STRATEGIC ALLIANCE AND FIRM PERFORMANCE: A FOCUS ON SERVICE INDUSTRY

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Abstract

Strategic alliance is the agreement between two or more organizations to cooperate in a specific business activity so that each benefit from the strengths of the other and gain competitive advantage. This study examined the influence of strategic alliance on firms’ performance. A quantitative approach was adopted in data collection and analysis. A sample size of 175 was drawn from the total population in the four selected firms in Nigeria having a synergistic relationship using judgmental sampling technique. Simple regression analysis was used in analyzing the data collected through structured questionnaire from respondents at the four selected firms in Nigeria. The results revealed that production has significant effect on sales revenue while marketing alliances has effect on sales revenue. It also showed a positive effect of technology alliance on firms’ effectiveness. In the light of the findings, the study submitted that strategic alliance is indeed a veritable tool in enhancing organizational performance. The study recommended that management of the organization should adopt strategic alliance as a way of restructuring their organizations and improve general performance.

Keywords: Strategic, Alliance, Performance, Service, Satisfaction.

1. Introduction

The emergence of globalization has liberalized trade blocs and constricted the spade of competition among companies across the globe. Their stiff competition has made organizational success very transient in recent times and has compelled managers to recurrently search for the best fit competitive strategy (Hua, 2011; Bouka, 2015; Ponomarenko, 2016). Among the strategic tools gaining prominence at present is strategic alliance. Strategic alliance is a concerted effort by two independent firms to have a synergistic relationship in terms of human and material resources to the advantage of both parties (Dacin, Oliver & Roy, 2007; Rajasekar & Fouts, 2009). Companies have varied reasons for entering into a strategic alliance. Some do this in search of greater efficiency and flexibility, some in order to take advantage of new technologies, and others enter into alliances with start-up or established companies.

Alliances have co-agent understanding between firms in which accomplices may provide technology, capital, or other firm particular assets/resources and abilities (Harrigan, 1998; Dacin, et al., 2007). Strategic alliance is the basic wellspring of resource – learning, sharing, and subsequently assuring upper hand in the aggressive business world. Administration of alliance and esteem creation to accomplish upper hand is essential in strategic alliance (Treland et al., 2002). Mowery and Rosenberg (2003) characterize strategic alliance as a vehicle for the dissemination of innovative information that can add to firms’ achievement. Strategic alliances involve organizations of at least two enterprises or specialty units that cooperate to accomplish deliberate critical objectives that are commonly useful. Strategic alliance is the key to guarantee improved competitive advantage (Harrigan, 1989). Strategic alliances are turning into an imperative type of business activities in numerous ventures, especially on a worldwide field. Strategic alliances are not a panacea for each organization and each circumstance (Zamir, Sahar & Zafar, 2014); but they enhance their focus on situating or pick up section to new markets or supplement basic abilities and offer the hazard and cost of real advancement ventures (Isoraite, 2009; Huang & Lee, 2012). Also, through strategic alliances, ventures exchange knowledge with accomplices and afterward incorporate it into
their own companies, which is likewise a powerful method to reinforce the competitive advantage of an enterprise. Various business concerns exploit strategic alliances to acquire outer innovative work capacities and accomplishments for external development (Puranam, Singh & Zollo, 2006). Companies are forming alliances to obtain technology, to gain access to specific markets, to reduce financial risks and gain competitive advantage (Wheelen & Hungar, 2000). This study examined strategic alliance effect on firms performance.

This article is structured as follows: section 1 includes the statement of the problems and research objectives. Section 2 reviewed literature; a description of research design and the method was presented in section 3. Section 4 presented the data analysis and results. Finally, section 5, conclusion and recommendation were discussed.

Statement of the Problem

Companies are today facing increasing levels of competitive pressure and difficulty with regards to maintaining and improving performance. The management of some companies are forced to seek and implement innovative strategies to advance their company’s competitive advantage as well as their profitability. In view of the foregoing, managers may engage in collaborative arrangements as core elements of today’s business tactics. In addition, the high occurrence of alliances that have ruined in catastrophe is mostly of concern. Alliances have displayed high failure rates such as cost apportionment issues, technological differences, and cumbersome decision making processes (Kale, Dyer & Singh, 2002).

Bamford et al., (2004) observed that 70% and 30% of alliances failed, sometimes, they do not meet the goods and services of their mother companies nor provide an effective or strategic advantage they purport to deliver. An alliance may equally face possible problems such as a clash of cultures, a lack of trust, lack of clear goals and objectives, lack of coordination between management teams and differences in operating procedures among partners. However, evaluating the performance of alliance partners is an important issue as the available studies in the field are so few and were conducted by foreign authors with their setting based on multinational companies in the advanced economies (Das &Teng 2001; Kamanu 2005; Kolenack 2007; Yuhua 2014; Isaac, 2014). There is near complete absence of empirical studies in this field focused on developing economies like Nigeria. This study therefore, bridged this gap by conducting empirical research on the effect of strategic alliance on firm’s performance in Nigeria.

The study main objective is to investigate the influence of strategic alliance on firms’ performance in Nigeria. Specifically, the study, i) examined the effect of technology alliance on firm effectiveness; ii) evaluate the effect of production alliance on sales revenue; and iii) assess the effect of marketing alliance on customer satisfaction. In proffering answer to this research problem, the following hypotheses were formulated: H01: Technology alliance has no significant effect on firms’ effectiveness; H02: Production alliance has no significant effect on sales revenue; and H03: Marketing alliance has no significant effect on customer satisfaction.

2. Literature Review

Several definitions have been advanced on Strategic Alliances have been offered in an effort to clarify its meaning. For instance, Anita, Pearce, Richard & Robinson (2011), defined strategic alliance as an arrangement between at least two organizations in which capacity assets or skills are given to a joint endeavour, more often than not with its own personnel, with each firm surrendering general control. According to Anita et al., (2011), strategic alliances enable companies to extend their strengths to competitive arenas that they would otherwise be hesitant to enter alone.

Mockler (1998), posited that strategic alliances are agreements that are important to the partners, created to achieve common interest. This view is in tandem with that of Wheelan and Hungar (2000). Gamble, Strickland and Thompson (2007) on the other hand, defined strategic alliance as a formal understanding or agreement between at least two separate organizations in which there is deliberately or strategically important cooperation or something to that affect, joint commitment of assets, shared hazard/risk, shared control and common reliance. Alliances include a
wide variety of goals which companies are completely or partially precluded from achieving when confronting competition on their own.

**Strategic Alliances and firm Performance**

There are evidences suggesting that organizations forming alliances will experience enhanced organizational performance. For instance, in Nielsen (2007), Lee (2007) and Gorzen (2007). Also, Perry, Sengupta, & Krapfel, (2004) in their field of study found a positive significant relationship between cooperation in strategic alliances and business performance.


Jabar et al., (2011) examined the Malaysian manufacturing relationship between organizations’ resource availability and absorptive capacity as well as type of alliances with organizational performance. The result indicated that collaborations and partnerships is a factor for consideration to enhance competences and performance.

This means that firms that are planning to improve their performance need to consider alliances with other firms especially those in manufacturing sector. More organizations today are partnering with other affiliates of the supply chain as alliances to enhance the enactment and performance of the customer value-delivery network.

There are evidences in developed countries suggesting that firms forming alliances will experience enhanced organizational performance (Nielsen, 2007; Lee, 2007; Gorzen, 2007). This study is posited to examine the effect of forming alliances developed countries like Nigeria.

**Theoretical Perspective**

The motives for the formation of strategic alliances have been explained from several theoretical perspectives. However, the resource-dependence principle is used as the theoretical underpinning for this study.

**The Resource Dependence Theory**

Resource dependence theory was propounded by Emerson in 1963 and later advanced by Pfeffer and Salancik in 1978, when they opined that having control over perilous resources by one company will make other firms dependent on it. The theory assumes that even operating in the same industry, firms are heterogeneous in terms of their resources and capabilities. In essence, the theory argues that organizations are often not self-sufficient for all the needed resources that can enable them remain competitive. Therefore they need to engage in interchanges with other companies in one way or the other so as to gain necessary resources for survival.

This usually makes a strategic alliance a viable form of inter-organizational structure that can minimize uncertainties thus enhancing access to much wanted resources (Gray & Yan, 1992). Resource dependence theory has emerged as an important explanation for the persistent firm level performance by emphasizing firm’s ability to create and sustain competitive advantage by acquiring advantageous resource positions (Leiblein, 2003). The competitive advantage of a firm is the outcome of a strategy that utilizes its unique resources and skills. The application of this theory will underscore what the parent resource firms prefer to control and how they control them.

3. **Research Method**

The study adopted a survey research design to investigate the influence of strategic alliance on organizational performance. Simple regression statistical tool was utilised to explain the effect of one variable on the other.
Sample size and procedure

The study population consists of the management and staff of Mobil oil Nigeria plc, Mr. Biggs, Guarantee Trust Express and forte Oil. The choice of these two alliances was borne out of the fact that they are performing firms in Nigeria. The staff’s strength of Mobil Oil Nigeria Plc is 937, Mr. Biggs is 428, Guarantee Trust Bank 337 while forte Oil is 445. (NBS). Therefore, the total population for this study was 2,147 and a sample size of 175 was drawn using the Bartlett, Kotrlik and Higgins (2001) table for determining minimum returned sample size for a given computation.

Data were collected using a structured questionnaire as the main research instrument to gather primary data from top, middle and lower level managers of the firms on the wide range of key measurement variables for this study. Out of the total staff strength of 2147, a total of 175 structured questionnaire was used to collect data from the top, middle and few lower level managers of the organizations. Some other lower members of the marketing and production departments were equally interviewed in order to further elicit information about the feelings of the customers in terms of customer desires and satisfactions. Out of 175 copies of questionnaire distributed, only 152 were duly filled and returned.

Model Specification

Stated below is the regression model. The conceptual model shows the Hypotheses: \( Y = f (X) \)

\[
Y = f (x_1) \quad \text{Eq 1}
\]
\[
Y = f (x_2) \quad \text{Eq 2}
\]
\[
Y = f (x_3) \quad \text{Eq 3}
\]

\[
H_{01} \quad Y = \alpha_0 + \beta_1 x_1 + \mu \quad \text{Equation 1}
\]
\[
H_{02} \quad Y = \alpha_0 + \beta_2 x_2 + \mu \quad \text{Equation 2}
\]
\[
H_{03} \quad Y = \alpha_0 + \beta_3 x_3 + \mu \quad \text{Equation 3}
\]

Where:
- \( X = \) Strategic Alliance (SP)
- \( Y = \) Performance (P)
- \( \alpha = \) Constant
- \( \beta_1-\beta_n = \) Regression coefficients of the independent variable
- \( \mu = \) Stochastic Variable
- \( x_1 = \) Technology Alliance (TA)
- \( x_2 = \) Production Alliance (PM)
- \( x_3 = \) Marketing Alliance (MA)

4. Data Analysis and Results

To derive a suitable meaning from the data and investigate the research problem, information from the study were analyzed utilizing regression analysis to examine the impact of the predictor variables on the dependent variables as well as the moderators in the link between the dependent and independent variables.
Table 1: Mean index of Firm Performance

<table>
<thead>
<tr>
<th>Performance Indicators</th>
<th>N</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>firm effectiveness</td>
<td>152</td>
<td>1</td>
<td>5</td>
<td>4.71</td>
<td>1.006</td>
</tr>
<tr>
<td>Sales revenue</td>
<td>152</td>
<td>1</td>
<td>5</td>
<td>4.05</td>
<td>.912</td>
</tr>
<tr>
<td>Customer Satisfaction</td>
<td>152</td>
<td>1</td>
<td>5</td>
<td>4.02</td>
<td>.921</td>
</tr>
<tr>
<td>Valid N (list wise)</td>
<td>152</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Regression Analysis for Research Hypothesis 1

H1: Technology alliance has no significant effect on firm’s effectiveness.

Table 2:

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.827*</td>
<td>.805</td>
<td>.811</td>
<td>.662</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), Strategic Alliance

Table 2 showed a coefficient r of 0.827 (83%) which indicates that there exist a linear direct relationship between Strategic Alliance and firm effectiveness. The co-efficient of determination ($R^2$) is 0.805 which means that 81 percent of the total variation in the firm efficiency is elucidated by the independent variables of Strategic Alliance while the remaining 19 percent unexplained variation is being influenced by other factors outside the model in which are captioned by the error term.

Table 3:

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>61.321</td>
<td>1</td>
<td>71.421</td>
<td>214.014</td>
<td>.000*</td>
</tr>
<tr>
<td>Residual</td>
<td>27.623</td>
<td>151</td>
<td>.214</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>98.944</td>
<td>152</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), Strategic Alliance
b. Dependent Variable: Firm Effectiveness

Table 3 also revealed that the analysis of variance for linear regression data produced F-ratio 214.014 and significant at 0.05.

Regression Analysis for Research Hypothesis 2

H2: Production alliance has no significant effect on sales revenue.

Table 4:

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.924*</td>
<td>.884</td>
<td>.799</td>
<td>.727</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), Strategic Alliance

Table 4 showed a coefficient r of 0.924 (92%) which indicates that there exist a linear direct relationship between Strategic Alliance and Sales Revenue. The co-efficient of determination ($R^2$) is 0.884 which means that 88 percent of the total variation in the sales revenue is elucidated by independent variable - Strategic Alliance while the
remaining 12 percent unexplained variation is being influenced by other factors outside the model which are also captioned by the error term.

**Table 5:**

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>42.132</td>
<td>1</td>
<td>62.213</td>
<td>125.700</td>
<td>.000</td>
</tr>
<tr>
<td>Residual</td>
<td>24.012</td>
<td>151</td>
<td>.213</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>66.144</td>
<td>152</td>
<td>62.213</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), Strategic Alliance
b. Dependent Variable: Sales Revenue.

Table 5 also revealed that the analysis of variance for linear regression data produced F-ratio 125.700 which is significant at 0.05.

**Regression Analysis for Research Hypothesis 3**

**H3:** Marketing alliance has no significant effect on customer satisfaction

**Table 6:**

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.701*</td>
<td>.611</td>
<td>.602</td>
<td>.626</td>
</tr>
</tbody>
</table>

- a. Predictors: (Constant), Strategic Alliance
- b. Dependent Variable: Customer Satisfaction

Table 6 revealed a coefficient r of 0.701 (70%) which indicates that there exist a linear direct relationship between strategic alliance and customer satisfaction. The co-efficient of determination ($R^2$) is 0.70 which means that 70 percent of the total variation in the customer satisfaction is elucidated by the independent variables Strategic Alliance while the remaining 30 percent unexplained variation is being influenced by other factors outside the model which are also captioned by the error term.

**Table 7:**

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>53.121</td>
<td>1</td>
<td>57.312</td>
<td>102.123</td>
<td>.000</td>
</tr>
<tr>
<td>Residual</td>
<td>29.132</td>
<td>151</td>
<td>.521</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>82.253</td>
<td>152</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- c. Predictors: (Constant), Strategic Alliance
- d. Dependent Variable: Customer Satisfaction

Table 7 also shows that the analysis of variance for linear regression data produced F-ratio 102.123 which is significant at 0.05.

**Discussion of Findings**

The results presented revealed that the implementation of Technology Alliance by the organizations has significantly and positively influenced profit growth and consequently organizational performances. This finding is in agreement with the report of Townsend (2013) who also found out that Technology Alliance has significant effect on profit growth ($p \leq 0.05$). The second null hypothesis which says that production alliance has no significant impact on sales revenue was rejected. The outcome from this study showed that Production alliance has influence on sales revenue of the organization. This is subsequently in tandem with the findings of Todeva (2013) who additionally found that production alliance has significant impact on sales revenue. The study also rejected the third null hypothesis. The outcome of this study also showed that marketing alliance has significant influence on customer
patronage. This finding agrees with the outcome of Johnson (2014) who through his study showed that Marketing alliance has significant effect on customer satisfaction.

5. Conclusion and Recommendations

Strategic alliances are more than basic instrumental means for accomplishing aggregate objectives by profiting from collaborators. Strategic alliances impact on each firm’s corporate social capital; and to a given potential access to different resources controlled by other strategic alliances. Strategic alliances have become a need and necessity in numerous business sectors and enterprises. Vibrant markets for products and technologies, combined with the expanding expenses of cost of doing business, have brought about a noteworthy increment in the utilization of alliance. Strategic alliances are progressively turning into a critical piece of general corporate strategy, to develop goods and services, grow new markets, influence technology, research & development. The results obtained from this study indicates that strategic alliance has been a sound approach that enhanced profit and survival of organizations as indicated by the responses of workers in these companies. Strategic alliances are not a panacea for every company and every situation.

References


