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Emerald Article: Alliance market orientation, new product development, and resource advantage theory

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Abstract

Purpose – This study aims to examine the role of market orientation as a relationship property. This property, labeled "alliance market orientation", is at the inter-firm level and is related to the new product development (NPD) activities of alliances. The main objectives of this article are: to define the alliance market orientation; to argue that it is a major factor in NPD alliance success; and to argue that the resource-advantage (R-A) theory of competition can provide a theoretical foundation for this concept and explain its contribution to alliances' NPD success.

Design/methodology/approach – The paper is conceptual in approach.

Findings – In their efforts to strengthen relationships, alliances may tend to focus so much time on the relationship factors that they miss market opportunities. As a spanning process, NPD should be informed by both external and internal activities. alliance market orientation assists alliances in guiding NPD activities from outside to inside and vice versa. As a dynamic and disequilibrium provoking process, the R-A theory of competition can theoretically ground the concept of alliance market orientation and explain its role in NPD alliance success.

Research limitations/implications – This study contributes to business marketing theory in three ways: it extends the concept of intra-organizational market orientation to an inter-organizational context; the alliance market orientation concept contributes to understanding the role of idiosyncratic resources in alliances; and the R-A theory of competition can theoretically ground the concept of alliance market orientation and provide insights to develop it further.

Originality/value – This study is the first to extend the concept of market orientation into inter-organizational NPD framework and to examine the role of alliance market orientation in NPD alliance success.

Keywords Alliances, Market orientation, Resource-advantage (R-A) theory of competition, Idiosyncratic resources, Inter-organizational new product development, Innovation, Resource management

Paper type Conceptual paper

For society, new product development (NPD) has been considered the engine of economic growth. For firms in business markets, it is often viewed as the nexus of competition. Although NPD is considered a central way to develop a competitive advantage in markets, reports show that there is a significant gap between the spending on NPD and the results of such spending (Business Week, 2008). Major factors responsible for this gap are the growing complexity and costliness of developing new products, the uncertainty inherent in research and development, and the globalization of industries (Rindfleisch and Moorman, 2001; Sivadas and Dwyer, 2000; Spekman *et al.*, 1999). Therefore, many firms are working across organizational boundaries to develop alliances that will reduce the inherent risk associated with NPD. Indeed, NPD alliances are becoming a major business model in a wide range of industries. For example, Peter Weedfald, a Senior Vice-president at Samsung Electronics America, Inc., says that without their NPD partnership with XM, they would have difficulty competing in business markets (Business Week, 2006a).

Nevertheless, many collaborative NPD projects fail to meet the overall performance objectives of their respective NPD alliances (Duysters and de Man, 2007). For example, pharmaceuticals-biotech alliances account for over 30 percent of drugs in clinical trials. Yet, the failure rate of such alliances approaches 50 percent (Business Insights Healthcare Reports, 2008). Why? Why are only some NPD alliances able to develop creative products that meet customer needs and preferences? Why is there financial performance diversity among NPD alliances? What strategies and best practice tools are associated with successful NPD partnerships? These questions imply that research that seeks to identify ways in which inter-organizational NPD can be made more successful is timely and significant. This article responds to this call by arguing that:

- a new concept, "alliance market orientation" can contribute to explaining NPD alliance success; and
- the R-A theory of competition can ground – that is, provide a theoretical foundation for – this new concept.

At the outset, note that NPD requires the use of knowledge assets in a dynamic environment. Therefore, as one of the most prominent research streams in knowledge-based asset strategies, market orientation has focused on the generation, dissemination, and utilization of market intelligence by firms (Kohli and Jaworski, 1990; Slater and Narver, 1995).

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Likewise, note that, by entering strategic alliances to develop new products, alliance partners concern themselves with obtaining information on the environment (e.g. markets, competition, regulations), engaging in a high-degree of inter-organizational information exchange, and making long term decisions (Rindfleisch and Moorman, 2001). Indeed, market orientation's stressing of inter-functional coordination at the organizational level appears to be morphing into a boundary-less activity that highlights inter-firm, inter-functional activities (Johnson *et al.*, 2004; Mason *et al.*, 2006). Therefore, it would seem relevant to consider the market orientation of an alliance as a potential explanation of the performance of alliances' NPD efforts.

Although there has been a growing interest in examining market orientation from a relationship perspective (see Table I), researchers usually examine market orientation as a single firm's property, rather than an inter-firm relationship property (the works of Elg, 2002, and Grunert *et al.*, 2005, are notable exceptions). Indeed, given the importance of the role of market orientation in firms' innovation activities, it is surprising to find a dearth of research on understanding the dynamics between market orientation in alliances and alliances' NPD initiatives.

Because the marketing literature has paid little attention to the role of inter-organizational market orientation in NPD and innovation contexts, a major objective of this article is to take an initial step toward a systematic understanding of the alliance market orientation concept in alliances' new product development success. To examine this concept and its contribution to alliances' new product development success, we will use the interdisciplinary theory of competition, resource-advantage (R-A) theory, as a theoretical foundation. First, we will discuss the concept of alliance market orientation. Then, we will provide an overview of the pedigree and structure of R-A theory, before discussing how R-A theory can theoretically ground alliance market orientation and explain its role in alliances' new product development success. Finally, we provide implications for marketing theory and practice.

1. Alliance market orientation

Exchange is a fundamental concept in marketing research. Among others, more than two decades ago, Hunt (1983, p. 9) argued that "the primary focus of marketing is the exchange relationship". This exchange-based research tradition has informed many inquiries in the domain of inter-organizational relationships, such as the relations between buyers and suppliers (Cannon and Homburg, 2001; Jap and Ganesan, 2000), manufacturers and distributors (Anderson and Narus, 1990; Morgan and Hunt, 1994), service providers and clients (Heide and John, 1988; Moorman *et al.*, 1992), and strategic alliances (Kandemir *et al.*, 2006; Luo *et al.*, 2007; Rindfleisch and Moorman, 2001; Vyas *et al.*, 1995). In general terms, inter-organizational relations are regarded as a basis for success in business-to-business markets because they are major determinants of competitive advantage (Gulati, 1999; Hunt, 1997; Hunt *et al.*, 2006; Jap, 1999). As argued by Dyer and Singh (1998):

> A firm's critical resources may extend beyond firm boundaries [...} firms who combine resources in unique ways may realize an advantage over competing firms who are unable or unwilling to do so. Thus, *idiosyncratic inter-firm linkages* may be a source of relational rents and competitive advantage [...] Indeed, the "explosion in alliances" during the past decade suggests that a pair or network of firms is an increasingly important unit of analysis and, therefore, deserves more study (pp. 660-1; italics in original).

This article focuses on strategic business alliances. An alliance is defined as the collaborative efforts between two or more firms in which the firms pool their resources in an effort to achieve mutually compatible goals that they could not achieve easily alone (Lambe *et al.*, 2002). Although business alliances have been formed for distribution, product bundling, marketing, and other purposes, this article focuses on examining the factors of alliance success associated with NPD. Although prior studies have incorporated the individual firm's market orientation and investigated its potential effect on firms' NPD success, they have generally ignored the possibility of the concept of alliance market orientation and its potential effect on inter-organizational NPD success. The paucity of academic research on what we refer to as alliance market orientation is surprising, because, as Spekman *et al.* (1999) highlight, there is a notable shift to a more market

Table I Studies that investigate market orientation from a relationship perspective

Authors	Primary focus
Siguaw *et al.* (1998)	Impact of supplier's market orientation on distributor's market orientation. Its effects on relationship variables from distributor's perspective. Ramifications of market oriented-behaviors in a dyadic relationship
Baker *et al.* (1999)	The effect of a supplier's perceptions of a reseller's market orientation on the supplier's perception of relationship factors
Min and Mentzer (2000)	The role of market orientation in supply chain management
Leisen *et al.* (2002)	The relationships between organizational culture, market orientation, and marketing effectiveness in the context of strategic marketing alliances
Elg (2002)	Discussion about the meaning and content of inter-firm market orientation in a distribution network (supplier, manufacturer, and distributor) and how it is influenced by different network and relationship characteristics
Sanzo *et al.* (2003)	Buyers' degree of market orientation and its effect on buyers' satisfaction with the supplier
Grunert *et al.* (2005)	Market-oriented behaviors of value chain
Blesa and Bigné (2005)	Effects of manufacturers' market orientation on distributors' dependence and satisfaction
Zhao and Cavusgil (2006)	Effects of suppliers' market orientation on manufacturers' trust and long-term relationship orientation
Mason *et al.* (2006)	The role of market orientation in supply chain configuration
Min *et al.* (2007)	The role of market orientation in supply chain orientation, supply chain management, and performance

focused view of alliance activity in business practice. For example, SAP CEO Henning Kagermann describes their partnership with Microsoft as a "focus on what you can do for customers" (Business Week, 2006b).

Three closely related frameworks have been the foundation for much of market orientation. research: The behavioral perspective (Narver and Slater, 1990), the process-driven perspective (Kohli and Jaworski, 1990), and the system perspective (Becker and Homburg, 1999). Although these perspectives have their differences, marketing researchers have noted that there is a fair amount of conceptual and operational overlap as well (Avlonitis and Gounaris, 1997; Cadogan and Diamantopoulos, 1995; Helfert *et al.*, 2002). The underlying concepts and activities that these three frameworks share are the understanding of customer wants, the inter-departmental integration and dissemination of intelligence within the firm, and the importance of taking decisive action in response to market opportunities (Noble *et al.*, 2002). We take as points of departure the definitions of market orientation by Kohli *et al.* (1993) and Narver and Slater (1990) for two reasons. First, Kohli *et al.*'s (1993) conceptualization of market orientation expands the focus on the market (e.g. external stakeholders), not just customers, which is an essential ingredient of cooperative product development efforts (Littler and Leverick, 1995). Second, Narver and Slater's (1990) conceptualization is based on three behavioral components (i.e. customer orientation, competitor orientation, and inter-functional coordination), and it captures specific behavioral activities of NPD alliances (Littler and Leverick, 1995; Perks, 2000; Spekman *et al.*, 1999).

In this article, the conceptualization of alliance market orientation does not strive to redefine market orientation, but rather attempts to explicate the understanding of how the cooperative, market-oriented behaviors of an alliance might be used to drive its NPD strategy. We conceptualize alliance market orientation as a collaborative effort. An alliance market orientation concept can be supported by Granovetter's (1994) "embeddedness" argument which informs an institutional stream of research that focuses on the role of networks in the economy and the rise of alliances and network competition. Specifically, we define an alliance market orientation as a capability that enables an alliance:

- to jointly and systematically gather market intelligence (from competitor analyses, studies of customer needs/preferences, and studies of the factors that influence competitors' and customers' behaviors);
- to inter-organizationally coordinate and disseminate the knowledge gleaned from the market intelligence gathered; and
- to efficiently and effectively respond to the knowledge coordinated and disseminated.

In the next section, we discuss the R-A theory of competition and how it can theoretically ground the concept of alliance market orientation.

2. The pedigree and structure of R-A rheory

Firms collaborate. Firms also compete. In today's complex business environment, many firms collaborate to compete (Morgan and Hunt, 1994). Some of these collaborations are able to survive the competitive environment, and some of them are not. Why? Why is there such performance diversity among business alliances? Why are some alliances, but not others, able to develop creative new products? These business phenomena call for an explanation.

Theories explain and predict. Indeed, "Any construction that purports to be a theory must be capable of explaining and predicting real-world phenomena" Hunt (2002, p. 195). In our case, one should expect that a theory of competition should satisfactorily explain the phenomenon of alliance performance diversity. As an interdisciplinary theory of competition, resource-advantage theory (R-A theory), developed in Hunt (2000) and Hunt and Morgan (1995, 1996, 1997), shares affinities with diverse theories, research programs, and traditions, such as evolutionary economics, Austrian economics, heterogeneous demand theory, differential advantage theory, resource-based theory, competence based theory, and socio-economics and institutional theory.

First, R-A theory traces to evolutionary economics, which maintains that competition is not consummatory and equilibrium provoking, but that rather it is disequilibrium provoking and process-oriented (Dosi and Nelson, 1994). It is this process of competition that brings creative destruction and accelerates economic growth and productivity (Schumpeter, 1934). Second, Austrian economics views competition as a knowledge discovery process, which means that firms learn through competition as a result of feedback from their financial performances (Mises, 1920). Third, heterogeneous demand theory argues that demand in the overwhelming majority of industries is substantially heterogeneous; therefore, different market offerings are required for different market segments in the same industry (Alderson, 1965, Chamberlin, 1933). Fourth, differential advantage theory asserts that competition is dynamic and firms struggle with each other for advantages. Firms can have either an efficiency advantage (more efficiently producing value) or an effectiveness advantage (efficiently producing more value) or both (more efficiently producing more value) (Alderson, 1965; Clark, 1961; Porter, 1985). Fifth, resource based theory views resources as the tangible and intangible entities available to firms that enable them to produce market offerings that have value for segments. Further it asserts that the successful firms that are able to sustain their performance have not only heterogeneous resources, but also have resources that are not able to be duplicated or imitated precisely by competitor firms (Barney, 1991; Prahalad and Hamel, 1990; Schoemaker and Amit, 1994). Sixth, competence based theory explains how firms develop strategies to effectively and efficiently deploy resources. This theory argues that competition is an ongoing and dynamic process, with the goal of superior financial performance as the major driver of the dynamics nature of competition. Since all competing firms cannot be simultaneously superior in financial performance, competition among firms stimulates both proactive and reactive innovations (Day and Nedungandi, 1994; Prahalad and Hamel, 1990; Teece and Pisano, 1994). Finally, institutional theory recognizes that societal institutions can be independent variables in analyses of competition that can cause changes in economic outcomes (Etzioni, 1988; Granovetter, 1994; Uzzi, 1996). Thereby, they can influence the process of competition, productivity, and economic growth. Indeed, as Hunt (2000) argues in detail, societal institutions that promote trust contribute to wealth creation.

Although R-A theory draws from and shares affinities with several research traditions and theories, it is not simply a composite of these theories. Rather, it draws only on those aspects of the research traditions that fit. R-A theory views competition as a disequilibrium provoking, evolutionary, and never-ending process. It views:

- innovation and organizational learning as natural outcomes of the process of competition;
- firms and consumers as having costly and imperfect information; and
- macro-environmental factors (e.g. institutions, public policy, customers, suppliers, competitors) as affecting economic performance.

In R-A theory, firms and their resources are the hereditary units of evolutionary selection, and it is the process of competition that selects firms and resources. R-A theory defines the process of competition as "the constant struggle among firms for comparative advantages in resources that will yield marketplace positions of competitive advantage for some market segment(s) and, thereby, superior financial performance" (Hunt, 2000, p. 135). R-A theory emphasizes the importance of firms' market segments due to differences in consumers' tastes and preferences. It also stresses the importance of comparative advantages/disadvantages in resources, and the respective marketplace positions of competitive advantages/disadvantages. Figure 1 displays the dynamic nature of R-A competition; Figure 2 shows the competitive position matrix; and Table II provides the foundational propositions of R-A theory.

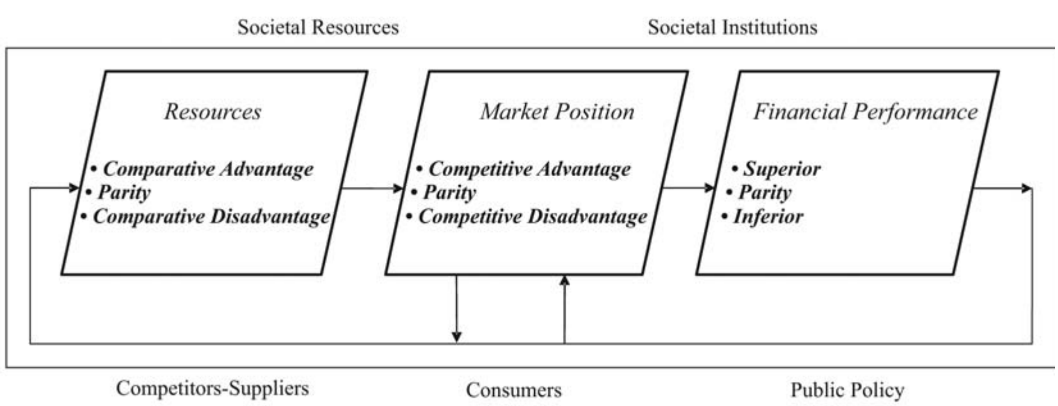
R-A theory views firms as combiners of heterogeneous and imperfectly mobile resources, under conditions of imperfect and costly information, with the primary objective superior financial performance. Due to the heterogeneity and immobility of resources, R-A theory focuses on comparative advantages in resources among organizations. Some firms will have comparative advantages in resources that are available to them, which enable them to effectively and efficiently produce particular market offering(s) that have value for particular market segment(s). As shown in Figures 1 and 2, when firms have comparative advantages/disadvantages in resources, they will occupy marketplace positions of competitive advantage/disadvantage that will result superior/inferior financial performance.

Furthermore, how well the process of competition fosters productivity and economic growth is significantly influenced by several environmental factors (e.g. the societal resources, the societal institutions, competitors and suppliers, consumers, and public policy decisions). Figure 2 displays nine possible competitive marketplace positions based on two dimensions and three levels for each dimension. Depending on the level of a firm's relative resource-produced value for some segments and its level of relative resource costs for producing such value, it will either occupy an advantageous, disadvantageous, or indeterminate position, which would in turn affect its financial position (e.g. superior, inferior, parity). Specifically, a "marketplace positional advantage" means that a firm is occupying one of three cells (cell 2, 3, or 6). In the following section, we will use R-A theory to provide a theoretical foundation for the concept of alliance market orientation.

3. On theoretically grounding alliance market orientation

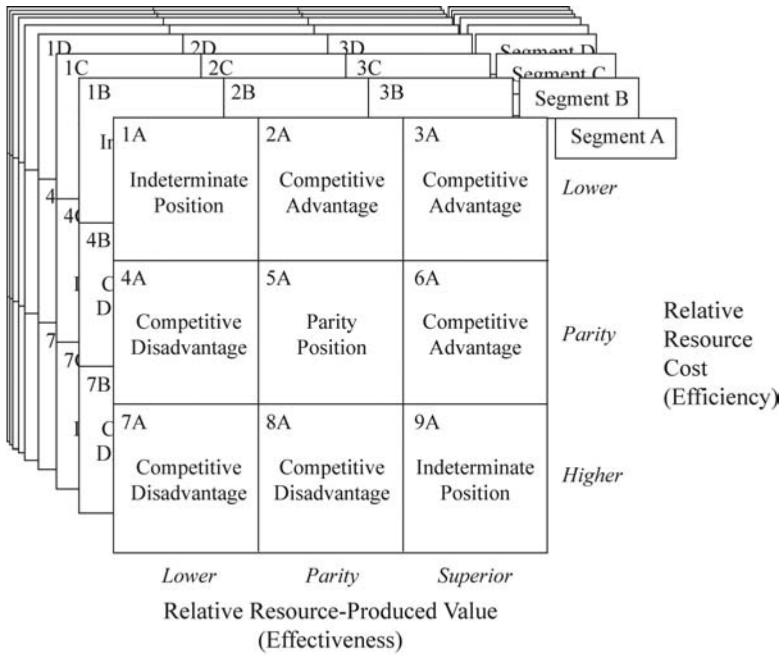
For a theory of competition to provide a theoretical foundation for the concept of alliance market orientation and its contribution to alliances' innovation efforts, the theory must admit at least the possibility that market-oriented relationships among autonomous firms in strategic alliances can allow them to be more competitive and, thereby, enhance competition (Hunt, 1997; Powell and Smith-Doerr, 1994). We argue that market-oriented alliances – those alliances that jointly gather, coordinate, disseminate, and use market intelligence – are more likely to have a competitive advantage in terms of new product development success than their competitors who are not market oriented. In this

Figure 1 A schematic of resource-advantage theory of competition



Notes: Competition is the disequilibrating, ongoing process that consists of the constant struggle among firms for a comparative advantage in resources that will yield a market place position of competitive advantage and, thereby, superior financial performance. Firms learn through competition as a result of feedback from relative financial performance "signaling" relative market position, which, in turn signals relative resources
Source: Adapted from Hunt and Morgan (1997)

Figure 2 Competitive position matrix



Notes: The marketplace position of competitive advantage identified as Cell 3A in each segment results from the firm, relative to its competitors, having a resource assortment that enables it to produce an offering that (a) is perceived to be of superior value by consumers in that segment and (b) is produced at lower costs than rivals; each competitive position matrix constitutes a different market segment (denoted as segment A, segment B, …)
Source: Adapted from Hunt and Morgan (1997)

Table II Foundational propositions of resource-advantage theory

	Resource-advantage theory
P1. Demand is …	Heterogeneous across industries, heterogeneous within industries, and dynamic
P2. Consumer information is …	Imperfect and costly
P3. Human motivation is …	Constrained self-interest seeking
P4. The firm's objective is …	Superior financial performance
P5. The firm's information is …	Imperfect and costly
P6. The firm's resources are …	Financial, physical, legal, human, organizational, informational, and relational
P7. Resource characteristics are …	Heterogeneous and imperfectly mobile
P8. The role of management is …	To recognize, understand, create, select, implement, and modify strategies
P9. Competitive dynamics are …	Disequilibrium provoking with innovation endogenous

Source: Adapted from Hunt (2000)

argument, we assume that, though NPD alliances are common, a market-oriented NPD alliance is unique, and it may have specific characteristics that are rare, causally ambiguous, highly interconnected, and tacit. Therefore, it may be very challenging for competitors to acquire, duplicate, or find its satisfactory substitutes in the marketplace.

What is required for a theory of competition to ground alliance market orientation is that the theory must be capable of explaining its unique, heterogeneous, and imperfect mobility resource nature. This is precisely what – as an interdisciplinary, integrative theory of competition – R-A theory does. Our reasoning follows.

First, consistent with the resource-based view of the firm, R-A theory broadens the concept of resources. Resources are defined as the tangible and intangible entities available to the firm that enable it to produce efficiently and/or effectively a market offering that has value for some market segment(s) (Hunt, 2000). As shown in Table II, R-A theory categorizes resources as financial (e.g. cash reserves and access to financial markets), physical (e.g. plant, raw materials, and equipment), legal (e.g. trademarks and licenses), human (e.g. the skills and knowledge of individual employees), organizational (e.g. controls, routines, cultures, and competences), informational (e.g. knowledge about market

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segments, competitors, and technology), and relational (e.g. relationships with competitors, suppliers, and customers). Note that the definition maintains that resources need not be owned by firms, but just be available to them. In our case, an alliance partnership between firms, say Microsoft and SAP, may contribute to their efficiency and effectiveness, and therefore constitute a resource for both of them. However, Microsoft does not own the resource, nor does SAP, for neither can sell (exchange) it in the marketplace.

We argue that alliance market orientation is both an informational and relational resource. It is an informational resource because alliance market orientation is conceptualized as an alliance's knowledge-based asset strategy. Indeed, it is about gathering market intelligence, disseminating this intelligence through inter-organizational coordination, and efficiently and effectively responding to the intelligence coordinated and disseminated. R-A theory posits that investments in informational resources will be undertaken by firms when they expect such investments to contribute to their ability to produce market offerings efficiently/effectively, which may lead to a competitive advantage. As maintained in the market orientation literature, "companies that are better equipped to respond to market requirements and anticipate changing conditions are expected to enjoy long-run competitive advantage and superior profitability" (Day, 1994, p. 37). Therefore, business alliances that focus on markets will be investing in their informational resources. Since there are differences in the history of alliances with respect to the investments in market-related informational resources, it is expected that these alliance resources will in some ways be unique to such alliances. Furthermore, these informational resources may be tacit, complex, socially created, and embedded deeply into the nature of the alliances.

R-A theory asserts that "the stock of relational resources of a firm [...] includes its stock of relationships with [...] customers, suppliers, competitors, governmental agencies, and unions" (Hunt, 2000, p. 188). Therefore, we argue that alliance market orientation is a relational resource because the process of collaboration across organizational boundaries can contribute to alliance partners' ability to efficiently and/or effectively produce a market offering (e.g. a creative new product) that has value for some market segment(s). Briefly, alliance market orientation is a relational resource that is heterogeneous and immobile. "There is no – can be no – central marketplace where such entities [...] are traded" (Hunt, 2000, p. 188). Consequently, since alliance market orientation is argued to be a relational and informational resource, it has the capability of resulting in a marketplace position of competitive advantage, and thereby, earning superior financial performance for the alliance in the long run.

Second, we conceptualize alliance market orientation as an idiosyncratic resource, that is, it is created by the alliance. Idiosyncratic, inter-firm, relationship-specific resources uniquely support the alliance partners' relationships and can further the alliance's goals (Williamson, 1985). Idiosyncratic resources can be tangible (e.g. joint manufacturing facility) or intangible (e.g. efficient collaboration process), and non-fungible. The non-fungible nature of alliance market orientation means that it is not "easily transferable to other relationships; therefore [it] lose[s] [its] value in the event that the relationship is terminated" (Jap, 1999, p. 464). Lambe *et al.* (2002, p. 143) define idiosyncratic resources as those that:

- are developed during the life of the alliance;
- are unique to the alliance; and
- facilitate the combining of the distinct lower-order resources contributed by the partner firms (and, hence, are higher-order resources).

R-A theory supports the view that alliance market orientation is a collaborative effort, and therefore "makes possible the integration of the partner firms' individual resources, that is, it allows alliances to extract the competitive advantage *potential* from the combination of the partner firms' respective resources" (Lambe *et al.*, 2002, p. 144; italics in original). Due to the unique, rare, causally ambiguous, highly interconnected, tacit, and time compressed nature of alliance market orientation, we argue, competitors will likely find it difficult to acquire, duplicate, or find its substitutes in the marketplace. Therefore, sustainable competitive advantage may result as the direct payoff of an alliance's market orientation efforts.

Although R-A theory supports the view that sustainability of a competitive advantage of a resource is derived from its being unique, rare, causally ambiguous, highly interconnected, and tacit, this does not mean that members of the dyad cannot form structurally similar inter-organizational arrangements with other firms. However, the specifics of market-oriented alliances vary, making this idiosyncratic resource difficult to duplicate precisely. Therefore, sustainable competitive advantage may result as a direct payoff of the idiosyncratic nature of alliance's market orientation efforts.

In summary, because R-A theory admits alliance market orientation as a relational and informational resource, and it also views AMO as a significantly immobile and heterogeneous idiosyncratic resource, it can theoretically ground alliance market orientation. Indeed, R-A theory supports the claim that alliance market orientation can be considered to be a higher-order, socially complex, and inter-connected combination of tangible and intangible resources. The combination enables an alliance to efficiently/effectively produce a creative new product such that the characteristics of the product are close to the customer constellation of desirable attributes.

4. Contributions to business marketing theory and practice

Now consider the phenomenon of NPD alliance performance diversity. Is the concept of alliance market orientation capable of explaining and predicting it? How can the current article contribute to business marketing theory? This article contributes to business marketing theory in three ways.

First, this article begins the development of alliance market orientation as a key inter-organizational construct. Although a number of researchers point to the importance of market orientation in inter-organizational relationships (see Table I), there is no systematic work to date on market orientation and its role in "expanding the size of the pie" between partner firms (Jap, 1999). Second, as a dynamic and disequilibrium provoking process, the R-A theory of competition can theoretically ground the concept of alliance market orientation. It contributes to our understanding of why some NPD alliances are able to develop products that are close to consumers' constellations of desirable attributes. R-A theory explains that it is because of the alliance market orientation's idiosyncratic, heterogeneous, and significantly immobile nature that only 30 percent of innovation alliances attain positions of competitive advantage that persevere through time and result in sustained superior performance. Therefore, R-A theory can both theoretically ground alliance market orientation and provide insights to develop it further. Third, by conceptualizing alliance market orientation as an idiosyncratic resource (Lambe *et al.*, 2002), this article also contributes to understanding the role of idiosyncratic resources in alliances. As a non-fungible resource, alliance market orientation is an incentive and motivation to develop and maintain the relationships between partner firms (Williamson, 1985).

What are the implications of alliance market orientation to alliances such as the Samsung/XM NPD alliance? How can it contribute to their alliance's NPD activities? In terms of business marketing practice, this article suggests a number of implications that enable alliance participants to increase the efficacy of their collaborative NPD efforts. It is well known that NPD is a knowledge-based asset strategy (Moorman and Miner, 1997). Therefore, it includes knowing the market, sharing the market-related information organization-wide and acting on it in a collaborative manner. We argue in this article that innovations developed in alliances should have things in common with innovations that are successfully developed internally. Having a market focus is one of these commonalities. We argue that some NPD alliances fail because they become concerned excessively with their inter-organizational relationships, per se, rather than maintaining a focus on the realities of their markets, which must always be the central concern of the NPD process. We argue that alliances should integrate their internal processes (e.g. meeting with partners, coordinating NPD activities) with their external market intelligence (e.g. customer needs/wants, competitors' actions, new regulations). As Day (1994) points out, NPD as a spanning process should be informed by both external and internal activities, and this ought to be done in both intra-organizational and inter-organizational NPD activities.

New product development alliances can work. We argue that:

- those new product development alliances built upon an alliance market orientation will work better; and
- resource-advantage theory provides a framework for understanding alliance market orientation and its relationship to NPD alliance success.

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