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The Role of Strategic Alliances in Inter-organizational Learning in International Business

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Abstract The paper studies strategic alliances and their role in inter-organizational learning in international firms. The importance of strategic alliances in global economy has increased. Strategic drivers for interfirm cooperation between alliance partners are market growth, cost reduction, reducing risk, and access to knowledge. The author focuses on inter-organizational interaction among alliance partners, which is motivated by the desire to gain access to new knowledge and transfer existing knowledge between partners. Alliances are a powerful means of enhancing organizational learning and knowledge-based capability. The challenges of integrating knowledge intensive activities in international strategic alliances are also discussed. Integrating those activities between international firms is more difficult due to alliance partners' differences in national, organizational, and professional culture. International strategic alliances are critically important to firm success by facilitating knowledge integration..

Ključne besede: • strategic alliances • inter-organizational learning • international business

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1 Introduction

Alliances are a complex organizational phenomenon. Utilized across a broad range of contexts, alliances can involve a wide variety of configurations of partners, involve the pursuit of a multitude of specific goals, and exhibit various levels of commitment and investment from partners. Strategic alliances have emerged in recent years as common and important structural vehicles for business development (Albers et al., 2016). Strategic alliances are purposive relationships between firms that share compatible goals and strive for mutual benefits (Ireland et al., 2002; Mohr and Spekman, 1994).

To understand why strategic alliances occur or are preferred as a modality in business transactions, it is necessary to distinguish between two main choices of firms in business dealings with other parties. These choices are markets or hierarchies (Williamson, 1985). Market transactions refer to a firm's free choice of trading partners based on the evaluations of costs and benefits of its partner each time. Accordingly, the firm chooses its business counterparts without any long-time commitments and restrictions. Hierarchies mean organizational structures established to control production and distribution activities in-house, rather than dealing with other parties to reduce the risk and uncertainties involved in business transactions. Between these two opposing business modalities, strategic alliances are viewed as quasi-hierarchies or hybrid arrangements (Contractor and Lorange, 1988).

From the standpoint of the number of participants, strategic alliances can be distinguished as dyadic relationships where only two parties are involved or as multiple relationships involving three or more. From the standpoint of resource commitment, firms can allocate either some equity or no equity at all, but they still apportion some of their resources to the alliance and share some of their capabilities with their partners. (Culpan, 2009).

The strategic drivers for interfirm cooperation, manifested in a variety of alliance arrangements fall into four broad categories of motives (Contractor and Reuer, 2014):
1. market growth or revenue enhancement as a consequence of the cooperation;
2. efficiency or cost reduction;
3. sharing or reducing risk; and
4. access to knowledge or learning.

The predominant method of distinguishing alliances is based on their legal foundation - contracts and equity investments - often denoted as the alliance's "governance structure" (Contractor and Lorange, 1988; Das and Teng, 2001; Gulati, 1998; Yoshino and Rangan, 1995). There are three common sets of criteria for distinguishing types of alliances:
- Activity-domain-based classifications of alliances focus on differences in the tasks partners pursue jointly, such as research and development, co-marketing, production, and back-office processes. Social network authors often refer to this aspect of the alliance as the tie content (Todeva and Knoke, 2005).

- Partner-characteristics-based classifications focus on traits of the individual organizations involved in the alliance, such as their industry affiliation, or relative position in the value chain of their industry - distinguishing horizontal, vertical, and lateral alliances (Baum et.al, 2000); their geographic location - distinguishing domestic and international, or proximate and distant alliances, (Sorenson and Stuart, 2001); and partners' institutional context - identifying unique properties of public-private partnerships (Rufín and Rivera-Santos, 2012).
- Alliance-structure-based classifications focus on how the relationships among partners are organized and managed. Numerous proposals have been advanced for classifying alliance governance structures (Child and Faulkner, 1998; Yoshino and Rangan, 1995), but some consensus has emerged for basing structural distinctions on the legal basis of the alliance - either entirely informal relationships (Kreiner and Schultz, 1993), formal contractual agreements (Reuer and Ariño, 2007), deals involving minority equity investments in partner organizations (Gulati and Singh, 1998), or partnerships involving the formation of an equity joint venture (Das and Teng, 2001; Lyons, 1991).

An alliance is an inter-organizational embrace between two or more organizations that remain distinct, except that they cooperate for a specific joint purpose. Each partner's strategic goals amount to:

1. maximizing the joint net value or net benefits resulting from the cooperation (Zajac and Olsen, 1993; Colombo, 2003);
2. appropriation of a goodly share of the net benefits created (Gulati and Singh, 1998); and
3. minimizing each partner's own costs and risk.

Appropriation of the benefits from an alliance can take several forms. It can involve financial gains such as profits and equity growth on the shares held in an equity-based joint venture or royalties earned on technology licenses (Contractor et al, 2011). Alliance benefits could also accrue from earning profit mark-ups on outsourced components or products traded between the allies in supply chain partnerships (Wathne and Heide, 2004; Kaufman et al., 2000; Jeffries and Reed, 2000). Alternatively, the benefit each partner derives from an alliance may be nonfinancial, but no less important, such as learning valuable process techniques or other knowledge from the alliance partner.

Knowledge is a key resource that contributes to corporate renewal and competitive advantage. In particular, international acquisitions are often motivated by the desire to gain access to new knowledge and transfer existing knowledge between the acquiring and the acquired firms (Björkman et al., 2007; Bresman et al., 1999; Empson, 2001; Ranft and Lord, 2002).

Multinational enterprises will increasingly need to form alliances in order to have the resources to be truly globally competitive; yet the inappropriate choice of an alliance partner could turn out to be even more costly and risky than trying to cope alone (Brouthers et al, 1995). International alliances are critically important to firm success (Glaister and Buckley, 1999). Serving as a conduit through which knowledge flows between firms (Madhavan et al., 1998) is one way how strategic alliances facilitate knowledge integration.

Interfirm collaboration has become a vital aspect of national and international strategy and operations. Williamson's Transaction Cost Economics acknowledged the existence of 'hybrids', such as joint ventures and strategic alliances, existing somewhere between markets and hierarchies (Pitelis and Teece, 2018).

2 Inter-organizational interaction among alliance partners

Although interfirm collaboration is not new in business, the unique features of today's strategic business alliances include their utilization in large scales and scopes and for an enduring period as a strategic tool to gain or sustain competitive advantages for companies (Culpan, 2009).

Contractor et al. (2011) seek to uncover what factors influence the degree of inter-organizational interaction among alliance partners and what the optimal level of this interaction should be. Some degree of interfirm interaction is always necessary, yet they argue that there exists a curvilinear correlation in this relationship. There are obviously multiple costs of interaction (i.e., coordination, information leakage, risk partner opportunism, etc.), as well as costs of lack of interaction (i.e., miscommunication, lost opportunities, transaction costs, etc.).

Alliance interaction is conceptually interesting due to its virtually intangible, yet critical dimension of the alliance tie. Contractor et al. (2011) draw on transaction cost theory and the knowledge-based and resource-based views of the firm to explore the optimal level of inter-organizational interaction as a function of four dimensions: technology characteristics, coordination costs and risks, agreement provisions, and firm and industrial sector features.

Inter-organizational relations are structurally interesting because they form organizational networks that allow us to assess how dense networks are, who the brokers in the network are, the different subgroupings in the network, and where firms are positioned in a given network (Baum and Rowley, 2008; Kilduff and Tsai, 2003). Das and Teng (2002) argue that all alliances proceed through a formation stage, an operation stage, and an outcome stage. During the formation stage, the alliance partners seek to negotiate the alliance and begin implementing the agreement that they have entered. The formation stage is marked by the calculated expectation that the alliance partners will not experience inordinate degrees of relational risk and performance risk (Das and Teng, 1996) as well as inefficiency and inequity (Ring and Van de Ven, 1994).

At the operation stage, the alliance partners implement the contractually binding commitments they have made. Implementing the agreements may be either a smooth or a conflict-prone affair. This stage enables member firms to solidify their perceptions about their partner. It also may lead one or both member firms to engage in content learning, while simultaneously promoting alliance management learning. The success or failure of an alliance is determined at the outcome stage, where it can either be stabilized, reformed, enter a state of progressive decline, or eventually be terminated (Das and Teng, 2002). The particular outcome would depend, first, on whether the alliance has experienced a learning related discrepancy and, second, on the ability of the members to effectively cope with that discrepancy.

To understand alliance learning, we need to recognize that the different stages of alliance evolution (formation, operation, and outcome) describe unique sets of alliance conditions (Doz, 1996; Das and Teng, 2002). Alliance conditions are defined by three categories (Das and Teng, 2000):

1. collective strengths of the alliance;
2. inter-partner conflicts; and
3. interdependencies among the alliance partners.

Collective strengths define the extent of value creation by the alliance partners as they work together. This requires the willingness and the ability to learn from one's partner while also assisting the partner to learn. The alliancing firms may be able to maximize value creation through their interactions. The greater the difference in the absorptive capacities of the member firms, the lower would be the collective strengths of the alliance (Das and Kumar, 2007). The collective strengths of an alliance are the aggregated resource endowments of partner firms in relation to the specific strategic objectives that they aim to pursue jointly. The resource-based view of the firm suggests that alliances are formed to obtain access to other firms' critical resources (Das and Teng, 2000). The purpose is to have sufficient resources to pursue value-creating strategies. Bringing complementary resources into an alliance is considered a key determinant of economic rent generated from alliances. The chances of success increase when the collective strengths of the partner firms are enhanced by combining their market power, technology, and other key resources.

The second alliance condition variable, inter-partner conflicts, refers to the degree of divergence in partners' preferences, interests, and practices in an alliance (Hardy and Phillips, 1998). Inter-partner conflicts are an important aspect of alliances because effective cooperation demands a relatively low level of conflict. Inter-partner conflicts stem from differences in strategic objectives among partner firms (Khanna et al., 1998), incompatibility in national and corporate cultures of the parent organizations (Ariño and de la Torre, 1998; Kumar and Nti, 2004; Parkhe, 1991), differing alliance horizons (Das, 2006), political activity among the alliance management team members (Pearce, 1997), and their experience in managing alliances. While there are various reasons for inter-partner conflicts, they seem to fall into three principal categories. First, partner firms may have very different organizational routines, technologies, decision making styles, and preferences that do not fit very well (Olk, 1997). When firms are vastly different, it takes more money, time, and effort to coordinate their efforts. When firms scramble to have it their own individual way, conflicts inevitably arise. The second source of inter-partner conflicts has to do with the private interests and opportunistic behavior of partner firms, which are emphasized in transaction cost economics. Firms may have incompatible alliance goals that prompt maximizing their private benefits without advancing the common benefits of partners. Firms may also behave opportunistically to appropriate partners' tacit knowledge and know-how and deliver substandard products. The third type of inter-partner conflicts arise from outside the alliance. Partner firms may be fierce competitors in the same market, so that their separate interests may clash (Das and Teng, 2002).

Interdependencies define the extent to which the alliance members can benefit from their cooperation. The interdependencies may be either symmetric or asymmetric. When symmetric, there are benefits for both members in continuing with the alliance. In the symmetrical condition, the alliance members learn from each other in ways that are both equitable and efficient (Das and Kumar, 2007). According to the resource dependence theory, firms attempt to manage their dependence on other firms by engaging in various interfirm relationships. In any relationship, the need for another firm's resources creates a sense of dependence. Although dependence on other firms is a prerequisite for a firm to consider alliances, unidirectional dependence or asymmetrical dependence is not always sufficient for alliance formation. The extreme of asymmetrical dependence is when A depends on B while B does not at all depend on A. No alliance will be formed under this condition. Only when the partners mutually depend on each other will cooperation take place.

3 Strategic alliances in international business

Strategic alliances have become increasingly common due to globalization, deregulation, developments in information and transportation technology and the rise of new market economies. Challenging strategic decision-making processes that accompany alliances become much more complex in a global context with vastly different and varying environmental factors at play. A key question in strategy formulation is to identify the nature of value creation as embedded in various locations. But it is more than geography that matters; locations are infused with values, institutions, and practices that form the infrastructure in which assembly decisions are embedded (Dacin, 2011).

When firms decide to go international for various strategic objectives, they might choose to have full managerial control and acquire a firm or develop a new wholly owned subsidiary, but alternatively they might engage in different degrees of cooperation with other firms (Kogut and Singh, 1988). Generally, firms get involved in inter-organizational relationships abroad to minimize firm costs, create discriminating alignment between host country uncertainties and firm control, and learn from its partners (Aguilera, 2011). A wide range of inter-organizational relationships falls on the global market to multinational hierarchy spectrum, ranging from supplier relationships (Dyer and Chu, 2000) to multinational business groups (Colpan et al., 2010).

Global strategic alliances are defined as the relatively enduring interfirm cooperative arrangements, involving cross-border flows and linkages that utilize resources and governance structures from autonomous organizations headquartered in two or more countries, for the joint accomplishment of individual goals linked to the corporate mission of each sponsoring firm (Parkhe, 1991). The global business environment is changing in several respects that favor contractual alliances over the equity joint ventures alternative. As an overall trend, worldwide enforcement of intellectual property laws grows better each year. Expropriation hazards have significantly diminished over the past 20 years, and arbitration clauses better protect the value of foreign assets (Contractor and Reuer, 2014). Another quiet trend that marginally promotes the transferability of knowledge in organizationally more distant contractual alliances is the increasing codification of unregistered corporate capability (Contractor and Lorange, 2002). Global supply chain alliances that would have been considered too risky or unmanageable due to foreign exchange, political risks, and international logistics risks are now possible because of better operations research methodologies (Ding et al., 2007).

To develop and exploit a competitive advantage, firms must possess resources that can be used to create inimitable and rare value for customers. The increasing complexity of markets, because of accelerating and rapid globalization, make it difficult for firms to have all the resources necessary to compete effectively in many markets (Ariño and de la Torre, 1998). In some settings, firms acting independently rarely have the resources needed for competitive parity, much less competitive advantage. Alliances provide access to information, resources, technology and markets. Information and technology as well as special access to a market can all be considered resources.

Strategic alliances' value-creating potential makes them an important source of competitive advantage (Das and Teng, 2001; Larsson et al., 1998). The firm that can effectively cope with environmental uncertainty and ambiguity, proactively reposition in competitive markets, and minimize transaction costs through strategic alliances increases the probability of maintaining competitive advantages.

The motives to form strategic alliances revolve around expectations to gain production efficiencies and the resultant lower costs; to expedite access to technology, markets, and customers; to promote organizational learning; to expand strategic competencies; and to stay competitive. These and other motives represent the bright side of alliances.

According to Brouthers et al. (1995), strategic alliances should be utilized when:
- complementary skills are offered by the partners;
- cooperative cultures exist between the firms;
- the firms have compatible goals; and
- commensurate levels of risk are involved.

Complementary skills make an important contribution to the success of a strategic alliance. The first step in finding a partner with complementary skills is to conduct a comprehensive search. Partner selection based solely on the size of the financial contribution to the alliance is risky. The basis of review should include an examination of skills, technologies, and markets.

The first key to creating cooperative cultures is the concept of symmetry. Strategic alliances work better when there is only a small difference in the size of both firms. Similarly, financial resources and the internal working environment of firms should be comparable. Alliance partners should possess a mutual sense of trust. Symmetry must also exist at the top level of management in form of peer relationships between the top executives of alliance partners. These relationships are especially important in alliances that are dissimilar in size. Cooperative alliance cultures can become especially difficult to maintain between firms originating in different countries.

The alliance is more likely to fail if it does not advance both firms' strategic goals. Each company should evaluate the general goals the strategic alliance has for each partner. Firms involved in alliances must have goals that support each other, not compete with each other. Competitive goals are counterproductive and result in alliance failure. Goals that are complementary help the firms involved achieve success.

Strategic alliances must be structured to distribute risks between partners. The fact that successful alliances must share risks, also means that this sharing and equality of risks must be maintained.

To increase a firm's chance to form a successful international strategic alliance its management must be aware of (Brouthers et al. 1995):
1. Complementary Skills: Alliances should be formed only with firms that can contribute to the strength of the venture. The skills, experience, and know-how must be specific and applicable to the products or services being offered. Managers should choose to form alliances only with firms that fulfil a specific need. Without the addition of new skills, there is little need for the firms to work together.
2. Cooperative Cultures: Management must be cognizant of the importance of cooperation in successful international strategic alliances. Management of one firm should not take the 'lead' role and teach the other alliance partners all they know but learn nothing themselves. Cooperation is a two-way street and management

must look for opportunities to learn from alliance partners. Management must also be careful that employees involved in the alliance are sensitive to any existing cultural differences.

3. Compatible Goals: Prior to forming an alliance, management must be sure their participation is based on their firm's goals, and not just a convenient, spur-of-the-moment decision. Management must have goals for both the alliance and the firm as a whole. Strategic objectives should be fulfilled through the alliance that could not have been achieved without the international strategic alliance. Conflicting goals of partner firms may result in poor performance of the alliance itself or restrict the results of the alliance so only one alliance partner benefits.
4. Commensurate Levels of Risk: Management should consider the risks involved. Management must not enter alliances in which they may be called on to contribute more money than the firm can comfortably afford, either at the outset or in the future. In addition, management must be careful: not all knowledge, experience, and know-how is contained in the alliance, and the partner firms must keep non-alliance information out of the hands of alliance partners. In many instances, alliances are formed to reduce risks, but while reducing some risks, such as political exposure, alliances also create their own set of risks. Giving away corporate competencies, or finding that financial pressures increase because of partner problems, are two major risk areas.

Strategic alliances are known to be risky. Unless there is a real resources shortage, be it skills, technology, or finance, strategic alliances should be avoided. If shortages exist then the company should look for complementary skills, cooperative cultures, compatible goals, and commensurate risk levels (Brouthers et al, 1995). Alliances can share both financial and competitive risks, thereby reducing the overall level of risk of each. If there is nothing at risk, the incentive to stay together is reduced. Thus, strategic alliances must provide for a clear distribution of risks. The company must not view the initial investment as the only risk. To be successful, each firm in the partnership must have equivalent levels of risk within the alliance.

Many alliance studies point to high failure rates (Kale et al., 2002), to high transaction costs involved in negotiating and monitoring alliance deals (Argyres and Mayer, 2007), and to problematic uncertainties related to the appropriation of alliance benefits (Park and Ungson, 2001). Studies have shown that between 30% and 70% of alliances fail; meaning, they neither meet the goals of their parent companies nor deliver on the operational or strategic benefits they purport to provide (Bamford et al., 2004). Alliance termination rates are reportedly over 50% (Lunnan and Haugland, 2008), and in many cases forming such relationships have resulted in shareholder value destruction for the companies that engage in them (Kale et al., 2002).

This creates a paradox for firms. On the one hand, companies face significant obstacles in ensuring sufficient success with alliances. On the other hand, they need to form a greater number of alliances than before and must increasingly rely on them as a means of enhancing their competitiveness and growth. If this is indeed the case, managers need a better understanding of what really underlies alliance success. The cost of failure can be substantial. Several factors, including the inherent conflict resulting from goal divergence, partner opportunism and cultural differences contribute to alliance failure (Doz, 1996; Kale et al., 2000).

Alliance conditions are the characteristics of an alliance at any given moment in the life of the alliance. Das and Teng (2002) propose three variables that systematically capture the key aspects of alliance conditions: collective strengths (positive effects of alliances), interpartner conflicts (negative effects of alliances), and interdependencies (the need for alliances).

The collective strengths of an alliance are the aggregated resource endowments of partner firms in relation to the specific strategic objectives that they aim to pursue jointly. The resource-based view of the firm suggests that alliances are formed to obtain access to other firms' critical resources (Das and Teng, 2000). The purpose is to have sufficient resources to pursue value-creating strategies. Bringing complementary resources into an alliance is considered a key determinant of economic rent generated from alliances. The chances of success increase when the collective strengths of the partner firms are enhanced by combining their market power, technology, and other key resources. Interpartner conflicts refer to the degree of divergence in partners' preferences, interests, and practices in an alliance (Hardy and Phillips, 1998). Interpartner conflicts are an important aspect of alliances because effective cooperation demands a relatively low level of conflict. Interdependencies refer to a condition in which both parties benefit from dealing with each other (Levine and White, 1961). Although dependence on other firms is a prerequisite for a firm to consider alliances, unidirectional dependence or asymmetrical dependence is not always sufficient for alliance formation. Only when the partners mutually depend on each other will cooperation take place.

4 Knowledge integration through strategic alliances

Alliances are a powerful means of enhancing organizational learning, technological leadership and knowledge-based capability. Close interaction between partners can complement internal development and allow faster access to new technologies located beyond the boundaries and abilities of an individual firm (Hipkin and Naudé, 2006).

Resource-based view contemplates that the possession of unique and inimitable resources of a firm leads its sustainable competitive advantage; therefore, it is important for the firm to exploit such resources fully and build a resource-base (Culpan, 2009). To acquire and develop such resources, in addition to developing their own resources, firms can build strategic alliances with others who have such complementary resources and knowledge. Several authors used resource-based view when analyzing strategic alliances (Park et al., 2004; Mesquita et al.,2008).

Knowledge-based view emphasizes knowledge creation and sharing through strategic alliances. Several studies of strategic alliances have identified the sharing of knowledge (including technology, know-how and organizational capability) as their dominant objective (Ciborra, 1991; Dyer and Nobeoka, 2000; Inkpen and Crossan, 1995; Kale et al., 2000; Khanna et al., 1998; Larsson et al., 1998; Lyles, 1988; Mody, 1993; Mowery et al., 1998; Simonin, 1999). Among these studies, the great majority have adopted an organizational learning perspective: assuming that the goal of strategic alliances is to acquire the knowledge of alliance partners.

Network organization theory, on the other hand, focuses on the relationships among multiple network members and demonstrates how the member firms benefit from exchanges among themselves (Bogatti and Foster, 2003). Findings of Rosenkopf and Padula (2008) suggest an important contingency for the endogeneity (growth from within) perspective: structural homophily (sameness) predicts shortcut formation but not alliance formation within clusters.

Muthusamy and White (2005) examined the effects of social exchange processes between alliance partners on the extent of learning and knowledge transfer in a strategic alliance. Their empirical examination results revealed that social exchanges such as reciprocal commitment, trust and mutual influence between partners are positively related to learning and knowledge transfer in strategic alliances. Grant and Baden-Fuller (2004) argued that the primary advantage of alliances over both firms and markets is in accessing rather than acquiring knowledge. Building upon the distinction between the knowledge generation (exploration) and knowledge application (exploitation), they showed that alliances contribute to the efficiency in the application of knowledge: first, by improving the efficiency with which knowledge is integrated into the production of complex goods and services, and second, by increasing the efficiency with which knowledge is utilized. These static efficiency advantages of alliances are enhanced where there is uncertainty over future knowledge requirements and where new products offer early-mover advantages.

When firms enter alliances, the changes in knowledge structures may occur at different levels, and in varying degrees. First, by gaining knowledge from the alliance, the partners may reshape their strategy and the means of implementation. Alternatively, they may create a new knowledge structure in the alliance that they may help their performance. Finally, they may also develop skills for managing alliances effectively (Das and Kumar, 2007).

Das and Kumar (2007) stress that it is important to note, first, that organizational learning is both intra-organizational as well as inter-organizational, and that an adequate framework of learning dynamics would need to encompass the interrelationships between these different levels (Argote et al., 2003; Holmqvist, 2003). Intra-organizational learning is a multilevel process that simultaneously and collectively involves the individual, the group, and the organization. Inter-organizational learning is dependent on the learning strategies pursued by the different organizations. Integrative learning strategies will lead to collective knowledge development whereas distributive learning strategies may prevent that from occurring. Second, learning intent does not imply that valid learning will occur. Third, learning is a costly process because, in order to be effective, it involves a degree of institutionalization – a multilevel process necessitating the integration of individual, group, and organizational level perspectives.

Authors have identified three different kinds of learning that occur in strategic alliances (Kale et al., 2000; Parise and Henderson, 2001:

1. content learning;
2. partner-specific learning; and
3. alliance management learning.

Content learning refers to the ability of an alliance firm to acquire and internalize knowledge from its partner. This type of learning may alter the bargaining power among the member firms if one of the partners outlearns the other (Hamel, 1991; Inkpen and Beamish, 1997). The firm that outlearns its partner may apply the knowledge it has gained to other product domains, leading to superior economic performance. This will also afford the opportunity to either abandon its alliance partner or renegotiate for more favorable terms of collaboration. All this will have major strategic implications for the member firms as well as alliance evolution (Das and Kumar, 2007).

Partner-specific learning has two components: learning from a partner and learning about a partner. While learning from a partner is undoubtedly a significant issue in alliances, learning about a partner is no less important. Learning about one's partner is crucial because the motivation and ability of a member firm to act in ways that will maximize joint value creation are clearly of some importance in sustaining and deepening commitment in the alliance. Partner-specific learning entails the use of the alliance as a mechanism for learning about the motivation and capability of the partner to maximize value creation (Das and Kumar, 2007).

Alliance management learning relates to a firm's ability to manage alliances effectively. According to Zollo and Winter (2002) alliance management learning is a dynamic capability through which the organization systematically generates and modifies its operating routines in pursuit of improved effectiveness. Alliance management learning is significant because it is an essential ingredient for enhancing an organization's long-term competitive ability (Ireland et al., 2002).

The knowledge-based literature identifies two conceptually distinct dimensions of knowledge management. First, those activities that increase an organization's stock of knowledge. Second, those activities that deploy existing knowledge to create value. In relation to strategic alliances, this distinction between knowledge generation and knowledge application corresponds to a key distinction in the ways in which knowledge is shared among alliance partners. Knowledge generation points to alliances as vehicles of learning in which each member firm uses the alliance to transfer and absorb the partner's knowledge base. Knowledge application points to a form of knowledge sharing in which each member firm accesses its partner's stock of knowledge to exploit complementarities, but with the intention of maintaining its distinctive base of specialized knowledge (Grant and Baden-Fuller, 2004).

Alliances provide a foundation for organizational learning, with each firm gaining access to the knowledge of other alliance participants (Inkpen, 2001). Knowledge is transferred through mutual interdependence, problem solving and observations of alliance activities and outcomes (Inkpen, 1996). When a firm learns from an alliance, that knowledge can be internalized and applied outside the alliance's current activities. Thus, an alliance offers an attractive opportunity to gain access to skills that would not have been acquired had the alliance not been formed (Inkpen, 2001; Khanna et al., 1998).

International alliances offer firms opportunities to draw upon knowledge and capabilities not currently controlled or available within their home country (OECD, 2000). However, international alliances also bring challenges not found within domestic alliances. Research has shown that differences in national culture can disrupt collaboration and learning between alliance partners (Lane and Beamish, 1990; Parkhe, 1991; Lyles and Salk, 1996; Hennart and Zeng, 2002).

Despite globalization, country differences persist and powerfully influence strategic decisions and outcomes (Tong et al., 2008). In recent years, the availability of improved country data has been a spur to researchers to include country-specific data and use differences between the countries of alliance partners as explanatory variables. These can include measures for the level of intellectual property protection by countries (Ginarte and Park, 1997), as well as data banks tracking each nation's institutional and cultural factors (Berry et al., 2010).

Sirmon and Lane (2004) suggest three possible sources of partners' differences: national, organizational and professional. National culture refers to deeply set values that are common to the members of a nation (Hofstede, 1991; Hill, 2012). It is a system of shared norms, values, and priorities that constitute a "design for living" for a people (Hill, 2012). The influence of national culture is strong and long lasting. Laurent (1983) found that managers of multinational organizations retain many of their original national values despite routinely working in culturally diverse situations.

Cultural distance can be measured by the indices provided by the GLOBE (Global Leadership & Organizational Behavior Effectiveness) project (House et al., 2004). The GLOBE project has moved beyond Hofstede's (Hofstede et al., 1990) approach and has conceptualized and developed measures of nine cultural dimensions. These are aspects of a country's culture that distinguish one society from another and have important managerial implications. As opposed to Hofstede's four dimensions (uncertainty avoidance, power distance, individualism, masculinity, and long-term orientation), GLOBE scores have nine cultural dimensions: assertiveness, institutional collectivism, in-group collectivism, future orientation, gender egalitarianism, humane orientation, performance orientation, power distance, and uncertainty avoidance. GLOBE studies cultures in terms of their cultural practices (the way things are) and their cultural values (the way things should be).

Definitions of organizational culture revolve around shared group meaning (Hofstede et al., 1990; Golden, 1992; Ostroff et al., 2002). Organizational culture forms a type of social control that identifies appropriate behaviors and attitudes for organization members to display (O'Reilly and Chatman, 1996). Similarity of partners' organizational culture increases partner learning, satisfaction and effectiveness of interactions, whereas differences in organizational culture decrease these positive outcomes. Decreased learning, satisfaction and effectiveness of interactions are expected to inhibit the business processes used to share, combine, and leverage resources such as knowledge, relationships and physical assets (Sirmon and Lane, 2004).

Professional culture is another important type of culture that can affect international alliances. A professional culture exists when a group of people who are employed in a functionally similar occupation share a set of norms, values and beliefs related to that occupation. Professional cultures develop through the socialization that individuals receive during their occupational education and training (Jordan, 1990). When international alliance partners require employees from different professional cultures to interface in the primary value-creating activity of the alliance, the results are expected to be disappointing. According to Sirmon and Lane (2004) employees lack a common basis from which to interact effectively - first, individuals from separate professional cultures lack a shared set of basic knowledge because their occupational socialization involved different content material, which is reinforced by different professional experiences; second, these individuals often lack experience communicating with an audience outside their professional culture. Thus, communication between individuals from separate professional cultures is impaired.

5 Conclusions

Alliances are a complex organizational phenomenon. Utilized across a broad range of contexts, alliances can involve a wide variety of configurations of partners, involve the pursuit of a multitude of specific goals, and exhibit various levels of commitment and investment from partners. The strategic drivers for interfirm cooperation, manifested in a variety of alliance arrangements fall into four broad categories of motives: market growth or revenue enhancement as a consequence of the cooperation; efficiency or cost reduction; sharing or reducing risk; and access to knowledge or learning.

Interfirm collaboration has become a vital aspect of national and international strategy and operations. Several studies of strategic alliances have identified the sharing of knowledge (including technology, know-how and organizational capability) as their dominant objective. Alliances provide a foundation for organizational learning, with each firm gaining access to the knowledge of other alliance participants. Knowledge is transferred through mutual interdependence, problem solving and observations of alliance activities and outcomes. When a firm learns from an alliance, that knowledge can be internalized and applied outside the alliance's current activities. Thus, an alliance offers an attractive opportunity to gain access to skills that would not have been acquired had the alliance not been formed.

Three different kinds of learning occur in strategic alliances: content learning, partner-specific learning, and alliance management learning. Content learning refers to the ability of an alliance firm to acquire and internalize knowledge from its partner. Partner-specific learning has two components: learning from a partner and learning about a partner. Alliance management learning relates to a firm's ability to manage alliances effectively.

Building upon the distinction between the knowledge generation and knowledge application alliances contribute to the efficiency in the application of knowledge: first, by improving the efficiency with which knowledge is integrated into the production of complex goods and services, and second, by increasing the efficiency with which knowledge is utilized. These static efficiency advantages of alliances are enhanced where there is uncertainty over future knowledge requirements and where new products offer early-mover advantages.

Firms get involved in inter-organizational relationships abroad to minimize firm costs, create discriminating alignment between host country uncertainties and firm control, and learn from its partners. International alliances offer firms opportunities to draw upon knowledge and capabilities not currently controlled or available within their home country. Integrating knowledge intensive activities between international firms is more difficult due to partners' differences in national, organizational, and professional culture. Those differences can disrupt collaboration and learning between alliance partners. However, cultural differences are not always a source of conflict or uncertainty in cross-national ventures. Under some circumstances, conflict might be a positive process mechanism for organizational learning, because conflict is likely to lead to the need for more interaction and communication between the partners, and ultimately more effective knowledge acquisition.

Multinational enterprises will increasingly need to form alliances in order to have the resources to be truly globally competitive; yet the inappropriate choice of an alliance partner could turn out to be even more costly and risky than trying to go it alone. It is beneficial to know the best practices of managing a single alliance between two or more firms. However, firms also benefit significantly by assuming a portfolio approach to alliances in the future; most firms engage in more than one alliance. Each individual alliance is important, and a firm certainly needs to have a sound strategic logic for its alliance and adopt appropriate best practices in each stage of its life cycle. Nevertheless, a firm can gain additional advantages by considering its entire set of individual alliances as one portfolio and managing it as such.

Strategic alliances are known to be risky. Unless there is a real resources shortage, be it skills, technology, or finance, strategic alliances should be avoided. If shortages exist then the company should look for complementary skills, cooperative cultures, compatible goals and commensurate risk levels. A large number of alliance studies point to high failure rates, to high transaction costs involved in negotiating and monitoring alliance deals, and to problematic uncertainties related to the appropriation of alliance benefits. In response, they often provide suggestions for the selection of partners and legal structures to reduce failure risks, transaction costs, and misappropriation.

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