A Theory and Model
of Business Alliance Success

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ABSTRACT. Business alliances, an important form of relationship marketing, are becoming ubiquitous. However, many alliances are unsuccessful. The authors provide an integrative model of alliance success based on sub-models that rely on the resource-based, competence-based, relational factors, and competitive advantage views of alliances. The authors then show how a theory of competition, "resource-advantage theory," grounds the integrative model. *[Article copies available for a fee from The Haworth Document Delivery Service: 1-800-342-9678. E-mail address: <getinfo@ haworthpressinc. com> Website: <http://www.HaworthPress.com> © 2002 by The Haworth Press, Inc. All rights reserved.]*

Business alliances, an important form of relationship marketing (Day, 1995; Johansson, 1995; Morgan and Hunt, 1994; Varadarajan and Cunningham, 1995), may be defined broadly as collaborative efforts between two or more firms that pool their resources in an effort to achieve mutually compatible goals that they could not achieve easily alone (Bucklin and Sengupta, 1993; Das and Teng, 2000; Day, 1995; Heide and John, 1990; Kogut, 1988; Spekman et al., 1996; Varadarajan and Cunningham, 1995). The use of alliances is growing rapidly. Indeed, researchers estimate that over 20,000 alliances were formed in 1995 and 1996 alone (Harbison and Pakar, 1997). Consistent with the works of Falkenberg (1996) and Gummesson (1995, 1999), which maintain that "behavioural assets" and "structural capital" are the primary determinants of firm value, estimates are that alliances account for 6% to 15% of median company value (Kalmbach and Roussel, 1999). Therefore, because of their growing importance and the fact that as many as 70% of all alliances are judged unsuccessful (Day, 1995), it is no surprise that researchers are offering theories of alliance success.

Proposed explanations for alliance success may be grouped into four categories. First, the *resource-based* view focuses on the role of heterogeneous and imperfectly mobile resources. In this explanation, alliance success results from partners bringing complementary resources to the alliance and developing idiosyncratic resources during the alliance's life (Jap, 1999). The *competence-based* view focuses on the role of alliance-management capabilities. In this explanation, alliances are successful when the partners have developed an organiza-

tional capability for securing, developing, and managing alliances (Hutt, 1995; Lambe, Spekman, and Hunt, 2000; Sivadas and Dwyer, 2000; Spekman et al., 1996). The *relational factors* view focuses on characteristics of the alliance relationship. In this explanation, successful alliances result from relationships that have such characteristics as cooperation, trust, commitment, and communication (e.g., Dwyer, Schurr, and Oh, 1987; Morgan and Hunt, 1994). Finally, the *competitive advantage* view focuses on marketplace positions. In this last explanation, successful alliances result from alliances enabling firms to produce market offerings (relative to their competitors) that have superior value or lower costs (Day, 1995; Hunt, 1997, 2000; Hunt and Morgan, 1995, 1996, 1997).

Authors and advocates of the four views of alliance success customarily make no claim of exclusivity. Indeed, advocates of the four views recognize them as intertwined. As yet, however, no one has put forth a theory-based model that integrates all four perspectives. This paper develops an integrative model and provides an integrative theory of alliance success. We begin by discussing how each of the four explanations of alliance success contributes to the model shown in Figure 1. We then show how resource-advantage theory provides an underlying theory for the four explanations.

THE RESOURCE-BASED VIEW

The first explanation of alliance success draws on the resource-based view (RBV) of the firm (Barney, 1991, 1992; Conner, 1991; Peteraf, 1993; Wernerfelt, 1984). Contrasted with neoclassical theory, which assumes that firms produce homogeneous products by combining homogeneous, perfectly mobile resources (i.e., labor and capital), RBV theorists argue that firms are best described as producing heterogeneous products by combining heterogeneous, imperfectly mobile resources. A *resource* is any tangible or intangible entity available to the firm that enables it to produce a market offering that has value for some market segment(s) (Hunt and Morgan, 1995). Differences in the financial performance of firms are viewed as being determined primarily by differences in the assortments of resources that firms own or have access to, i.e., resource *heterogeneity* explains firm diversity. Firms will enjoy continuing, superior financial performance when they have access to resources that are immobile, i.e., not readily bought and sold in the "factor" markets, inimitable, and nonsubstitut-

FIGURE 1. An integrative model of alliance success.
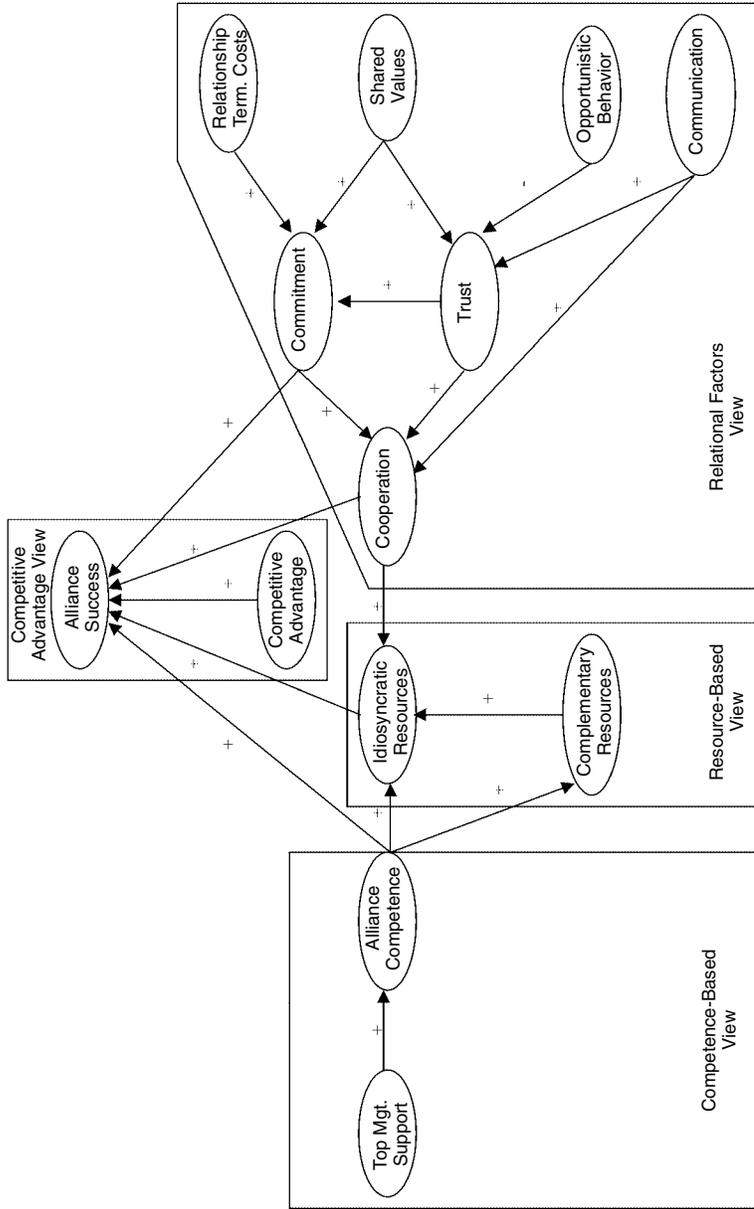
able. As to business alliances, RBV researchers posit that complementary and idiosyncratic resources foster alliance success (Jap, 1999).

Complementary resources are those that firms bring to an alliance that enable their alliance partners to fill out or complete their resource assortments (Das and Teng, 2000; Jap, 1999; Varadarajan and Cunningham, 1995). Complementary resources, then, enable alliance partners to access resources that they do not own. For example, in the Ford-Mazda alliance, Ford accesses the manufacturing and product development know-how of Mazda. In exchange, Mazda accesses Ford's marketing and product-testing expertise (Hunt and Arnett, 2001). Gummesson (1995), Hunt (1997), and Möller and Halinen (1999) maintain that the relationships in alliances constitute an important part of the firm's resource portfolio.

Alliance-derived *idiosyncratic* resources (1) are created through the combining of the respective resources of partner firms, (2) are developed during the life of the alliance, and (3) being unique to the alliance, may have little value or use outside of the alliance (Anderson and Weitz, 1992; Jap, 1999; Lambe, Spekman, and Hunt, 2000). Idiosyncratic resources may be tangible, such as a joint manufacturing facility, or intangible, such as developing a highly efficient process for working together. For example, QUALCOMM and Ericsson's strategic alliance seeks to jointly develop and market wireless technology solutions. Each company provides expertise in different forms of technology. The integration of their respective technological resources aims at developing innovative wireless products with ''unimagined'' benefits (QUALCOMM Investor Relations, 1999).

Therefore, our model of alliance success, from the resource-based view, posits that both complementary and idiosyncratic resources will be positively related to alliance success. However, consistent with the empirical work and theorizing of Jap (1999) and Lambe, Spekman, and Hunt (2000), we posit that the primary effect of complementary resources on alliance success occurs by virtue of its being a key antecedent of idiosyncratic resources. In short, the complementarity of resources has an indirect effect on alliance success *through* idiosyncratic resources.

THE COMPETENCE-BASED VIEW

The second explanation of alliance success draws on the competence-based theory of the firm and the nature of competition (Aaker,

1995; Bharadwaj, Varadarajan, and Fahy, 1993; Day and Nedungadi, 1994; Sanchez and Heene, 1997; Sanchez, Heene, and Thomas, 1996). In this view, a competence is "an ability to sustain the coordinated deployment of assets in a way that helps a firm achieve its goals" (Sanchez et al., 1996, p. 8). Just as skills are individual *employee* capabilities, competences are *firm* capabilities. For competence theorists, competition (1) should focus on intangible assets, (2) is dynamic, (3) involves strategic learning, and (4) is embedded within systems of social relations and societal structures (Sanchez et al., 1996).

Lado, Boyd, and Wright (1992) maintain that *managerial* competences are key for understanding firm success. Therefore, Lambe, Spekman, and Hunt (2000) argue that some firms may simply be more competent in managing alliances. They define an *alliance competence* as an organizational capability for securing, developing, and managing alliances and propose that an alliance competence is a "higher order" resource (Hunt 2000) consisting of three "basic" resources: alliance experience, alliance manager development capability, and partner vigilance capability.

First, for Lambe, Spekman, and Hunt (2000), because much alliance knowledge is "tacit" (Polanyi, 1996), firms must have extensive experience with alliances to acquire the knowledge necessary for an alliance competence. Second, the basic resource of alliance manager development capability suggests that firms having an alliance competence have the ability to *develop* capable alliance managers. And third, firms having the basic resource of partner vigilance capability have the ability to seek out potential partners that have the complementary resources needed to "develop a relationship portfolio or 'mix' that complements existing competences and enables it to occupy positions of competitive advantage" (Hunt, 1997, p. 440). An alliance competence, then, is a distinct "package" of these three resources.

Consistent with the work of Lambe, Spekman, and Hunt (2000), we posit that alliance competence is positively related to alliance success. Furthermore, because those firms that have an alliance competence should also be more capable of developing idiosyncratic resources in their alliances, we posit a positive relationship between alliance competence and idiosyncratic resources. Moreover, because a key component of alliance competence is partner vigilance capability, we posit that alliance competence is positively related to complementary resources. That is, firms having an alliance competence will have al-

liances characterized by greater resource complementarity than firms that do not have such a competence. Finally, again following the work of Lambe, Spekman, and Hunt (2000), we posit that the support of top management is essential for those firms wishing to develop an alliance competence.

THE RELATIONAL FACTORS VIEW

The third explanation of alliance success, the relational factors view, is based on the premise that many of the exchanges involved in marketing are not of the discrete, ''transactional'' variety, but rather are long in duration and reflect an ongoing relationship-development process (Dwyer, Schurr, and Oh, 1987; Macneil, 1980). These *relational* exchanges, it is argued, are becoming increasingly important in marketing. Indeed, Morgan and Hunt (1994, p. 22) highlight the concept of relational exchange in their definition of relationship marketing: ''relationship marketing refers to all marketing activities directed toward establishing, developing, and maintaining successful relational exchanges.'' Thus, the relational factors view of relationship marketing has tended to focus on the attributes of successful relational exchange, including cooperation (Anderson and Narus, 1990; Dwyer, Schurr, and Oh, 1987; Morgan and Hunt, 1994), trust (Achrol, 1991; Ganeson, 1994; Wilson, 1995), relationship commitment (Anderson and Weitz, 1990; Berry and Parasuraman, 1991; Moorman, Zaltman, and Deshpande, 1992), shared values (Dwyer, Schurr, and Oh, 1987; Heide and John, 1992; Morgan and Hunt, 1994), keeping promises (Bitner, 1995; Gronroos, 1996), and (the absence of) opportunistic behavior (John, 1984).

Our integrative model draws extensively on Morgan and Hunt's (1994) relational factors model of relationship marketing, which has cooperation as a key dependant variable and commitment and trust as key mediating variables. Accordingly, we posit that alliances characterized by significant cooperation among the parties will be more successful. Furthermore, alliances characterized by cooperation should be more effective in developing idiosyncratic resources and, thus, cooperation should *indirectly* contribute to alliance success. As to relationship commitment, like Mohr and Spekman (1994), we posit that it directly and significantly improves the likelihood of alliance success because parties will work hard enough to *make* their alliance succeed. Likewise,

the willingness to work hard prompted by commitment will foster cooperation and, thus, indirectly affects alliance success. Trust among the parties of the alliance, because it promotes confidence in partners' competence and integrity, will significantly increase cooperation. Finally, because trusted parties are highly valued, trust promotes commitment.

As to antecedents of commitment and trust, the model focuses on termination costs, shared values, communication, and opportunistic behavior. When dissolving an alliance would entail high termination costs such potential losses will result in the partners being more committed to maintaining the alliance. Shared values or shared ''norms'' (Heide and John, 1992) refer to beliefs in common concerning what is important/unimportant, appropriate/inappropriate, and right/wrong. Thus, alliance partners who share values will identify with their partners and be more committed to the alliance. Also, trust among the parties will be positively affected by shared values and communication, but negatively influenced by partner opportunistic behavior. Finally, effective communication will directly promote cooperation because effective cooperation requires extensive interactions among partners. It also indirectly promotes cooperation by increasing trust, as proposed by Morgan and Hunt (1994).

THE COMPETITIVE ADVANTAGE VIEW

The fourth explanation of alliance success, the competitive advantage view, maintains that an alliance is successful when it provides both parties with some kind of advantage over their competitors in the marketplace. That is, because, a market-based economy is characterized by privately owned, self-directed firms *competing* with each other (Hunt and Morgan, 1995), an alliance will be more successful when it enables firms to be more *competitive*.

Competitive advantage theory traces to the works of Clark (1954, 1961) and Alderson (1957, 1965)–though modern-day competitive theorists seldom acknowledge the works of these prescient authors. Clark (1954, p. 36) maintained that firms compete by seeking a ''differential advantage'' over other firms: ''[Competition is] a form of independent action by business units in pursuit of increased profits . . . by offering others inducements to deal with them, the others being free to accept the alternative inducements offered by rival business units.''

Alderson (1957, pp. 184-97) then identified six bases of differential advantage: market segmentation, selection of appeals, transvection, product improvement, process improvement, and product innovation.

Since the works of Clark and Alderson, competitive advantage theory has been further developed by numerous theorists, including Aaker (1995), Barney (1991), Bharadwaj, Varadarajan, and Fahy (1993), Day (1984), Day and Wensley (1988), and Porter (1985). As to alliance success, the competitive advantage view maintains that successful alliances must provide partners with some advantage over their competitors. Therefore, our integrative model has competitive advantage positively related to alliance success.

RESOURCE-ADVANTAGE AS AN INTEGRATIVE THEORY

Figure 1, our integrative model, shows the posited linkages among the four explanations of alliance success. What the model requires is a theory of competition that, likewise, is integrative. We argue that resource-advantage theory is such a theory.

Resource-advantage (R-A) theory as developed by Hunt (2000) and Hunt and Morgan (1995, 1996, 1997) is a general theory of competition and, as such, provides a theoretical foundation for grounding the four views of alliance success. Due to space limitations, we provide only a brief overview of R-A theory (for a detailed explanation see Hunt, 2000) and then show how it incorporates the four views of alliance success.

R-A theory draws from, and has affinities with, several research traditions. First, following the historical tradition and resource-based view of the firm, R-A theory views firms as historically situated in time and space, as combiners of heterogeneous, imperfectly mobile resources, and as producers of heterogeneous products. Second, drawing from heterogeneous demand theory, R-A theory maintains that demand is heterogeneous both within and across industries. Therefore, firms must produce different market offerings for different market segments within the same industry. Third, consistent with ''Austrian'' and evolutionary economics, R-A theory maintains that innovation and organizational learning are endogenous to competition, firms and consumers have imperfect information, and entrepreneurial competence and institutions influence economic performance. Fourth, as does economic sociology and institutional economics, R-A theory maintains that

societal resources, societal institutions, the actions of competitors and suppliers, the behavior of customers, and public policy decisions significantly influence competitive processes. Fifth, like differential advantage theory, R-A theory maintains that marketplace positions of competitive advantage (disadvantage) determine superior (inferior) financial performance. Sixth, following evolutionary economics, competition is viewed as a struggle that produces innovation, Schumpeter's (1950) ''creative destruction,'' increases in productivity, and economic growth.

For R-A theory, firms seek superior financial performance, e.g., more profits than last year, better profits than competitors. Firms do not and cannot, as neoclassical theory maintains, *maximize* profits because (1) they lack the capability and information to maximize, (2) managers' self interests sometimes diverge from those of the firm, (3) financial performance is constrained by managers' views of morality. Rather than maximize, firms seek superior performance relative to some referent that may differ from time to time, industry to industry, and culture to culture.

As Figure 2 shows, competition consists of the constant struggle among firms for comparative advantages in resources that will yield marketplace positions of competitive advantage and, thereby, superior financial performance. The nine cells of Figure 3 categorize marketplace positions according to relative resource-produced value and relative resource costs. Cells 2, 3, and 6 are marketplace positions of competitive advantage and cells 4, 7, and 8 are marketplace positions of competitive disadvantage. Firms can have (1) an efficiency advantage, that is, *more* efficiently producing value, (2) an effectiveness advantage, that is, efficiently producing *more* value, or (3) an efficiency-effectiveness advantage, that is, *more* efficiently producing *more* value. Marketplace positions of competitive advantage result in firms having superior financial performance, i.e., *success,* and marketplace positions of competitive disadvantage result in inferior financial performance, i.e., *failure*. Because not all firms can be superior at the same time, the constant pursuit of *superior* performance ensures the dynamic nature of competition. Therefore, since all firms seek superior performance, firms will continuously take actions to improve their competitive positions, which results in firms' actions being disequilibriating, not equilibriating.

Innovation, which plays a key role in R-A theory, consists of *proac-*

FIGURE 2. A schematic of the resource-advantage theory of competition. Read: Competition is the disequilibrating, ongoing process that consists of the constant struggle among firms for a comparative advantage in resources that will yield a marketplace 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: Hunt and Morgan (1997).
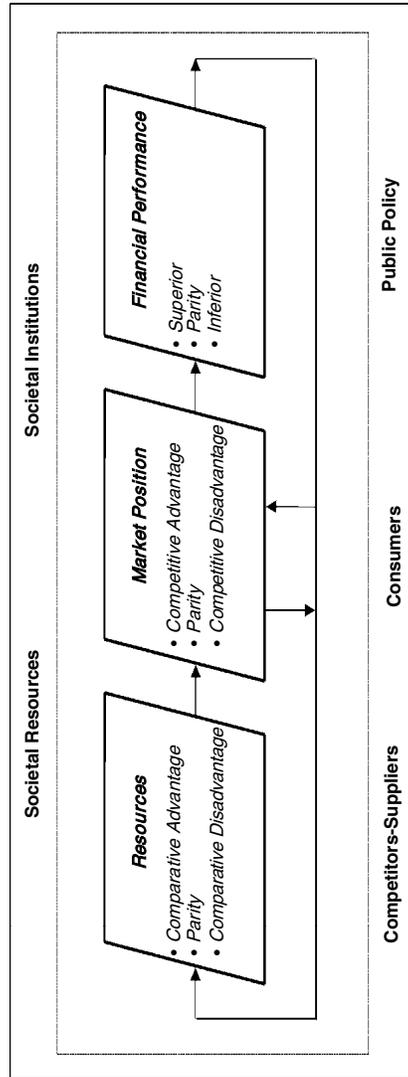

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FIGURE 3. Competitive position matrix. Read: The marketplace position of competitive advantage identified as Cell 3 results from the firm, relative to its competitors, having a resource assortment that enables it to produce an offering for some market segment(s) that (a) is perceived to be of superior value and (b) is produced at lower costs. Source: Hunt and Morgan (1997).

Relative Resource-Produced Value

		Lower	Parity	Superior
	Lower	1 Indeterminate Position	2 Competitive Advantage	3 Competitive Advantage
Relative Resource Costs	**Parity**	4 Competitive Disadvantage	5 Parity Position	6 Competitive Advantage
	Higher	7 Competitive Disadvantage	8 Competitive Disadvantage	9 Indeterminate Position

tive innovation and *reactive* innovation (Hunt and Morgan, 1996). Firms engage in proactive innovation when they identify new opportunities and efficiently and/or effectively develop valued market offerings for some segment(s), which then leads to firms gaining positions of competitive advantage and superior financial performance. Reactive innovation occurs when firms find themselves in positions of competitive disadvantage (i.e., cells 4, 7, and 8) and, therefore, must attempt to neutralize and/or leapfrog the advantaged competitor. Reactive innovation may allow a firm move from competitive disadvantage to advantage if firms are able to better manage existing resources, obtain the same or equivalent value producing resource as their competitors, and/or develop a new resource that is less costly or produces superior value (Hunt and Morgan, 1996). Because firms must innovate to achieve competitive advantage and superior financial performance,

the innovation prompted by R-A competition fosters the dynamism of competition.

Once a firm has reached a position of competitive advantage (cells 2, 3, or 6), maintaining that position requires that (1) it must engage in proactive innovation, (2) it continue to reinvest in the resources that produced the advantage, and/or (3) rivals' efforts at acquiring, neutralizing, or leapfrogging the advantage-producing resource must fail. Efforts to erode a firm's competitive advantage will be inhibited if the advantage-producing resource is protected by societal institutions (e.g., patents) or it is causally ambiguous, socially complex, highly interconnected, tacit, or has time-compression diseconomies or mass efficiencies.

R-A THEORY AND ALLIANCE SUCCESS

R-A theory can provide a theoretical foundation for models of alliance success because it broadens the concept of *resource* to include intangibles (not just neoclassical theory's land, labor, and capital). That is, 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). By expanding the view of resources to include all entities that have an enabling capacity, R-A theory categorizes the multitude of *potential* 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., competences, controls, policies, and culture), informational (e.g., knowledge about consumers, competitors, and technology), and–most importantly for business alliances–*relational* (e.g., relationships with competitors, suppliers, employees, and customers). In general, therefore, determining whether an alliance constitutes a relational resource is an essential first step for explaining why some alliances are successful and others are not: some alliances succeed and others fail to contribute to the partners' abilities to produce efficiently and/or effectively market offerings that have value for some market segment(s).

Now consider the resource-based, competence-based, relational factors, and competitive advantage approaches to alliance success. First, because the resource-advantage theory of *competition* adopts a

resource-based view of the *firm,* it provides a theoretical foundation for the resource-based explanation of alliance success. Indeed, complementary and idiosyncratic resources are precisely the kinds of immobile resources R-A theory posits as important for understanding competition. Second, because R-A theory views firm competences as *higher-order* resources, it incorporates the competence-based explanation of alliance success. Specifically, for R-A theory, competences are socially complex, interconnected combinations of tangible basic resources (e.g., specific machinery) and intangible basic resources (e.g., specific organizational policies and procedures and the skills and knowledge of specific employees) that fit together coherently in a synergistic manner to enable firms to produce efficiently and/or effectively valued market offerings (Hunt 2000a,b).

Third, recall that the relational factors view suggests that such relationship characteristics as communication, trust, commitment, and cooperation contribute to alliance success. R-A theory maintains that they do so only contingently. Specifically, they do so only when such relationship characteristics contribute to an alliance's ability to efficiently and/or effectively produce a valued market offering for some market segment(s) (Hunt and Arnett, 2001). Indeed, the ''alliance'' commonly referred to as a price conspiracy may have good communication, high trust, etc. Yet, price conspiracies–though they may contribute to profitability–are not resources, for they do not contribute to the ''partners''' ability to produce efficiently and/or effectively market offerings that have value for some market segment(s). Therefore, R-A theory incorporates and explicates in fine detail the relational factors view of alliance success.

Fourth, because R-A theory adopts the view that firms in positions of competitive advantage will be successful, i.e., will have superior financial performance, it incorporates the competitive advantage view of alliance success. Furthermore, R-A theory provides guidance for understanding the concepts of ''competitive advantage'' and ''competitive disadvantage.'' R-A theory restricts *competitive advantage* to the three marketplace positions of cells 2, 3, and 6 in Figure 3 and *competitive disadvantage* to cells 4, 7, and 8. That is, it restricts these concepts to certain combinations of the market offering's relative, resource-produced value and relative, resource costs. In turn, the term ''comparative advantage'' is restricted to the possession of (or access to, in the case of alliances) the resources that enable the firm to pro-

duce the attributes of the market offerings. Competitive advantage links to comparative advantage in that it is a firm's comparative advantage in resources that enables it to occupy positions of competitive advantage in the marketplace (cells 2, 3, and 6). Likewise, it is a comparative *dis*advantage in resources that results in a firm occupying positions of competitive *dis*advantage (cells 4, 7, and 8). Therefore, R-A theory brings precision to the lexicon and structural relationships in competitive advantage theory–a precision that it sorely needs.

Now consider "alliance success." When an alliance manager maintains that some alliances are *successful* and others *unsuccessful,* what does this mean? Clearly, it does not mean that the alliance maximized profits (or wealth) because no manager has the capability or information to know the requisites for maximization. For R-A theory, alliance success implies that the alliance is a relational resource that leads not just to financial performance in absolute terms, but a relational resource that leads to *superior* financial performance. "Superior" in this sense equates with *more than* and/or *better than* some referent. The referent could be, for example, time, competitors, or an industry average. That is, "alliance success" might mean that the alliance is a relational resource that results in more profits (or sales, market share, etc.) than (1) the firm made the year (or two years, etc.) prior to the alliance, (2) the firm would have made without the alliance, (3) the firm would potentially have made with other alliance partners, (4) the firm made relative to specific competitors, or (5) the firm made relative to an industry average. Therefore, R-A theory provides a theoretical foundation for research on the positive question of what measures of alliance performance managers actually use and the normative question of the measures they should use.

In summary, R-A theory provides a theoretical foundation for the integrative model of alliance success: (1) Alliance success results from alliance partners achieving superior financial performance. (2) Superior financial performance results from alliances that are (a) relational resources and (b) enable partner firms to occupy positions of competitive advantage. (3) Marketplace positions of competitive advantage result from alliances in which partners, relative to competitors, (a) have complementary resources, (b) create idiosyncratic resources, (c) have an alliance competence, and/or (d) are effective cooperators because of trust, commitment, high termination costs, shared values, communication, and (the absence of) opportunistic behavior.

CONCLUSION

Business alliances, a major form of relationship marketing, are becoming ubiquitous. However, many alliances are unsuccessful. We provide an integrative model of alliance success based on sub-models that rely on the resource-based, competence-based, relational factors, and competitive advantage views. We then show how a theory of competition, resource-advantage theory, grounds the integrative model. Although there is empirical evidence for R-A theory in general and for several of the integrative model's posited linkages, in particular, there has been, as yet, no test of the overall model. We offer it for that purpose.

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