Learning: The interface of quality management and strategic alliances

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ABSTRACT

In this paper, we investigate the practice of quality management in strategic alliances. By employing a relational view of inter-organizational competitive advantage, the paper addresses the concept of quality management in strategic alliances and networks. We argue that institutional/network relationships influence the practice of quality within a network. In that regard, firms that have adopted quality management practices are more effective in managing and coordinating their interactions with other firms in the network, which results in their enhanced learning capability within the alliance.

The proposed framework recognizes the role of trust and cooperative learning as critical factors that affect the success of strategic alliances. It has been argued that firms within an alliance need to achieve the paradox of control and learning. We examine the role of trust as a control mechanism in strategic alliances and address the importance of cooperative learning within alliances. Several hypotheses have been proposed and future research has been outlined.

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1. Introduction

Quality management (QM) has been widely viewed as a management paradigm that enables firms to gain a competitive advantage (Yeung et al., 2006). Kanji (1990, p. 4) describes QM as "the second industrial revolution." Empirical research shows that QM practices positively affect firm performance (Hendricks and Singhal, 1996; Handfield et al., 1998; Das et al., 2000; Douglas and Judge, 2001; Hendricks and Singhal, 2001a, b; Kaynak, 2003).

A fundamental question in QM is to determine whether firms operating in a network are embracing quality, and if they are, to what extent QM is adopted differently by different members of the network (Sitkin et al., 1994). Furthermore, to the extent that firms operating in networks have adopted QM programs, how are the dual goals of control and learning addressed? We attempt to investigate how QM could be practiced within a network of firms, and to what degree the practice of quality may be different.

The traditional view towards QM has been focused on the practice of quality within a single firm. While scholars raise the question regarding the domain of QM (Sousa and Voss, 2002), there is some evidence on the literature that provides insight on the role of QM in a network of firms. Recent studies show that there are synergies between QM and supply chain management performance (Flynn and Flynn, 2005). Robinson and Malhotra (2005) define quality in a supply chain management, and they argue that understanding QM in a supply chain environment requires a transition from a product to a process-oriented perspective towards quality. A recent study by Lo et al. (2007) states that QM is a prerequisite for effective supply chain management.

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To extend QM and define its practice within a network of firms, we focused on strategic alliances.[2] Scholars and practitioners are interested to know the critical success factors for such alliances (Gulati, 1998; Gulati et al., 2000; Arino et al., 2001; Inkpen and Ross, 2001; Sampson, 2005; Singh and Mitchell, 2005; White and Lui, 2005). Despite the significant attention given to quality, strategic management remains a key area of extension of the quality concept (Pruett and Thomas, 1996). Our aim is to address the practice of quality within a network so that firms can achieve a higher level of performance.

This paper extends the concept of quality beyond the scope of a firm by providing a network perspective of quality. It contributes to the existing body of knowledge in understanding successful strategic alliances.

2. Theoretical background

The purpose of the paper is to investigate the practice of QM in strategic alliances. A learning perspective of strategic alliances has been employed to understand the dynamics and evolution of inter-firm collaborations within a network of firms. We utilize a knowledge-based view of competitive advantage, arguing that inter-firm resources and routines (e.g. knowledge sharing routines) can be sources of competitive advantage (Dyer and Singh, 1998).

Previous studies show that both the top manager and network/institutional factors influence the adoption of new innovation practices such as QM (Young et al., 2001). However, in the context of a single firm, top management is the driving force for quality initiatives (Wilson and Collier, 2000). We argue that the practice of QM within a firm will be different from the practice of QM within an alliance (Westphal et al., 1997; Young et al., 2001). To address the practice of quality in strategic alliances, a process orientation of quality has been employed (Robinson and Malhotra, 2005).

2.1. Traditional view vs. the network view towards quality

The traditional view towards quality is different from the network view towards quality. Here we explain the characteristic of both approaches towards quality:

Level of analysis: The fundamental difference between the traditional view and the network view is the level of analysis. The traditional view towards quality looks at a firm as the level of analysis (Sousa and Voss, 2002). However, within a network the overall quality of the network is addressed, referring to the network as the unit of analysis.

Decision making: It is believed that within a firm top management is the major driver of QM who leads the quality initiative (Flynn et al., 1994; Wilson and Collier, 2000; Kaynak, 2003). However, in a network of firms it is the network governance and structure that guides quality systems. From the institutional/network perspective,

firms may adapt new practices (such as QM) that do not necessarily increase their performance. Rather, such reinforcement comes from the network. In the context of a firm, the decision to purse a specific quality initiative is primarily determined within the scope of the firm. The dynamics will be different as firms move towards the network (Westphal et al., 1997; Young et al., 2001).

Sources of competitive advantage: Strategy literature identifies different theoretical lenses to address the sources of competitive advantage of firms. The resource-based view (RBV) argues that superior firm performance is the result of the ability of firms to accumulate resources and capabilities that are rare, valuable, and difficult to imitate (Rumelt, 1984; Barney, 1991). In this view, RBV focuses on a firm as the unit of analysis.

The relational view of competitive advantage claims that inter-firm linkages may be a source of competitive advantage. This view suggests that a firm's critical resources may span firm boundaries and may be embedded in inter-firm resources and routines (Dyer and Singh, 1998).

The traditional view towards QM has been focused on a firm as a unit of analysis where it employs a RBV perspective towards quality and the role of quality as a source of competitive advantage (Powell, 1995; Escrig Tena et al., 2001). However, as we move across and beyond the scope of a firm, the sources of competitive advantage are embedded in the network. This requires looking at QM from the relational view.

3. Cooperation and alliances

Previous studies show that cooperation and networking enhance firm's performance and profitability (Smith et al., 1995; Gulati et al., 2000). According to Gulati (1998) strategic alliances are "voluntary arrangements between firms involving exchange, or co-development of products, technologies, or services" (p. 293). Arino et al. (2001) stated that strategic alliance involves "a formal agreement to pursue a set of private and common goals through the sharing of resources in contexts involving consented markets and uncertainty over outcome" (p. 110). Gulati (1995) referred to strategic alliances as "any independently initiated interfirm link that involves exchange, sharing, or co-development [among partners]" (p. 86). Zollo et al. (2002) defined strategic alliances as "cooperative agreement of any form aimed at the development, manufacture, and/or distribution of new products" (p. 701). According to Smith et al. (1995), while cooperation and coordination within organization and between firms were not new in the management and organizational studies, the emergence of total QM philosophies emphasized more need for cooperation throughout organizations and between firms. For the purpose of this paper, strategic alliances are defined as long-term cooperation between firms aimed at achieving a shared (common) set of goals through cooperative learning between partners.

Different theoretical perspectives have been used for understanding strategic alliances. One perspective is transactions cost analysis, which focuses on the cost of

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[2] By strategic alliances we refer to two or more firms cooperating within a network.