Communication In International Alliances And Effects On Their Goals Achievement

Imen Jayari, Mehrez Chahe

Abstract: This study shows the extent to which the communication between allies affects the goals achievement of their alliance. A quantitative empirical analysis, adopting a hypothetico-deductive approach, was carried out in order to validate the causal model. The results, declined from a collected data by a survey distributed to 114 international alliances, evince that communication has a positive effect on three objectives of alliances namely cost reduction, risk reduction and the development of new skills but not new technologies development.

Index Terms: Communication frequency; cost reduction; formal communication; development of new skills; Informal communication; new technologies development and risk reduction.

1. INTRODUCTION

To succeed alliances, the selection of the partner is critical (Cummings et Holmberg, 2012). Each collaboration begins with the analysis of partners and benefits potential of the alliance in order to select the most appropriate partner (Cummings and Holmberg, 2009) which presents similar strategies, goals (Ireland et al., 2002 ; cités par Parast, 2005), competencies and organizational capacity including communication to ensure effective execution of goals (Coble, 2005). The management of each alliance requires lateral communication skills that allow maintaining a relationship through ongoing renegotiations, initial agreements and changing conditions (Johnson et al., 2010). An efficient communication allows knowledge transfer which promotes the goals sharing (Droge et al., 2006; quoted by Rajaguru and Matanda, 2013). Good communication is a pledge of alliances' success. The incompatibility between the allies' interests and cultures (organizational and communicative) can hinder the process of integration (Li et Williams, 1999; cited by Rajaguru and Matanda., 2013).

This study aims to deepen the effects of communication in alliances on their goals' achievement. It presents a theoretical analysis followed by the analysis of the empirical results, and finally, interpretation and managerial recommendations are made.

2 COMMUNICATION AS A WAY FOR GOALS ACHIEVEMENT

Communication is important for developing the sense of belonging and building a collective identity able to provoke membership. It establishes a positive relationship between the different partners and promotes the creation of a new culture consistent with the objectives and expectations of the allies (Rodriguez, 2005). It helps partners to be prepared for change in order to preserve "the sense of the collaboration" in disturbance times. Its purpose is to convey information and to shape beliefs, attitudes or actions of the various stakeholders. Doz and Hamel (2001) emphasize that alliances with complementarities often die because of low cultural and technical overlap between partners which cannot establish effective communication. Constructive inter-firm communication is difficult to achieve (Inkpen and Ross, 2001).

The information asymmetries, inherent in any alliance, are caused by a lack of information sharing and communication (Schreiner, Kale and Corsten, 2009). Inappropriate communication makes difficult to assess the uncertainties and the opportunities for value creation with alliances (Park and Ungson, 2001). This prevents partners to acquire knowledge about the particularities of each other, to build a shared understanding of the obligations and the rules of commitment to develop models on how to work together, to mitigate the dynamics of group potentially contradictory and to effectively manage conflict (Schreiner, Kale and Corsten, 2009). However, when communication is continuous, this ensures the synchronization of the allies' operations and reduces the uncertainty associated to the relationship (Moore, 1998). It can also help leaders and employees to generate new knowledge and build trust (Rivkin, 2009). It has a positive impact on the efficiency of the alliance and can generate additional value creation capabilities (Moore 1998). Communicate precisely at the right time reduces the asymmetries of information between partners which can hinder their ability to work together. This helps them to identify opportunities for value creation (Schreiner, Kale and Corsten, 2009). According to Choi et al., 2010, communication influences the performance of international strategic alliances and they broke it down into these four dimensions: informal, formal, participatory, and bidirectional. However, they found that all these forms of communication, except the informal one, allowed efficient use of the allies' resources which affect thereafter goals achievement. Nevertheless, communication is the sharing of relevant formal and informal information on time between partners (Zaefarian, Henneberg and Naudé, 2013). Formal and informal communication is the glue that holds allies united (Schreiner et al, 2009). Besides, allies, intending new products' creation, have a strong focus on conducting open communication in the alliance and the greatest potential to cooperate on the knowledge needed to achieve common goals (Carlson et al., 2011). The quality of communication among members shows the ability to manage and maintain closer relationships. Besides, the quality of exchanged information enables partners to carry out their tasks more effectively and more lucidly (Mohr and Spekman, 1994). Through open and honest communication, partners can better understand the obligations and the rules of the alliance's
commitment and to recognize the need to adapt them when circumstances change (Schreiner, Kale and Corsten, 2009). For Savanevičienė and Daraškevičiūtė Raginienė (2011), there are conditions for effective communication which are: cooperation, collaboration, commitment, openness, frequency of informal interactions between members and trust. Demonstrating goodwill and intention to cooperate, and, ensuring open and honest communication between allies broaden the potential of the common actions between them (Madhok 1995, Das and Teng 1998). This can reinforce each other's willingness to disclose relevant information about its own customers for its partner. The open and honest communication of allies also demonstrates their credibility and reliability (Schreiner et al, 2009). The exchange of information is a motivation for the commitment and a way to increase mutual trust between allied companies. Strong communication should be supported by information flows at each level. It promises the realization of mutual benefits by the exchange of the necessary information and the reduction of disagreements, conflicts and uncertainty (Chen, Lee and Lay, 2009). Open and free communication as well as and information transparency are essential to build and to maintain a strategic partnership. An intense communication must be supported by information flows at each level. The open and free communication and the information transparency are essential for building and maintaining a strategic partnership (Mohr and Spekman, 1994). Besides, intense communication promises the realization of mutual benefits through the exchange of the necessary information and the reduction of disagreements, conflicts and uncertainty (Chen, Lee and Lay, 2009). Thus, communication is the precision, the wealth and the relevance of the transmitted information which will condition the goals achievement of the partnership (Mohr and Spekman, 1994).

3 ALLIANCES MOTIVES ET GOALS ACHIEVEMENT

The partners rely on the alliance to bridge both gaps in skills and to acquire other news. The companies formed alliances to access additional resources and expertise, technologies and skills to expand their operations in different markets and share risks and costs (Filiou and Golesorkhi, 2014). The alliance also allows the coalition of two companies against a third competitor with a strategic gain (Hamel, Doz and Prahalad, 1989). Other advantages of the alliance can be cited:
- Develop commercial synergies based on technological complementarity
- Carry out a policy of diversification,
- Design and manufacture of new products
- Share research and development department or engineering
- Buy, stock up several (Radu, 2010)
- Ensuring joint production with distribution of investments (Clerc-Girard, 2005).
- Access to new markets and open up to the international (Arino, 2003)
- Reduce costs (Cartier, 2006)

Child and Faulkner (1998) group the motivation to forge an alliance in five categories:
- Motivation costs: cost savings transactions, results, efficient operations and strategies.
- Motivation based on resources which aims to supplement existing resources and acquire the missing resources.
- Strategic Motivation: increase the competitive strategic position of the company in the industry whether with an offensive or defensive alliance.
- Learning Motivation associated with the completion of formal and / or implied.
- Other reasons: management of risk reduction, flexibility, reduction of uncertainty

Companies conclude cooperative agreements to quickly access to new technologies and markets, to benefit from scale's economies in research or joint production, to have other sources of expertise, to share activities' risks that are outside organization's capacity and to acquire additional skills. The internalization and the development of technologies reduce the impact of environmental changes and improve financial performance (Chauvet 2002). Haugland and Lunnan, (2008) distinguish between achieving common goals and private ones. Achieving common goals is an assessment of alliance performance. Generally, it is measured by a subjective perception of the level and the degree of objectives' achievement. As for achieving the private objectives of each partner is a measure of its individual performance (Haugland and Lunnan, 2008). Private goals measure the perceptions of each individual firm of their own benefits (Mohr and Spekman, 1994). It is important to see whether or not the partners have achieved their goals and expectations and whether or not the alliance as a whole has reached its objectives (Murray et al, 2005, Wahyuni et al, 2007). The partners should estimate and appreciate the part of the completed strategic objectives as and when. When goals are being achieved and the behavior of each partner is consistent with initial expectations, then relational quality will be improved (Blanchot, 2006). Common Goals are positively associated with alliances effectiveness (Gordon, 1995) and the results (Mohr and Spekman, 1994) of the alliance. The most commonly used performance measures alliances are related to the efficiency in terms of strategic goals, including common and private, as well as initial and emerging targets (Parkhe 1993; Geringer and Herbert, 1991; Arino, 2003 Haugland and Lunnan, 2008). Some goals can be achieved in the early stages of an alliance (Parkhe, 1993), while others appear throughout the period of cooperation (Doz, 1996). If the allies’ objective is to increase their competitive advantages and strengthen their competitive positions, then, to do so, the partners must consider the following factors: market share (low/high), quality (differentiation) of product or service (lower/higher), product life cycle (decline/ introduction), innovation (low/high), competitive price (lower /higher), customer loyalty (weak / strong), expansion into new markets (domestic, foreign) and the reduction of costs (low/high) (Coutu, 2003). In our study, the measure of alliances’ goals achievement is obtained by the multiplication of the degree of goals importance by the degree of their achievement, according to Parkhe (1991). Based on this, the hypothesis related to the study is:

H1: More the communication is fluid between allies more the goals’ achievement is better.

4 METHODOLOGY AND RESULTS

4.1 Data collection method

This paper presents and tests a research model using a sample of 182 respondents of 114 companies which have formed an international alliance with foreign firm(s) from other economies as European countries, Asia and Latin America (Mexico and the USA). The sample includes international alliances operating in the industrial sector (Electric,........
pharmaceutical, cars, aeronautic, etc.) and the service sector particularly in technology services (information and communication technology, software edition, software digital transformations, etc.). Data were collected with similar pre-tested questionnaires, followed by semi-structured interviews to confirm responses. One senior executive from each sample parent firm was contacted. Each parent company respondent had direct responsibility for the alliance’s operations. Participants were asked to judge statements on a five-point Likert-type scales (1 = strongly disagree to 5 = strongly agree). It tries to determine the degree of importance and achievement of the following strategic objectives: 1- Cost reduction / Obtaining economies of scale; 2- Gain access to a market of another industry; 3- Gain access to a market of the same industry; 4- Develop new technologies; 5- Block the competition; 6- Develop new skills; 7- Reduce risks and; 8- Other (to be specified). Items for communication measure are adapted from Sarkar et al., (2001) and for goals achievement they are borrowed from Arino (2003). To come out the results, SPSS19 and AMOS 20 software were used for analysis.

4.2 Exploratory analysis
The Principal components analysis (PCA) of the variable “communication” shows a KMO equal to 0.752. It allows the purification of an item and to retain a single axis composed of three items whose factorial contribution is good. This one explains 58.117% of the variance and it is reliable since its value Cronbach's alpha is equal to 0.715. The items belonging to this axis have a good representation quality greater than 0.5. This indicates that communication between allies combines both formal and informal communication. PCA’s goal achievement reveals a two-dimensional variable and allows retaining two axes. The first is formed by three objectives which are related to the cost reduction, the development of new skills and finally, the reduction of risks. The second is formed by the objective of developing new technologies. These two axes allow to retain 47.624% of the information and to have a KMO value equal to 0.571. The Bartlett test is significant at the risk of 1%. Cronbach's alpha has a limit value of 0.624. This can be explained by the ratings given to the importance of objectives to distinguish those who are more important from others. The results of Cronbach's alpha coefficients and factorial analysis for each variable are summarized in the following table:

<table>
<thead>
<tr>
<th>Dimensions</th>
<th>Rhô Joresckog</th>
<th>Rhô of convergent validity</th>
<th>Discriminant validity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Communication</td>
<td>0.983</td>
<td>0.949</td>
<td>Validated</td>
</tr>
<tr>
<td>Objectives 1, 6 &amp; 7</td>
<td>0.600</td>
<td>0.365</td>
<td></td>
</tr>
</tbody>
</table>

4.3 Confirmatory analyzes and hypothesis test
The results of confirmatory analyzes are shown in the table below:

<table>
<thead>
<tr>
<th>Variables</th>
<th>CPA</th>
<th>Axes</th>
<th>Cronbach’s Alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goals’ achievement</td>
<td>-KMO= 0.571</td>
<td>0.624</td>
<td></td>
</tr>
<tr>
<td>-T. Bartlett= 0000</td>
<td>Objectives 1, 6 et 7</td>
<td></td>
<td></td>
</tr>
<tr>
<td>-Explained variance = 47.823%</td>
<td>-</td>
<td></td>
<td></td>
</tr>
<tr>
<td>-Extraction &gt;0.5</td>
<td>Objectives 4</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Communication</td>
<td>- KMO =0.709</td>
<td>0.718</td>
<td></td>
</tr>
<tr>
<td>- T. Bartlett = 0.000</td>
<td>-</td>
<td></td>
<td></td>
</tr>
<tr>
<td>-Explained variance = 53.416%</td>
<td>-</td>
<td></td>
<td></td>
</tr>
<tr>
<td>-Extraction &gt;0.5</td>
<td>-</td>
<td></td>
<td></td>
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</tbody>
</table>

The results, related to the communication in alliances, refer to the informal and formal sharing of relevant and timely information between alliance partners. The convergent validity of achieving strategic objectives is less than 0.6. Two explanations explain this low value of convergent validity. The first relates to the multiplication of the goals' achievement note by that of their importance which varies from one objective to another. This will further weaken the discriminant validity. The second is related to the fact that all items relate to the same variable "objectives" but are different and quite distinct. For example, the first item deals with one of the most important objectives, namely cost reduction, but the fourth item deals with the development of new technologies. The results of the hypothesis test show that communication has a positive effect on three objectives of alliances presented par Arino (2003), namely cost reduction, risk reduction and the development of new skills. On the other hand, it has no influence on the fourth objective which is new technology development. So, to develop new skills, allies have to watch over the fluidity of communication between them. Developing new skills can also be a factor of the new technology development.

5 CONCLUSION
The validation of the hypothesis shows that the communication constitutes a major determinant for alliances since its frequency favors and allows a better achievement of some strategic objectives. Besides, this assumes that whatever the frequency of communication between allies, the development of new technologies is insensitive. The way in which information is exchanged and communication takes place is an important factor for alliances success and efficiency. A company that demonstrates openness to communication wants to convey the will and the ability to share information or incorporated knowledge in organizational skills with its allies (Carlson et al., 2011). As a result, it can be concluded that communication promotes the development of allies’ skills. As the communication in our research includes formal and informal dimensions, it can promote the tacit knowledge exchange. This later, which is created by informal communication and transfer, has a role in new technology development (Nonaka and Takeushi, 1994). By providing open and honest communication among them, allies reinforce the potential for joint action to develop new skills (Madhok 1995, Das and Teng 1998, Zaefarian et al, 2013). Thus, the exchange of information and the frequency of the communication constitute for the allied enterprises a
motivation, to confide resources in sight reducing costs and risks on the one hand and secondly, to develop new skills. By collecting and exchanging information about activities conducted by each group, intensive communication improves coordination and discourages opportunism, both of which facilitate integration and thus project performance (Yan and Dooley, 2013). Communication at the right time promotes the problems resolution which permits to avoid dysfunction, delays in manufacturing or delivery, conflicts and/or mistakes, to be good from the first blow and to establish an enhanced collaboration that will reduce costs. Allies must watch over the frequency and fluidity of communication between them and adjust the wealth of information to the needs of reduction of uncertainty and risks.

REFERENCES


