

As early as the 1930s the pioneering research of Roesthlisberger and Dickson (1939) described and stressed the importance of networks of informal relationships within organizations. Subsequently, Miles and Snow (1978) analyzed how market forces give form to structures that diverge from the traditional ones, making organizations more efficient and improving their capacity of reaction. In later publications, market concepts were extended to internal work teams (Miles & Rosenberg, 1982) as well as to external groups, which Miles and Snow (1984) label *dynamic networks*.

These authors signal the 1980s as the point the movement towards the network form began to become apparent, when international competition and rapid technological change forced companies and industries in the United States to embark on drastic restructuring. Firms were then forced to reduce their size (downsizing) to concentrate on their core competencies, flattening (de-layering) the organization by eliminating managers from the hierarchy and externalizing activities. The new firms focused less on growth through vertical integration and instead sought alliances with their suppliers and distributors. Rather than use plans, timetables, and transfer prices to coordinate internal units, they relied on contracts and other exchange agreements connecting autonomous external units in network structures (Miles & Snow, 1992). At this time authors began to describe alliances in more detail (Miles & Snow, 1986; Thorelli, 1986).

From the end of the 1980s onward there was a proliferation of books and articles analyzing the subject of inter-organizational relationships in a great variety of forms. Among these contributions, some of the most important were from Peter Drucker (1990); William Halal (1986); Charles Handy (1990); Russell Johnson and Paul Lawrence (1988); Rosabeth Kanter (1989); and Robert Reich (1991).

We should note the wide diversity of terms that have been used in the literature to refer to the different types of inter-organizational relationship (García Falcón & Medina Muñoz, 1998): inter-organizational ties, organizational interdependence, joint decision making, relational governance, outsourcing, cooperation, coordination, collaboration, collaborative exchange relationship, strategic alliance, joint ventures, inter-firm networks, and strategic networks. In this chapter we have opted to cut down this terminological jungle around the concept of alliance, and more specifically, we concentrate on alliances of a strategic nature, in the terms that we define shortly.

Firms belong to networks of social, professional, and exchange relationships together with other companies (Granovetter, 1985; Gulati, 1998). When these networks are formalized they can take shape in alliances that imply a voluntary agreement between two or more firms involving continuous exchanges; sharing

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