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Organizational learning, commitment, and joint value creation in interfirm relationships

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Abstract

In this study, we underline the importance of distinguishing firm-specific and collaboration-specific benefits in managing interfirm relationships. We propose that strong commitment to collaboration enables firms to transform their idiosyncratic resources into higher rents for the alliance as well as themselves. We extend the organizational learning inquiry into an alliance setting and identify three factors that can facilitate commitment in interfirm relationships. The findings reinforce the importance of organizational commitment in generating higher value in interfirm relationships. We also examine some contingencies in which commitment may affect alliance performance and firm performance distinctively.

Keywords: Organizational learning; Commitment; Value creation; Interfirm relationships

1. Introduction

The various facets of exchange relations are important topics in the marketing and strategic management literature (e.g., Dwyer et al., 1987; Gulati, 1998). In view of the growing number of interfirm alliances and the rarity of success stories, the issue of how collaboration can create above-normal returns for the alliance as well as the individual firms has become a fundamental research question (Madhok and Tallman, 1998).

The objectives of this paper are several. First, we examine interfirm collaboration in terms of the potential value of an alliance (Madhok and Tallman, 1998). In particular, we focus on the role of organizational commitment in the joint value creation process. Organizational commitment has been defined as "an implicit or explicit pledge of relational continuity between exchange partners" (Dwyer et al., 1987, p. 19). It has been shown to reduce opportunism and conflict in interfirm relationships (e.g., Anderson and Weitz, 1992; Morgan and Hunt, 1994), yet few researchers have explored its role in value creation.

Second, following Khanna (1998) as well as Madhok and Tallman (1998), we make a distinction between private (firm-specific) and common (collaboration-specific) benefits and look at the importance of both types in alliance success. Common benefits, or the value obtained by the alliance as a whole, are not equal to the private benefits, or the value obtained by each participating firm (Khanna, 1998). According to Madhok and Tallman (1998, p. 329), common benefits refer to "interfirm or collaboration-specific quasi-rents that arise from the combination of both transaction-specific and relevant firm-specific resources of both firms into a synergistic bundle that enables a level of accomplishment which the partners are unable to attain in the absence of the collaboration." Private benefits are "firm-specific quasi-rents that arise from the positive spillover from the collaboration. That is, the firm may gather new knowledge from the collaboration and then, in combination with other idiosyncratic resources, increase its rent-generating capacity beyond the collaboration" (Madhok and Tallman, 1998, p. 329). We propose that through organizational commitment

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to building a mutually beneficial relationship, firms can transform their idiosyncratic resources into higher rents for the alliance as well as themselves.

Third, we extend the market orientation and organizational learning literature to an alliance setting and examine potential antecedents to commitment. Sinkula et al. (1997) identify three core factors in the organizational learning process: organizational values, market information processing behaviors, and organizational actions. Following this work, we identify three key organizational learning factors essential to alliance formation: learning intention, partner sensing, and relationship initiation abilities. We examine the link between these factors and the level of commitment to maintaining the alliance. We propose that organizational commitment serves as a catalyst in transforming the initial learning competency into value for the alliance and the participants.

Fourth, we examine whether and when commitment may affect common and private benefits distinctively. In particular, we explore whether environmental uncertainty and firm size affect firm-specific and collaboration-specific rents differently. Our findings suggest that the effect of commitment on common and private benefits differs with levels of market uncertainty, and firm size matters in the decision to pursue commitment as an organizational strategy to achieve more private benefits.

2. Firm resources and differential rent-creating activities

According to the resource-based view (RBV), firm resources are heterogeneous and immobile (Barney, 1991). Differences in market performance are fundamentally due to distinctive resources and capabilities of individual firms that are valuable, rare, inimitable, and nonsubstitutable. The traditional RBV tends to focus on resources within the firm, but this perspective can be extended to the alliance setting. Das and Teng (2000) provide a comprehensive overview of strategic alliances using an RBV. The RBV rationale of alliance management emphasizes value maximization rather than cost minimization, which is at the heart of the transaction cost explanation. The specific firm resources involved in collaboration include financial resources, market power, technological assets (e.g., Ahuja, 2000), and social position of a firm. Strategic needs and social position provide incentives to collaborate, either to gain access to resources unavailable within the firm or to capitalize on a strong social position to gain more competitive advantage (Eisenhardt and Schoonhoven, 1996).

The economic rents that can be generated through an alliance “refer to the returns (through collaboration) over and above the costs of employing a firm’s resource in its next best alternative” (Lado et al., 1997, p. 111). Madhok and Tallman (1998, p. 326) make a crucial distinction between potential value attainable through collaboration and its actual realization. They argue that relational specific investment can help firms bring realized value to its true potential. In addition, they differentiate three kinds of rents that are important to alliances: firm-specific quasi-rents, transaction-specific quasi-rents, and collaboration-specific quasi-rents. The latter are central in an alliance because they can provide above-normal returns, which a firm is unable to obtain “through a market transaction or to develop internally in a timely and cost-effective manner” (p. 329). Firm-specific rents can be achieved and enhanced through the spill-over effects of the collaboration. A similar distinction is made by Khanna (1998), who refers to them as common benefits and permanent private benefits, and highlights the critical role of alliance scope in the realization of both. The choice of alliance scope, or the boundaries the partners establish for activities by the alliance as well as by each partner, determine the value that can accrue to the alliance as a whole and to each firm.

3. Conceptual framework and hypotheses

A large body of the organizational learning literature builds on the information processing view (e.g., Huber, 1991; Sinkula, 1994; Slater and Narver, 1995). According to Huber (1991), organizational learning encompasses information acquisition, distribution, and interpretation as well as organizational memory. Also involved is a desire to learn (or learning orientation) as well as organizational actions, such as marketing sensing and responsiveness, that reflect the learning experience (Sinkula et al., 1997). The knowledge gained from organizational learning is a valuable asset and a source of sustained competitive advantage (Day, 1994).

Following Sinkula et al. (1997), we extend organizational learning into an alliance setting. We identify three factors that are related to interfirm learning and alliance formation: learning intention, partner sensing, and relationship initiation abilities (see Fig. 1). As part of the collaborative know-how crucial for achieving the benefits from an alliance (Simonin, 1997), these three factors represent the valuable skills needed in the alliance formation stage. Yet, these valuable skills will not directly translate into better value for the collaboration. Organizational commitment in the form of relational specific investment and efforts will help transform these initial learning competencies into higher value for the alliance and for the partners themselves through combining complementary resources from the relationship.

3.1. Learning intention

The learning intention of an organization is the extent to which it values learning processes for its survival. Learning orientation has three core components: commitment to learning, open-mindedness, and shared vision (e.g., Sinkula et al., 1997). A strong learning orientation leads to superior business performance and formidable competitive advantage due to the positive nature of sharing information,