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Identifying intraorganisational and interorganisational alliance conflicts—A longitudinal study of an alliance pilot project in the high technology industry

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Abstract

The extant literature on alliances tends to neglect the effects of intraorganisational relationships within each alliance partner on the implementation of the alliance. To address this gap, this paper investigates both interorganisational and intraorganisational conflicts occurring during the implementation of a service alliance and aims at developing categories of conflicts as well as analysing how these conflict categories affect the implementation of the alliance. Thus, the overall purpose is to contribute to our understanding of implementation issues in alliances for the delivery of services. In order to do so, one case of a high-technology alliance has been studied longitudinally, with the researcher acting as a participant observer. Three interrelated categories of conflicts are developed through an analysis of the data: 1) the scope of the alliance, 2) the customer relationship, and 3) the implementation process. One important conclusion of this study is that the perspectives of several of the stakeholders, including the customers indirectly involved in the alliance, should be included when implementing service alliances.
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1. Introduction

Companies are increasingly focusing on activities for which they are supposed to have a core competence (Prahalad & Hamel, 1990). As a result, many firms are finding that they need to obtain complementary competencies from other firms for the activities that were previously conducted in-house. However, there is evidence that the efforts of firms to implement such alliances have failed to meet expectations (Barringer & Harrison, 2000; McIvor, 2000; Stuart & McCutcheon, 2000) and that the problem of implementing alliances is not that well researched although it is improving (Boddy, Macbeth, & Wagner, 2000; Elmuti & Kathawala, 2001; Spekman, Forbes, Isabella, & Macavoy, 1998; Stuart & McCutcheon, 1996).

The perspective taken in most of the extant literature on implementing alliances is from the level of analysis of the firm and it deals primarily with the relationship between the two partner firms. As a result, the firms themselves are generally viewed as black boxes (Kothandaraman & Wilson, 2000; Spina & Zotteri, 2000). However, business relationships in industrial markets are often complex, involving people from different hierarchical levels and different functions in the organisations on both sides of the alliance relationship (Ford, 2002; Webster, 1991). In particular, relational exchanges such as partnerships normally imply broad interactions between the involved firms (Kothandaraman & Wilson, 2000). For example, during the implementation of an alliance, firms experience changes in their operations and as a result, the differences in needs, interests, values, and preferences across individuals and groups within the organisations often lead to conflicts (Buchanan & Badham, 1999) both within and between the involved firms. Consequently, in order to better understand

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the problems involved in implementing alliances, it is necessary to investigate more deeply the relationships inside alliances by studying the relationships between the different functions in the involved partner firms.

This paper focuses on an industrial firm's attempt to improve its marketing effectiveness through the implementation of an alliance with an education company. In contrast to much of the previous research on implementing alliances, this paper includes an analysis of the relationships between several functions in both the studied partner firms. In other words, this paper not only looks at interorganisational relationships, but it also looks at the intraorganisational relationships related to the implementation of the alliance. Thus, the overall purpose of this paper is to contribute to our understanding of implementation issues in service alliances. To fulfil this purpose, this paper focuses on the narrower concept of conflicts occurring during the implementation of alliances for the delivery of services. Researchers have suggested that conflicts in alliances are one of the most prevalent reasons for alliance failure (Kelly, Schaan, & Joncas, 2002; Lorange & Roos, 1991; Mentzer, Min, & Zacharia, 2000; Mohr & Spekman, 1994; Moore, 1998) and that managing the soft issues such as conflict is a key managerial issue (Kanter, 1994; Maloni & Benton, 1997; Wildeman, 1998). In this paper, identifying and analysing conflicts is seen as a method for understanding important elements of the alliance implementation process. In other words, conflicts in the alliance are seen as manifest illustrations of important problems in the alliance. The specific purpose of the paper is to identify and analyse conflicts between different actors involved in the implementation of a service alliance and to suggest categories of conflicts in service alliances. Since the aim is not to contribute to theories on conflict but to the understanding on alliance implementation issues, implications for how to implement service alliances in marketing channels are also discussed as well as some implications for the development of new industrial marketing strategies.

This article presents a case in which the conflicts within the firm implementing the alliance were stronger than those between the partners. This result indicates that managerial attention should be focused more on internal relationships than what the majority of the alliance literature suggests. The article also presents details on the implementation process and the conflicts that occurred. The results of this paper are based on a longitudinal study of an alliance pilot project between SysCo, an industrial company, and TeachIT, an education company.[1] The paper is organised as follows. First a theoretical background is presented, including a review of literature on alliance implementation problems and conflicts in alliances. Second, the methodology and analysis of the case are presented. Third, the results and conclusions are presented.

2. Theoretical background

2.1. Alliance implementation problems

To date, a significant portion of the research on alliances has focused on the benefits of alliances. Recently however, a number of articles focusing on the challenges and problems during the implementation of alliances have been published. According to many of these studies, the problems encountered during alliance implementation are very often about the soft issues related to collaboration among people involved in the alliance. Examples of such soft issues are insufficient communication (Kelly et al., 2002; Sahakian, 1998), conflicts (Lorange & Roos, 1991; Mentzer et al., 2000; Mohr & Spekman, 1994; Moore, 1998), a lack of trust (Elmuti & Kathawala, 2001; Gulati, 1995; Parkhe, 1998), culture (Elmuti & Kathawala, 2001; Kelly, Schaan, & Joncas, 2000; Lorange et al., 1991; Vyas, Shelburn, & Rogers, 1995), and organisational politics (Lorange & Roos, 1992). Another group of problems are the operational, for example insufficient specifications or quality problems (Elmuti et al., 2001; Kelly et al., 2002). A third group involves strategic problems, for example the risk of losing core competencies to the partner (Elmuti et al., 2001; Lorange et al., 1992). Last, the performance or the results of the alliances are sometimes referred to as problematic (Elmuti et al., 2001; Kelly et al., 2002). According to a paper by Kelly et al. (2002), based on research on the early stages of alliances among manufacturing, service and R & D-based companies, the majority of the problems are soft, followed by a relatively large number of operational problems. In their study, strategic and performance problems composed only a small part of the problems. In this study, they found that people/relationship problems accounted for 55% of the total while operations accounted for 29%, with strategic and results accounting for only 11%, and results 5%, respectively. This result supports previous work by both Kanter and Wildeman, who argue that managers often lack the ability or interest to handle soft issues (Kanter, 1994; Wildeman, 1998).

Additionally, due to specific characteristics of services, implementing alliances for the delivery of services poses different risks and challenges to the involved companies (Fitzsimmons & Fitzsimmons, 2000). For example, strategic issues in service alliances that potentially lead to tensions involve the management of the customer interface and the brand of each partner firm (Ernst, 1996). In other words, it can be expected that implementing alliances for the delivery of services will involve certain specific conflicts that need to be managed.

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[1] Pseudonyms have been used in this paper to protect the anonymity of the companies and the involved participants.