FROM STRATEGIC ALLIANCES TO LEARNING ALLIANCES - THE KEY TO A SUSTAINABLE COMPETITIVE ADVANTAGE

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ABSTRACT

Strategic alliances are becoming an important means for survival for organization experiencing economic and or market decline. Strategic relationships guide firms to compromise between doing something themselves and achieving it through another organisation. Alliances provide opportunities for partners to cooperatively come together and create greater value rather than a basic commercial transaction. However, the key to future success may be within learning alliances. Learning alliances are strategic relationships which are based on creating an environment that encourages mutual and reflective learning between partners. This climate enhances the cooperativeness between partners which encourages a higher level of trust and commitment. Alliances that incorporate a conducive learning environment encourage partners to come together and effectively transfer knowledge, resources and information. Learning alliances are more likely to achieve sustainable long-term competitive advantages in a market place that is becoming more competitive and volatile. We present a learning framework which encourages the formation of successful cooperative strategic partnerships and discuss transaction cost minimisation as one of the implications of this relationship.

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BACKGROUND

Since the 1980s, strategic alliances have been very popular (Dowling, Schuler and Welch, 1994, p.37). Levinson and Asahi (1995, p.50) commented that 'these partnering approaches match and respond to the uncertainties and complexities of today's globalised business environment. As companies are becoming aware of international competitiveness, organizations are striving to achieve a sustainable competitive advantage through the initiation of strategic alliances. According to Crossan and Inkpen (1995), it is becoming more difficult for organizations to remain self-sufficient in an international business environment that demands both focus and flexibility. This is one of the driving forces behind the increase of strategic alliances. Strategic alliances allow access to skills and resources of other parties in order to strengthen the organisation's competitive strategies. Porter (1985, p.11) contends that 'organizations cannot achieve long term above average performance without a sustainable competitive advantage' and strategic alliances produce this sustainable competitive advantage (Bowersox, 1991, p.327) by allowing firms of all sizes to produce a practical approach to implementing their international strategies (Lorange and Roos, 1993, p.17).

Alliance partnerships are initiated as effective strategies to overcome the skill and resource gaps encountered in gaining access to global markets (Cravens, Shipp and Cravens, 1992, p.5). Establishing strategic alliance relationships provides access to new markets, accelerates the pace of entry into new markets, sharing of research and development, manufacturing, and/or marketing costs, broadening the product line/filling product; and learning new skills (Varadarajan and Cunningham, 1995). This discussion so far, highlights the extensive exploratory and empirical research conducted on strategic alliances, however in this paper we propose that learning within these strategic relationships is the necessary survival tool for firms in the competitive market. Crossan and Inkpen (1992) argue that the ability to extract knowledge and skills through alliances may become vital to survival. In doing so, organizations will have to take a serious look at their capacity to learn. Osland and Yaprak (1995), state that developing strategic alliances to learn from a partner can be faster and more effective method of acquiring specific knowledge. The competitive advantage of strategic alliances will be established by becoming a learning alliance through the encouragement of reflective learning within these relationships.

Purpose and Perspectives of Strategic alliances

Previous research suggested that organizations initiate international joint ventures as a simple means for two or more parties to jointly participate in the operation of a business activity (Ball and McCulloch, 1993, p.63; Taoka and Beeman, 1991, p.361). The reason for the companies coming together is dependent on the objectives of the strategic alliance. According to Bronder and Pritzl (1992), a strategic alliance exists when the value chain between at least two companies with compatible goal structures are combined for the purpose of sustaining and or achieving significant competitive advantages.

There are many different perspectives of a strategic alliance. Dowling et al, (1994, p.36) see a strategic alliance as a cooperative venture, collaborative agreement or corporate linkage, of which one form may be a joint venture. According to Dowling et al (1994, p.37), 'the partners pool,

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exchange, or integrate specified business resources for mutual gain. Yet, the partners remain separate businesses.' Shipp, Roering and Cardozo (1990) suggest that a strategic alliance exists when, 'firms engage in collaborative behaviour, which may be for the purpose of gaining access to new products or process technology, entering new product markets, obtaining resources, and gaining productivity and quality and other value chain improvements.

The following are other perspectives of strategic alliances - joint ventures:

Cravens, Shipp and Cravens (1992, p.3) - Joint ventures consist of a formation of a separate independent organization by two or more venture partners. Whilst a strategic alliance is a collaborative agreement to cooperate to achieve one or more common strategic objectives.

Lei and Slocum (1992, pp.81-82) - Alliances are coalignments between two or more firms in which the partners hope to learn and acquire from each other the technologies, products, skills and knowledge that are not otherwise available to their competitors.

Lei and Slocum (1992, p.84) - Joint Ventures, outsourcing agreements and co-production arrangements can effectively transfer away initiative and learning from firm to its alliance partner if the managers are not cognizant of the different goals held by their alliance partners or if they are not careful about the interrelationships that involve converging technologies.

Mason (1993, p.11) - Strategic alliances make it possible to draw on excellence from anywhere around the world.

Alliance Structures

Learning within strategic alliances is determined by the structure of the relationship which could either be collaborative or cooperative in nature. The distinction between these two structures can be highlighted by the true Latin meanings. The Latin translation of collaboration is *collabòràre* meaning together to work. It is also referred to as working with another or others on a joint project as a competitor. The word cooperate is translated in Latin as *cooperàrì* and means to work or act together, to work with and or combine.

Both of the definitions for these values mutually include the prefix *co* which means together. Therefore, actions existent in cooperation and collaboration are performed with participating parties. The distinction between these two words is in *labòràre* and *operàrè*. The former refers to working together and the other to operate together. In collaboration the Latin connotation is to work together to achieve a specific objective. Whilst cooperation is to operate or combine together. The perception is that collaboration refers to working together for the short-term and the latter for the long-term. The distinction between these two words highlights the differences that will exist in the structure, objectives and learning of strategic alliances.

Collaborative Alliances

Hamel, Doz and Prahalad (1989) state that the collaboration between competitors is in fashion. They highlight that companies entering collaborative alliances are aware that their partners are capable of disarming them. Parties to these alliances have clear objectives and understand that their partner's objectives will affect their success. Hamel et al, (1989) emphasise that acquiring skills and knowledge from their partners is not a devious act, rather a commitment form each partner to absorb the skills of other parties. Yet, continue to mention that collaboration doesn't always provide an opportunity to fully internalise a partner's skills (1989, p.140). Rather it allows companies to examine what their competitors are doing best and to benefit from this knowledge. As

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a result there is a psychological 'barrier' that exists between alliance partners caused by the fear that their partner/s may outlearn or deskill them which could make them redundant. Lei and Slocum (1992, p.82) address this issue and state that 'alliances can be used as an indirect strategic weapon to slowly 'deskill' a partner who does not understand the risks inherent in such arrangements. Collaboration within alliances leads to competition in both learning new skills and refining firm capabilities in other products and processes.'

However, initiating collaborative strategic alliances has become increasingly popular amongst small and large organizations (Badaracco, 1991) which are creating extensive worldwide networks linked to scores of organizations (Thorell, 1986). Collaboration is a form of competition in the global market which enables firms to gain a competitive advantage.

Cooperative Strategic Alliances

Cooperation is *to work, act or combine together* according to it's Latin antecedents. Cooperative alliances encourage alliance partners to commit their resources to the relationship to gain mutual learning. There is a lower level of competition and the partners feel more committed to work together and exchange their valuable knowledge and resources. Ketelhohn (1993, p.30) discusses the relevance of creating cooperative climates within strategic relationships. He stated that 'cooperation in achieving negotiated agreements becomes a competitive advantage' (1993, p.30) and emphasised that companies 'relying on cooperation will obtain lower costs than an integrated company for as long as they maintain trust - internally, among employees, and externally among members of the network.' The importance of cooperation in today's business environment is highlighted by Osland and Yaprak (1995) who state that

'American managers and leaders are trained to compete not cooperate...competitive behaviours can lead to organizational decline in today's market and that cooperative behaviors are essential for survival in the workforce and marketplace in the 1990s and beyond.'

Varadarajan and Cunnigham (1995) refer to strategic alliances as a 'manifestation of interorganizational cooperative strategies and as such entail the pooling of resources and skills through the cooperation of organizations aiming to achieve common goals, as well as goals specific to the individual partners. This highlights cooperation as a successful structure for strategic alliances.

Both collaborative and cooperative strategies are viewed as being potentially highly successful. Hamel et al, (1989, p.10) summarise the discussion on collaboration and cooperation and state that

'Competition and cooperation sure make strange bedfellows, but in today's global marketplace many companies are discovering that their long-term survival may depend on the partnerships they build with other companies in similar businesses. These partnerships or strategic alliances bring together two or more companies whose core competencies are complementary, enabling them to gain access to new markets, overcome trade barriers or introduce new products.'

According to Luthans, Rubach and Marsnik (1995, p.25), in order to survive in increasingly complex and dynamic environments, organizations need to do more than just adapt. The success or failure of organizations depends on their ability to learn and

'the reasons for the failure of some organizations and the success of others are obviously complex. However, there is little doubt that in a global economy characterised by "anybody, anywhere, anytime, and anyhow," that to succeed, and even to survive in the long run, organizations must be able to learn. They can no longer just react to change they must anticipate change' (p.25).

The skill of learning and transferring knowledge for the benefit of all partners is becoming a competitive advantage for strategic alliances. Within cooperative strategic alliances a reflective and mutual learning environment encourages the effective transfer of knowledge and acts as a mechanism for competitive advantage. Therefore, we propose that within a cooperative environment where learning is encouraged and reflective in nature, that alliance partners will mutually aspire to meeting the objectives of the relationship. In comparison to an collaborative environment where partners view each other as competitors trying to achieve individual goals.

Learning in Cooperative Joint Ventures

Previous exploratory and empirical research has focused on the success of collaborative strategic alliances (Hamel, 1989; Hamel, et al, 1989; Cravens, Shipp & Cravens, 1992; Osland & Yaprak, 1995; Nadler, 1994). However, Ketelhohn (1993, p.30) discussed the importance of creating cooperative climates within companies. He continued to state that 'cooperation in achieving negotiated agreements becomes a competitive advantage and companies relying on cooperation will obtain lower costs than an integrated company for as long as they maintain trust - internally, among employees, and externally among members of the network.' Ketelhohn has introduced two elements of the strategic alliance relationship which will be discussed in this paper. Cooperative alliances encourage a reflective learning environment which not only provides benefits through the transfer of knowledge, but also transaction cost minimisation.

However, Lei and Slocum (1991, p.54) address a problem associated with this relationship and state that
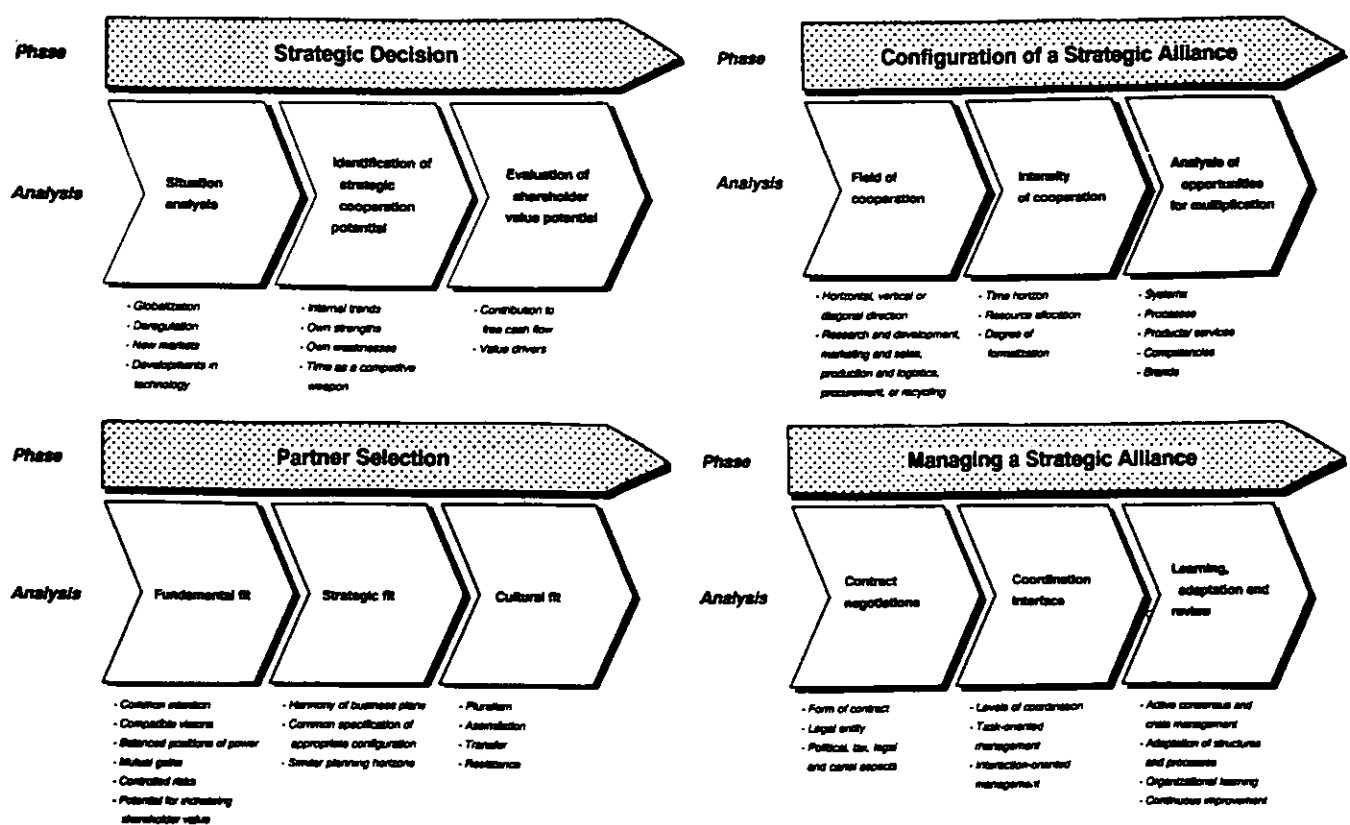
> 'the biggest cost and risks associated with the shared value-adding venture are that partners can loose their sources of competitive advantage to their partners very rapidly if they are not careful.'

Therefore, Lei and Slocum (1991) suggest that within some cooperative arrangements, partners may begin to lose their competitiveness and vision for their companies once they have become dependent on the capabilities of the other parties. If this occurs in the relationship, the less reliant and sufficient partner may cause a threat to their alliance partner/s by becoming a direct and potent competitor (Lei and Slocum, 1991, p.54).

To avoid this barrier of cooperative alliances, the structure should include a 'learning' framework that enables alliance partners to openly reflect their knowledge and information whilst retaining the visions for the alliance as well as their individual firms. This mechanism should be integrated into the relationship to allow all parties to benefit from shared knowledge. Learning is becoming the focal tool for future competitiveness in strategic relationships (Bronder and Pritzl, 1992). Bronder and Pritzl (1992) developed a model for successful strategic alliances in which they highlighted 'learning' as a contributor to the prosperity of alliances. Learning is the critical factor of a strategic relationship and affects the success and long-term sustainability of these relationships.

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BRONDER AND PRITZL STRATEGIC ALLIANCE MODEL

Bronder and Pritzl's (1992) research into several multi-national companies resulted in the development of a four stage conceptual framework for successful strategic alliances. At each phase Bronder and Pritzl (1992) address the essential aspects of a strategic alliance that needs to be carefully revised during the process of the relationship. A critical contribution to this model occurs in the fourth stage where 'learning' is addressed as a success factor of strategic alliances. However, strategic alliances are a sophisticated and reflective learning process initiated for the effective transfer of knowledge and resources to involved partners. Therefore, we propose that the strategic alliance relationship is a learning process and the model should include a more in-depth analysis of this core element. In addition to Bronder and Pritzl's (1992) discussion of the strategic model, a section highlighting the importance of effective learning in strategic relationships is presented. The four phase model included the following stages:

Source: Bronder, C and Pritzl, R., 1992, Developing Strategic Alliances: A Conceptual Framework for Successful Cooperation, European Management Journal, Vol:10, Iss: 4, pp.412-420.

- **Phase 1: Strategic Decision.**
  This phase included various elements such as a situational analysis, identification of strategic cooperation potential and evaluation of shareholder value potential.

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Many researchers have identified that this initial stage, in particular the identification of strategic cooperation and evaluation of the shareholder value potential, is a significant step towards a successful strategic alliance. As suggested by Bleeke and Ernst (1991; cited in Cravens, Shipp and Cravens, 1992, p.4), there is consistent agreement from studies of alliances that it is important that the partners have complementary skills and capabilities. It is important that the alliance brings benefits to all parties directly (management of organizations, employees) and indirectly (shareholders, suppliers, distributors) involved in the relationship.

> • **Phase 2: Configuration of Strategic Alliance**
> *This phase ensures that the parties involved analyse the field of cooperation, the intensity of cooperation and the available opportunities for multiplication.*

The configuration of the strategic alliance refers to the elements of designing a relationship that provides benefits for those involved. Issues relating to trust, organizational integration, degree of formalisation, cooperation, resource allocation and networking management are considered in this phase of the process. Dowling et al (1994, p.223), briefly summarise this phase as a process in which:

> working relationships must be established on mutual trust and respect, as control is easiest and most effective if a good working relationship prevails. Managers must work to create this atmosphere if the joint venture is to succeed.

> • **Stage 3: Partner Selection.**
> *In this stage, partners of the alliance need to be aware of various characteristics of the potential partner. The three factors to be considered at this stage are; a fundamental fit between the parties, a strategic fit and a cultural match.*

Bleeke and Ernst (1991) emphasise the importance of having complimentary skills and capabilities in the relationship. Lei and Slocum (1992, p.96) suggests that:

> building successful alliances requires identifying the core competencies of both partners and developing the strong interpersonal skills and values needed to manage them ... Companies that have been successful with their alliances understand that their alliance partner can facilitate the achievement of their goals in the long run.

> • **Phase 4: Managing a Strategic Alliance.**
> *This phase concentrates on the strategic elements of the alliance, and addresses the analysis of contracts, the level of co-ordination across the alliance and learning, adaptation and review processes.*

In this section Bronder and Pritzl discuss the necessity of developing correct structures within the alliances to promote competent communication, co-ordination and decision making channels. This stage of the relationship encompasses a constant reviewing process of the partners, the contract and the processes. Learning facilitates the partner's motivation in achieving the objectives of the alliance relationship. Yet at the same time, there is little discussion about what learning means to this relationship, in this model. Morrison (1994) highlighted, that this facet of the model required clearer guidelines for maximising the learning potential between strategic alliance partners. We

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propose that a strategic alliance is primarily concerned about learning other techniques and information from different partners. As such a strategic relationship could be summarised as being a unique learning process or a learning alliance. Therefore, future research needs to be directed in analysing the different elements of the learning alliance process and how this can improve the competitive position of firms engaging in strategic relationships.

Importance of learning in strategic alliances

Strategic alliances are constructed in order to effectively transfer knowledge, skills and resources to the involved partners. This entire process relies on a learning mechanism to complete this cycle. Although the model discusses learning as a facet of this process, learning is the actual process. Without a learning environment to encourage the effective and accurate transfer of information, the benefits to the alliance partners is minimal. In cooperative learning alliances the learning is more intense and evacuative in comparison to those that are collaborative. Senge's (1992, p.3) definition of learning organizations

> 'where people continually expand their capacity to create the results they truly desire, where new and expansive patterns of thinking are nurtured, where collective aspiration is set free, and where people are continually learning how to learn together'

reflects the type of learning process that is be encouraged in cooperative strategic alliances The definition addresses the issue of cooperative and or shared learning which is important to strategic alliance relationships. Crossan and Inkpen (1995) emphasise that 'the ability to extract knowledge and skills through alliances may become vital to survival. Doing so will require organizations to take a more serious look at their capacity to learn.' In particular, Crossan and Inkpen (1995) make reference to their research conducted in many American organizations where

> 'although most joint venture parents had learning from their partner as an explicit objective, learning opportunities were not usually exploited in a form consistent with the initial objectives...one of the primary barriers to learning occurred at an individual level where learning opportunities were not exploited because the joint venture experience conflicted with the existing set of managerial beliefs.'

Double-loop learning helps to overcome the problems described by Crossan and Inkpen (1995) in strategic alliances. This thought process incorporates a high level of evaluation and analysis of information and encourages members of organizations and strategic alliances to transfer this information into knowledge that enables changes to be made for mutual benefit. Learning plays a major role in strategic alliances for this is the primary reason for developing these relationships - transfer of information and to learn from it. It provides the capacity to continually learn and innovate which are seen to be the epitome of survival and development for companies in the 1990's (Geus de, 1988; Stata, 1989; Johnston, 1991; Pedler, Burgoyne and Boydell, 1991; Schein, 1993; Mason, 1994). Cooperative alliances aim to incorporate a learning environment that encourages mutual understanding and benefits from the relationship. In fact cooperative alliances should be referred to as learning alliances for the aim of the relationship appears consistent with those of a learning organization. This alliance structure encourages open and reflective learning of cooperative partners and those members of the individual firms, whilst creating a trustworthy environment for the effective transfer of information, knowledge and resources.

PERSPECTIVES OF ORGANIZATIONAL LEARNING

The concept of the learning organization and organizational learning has been described and influenced by the work of a number of writers. The concepts and ideas are not new and date back over thirty years with the work of Simon (1960), Cyert and March (1963) and Cangelosi and Dill (1965). Learning can be seen as a process of gaining new knowledge or insight, leading to individuals modifying their behaviour and actions. Learning builds on memory, individual memory and organizational memory.
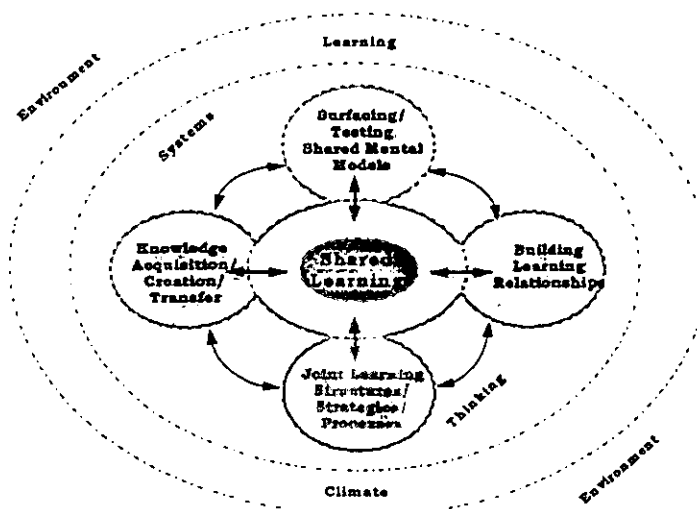
Garvin (1993, p.80) views a learning organization as an organization skilled at creating, acquiring and transferring knowledge, and at motivating its behaviour to reflect and at modifying its behaviour to reflect new knowledge and insights. Learning organizations are skilled at five main activities: systematic problem solving, experimentation with new approaches, learning from their own experience and past history' learning from the experiences and best practice of others, and transferring knowledge quickly and efficiently throughout the organization (Garvin, 1993, p.81).

Garvin's (1993) learning process encourages improvement within companies. He (Garvin, 1993, p.78) suggests that learning and continuous improvement are linked. This link is highlighted by Williamson (1994, p.14) who explains that '...it has been suggested that learning is a route to intelligence that matches organizational capabilities better than rationality...learning is often a form of organizational intelligence (p.28). Learning develops the insights, knowledge and associations between past actions, the effectiveness of those actions, and future actions (Fiol & Lyles, 1985). It is the intelligence of organizations that will produce a sustainable competitive advantage (Prahalad and Hamel, 1990).

THE NEED FOR AN EFFECTIVE LEARNING FRAMEWORK

We propose that without a cooperative learning environment, the success of strategic alliances will be limited in the long-term. Therefore a Learning Framework for Successful Cooperative Partnerships has been developed. The key elements of this framework include a climate/culture conducive to learning, systemic thinking, knowledge acquisition, creation and transfer, surfacing and testing of shared mental models, building learning relationships and developing joint learning structures, strategies and processes. This framework is illustrated in figure 1 below:

Figure 1 A Learning Framework for Successful Cooperative Strategic Partnerships

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Conducive learning climate/culture

If the purpose of a strategic alliance is to improve its potential for learning, there is a need to build a conducive learning climate/culture. According to Bohlin and Brenner, (1996) in order to foster organizational learning it is necessary to focus on both individual and group skills, designing support structures for continuous learning, and creating an overall organizational attitude that encourages learning (p.3). A learning culture is one where people are creative in their working relationships and experiences. Managers within the alliance need to create the right organizational climate for learning.

Mistakes must be seen as opportunities to learn and there needs to be honesty and trust throughout the organization for this to happen (Macher, 1992; Crossan and Inkpen, 1995). Learning requires openness to new ideas (Bohlin and Brenner, 1996; Macher, 1992). There must be a firm commitment from top management to free up employees so they have the time to reflect and review their actions. This learning process has been referred to as Double Loop Learning (DLL) where errors are detected and correction processes are devised and aimed to alter the underlying norms, policies and objectives of the organization (Argyris, 1994; Crossan & Inkpen 1995). Double-loop learning requires members of the organization to act as change participants and to progress with a proactive framework in a reactive environment. This learning process bonds the participants into a dynamic relationship where the transfer of knowledge and information is intense and highly valuable. It is this innovative thought process that encourages successful outcomes to problems experienced by organizations. Crossan and Inkpen (1995) refer to this process as incremental learning where the organizational challenge is to capitalise in each learning increment by reflecting, documenting and transferring the learning.

Managers within the alliance must provide an environment that stimulates the exchange of ideas across all sections of the partner organizations. Osland & Yaprak (1995) state that firms that excel in interpartner learning are better able to adapt to dynamic environmental changes and improve ability to meet customer requirements. Barriers between the alliance partners can be broken down and a climate of camaraderie and community developed by setting up a series of cross functional teams across specific sections of the alliance. These barriers tend to isolate people and inhibit the learning process. Boundaries can be opened by encouraging dialogue, providing links with customers and suppliers and job exchange programs. We see that a key requirement of a climate/culture conducive to learning is that all partners of the alliance must be able to receive and transmit information across internal and external boundaries. Alliance implementation depends upon frequent day-to-day contact between all members of the partnership. It is this constant interaction that promotes faster learning (Lei and Slocum, 1992, p. 85). In Lyles' study (1988), individuals within four firms with long histories and experience with joint ventures, were interviewed to determine their involvement in the learning process. Communication and socialisation were found to be important methods for the transference of learning (Lyles, 1988, p. 93).

Systemic Perspective of the Alliance

To maximise organizational learning between the alliance partners there needs to be a change in the perspective of the business. People within the alliance need to have a systemic focus and implement strategies that generate a holistic view of the partnership over a time period. Systems thinking can be a very powerful tool to facilitate organizational learning. Senge (1992, p. 68) describes systems thinking as a

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discipline for seeing wholes. It is a framework for seeing interrelationships rather than things, for seeing than static 'snapshots ... It is a set of general principal ... spaning fields as diverse as the physical and social sciences, engineering, and management. It is also a set of specific tools and techniques...'

Feedback processes need to be in place to provide information about what has be learned as well as what has been done. Managers within the partnership need to have an understanding of how all sections operate and see how each part of the alliance is a linked towards the delivery of the final product or service. This involves the ability to see connections between issues, events and information as a whole or as patterns, rather than a series of unconnected parts. Systemic thinking involves adopting a holistic approach to problem solving. Instead of breaking up a problem into individual pieces, a systems perspective focuses on trying to understand how relevant factors collectively interact to produce the problem.

Systemic thinking helps alliance companies form their mutual dream for the relationship. This dream or strategy is the focus or the purpose of the relationship and behaviour is guided by this factor. It is where the partners come together to decide what the future prospects of the alliance are and it is extremely important that the dreams of the partners are mutually agreeable by all those in the relationship so there is a driving force to collectively achieve this goal. Lei and Slocum (1992, p.81) summarise this concept by stating that 'there is an old Chinese saying one bed, different dreams. When managers of joint ventures dream different dreams, a lack of mutual understanding can develop which can then result in the demise of the joint venture.'

Knowledge Acquisition, Creation and Transfer

How knowledge is acquired, created and retained, is critical to organizational learning. Nonaka (1994) believes that successful companies are those that consistently create new knowledge, are able to disseminate it widely throughout the organization and embody it in new technologies and innovation. Huber (1991) referred to organizational learning as the 'development of insights or awareness, which is a change in states of knowledge that expands the range of potential behaviours'.

A critical part of the exchange between alliance partners is the ease of access to all forms of knowledge, from knowledge about people, facilities, management systems and practices, to critical information about differences in values and beliefs. Levinson and Asahi (1995, p.61) believe that alliances can sustain joint learning structures if the following steps are integrated into the relationship. This process incorporates:

- becoming aware and identifying new knowledge
- transferring/interpreting new knowledge
- using knowledge by adjusting behaviour to achieve intended outcomes, and
  institutionalising knowledge by reflecting on what is happening and adjusting learning behaviour.

Knowledge as part of the successful framework for strategic alliances is valuable and needs to be monitored and extended at opportunities available. Drucker (1994) claims that the basic economic resource will be knowledge and sees learning at the heart of the social and economic relations of the society:

> The basic economic resource - "the means of production"...is no longer capital, nor natural resources...nor 'labor." It will be knowledge (p.6).

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Surfacing and Testing Shared Mental Models

According to Senge (1992) the most significant learning that can take place in organizations involves changing mental models. He says that

> ...the discipline of managing mental models-surfacing, testing, and improving our internal pictures of how the world works-promises to be the major breakthrough for building learning organizations (Senge, 1992, p. 174).

People need to learn how to surface, challenge and adapt their mental models. Mental models relate to deeply held assumptions, images and generalisations that influence how people understand the world and the actions they take.

To move towards a learning alliance people within strategic relationships need to surface, test and share their mental models, i.e. share their ideas and perceptions about the learning partnership. This process facilitates decision making, action and learning. Small changes in everyday mental models, accumulating over a period of time, will gradually be reflected in changes in long-term deep-seated beliefs. People within strategic alliances need to develop two distinct skills in order to maximise the process of surfacing, testing and sharing mental models. First, *reflection*, the slowing down of thinking processes, to the extent where people can become more aware of how mental models are formed. Second, *inquiry*, being able to hold conversations where they can share their views and develop an understanding about other people's assumptions and beliefs about the alliance.

Building Learning Relationships

A critical success factor of long-term strategic partnerships are learning relationships. However, building learning relationships can be a difficult process. Individuals involved in the process may have a firm commitment to their own organization, their own personal agenda and a unique mental model of the situation. The role of leaders and managers in building these learning relationships cannot be understated. In order for the strategic alliance to learn, the role of leaders and managers need to change. The principal contribution of future leaders will be to shape the design of organizational structure and policies. Senge (1992) believes that the traditional image of the leader needs to change, leaders in learning organizations, need to be designers, teachers and stewards.

The classical role of managers - hierarchical figure, supervisor, and functional expert, are being eliminated and revamped as workers and teams assume more managerial functions. Managers now need to establish learning relationships to replace authoritarian relationships (Aubrey and Cohen, 1995). Osterberg (1993, p.69) sees the leaders role as a coordinator

> ...the leader is not at the top of the organization; he is in the midst. He is not giving orders; he is not formulating policies; he is not controlling. He is coordinating

It is extremely important that within strategic alliances that there is a strong management style that extends across the relationship. A consistent management role across the alliance will enable parties of the relationship to be focused and to provide a shared vision within the alliance. This issue will be affected by the level of and the possessor of the power within the alliance. For example, the parties must decide which party will obtain direct control or take on the leadership role within the alliance in order to facilitate the strategies. It is the same person/s who will also be required to instil or encourage a cooperative learning culture in the relationship. This plays a major role in the success of learning alliances for learning starts at the top and must be reinforced by

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management. Cooperative strategic alliances enable management to create a learning vision to distribute throughout the relationship.

Developing Joint Learning Structures

To support the learning process within the alliance, joint learning structures, strategies and processes need to be developed. This should include designing reward systems that encourage both individual and organizational learning, making resources available throughout the alliance for continuous learning, setting mechanisms in place for collecting and transferring information from both inside and outside of the alliance and developing specific learning competencies. Shared learning within strategic alliances will enable the parties to develop multiple and overlapping technologies and skills into future generations of products (Lei and Slocum, 1992, p.88). According to Mason (1993, p.13), 'if you are not clear on your core competencies, then you don't know who the best strategic fit is going to be...strategic alliances must support and leverage your core competencies.' A strategic alliance that incorporates 'shared learning' encourages a strong foundation for a relationship built on trust and mutual commitment.

FUTURE RESEARCH ISSUES FOR THE COOPERATIVE STRATEGIC PARTNERSHIP FRAMEWORK

The future success and competitive advantage of international strategic alliances will be determined by the ability of organizations' to learn. The framework presented in this paper is a means of achieving a long-term, sustainable cooperative partnership. This is for two reasons; one, that the framework identifies how improvements can be made to different fragments of the strategic relationship and two, the effective use of knowledge created by a reflective learning process. Implementation of this framework in strategic relationships will ensure that cooperative alliances are established through higher levels of mutual trust and respect which improve the sustainability of the relationship and reduce transaction costs. Yet, as a conceptual framework, we acknowledge that empirical research will be required to validate our propositions and to highlight any differences. Further research will determine whether the framework is adaptable to various organizations initiating strategic alliances and the elements that need to be developed.

The framework integrates extensive literature relating to learning organizations. Learning organizations are interpreted and acknowledged differently in various organizations and cultures. Some of the common queries associated with learning organizations are What is a learning organization? Why do we need to become a learning organization? Where do we start? and When do we know we have become a learning organisation? The focus of the framework is not concerned with providing answers to these questions, but to enable organizations to adopt a model that encourages reflective and cooperative learning. It is unrealistic to assume that all organizations initiating strategic alliances will easily adapt to the paradigm of learning organizations because learning occurs and is encouraged differently throughout organizations. The objective of the Cooperative Strategic Partnership Framework is to allow partners to evaluate the relationships that currently exist in organizations and determine how they will impact and how they can be improved to meet the objectives of the alliance. This is a constant reviewing process that enables the partners from various backgrounds, companies and cultures to learn about what is happening in the strategic environment. The framework encourages organizations to learn about their partners and to construct a cooperative environment that allows the relationship to be both mutually inclusive and exclusive depending on the needs of the alliance.

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The learning process in the framework is not to be imposed in the relationship, but to be developed. The objective is not to force organizations in alliances to learn according to a structured framework, but to enable organizations to adapt the learning processes to their current activities. With this perspective conflict will be minimal as organizations will be able to adopt to certain learning process and further adapt to others. The Cooperative Partnership Framework should be implemented as a means of encouraging an environment that enables alliance partners to learn and achieve mutual goals whilst reducing the transaction costs associated with the relationship.

LEARNING ALLIANCES AND TRANSACTION COSTS

Learning can provide strategic alliances with a competitive advantage through one of the long-term benefits of transaction cost minimisation. The opportunities prevalent in learning alliances are caused by the constant interaction and reflection of experiences that occur in these relationships. The opportunities available to strategic alliance partners in learning alliances are significantly increased with the increase in the level of learning. Opportunities and outcomes are explored and evaluated which encourage significant analysis. It is the reflection and evaluation process that enables alliance firms to evaluate the situation, define the mistakes, problems and or the benefits and make the necessary adjustments. It is through this learning process that strategic alliances are able to minimise the transaction costs of their operations.

Transaction Cost Economics

The notions of transaction cost economics began in the early part of this century when theorists such as Veblen (1904), Coase (1937) and Barnard (1938) began to evaluate the associations of transactions costs with the evolution and expansion of organizations (Knoedler, 1995). According to Veblen (1932, p.28, cited in Knoedler, 1995)

> 'the amount of "business" that has to be transacted per unit of product is much
> greater when the various related industrial processes are managed in severalty than
> where several of them are brought under one business management.'

In his economic analysis of transaction costs, Veblen suggested that the costs of transactions would be higher when processes occurred under several conditions, rather than under a set of conditions. Similarly Coase (1937) explained that 'the greater the number, and the complexity, of transactions, the greater the costs involved in transacting (Coase 1937). This is undoubtedly true for reality propounds that this concept is logical. Both of these economic researchers had concluded that as processes became more complex and less easier to define, there would be an increase in the transacting costs.

In 1975, Oliver Williamson began research on transaction cost economics to rationalise the economic decisions of organizations. Veblen, Coase, and Williamson were all interested in how interactions between firms shaped firm and industry structure (Veblen, 1990, p.290). Williamson emphasised transactional analysis as relevant to any transfer of a good or service 'across a technologically-separable interface' (Williamson 1986, 139). He evaluated the reasons for costly transactions, noting that uncertainty, idiosyncraticity, complexity, informational asymmetry, and opportunism were inherent to transactions, which made it difficult to coordinate highly interdependent production and distribution processes through the market mechanism alone (Williamson 1985, 1990). In light of past research (Coase and Veblen) Williamson (1985) suggested that organizations 'emerged, and merged, to reduce the costliness of transactions with

other firms by bringing more activities within one governance structure - or, as Veblen put it, to reduce the "severalty" of business managements.' Therefore, he suggested that companies came together to minimise the affect of high transaction costs to combine two or more firms under the same management (Williamson 1985, 129; 1990, 235).

Since Veblen's initial research, Collin and Larsson (1993) state that transaction cost economics has been applied to diverse areas such as organizational culture (Jones, 1983), international business (Calvet, 1980; Davidson and Mc Fetridge, 1984; Dunning, 1988), corporatism (Streeck and Schmitter, 1985), joint ventures (Hennart, 1988) and strategy (Reve, 1990). Three areas of transaction cost economics are 1. asset specificity (dependence created through transaction-specific investments), 2. uncertainty (humans uncapable of predicting future) and 3. frequency (the level of frequency of transaction costs) (Collin & Larsson, 1993).

Noteboom (1993) highlighted that Williamson's (1975) transaction cost economics involving specificity of assets was crucial in combination with opportunism and bounded rationality. Williamson (1975) highlights that 'bounded rationality' refers to human behaviour that is intendedly rational, but only limitedly so' (Simon, 1961, p.xxiv). Opportunism extends the conventional assumption that economic agents are guided by considerations of self-interest to make allowance for strategic behaviour (Williamson, 1975, p.26). In relation to learning alliances, opportunism and bounded rationality will impact on learning that exists. For example transaction cost focused alliances will consider decisions that are influenced by learning climate (bounded rationality) and the information/knowledge (opportunism) they encounter. To benefit from transaction cost minimisation, strategic alliances must adapt a learning structure that encourages optimal decisions to be made using the information/knowledge in the learning climate. In learning alliances, transaction costs can be minimised if a learning climate (bounded rationality) encourages decisions made through the optimal use of information/knowledge (opportunism).

As suggested by Ketelhohn (1993, p.36) 'transaction costs encourage cooperative arrangements which allow cooperating companies to obtain cost and quality advantages over less efficient or effective integrated companies'. Therefore, it is assumed from this statement that those strategic alliances that are focused on this cost orientation may be more successful due to the cooperative environment that is created in the relationship. The overall costs of the transaction will be minimised if the parties of the relationship are able to operate cooperatively. Gill and Butler (1996, p.82) support this notion by stating that

> 'cooperative ventures take on some characteristics of the collective (Butler, 1983) or clan (Ouchi, 1980) form of organization in the sense that transactions which are difficult to define due to ambiguous goals and which have a high degree of interdependence rely upon trust and mutual forbearance.'

Gill and Butler (1996) noted that transaction costs can be reduced by the level of cooperation and trust in these organizations (Maitland, Bryson and van de Ven, 1985), even though this is only a partial perspective. Barnard's (1938) research on transaction costs and rational systems, highlighted the fundamental importance of incentives in organizations and the social character of cooperative systems. Barnard (1938, pp.40-41) mentioned that

> 'when the individual has become associated with a cooperative enterprise he has accepted position of contact with others similarly associated. From this contact there must arise social interactions between these persons individually, and these interactions are social...cooperation compels changes in the motives of individuals which otherwise would not take place.'

Barnard (1938) highlights the importance of cooperation amongst individuals and groups within organizations. Coalignments between two or more firms enable partners to learn and acquire from each other the technologies, skills and knowledge which otherwise were not available to them (Lei and Slocum, 1992, p.81). Barnard's (1938) interpretation of cooperative enterprises highlights the importance of establishing business relationships that encourage individual self enlightenment which allows them to contribute more tentatively to the organizational operations. In turn, this involvement in the relationship can be transferred into a competitive advantage.

Affect of Transaction Cost Orientation on Learning within Strategic Alliances

Strategic alliances that are oriented towards minimising transaction costs, should encourage double loop or reflective learning. Levinson and Asahi (1995, p.61) stated that such learning is second order organizational learning that not only requires the observation through knowledge transfer, but also the reflection on what is actually happening. This form of learning has been classified as higher level learning (Lyles and Mitroff, 1980; Miller and Friesen, 1980; Starbuck, 1983) and can be associated with transaction cost orientation where alliances minimise costs through reflective learning. Such organizations encourage 'action and learning to occur simultaneously at several nested levels of the system' (March 1988). Williamson (1990, p.27) stated the 'speculation that learning can improve the performance and the intelligence of organizations is confirmed by numerous studies of learning by doing, case observations and theoretical analysis.' Other research has suggested that this learning can be referred to as being reflective, experimental, systematic and progressional (Cyert & March, 1963; Senge, 1992; Garvin, 1993).
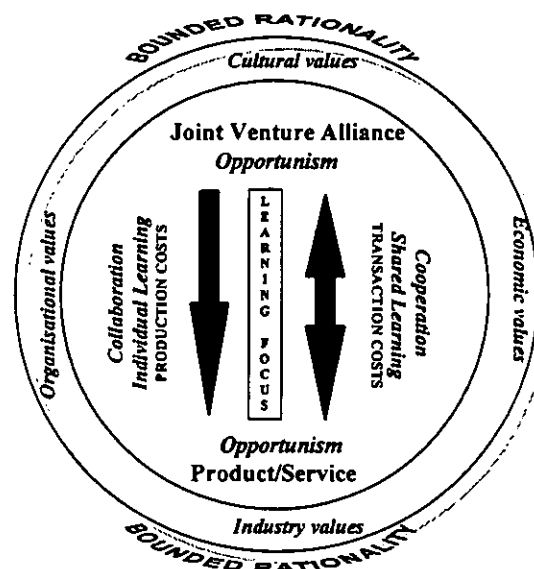
Fiol and Lyles (1985) stated that "learning refers to the development of insights, knowledge and associations between past actions, the effectiveness of those actions and the future actions." Learning occurs at different levels and involves very different processes and competencies. Argyris and Schon (1978) distinguished between single and double-loop learning. They define their theory of learning in terms of an individuals ability to change their strategies to correct any deviations from desired results, ie. single-loop learning (SLL) and the an ability to change the cognitive maps that drive strategy formulation, ie., double-loop learning (DLL). It is hypothesised that within strategic alliances there may be a relationship between transaction cost focus, socio-cultural factors and learning.

Crossan and Inkpen (1995), suggest that learning and improved performance can not be viewed as synonymous. Organizations often have to experience poor performance in order to make a significant operational and strategic operations.' Here, Crossan and Inkpen are referring to the

reflective process of learning synonymous with organizational learning whereby mistakes are analysed in organizational settings and solutions are produced based on this information.

The following model attempts to display the relationship between transaction cost focus and learning within strategic alliances. The model suggests that transaction cost focused strategic alliances will encourage reflective or double loop learning. Partners of such alliances will encourage an environment that allows members to openly reflect their knowledge, information, skills and resources. In addition, factors such as the rational boundaries and opportunities in the environment will affect the learning that occurs in this environment. Minimising transaction costs will occur in strategic alliances through the implementation of double loop and the sharing of information, whilst making optimal use of opportunities and decisions within rational boundaries of the relationship.

Figure 2 Effect of cost orientation on learning alliances

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CONCLUSION

Organizations are facing an increase in global competitiveness. Globalization means that anybody, can enter any market, anywhere, at any time. Under true globalization there will only be one big market, with no artificial barriers to entry, and only the "fittest" organizations will survive (Hodgetts, Luthans, Lee, 1994).

In part, Williamson's transaction cost framework describes how through the use of vertical integration in the auto-motive industry, a reduction in high transaction costs of this assembly-type industry and the elimination of opportunism by suppliers created am industry leader position for GM for many decades due to advantages traceable to superior efficiency. However, the concept discussed by Hodgetts et al, (1994) describe how the reduction alone in transaction costs of this automotive giant could not maintain a sustainable competitive advantage.

They cite Sears, IBM and General Motors as examples of companies that have experienced historic decline compared to companies like General Electric, Motorola and Wal-Mart, which have been able to sustain success in the same highly competitive, global environment. Schein (1993) believes that in order to survive and grow, organizations must learn to adapt faster and faster or be weeded out in the economic evolutionary process.

Cooperative alliances which create a shared vision of mutual learning will develop the capacity to continuously learn and improve the effectiveness of their operations. This higher level of learning (Lyles and Mitroff, 1980) is expected to be seen in organizations which focus on economising organizational costs, (i.e. transaction costs). Organizations looking for long term learning alliances who incorporate the key elements of our framework, we believe, will gain advantage over their competitors by developing a unique relationship. These relationships which cultivate a climate for mutual learning, trust and benefits whilst remaining focused on the alliance objectives, will not only benefit from transaction cost minimisation, but a sustainable competitive advantage. In the end all strategic alliance relationships will end, but it is within learning alliances cultivated by a conducive learning environment, that alliance partners end the relationship as friends and look forward to cooperating in the future.

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