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Airline alliances: Mobilizing network resources

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HIGHLIGHTS

- Evidence of differences between access and mobilizing of network resources.
- We introduce the concept of mobilizing capability in airlines alliances.
- Alliance experience and mobilizing capability affect on airlines' performance.

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ABSTRACT

Airline alliances represent examples of resource utilization across a network. This paper examines the need to distinguish between access to and mobilization of the resources held by allies. An ordinary least squares regression was applied to a sample from the Top International Airlines database. Our findings show that mobilization of the destinations of the partner companies through codeshare alliances has a positive and significant influence on the performance of airlines. Moreover, they suggest that the development of network resources mobilizing capability in increasingly dynamic and global environments will only generate an important source of competitive advantage when acted upon.

1. Introduction

The problem of access to the resources of external firms and organizations has been widely discussed for over two decades in the strategic literature (Gulati, Nohria, & Zaheer, 2000; Kogut, 2000). Inter-organizational Relationships (IORs), such as strategic alliances, have become a critical strategic tool, helping firms to create value by sharing or exchanging resources with the aim of gaining competitive advantage (Barringer & Harrison, 2000). Despite the exhaustive literature that is available and the diversity of theoretical approaches in use (Parmigiani & Rivera-Santos, 2011), a fundamental question still remains: how do firms really mobilize resources through their IORs, which we shall also refer to as their network resources (Gulati et al., 2000; Lavie, 2008).

Paradoxically, the literature on alliances and networks has fundamentally centered on access to partners and to their resources and has neither implicitly nor explicitly studied the mobilization of network resources, particularly tangible resources. Accordingly, most works assimilate mobilization with access or use access as a proxy for mobilization (Dhanaraj & Parkhe, 2006; Koka & Prescott, 2002; Min & Mitsuhashi, 2012; Tsai, 2001). However, a firm will not finally or actually mobilize all the network resources of partners that are accessible through IORs; hence, the mobilization of network resources remains a puzzle.

In this study, we introduce the concept of mobilizing capability as the block of knowledge and skills that a focal firm holds and develops over time and focus on the way that firm mobilizes (i.e. to exploit and to use) the partner resources that are the exclusive property of the partners of the focal firm, to which it has access thanks to its IORs.

The tourism industry is one of the most widely integrated in the world as a consequence of its highly intense levels of cooperation (Dale, 2000). So, the different actors in the tourism industry such as: airlines, hotels, travel agents, and tour operators are highly integrated in an industry with boundaries that are increasingly difficult to define (Pansiri, 2009). This situation is due to the high proliferation of strategic alliances both within the industry and

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between the industry and other economic sectors (Pansiri, 2008). The motive has to be found in both external factors, such as rapid technological change, the volatility of the tourism industry, and its internationalization process, and internal factors, such as the fact that most tourism companies are SMEs that need to form alliances with other firms to develop their internationalization strategies (Pansiri, 2009). These strategic alliances in the tourism industry assume different forms through horizontal, vertical and diagonal agreements, and their principal objective is to permit firms to achieve higher growth and competitiveness (Dale, 2003). Accordingly, the skill or capability of a firm to mobilize resources owned by its partners could explain the different levels of portfolio alliance performance among tourist companies.

In this study, we examine the central research question: in what way is the focal firm capable of mobilizing partner resources in the airline industry? Thus, in this industry, which has been one of the most intense cooperative activity in the tourism industry (Evans, 2001), companies have been able to mobilize valuable resources owned by partners through airline alliances (destinations understood as new markets, maintenance, ground services, etc.). In an attempt to respond to this central research question, a clear distinction emerges between access to network resources and their mobilization.

This study has implications for both alliance portfolio management and tourism management practices. In theory, most previous studies have focused on access to partners and to their resources through IORs, but we intend to make a theoretical contribution to conceptualize network resource mobilizing capability and to measure it. In practice, the results suggest that tourist company managers should lend particular attention to the development of organizational routines that transform access to the resources of other companies through IORs, such as airline alliances, into the real use of those resources, which will directly affect their operating capacity and financial performance.

2. Theoretical background

2.1. Alliance portfolio and network resources

A strategic alliance has been defined as "any agreement between two (or more) organizations to carry out a joint task involving more interactions than a one-time arm's-length contract" (Rivera-Santos & Inkpen, 2009: 199). So, firms resort more often to strategic alliances with other actors that possess complementary skills and resources, so as to adapt themselves in a satisfactory way to global markets. Tourism, more than many other industries, makes intensive use of strategic alliances (Alison, 1994; Bhat, 2004; Chan, 2000; Duarte Alonso, 2010; Harrison, 2003; Morrison, Lynch, & Johns, 2004; Preble, Reichel, & Hoffman, 2000; Sedmak, Planinc, & Planinc, 2011). In the tourism industry, strategic alliances have frequently been characterized by inter-organizational relations of a vertical, horizontal and diagonal nature (Huang, 2006). In this way, tourism firms may access such key resources as locations, brand names and customer databases (Preble et al., 2000). Likewise, airline companies, travel agencies, tour operators and hotels may achieve economies of scale and of experience, improve their management of distribution channels and integrate destination marketing with new information technologies, such as virtual tourism and the internet (Huang, 2006). The competitive advantage of tourism firms will depend on the overall inter-organizational network, rather than on single strategic alliance (Denicolai, Cioccarelli, & Zucchella, 2010). This implies that firms will simultaneously establish multiple strategic alliances. Although strategic alliances have been widely studied in the literature, they have on most occasions been individually analyzed (Wassmer, 2010). Hence, the strategic management of jointly designed and simultaneously managed alliance portfolios represents an important line of current research. Theoretically, the perspective somewhere between the Resource-Based View (RBV) and Network Theory appears the most suitable to study strategic alliances, the resources that are obtained from them and the portfolio of firm alliances.

An alliance portfolio may be construed as the sum of all the strategic alliances of a focal actor (Bae & Gargiulo, 2004; Hoffmann, 2005, 2007; Lavie, 2007a). The network approach defines an alliance portfolio as the egocentric network of strategic alliances (Baum, Calabrese, & Silverman, 2000; Ozcan & Eisenhardt, 2009; Rowley, Behrens, & Krackhardt, 2000).

The literature proposes three lines of investigation in relation to the study of alliance portfolios: the emergence of portfolios, their configuration, and their management (Hoffmann, 2007; Wassmer, 2010). Management of an alliance portfolio requires a holistic approach, which implies understanding and considering the portfolio as a whole or a single block, where the focal actor has to manage the alliances as a set of resources and skills.

Network resources are fast becoming an emergent theme in the literature on network strategy and a concept that can help to explain unanswered questions on individual alliances and alliance portfolios (Gulati, 2007; Lavie, 2008). Gulati (1999) introduced the concept of network resources, by assimilating it to resources that arise from the participation of a firm in inter-organizational networks. Kenny and Fahy (2011) noted that the focal firm can attain its strategic goals by leveraging the complementary resource endowments of network partners.

Subsequently, Gulati et al. (2000) refined that definition by establishing three types of network resources: network structure (position, density, centrality, direct and indirect links, structural gaps, etc.), tie modality (number, characteristics, strength, etc.) and network membership.

Finally, Lavie (2008: 548) pointed out that "network resources are assets that are owned by the firm's partners but can potentially be accessed by the firm through its ties to these partners". Therefore, the exploitation that a focal firm may make of its network of contacts basically depends on the resource endowment of its partners. Research into tourism has also shown the relevant role of network resources. Hotel firms will have access to resources through their ties with other organizations (Chathoth & Olsen, 2003; Chen & Tseng, 2005; Tortoriello, Perrone, & Mcevily, 2011). And in the airline industry, evidence has been shown that network resources, as defined above, positively affect performance (Casanueva, Gallego, & Sancho, 2013).

2.2. Access and mobilizing capability

An interesting and as yet unresolved question in the previous literature is the distinction between access to network resources and their mobilization. The principal line of argument assumes that a strategic position in the network provides access to those resources, which would permit their exploitation and eventually improve their performance. This implies that access to external resources means their availability to the focal firm. Access to resources is used as a proxy for their mobilization (Alison, 1994; Andreu, Claver, & Quer, 2010; De Graaf & Flap, 1988; Dhanaraj & Parkhe, 2006; Koka & Prescott, 2002; Lin, Ensel, & Vaughn, 1981; Marsden & Hurlbert, 1988; Stierand & Lynch, 2008; Tsai, 2001).

However, some authors, from very different perspectives, set out the need that access to and mobilization of network resources should be treated as separate concepts (Acquaah, 2007; Batjargal, 2003; Grant & Baden-Fuller, 2004; Kumar, 2010; March, 1991), but they have neither drawn a dividing line between both concepts, nor shown evidence of their separate treatment.