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Chapter XV

Role of Behavioral Factors in Strategic Alliances

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ABSTRACT

The number of strategic alliances formed between organizations has increased dramatically and are projected to continue increasing over the next few years. Behavioral and cultural factors play a major role in the success (or failure) of a strategic alliance between partners, but many managers pay little attention to this aspect while in the process of negotiations. This paper highlights a number of human and organizational culture issues, which played a major role in the process of developing a strategic alliance between a major telecommunications organization and several retail electricity organizations. A framework for strategic alliance was developed for this new market situation, which helped the organizations involved understand the future informational requirements and dependence of the partners on one another.

INTRODUCTION

Strategic alliances are a mutual agreement between two or more independent firms to serve a common strategic (business) objective (Bronder & Pritzel, 1992). Senior managers in U.S. banking industry believe alliances between companies are having a substantial impact on organizations and will continue to increase their influence (Gonazlez, 2001). Alliances have had a growth rate of 25 percent and are projected to have a value of $40 trillion by the year 2004 (Parise & Sasson, 2002). The "make versus buy" decision is becoming the "make versus buy versus partner decision" (Parise & Sasson, 2002).

A successful alliance should not imply an imposition of one organization's culture over another. Rather, it should create a new culture that brings together the best elements of each. Unfortunately, "creation of a new culture" is rarely practiced, as alliances are often viewed solely from a financial perspective, leaving the human resource issues as something to be dealt with later and without a great deal of effort (Adler, 2001). The creation of a new culture involves operations, sales, human resources management, technology, and structure among other issues. It is undoubtedly expensive and time consuming to create a new culture, but, in the end, employees become contented and more productive.

For an organization to exploit the benefits of alliances, human factors and information technology (IT) factors must be the basic components for any analyses and plans. The case of a telecommunication company is presented here to highlight the major considerations in human and IT issues which resulted from strategic alliances with new business partners. The telecommunication company identified a new market opportunity as a result of changed market conditions. The company is in the traditional business of telecommunications and information services, but identified a new market opportunity in the retail electricity distribution business that became apparent as a result of market deregulation in the electricity industry. The firm's own strength in IT areas, its strong market position, and the opportunities in forming alliances with other business partners in the electricity industry, were the main considerations for this strategic move. The company, however, neglected to consider the business-cultural differences that existed between TEL (Telecommunications Organization) and potential partners in the electricity business.

DEVELOPING A STRATEGIC ALLIANCE

Conceptual Viewpoint

Strategic alliances focus on combining resources of various organizations through acquisition, joint venture, or contracts. The main purpose of an alliance is to create one or more generic advantages such as product integration, product distribution, or product extension (Pearlson, 2001). In alliances, information re-

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