ABSTRACT

Alliances are increasingly becoming common in all business relationships. In particular, alliances that facilitate the sharing of information between alliance partners as a result of collaborative experience is increasing in importance. Market orientation is a construct that can mediate the relationship between a firm’s collaborative experience and their alliance performance. This paper examines this relationship and highlights the importance of market orientation in the alliance context. The core finding is that market orientation is a useful way to examine the information processing behaviours of firms in alliance relationships.

INTRODUCTION

The aim of this paper is to examine the role that market orientation has in an alliance context. First, the background to the research is discussed in the context of alliances. A conceptual model is then suggested that helps understand the relationship between collaborative experience, market orientation and alliance performance. Next, a literature review is conducted in which the key constructs of interest are defined and discussed. Contribution to theory and practice are then examined. The paper concludes with a section on future research directions.

BACKGROUND TO RESEARCH

Alliances have become increasingly common business relationships that enable firms to perform better in the marketplace. Alliances facilitate market orientation behaviours that enable greater facilitation between the alliance partners. Collaborative experience between alliance partners has been suggested by previous research to be the most important factor in alliance performance (Anand and Khanna 2000). Indeed, there is anecdotal evidence that firms with a strong market orientation have developed strong linkages with their alliance partners. For example, Hewlett Packard has been described as being a firm that has been successful at developing and
managing alliances that have lead to strong performance outcomes in the form of learning (Kale and Singh 1999). However, the literature examining the mediating role of market orientation between a firm’s collaborative experience and alliance performance has not been studied in sufficient depth. Hence, the purpose of this paper is to examine the role of market orientation in the context of alliances, and more specifically, alliance performance. The extent to which a firm has interacted in the past with alliance partners (in terms of longevity and types of collaboration), the firm’s market orientation (information acquisition, information dissemination and behaviour responsiveness) and alliance performance (both subjective and objective measures) will be examined.

**Conceptual Model**

As a firm becomes acquainted with its alliance partner, it establishes better mechanisms in which to learn from that alliance. In particular, an alliance that has been established for a period of time will have better information processing behaviours that allow for a higher degree of learning to take place than would be the case without that experience. As managers in alliances become more familiar with one another’s firm, it becomes easier for them to be aware of information that is beneficial to their firm and to use that information for the alliances benefit. The types of alliances in which a firm has had experience in will also impact upon the level of information that is acquired and disseminated within the alliance context. For example, as a firm acquires more experience in highly structured alliances such as joint ventures that have equity sharing, the firm is likely to know how to acquire the particular information that it requires from the alliance partner. Once the information has been acquired, disseminated and been responded to, this will affect the performance of the alliance. This may be in the form of the firm learning new production techniques or using its marketing expertise to create additional profits and market share for the firms involved in the alliance. Hence, the conceptual model in this paper suggests that market orientation mediates the relationship between collaborative experience and alliance performance. This relationship can be conceptualised in the following diagram.

![Conceptual Model Diagram](image)

**LITERATURE REVIEW**

Alliances between firms have become common as firms attempt to learn from other firms. Kale, Dyer and Singh (2002) define an alliance as “any independently initiated interfirm link that involves exchange, sharing or co-development” (p748). This is a wide encompassing definition and includes joint ventures, technology partnerships, licensing agreements, R&D linkages and production agreements. Experience by alliance partners on the management of alliances is suggested by previous research to be a critical factor in alliance success (Child and Yan 1999; Simonin 1997). Anand and Khanna (2000) state that alliance experience significantly
impacts on stock market returns. Simonin (1997) found that alliance experience is an important determinant of effectively selecting alliance partners. Zander and Kogut (1995) highlight that cumulative technology experience is important in determining the learning capability of a firm. Firms with greater collaborative experience will be in a more beneficial position to access knowledge and skills that can be used in the alliance. Firms that want to acquire specific information about a technology will form alliances with those firms that have been able to provide this information in the past. The particular information required by the firm may then be disseminated within the firm or between their alliance partners in order to complete the required task. Alliance partners that have been judged to be potential informant carrying partners are likely to facilitate this behaviour. However, the role of market orientation in transferring collaborative experience into alliance performance is basically salient in the existing literature.

The literature on the construct of market orientation has been increasing rapidly in past decade (Slater and Narver 1994; Jaworski and Kohli 1993; Jaworski and Kohli 1996). The behavioural rather than the cultural perspective of market orientation will be adhered to in this paper as the process of the firm in utilising information to enhance alliance performance is important. Hence, the definition adopted by Homburg and Pflesser (2000) is adopted in which market orientation is defined as “specific behaviours related to, for example, generation and dissemination of market intelligence and responsiveness to it” (p.449). The generation of market intelligence increases with time as the firm acquires more information from internal and external sources (Sinkula 1994). Internal sources can include knowledge about developing new innovations, knowledge of employees and knowledge about improving processes (Dixon 1992). External sources can include market research, consultant reports and alliances (Dixon 1992). Once the information is generated, it needs to be disseminated within the firm. The information may by complementary in nature or increase understanding of existing knowledge (Sinkula 1994). The firm’s responsiveness to this knowledge is then fundamental to whether the firm gains performance benefits from it. The adaptation of this new information will largely be determined by the firm’s exploitation of new possibilities with the advantage of having old certainties (March 1991).

Firms learn from experience. However, there is debate within the literature whether market orientation is a function of firm age and size (eg Sinkula 1994; Levitt and March 1988). For example, the more alliance partners a firm has had may mean that it has experience in forming alliance relationships but not in utilising these alliances as information seeking devices. Conversely, a firm may have one alliance partner to whom it shares information and uses this information for the benefit of both firms in the development of new products and services. In the alliance literature, there are practical examples of how firms utilise their collaborative experience to increase their market orientation. Clark and Fujimoto (1990) states that by coordinating production groups it positively impacts upon the product design process in the automobile industry. That is, from experience the car manufacturers have learnt that they will be able to utilise information better if they work together as a team rather than as a single entity. Dyer and Nobeoka (2000) highlight that Toyota creates a single entity to store, diffuse and respond to production knowledge. Hence, this entity is able to collect all the information about production processes together, store it and interpret it in a way that holistically helps Toyota’s operations.

Many firms have alliances but some alliance partners are better able to acquire more knowledge than other alliance partners. This ability to create collaborative rents has been supported
by the literature (eg Anand and Khanna 2000; Kogut 2000). However, the ability of a firm to acquire, disseminate and respond to information may be a function of their collaborative experience. Hence, the relationship between collaborative experience and alliance performance may be mediated by the market orientation of a firm. Simonin (1997) highlights this by stating that experience with collaborations alone is not enough to perform well in alliances. Firms need to learn from their previous experience that will help them translate information to productive behaviour outcomes. For example, a clothing manufacturer who has experience in dealing with overseas suppliers will be in a better position to use information it acquires about new materials better than a firm that does not have this experience.

Researchers such as Kale et al (2002), Mitchell (2000) and Reuer (2000) have highlighted the importance of coordinating knowledge gained from past alliance experiences to enhance alliance performance. This means that firms with collaborative experience need a mechanism in which to collect information, share it within the firm and change firm behaviours. This mechanism (market orientation) enables firms to do this. Some firms have created a separate entity (such as Hewlett Packard setting up internal alliance organisations) or created a position for alliance relationships (such as Manager Alliance Relationships). Some firms have also attempted to write down information gained from a firm’s collaborative experience. This information attempts to make knowledge more explicit rather than being a tacit form of knowledge. For example, Hewlett Packard has a 300 page manual that attempts to let alliance partners share information that will enhance the probability of the alliance performing successfully (Kale et al 2002).

Collaborative experience of the firm makes the information and skills gained from the alliance an integral component of the information facilitating behaviours that influence alliance performance (Ahuja 2000). As Zahra, Ireland and Hitt (2000) state “some of this knowledge is tacit, making it difficult to use unless it is integrated into the firm’s operations” (p.930). Tacit knowledge can incorporate information about the way a firm develops a new product or process but is not in an explicit format. Explicit knowledge include that codes and practices that are written down in the firm. As anecdotal evidence suggests, the majority of knowledge is tacit. Therefore, firms are often unaware of the amount or importance of information that they have learnt through collaborative experience. This makes having a filtering device that shares information within the firm important. This device (ie a firm’s market orientation) will then impact on their alliance performance. Firms that place more importance of the acquisition, dissemination and behaviour responsiveness to new information are more likely to perform better than those firms that do not place value on these activities.

A firm with a high market orientation will enable the firm to internalise what it has learnt in an alliance. This is important if the firm wants to keep up to date with competitors and the current business environment. It also will permit the firm to capitalise on existing knowledge (Zahra et al 2000). The firm may already have information that is complementary in nature to the new information it is receiving from its alliance partners, but it may need the alliance partners expertise in utilising this knowledge to the firm’s benefit. However, as information acquisition, information dissemination and behaviour responsiveness are not always a sequential process, it is important that firms share information within the firm so that it leads to better alliance performance (Nonaka 1994).
The market orientation of a firm will likely depend on the managerial attitudes of individual firms to alliance success. As a construct, alliance performance has been controversial in the literature (Arino 2003). This controversy stems from the fact that many researchers take different approaches to measuring the construct. Some measure it through objective indicators such as sales and growth, whilst others measure it through subjective indicators such as managerial perceptions (eg overall satisfaction with the alliance). Hence, the ability of market orientation to influence alliance performance needs to be measured both subjectively and objectively. The amount of information acquired and how behaviour is changed as a result of that information can be measured through the learning mechanisms inherent within the alliance. For example, it can be measured objectively by examining whether the firm has entered into any new partnership agreements or started to export to new countries as a result of that information gained from the alliance partner(s). It can be measured subjectively by asking managers what they have learnt from their alliance partner(s) and whether this has been beneficial for the alliance.

CONTRIBUTION TO THEORY AND PRACTICE

This paper has identified and examined the relationships between key constructs in the marketing and international business literature. In the alliance context, there has been little discussion on the specific effect that collaborative experience has on the market orientation of a firm and in particularly its alliance performance. This paper has identified these links and highlighted an important area of research that deserves more attention. In terms of practical implications, this paper has stressed the importance of managers becoming more involved in the alliance process. Specifically, managers need to be aware that the different types of alliances that they have been involved with will impact upon the information that is acquired and disseminated within an alliance context. Also, as managers become more accustomed to dealing with specific firms, the amount of information exchanged between the firms is likely to produce more alliance benefits in the form of increasing sales.

CONCLUSION AND FUTURE RESEARCH DIRECTIONS

This paper has attempted to discuss collaborative experience, market orientation and alliance performance. The mediating effect of market orientation is important in the marketing literature as many firms (particularly those in alliance relationships) need a mechanism which enables them to successfully learn from past experiences and use these experiences to benefit the alliance relationship. It has been suggested that the major importance of a firm’s market orientation may be in a facilitator type role that enables alliance partners to acquire information from past experiences, disseminate it within the firm and to alter their behaviour that will result in the alliance achieving better financial and/or non-financial gain. This research hence provides not only insights about market orientation within the alliance context, but also provides insights into the mechanism of a firm’s collaborative experience as a predeterminant of its market orientation. Future research needs to examine the statistical significance of these relationships. More quantitative studies such as mail surveys that can be analysed and tested through structural equation modelling need to be done by researchers. Also, qualitative studies in the form of case studies and/or in-depth interviews should be conducted on managers that are involved with alliances to examine their perceptions on how the conceptual model discussed in this
paper works in practice. Researchers also need to examine whether the constructs examined in this paper are affected by any extraneous variables such as environmental uncertainty and cultural distance.

REFERENCES


