

# Developing relationships in strategic alliances: Commitment to quality and cooperative interdependence

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## Abstract

Organizations are using strategic alliances to develop competitive advantages in quality, innovation, and cost. To capture the potential synergies of these alliances requires that the partners develop long-term relationships. This study develops a model of strategic alliance relationship development based on the theory of cooperative and competitive goal interdependence. Thirty pairs of supplier and customer organizations in Xian, China participated in a survey where the supplier indicated the commitment and goal interdependence and the customer rated the relationship's long-term orientation. Results suggest that the commitment by both supplier and customer organizations to quality develop cooperative interdependence, which leads to effective strategic partnerships.

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## 1. Introduction

Organizations are forming partnerships to enhance their capabilities to improve product quality, innovation, and market reach (Dale, Lascelles, & Lloyd, 1994; Deming, 1993; Feigenbaum, 1996; Mohr & Spekman, 1994; Porter, 1985). Researchers and managers increasingly recognize though that to capture potential synergy in these partnerships, the organizations must develop effective work relationships (Berry, 1995; Cullen, Johnson, & Sakano, 2000; Gersick, Bartunek, & Dutton, 2000; Kumar, 1996; Wood & Gray, 1991). Regardless whether the strategic alliance is a joint venture, research consortium, marketing agreement, or supply chain partnership, members from the organizations need to work together collaboratively.

Despite the appreciation of the value of cross boundary teamwork, empirical research has not very much investigated the development of long-term relationship between strategic partners. This study uses the theory of cooperative and competitive goal interdependence to understand the dynamics and conditions that can promote the development of effective relationships between organizational partners. Investigating relationships in supply chain, this study proposes that commitment to quality affects the goal interdependence between partners that in turn affects their long-term relationship. In particular, commitment to quality helps partners develop cooperative interdependence and low levels of competition and independence. Cooperative interdependence is in turn hypothesized to result in long-term relationships between organizational partners.

This study tests the utility of the theory of cooperative and competitive goal interdependence to develop a framework that may provide partners with a common understanding of conditions that can strengthen their relationship and help them make their partnering arrangements effective. It argues that the commitment to quality by both supplier

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and customer organizations affects how organizational members understand how their goals are related. Specifically, commitment helps partners conclude that the goal attainment of one helps others also succeed. With this conclusion of cooperative goals, they are able to develop effective relationships where they feel they rely upon each other and are committed to each other's long-term success.

### 1.1. Strategic relationships

Porter (1985) and Mohr and Spekman (1994) suggest that organizations cannot develop enduring competitive advantages without working cooperatively with their suppliers and distributors. It is becoming harder for organizations to remain self-sufficient in a turbulent and changing environment (Crossan & Inkpen, 1995; Kuemmerle, 1997). Wood and Gray (1991) argue that organizations working cooperatively with partners can reduce the complexity of their environment and gain more control over environmental factors. Savvy companies appreciate that, in addition to their internal functioning, they must manage their interdependence with suppliers and distributors to respond to intensifying marketplace demands (Bastos, 2001; Berry, 1995; Chase & Garvin, 1989; Levesque & McDougall, 1996; Schneider & Bowen, 1985).

Top management teams typically understand the potential for synergy when they form strategic alliances. They are willing to invest in developing a structure to capture these synergies. However, these collaborative strategies must be implemented. The failure to develop effective two-way relationships between organizational representatives often makes strategic implementation ineffective and the inter-organizational structure unsuccessful (Dyer, 1996; Harrison & St. John, 1996; Liedtka, 1996).

Researchers have concluded that considerable evidence indicates that relationships have pervasive effects on the outcomes of collaborative efforts (Reis, Collins, & Berscheid, 2000). Theorists have recently joined managers in arguing the value of effective relationships for facilitating coordination, teamwork, and negotiation (Graen & Uhl-Bien, 1998; Kumar, 1996; Lewicki & Wiethoff, 2000; Reis et al., 2000; Rousseau, Sitkin, Burt, & Camerer, 1998). Relationships have been thought particularly critical for promoting exchange and integration across functional and organizational boundaries (Boddy, Macbeth, & Wagner, 2000; Bouty, 2000; Jassawalla & Sashittal, 1999; Liedtka, 1996).

In particular, developing inter-organizational relationships has been found to contribute to bottom-line success (Peng & Luo, 2000). Effective two-way communication helped universities adapt to rapid changes (Kraatz, 1998). Findings also suggest that inter-organizational relationships are instrumental in promoting innovation (Goes & Park, 1997).

Researchers have also argued that cross-organizational relationships are often complicated and require a great deal

of skillful management (Dyer, Cho, Su, & Chu, 1998; Lincoln, Ahmadjian, & Mason, 1998). There are competing forces of cooperation vs. competition, learning from the other vs. protecting one's own assets, and short vs. long term (Das & Teng, 2000; Kale, Singh, & Perlmutter, 2000; Tiessen & Linton, 2000). Time pressures, impatience, and a lack of skills can interfere with resolving issues that then fester and undermine relationships (Fisher, 1997; Lascelles & Dale, 1988). Alliance relationships can have much different dynamics and outcomes and can frustrate as well as contribute to organizational success (Humphrey & Ashford, 2000).

Researchers argue that effective, ongoing relationships are needed to accomplish the goals of the alliance (Bouty, 2000; Gersick et al., 2000). High commitment to the relationship appears to be especially important for working across organizational boundaries but these relationships cannot be assumed to develop easily (Griffith, Hu, & Ryans, 2000). Despite their original intentions, people responsible for implementing the new structure often come to doubt the sincerity and commitment of the other side. These doubts undermine the alliance. A major source of failures in joint ventures and other alliances is that organizational representatives fail to forge an effective relationship where they believe they are committed to working together over the long-term.

### 1.2. Organizational support for collaboration

Researchers have begun to recognize that in addition to the abilities of individuals, the larger organizational context very much affects collaborative efforts (Ilgen, 1999; Simonin, 1997; Tjosvold & Tsao, 1989). Specifically, the values and actions of the participating organizations shape the environment in which the alliance operates (Amabile et al., 2001). The collaborators are not acting simply as independent agents, nor as members of the alliance, but have strong, perhaps overriding, allegiance to their "home" organizations. These organizations, focused on their own agendas and methods, can pull representatives apart. Representatives find it difficult to resist the pressures to share the attitudes and orientations of their bosses and others in their "home" organizations, especially if they are inconsistent with those of the other organization (Blake & Mouton, 1989).

This study proposes that strategic agreement on the overall goals of the alliance is a strong foundation for a supportive overall collaborative environment (Koza & Lewin, 2000). In supply chain relationships, partnering organizations have found that promoting quality is an important, common commitment that can unite them. Indeed, studies have documented that developing customer satisfaction with product quality is a valuable, profitable competitive advantage (Brown, Gummeson, Edvardsson, & Gustavsson, 1991; Buzzell & Gale, 1987). To respond to competitive pressures to serve their customers with

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