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Network resources and social capital in airline alliance portfolios

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HIGHLIGHTS

► We identify two new dimensions in social capital: portfolio structure and resources.
► Alliance portfolio positively affects the endowment of different types of resources.
► Resource endowment of the network partially affects the performance of a firm.

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ABSTRACT

The airline sector is a mature industry in which a wide range of competitive practices reflect highly intense levels of rivalry. This is evident from the alliance portfolios of airline companies that are composed of mutually advantageous agreements between firms in the aviation sector. In this context, we examine the influence that access to valuable network resources may have on company performance (in operational and financial terms). Moreover, as network resources come under the resource dimension of a firm's social capital, we also study the way the resource dimension is affected by other dimensions of social capital (network position, network structure formed by the alliance portfolio and the quality of the relations). We study the alliances agreed between 214 mainstream airlines, up until 2007, during which time 351 airlines formed various types of partnerships. The results suggest, on the one hand, that access to partner resources is influenced by structural and relational factors. However, on the other hand, the structure of each airline's alliance portfolio has more influence than its position in the global network of alliances. These results point to the need for satisfactory governance of the composition and management of an airline's alliance portfolio.

1. Introduction

Over the past two decades, researchers have gathered evidence on inter-firm alliances, interorganizational relations and their influence on firm performance (McEvily & Zaheer, 1999; Nohria & Garcia-Pont, 1991). In particular, studies have shown that alliances can improve innovative capacity (Ahuja, 2000a; Zaheer & Bell, 2005), market share (Shipilov, 2006), survival (Baum, Calabrese, & Silverman, 2000) and financial results (Rowley, Behrens, & Krackhardt, 2000).

These investigations go further than the idea of the firm as an isolated actor. Moreover, not only have they sought to analyse how interorganizational relations affect performance, they have also attempted to explain the background to those relations (Garcia-Pont & Nohria, 2002; Gulati, 1995; Gulati & Gargiulo, 1999).

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From a theoretical viewpoint, the majority of these studies are founded on either the Resource Based-View (RBV) or Network Theory, or on the joint use of both approaches. The RBV began with the ideas of Penrose (1959) concerning the value of the resources to which the firm has access. Subsequently, these ideas were developed by a group of researchers (Barney, 1991; Dierickx & Cool, 1989; Grant, 1991; Rumelt, 1991; Wernerfelt, 1984), whose work suggested that each firm possesses a set of unique resources that distinguishes it from other firms and defines and maintains its competitive advantage (Barney, 1991). Many authors have used the RBV to analyse alliances and interorganizational relations (Ahuja, 2000a; Lavie, 2006; Zaheer & Bell, 2005).

Studies on business alliances have definitively incorporated social network theory since Gulati (1995, 1998) proposed going beyond the study of the dyad to examine the entire network. From that point, the application of social networks to interorganizational relations has centred, above all, on comparing how the structure of a network of firms (density, centrality, structural holes…) leads to different levels of performance (Ahuja, 2000a; Baum et al., 2000;

Koka & Prescott, 2002; Rowley et al., 2000). The relational view (Dyer & Singh, 1998) complements this perspective by proposing the existence of rents generated by the alliance as a whole.

In recent years, a new approach to business alliances – the alliance portfolio - has been gaining momentum. It is situated around the confluence of the RBV with network theory and promises to be very fruitful (Hoffmann, 2007; Kale & Singh, 2009; Wassmer, 2010). An alliance portfolio is "a focal firm's egocentric alliance network" (Wassmer, 2010). This approach looks closely at the individual firm and at how it manages its relations with other firms, organizations and individuals in multiple alliances. Thus, the object of analysis moves from the alliance towards the firm and attention shifts from the complete network to the egocentric network of the focal firm.

However, this spotlight on the individual firm and its egocentric network has attracted enormous attention in the previous literature on interorganizational relations seen in terms of social capital (Adler & Kwon, 2002; Koka & Prescott, 2002; Nahapiet & Ghoshal, 1998). The majority of studies on social capital have centred on the benefits that firms can obtain if they are immersed in a dense (Coleman, 1988) or a dispersed network (Burt, 1992), and on the type of relations that they maintain with other organizations (Koka & Prescott, 2002; Tsai & Ghoshal, 1998). Therefore, social capital as a construct is linked to network resources. Gulati, Nohria, and Zaheer (2000) proposed that both the structure of a firm's ties and the characteristics of the links between them represent two network resources, although they also mentioned network members as a resource. Lavie (2006) expressed this idea in greater detail by pointing out how firms can obtain advantages from their alliances, depending on the resources with which their partners are endowed.

This study establishes a connection between the research agenda put forward by Lavie (2006, 2008) to study network resources, the alliance portfolio perspective and the concept of social capital. These are complementary approximations insofar as they are based on the egocentric networks of a firm that arise from various interorganizational relations. Thus, a new dimension of social capital is put forward for consideration as a multidimensional construct (Nahapiet & Ghoshal, 1998): the resource dimension, which may be added to the structural and the relational dimensions (Galán & Castro, 2004; Granovetter, 1992; Gulati, 1998). The resource dimension brings meaning to the idea that the value of business relations is conditional upon access to partners with valuable resources, over and above the quantity or the quality of those business relations and their structure (Casanueva & Gallego, 2010).

There has been a constant proliferation of mergers, acquisitions and alliances in most sectors over the past two decades, but the airline business stands out because of the very real changes in the way in which competition takes place within it, due to deregulation, globalization and, above all, the extensive use of alliances between businesses. Evans (2001) analysed the determinants behind the proliferation of alliances in the sector. In general, airline companies attempt to appropriate or to use the valuable resources of their partners, in order to compete or to survive, making agreements that provide them with access to new routes, to customer loyalty programs and shared marketing, joint purchasing, and subcontracted operational processes, among other aspects. The process has gone even further and true competition is developing between coalition and allied groups in the sector (Gomes-Casseres, 1994).

The objectives of this study are to observe the different dimensions of the social capital that each airline possesses, because of its membership of a network of alliances, and the way these relate to each other. It also examines how these dimensions affect the performance of the airline companies. Nevertheless, we should point out that, by conducting this research, we are not seeking to confirm exact, specific relations such as identifying behavioural patterns that connect the dimensions of social capital and the alliance portfolio with the performance of each particular airline, on the basis of network resources. Instead, we wish to arrive at an initial approximation of the proposed model, in order to understand which relations are established and in what way. This will allow us to continue with the investigation of those relations in a more detailed manner, or to establish new plans in view of the results.

In any event, the fundamental purpose of this investigation is twofold. In the first place, it aims to confirm the effect of the relations within the alliance portfolio of an actor on its access to the resources of its partners; in other words, how does the egonet structure influence access to the resources of the network. In second place, an attempt is made to confirm how access to network resources, understood as the resources of partners that belong to the alliance portfolio of an actor, affect both the operative and the financial results of that actor.

Thus, this study of the alliances between mainstream airline businesses reveals the role of the resource dimension in the performance of these firms and how network-resource endowment is conditioned by structural and relational factors, considered in earlier studies on social capital. Evidence is therefore shown, which support the ideas of Lavie (2006), to the effect that the greatest advantage in business relations is to maintain links with businesses and organizations that have valuable resources for the focal firm.

These findings help to consolidate the bridges between RBV and social network theory, linking the ideas of network resources to partner resource endowment (Lavie, 2006, 2008) and to proposals to study the alliance portfolio from a network perspective. They also suggest that airline governance should consider partner resources as a principal element in the management of their alliance portfolio, as it affects their choices as well as the processes of assimilation and appropriation.

This study continues with the theoretical presentation of the relations between social capital, the alliance portfolio and network resources and how these can affect the performance of the firm, by describing a model to understand their relations better. Subsequently, an explanation is given of the methods used to test the hypotheses that arise from the model, in the context of alliances between airline businesses. The results of the analysis are then described and, finally, the conclusions are presented, along with the study's limitations and future lines of research.

2. Social capital, alliance portfolio and network resources

2.1. Social capital

Social capital is a resource in the network of individual and organizational relations over time (Adler & Kwon, 2002). Like all forms of capital, it is able to generate value for whoever possesses it. Adler and Kwon (2002) analysed the differentiating characteristics of social capital as against other forms of capital of the firm. Various works have studied the way in which social capital influences the performance of individuals (Burt, 1992; Podolny & Baron, 1997) and of firms (Koka & Prescott, 2002; Zaheer & Bell, 2005).

Although some controversy exists over whether social capital is an individual or a collective asset (Adler & Kwon, 2002; Lin, 1999; Portes, 1998), it appears clear that the beneficiary of social capital is an individual actor, as it is primarily of benefit to the actors that possess it (Koka & Prescott, 2002; Kostova & Roth, 2003).

Social capital has been defined as a multidimensional concept (Batjargal, 2003; Inkpen & Tsang, 2005; Koka & Prescott, 2002;