

An Exploratory Study on Alliance Competence and Alliance Portfolio Orientation in Romanian Firms

Cosmin-Florin LEHENE¹

Anca BORZA²

ABSTRACT

This paper investigates two important aspects in the context of a firm's collaborative strategies: (1) the creation and the development of firm's Alliance Competence and (2) the orientation of firm's portfolio of strategic alliances, called the Alliance Portfolio Orientation. We have tried to make a step forward toward clarifying these aspects through realizing one empirical investigation in ten Romanian firms headquartered in Nord-West region of Romania. The study is based on qualitative data resulting from interviews with top management executives and analysis of secondary data. We observed that within participating firms there is a medium level of competence to formulate, implement and evaluate collaborative strategies. Regarding the Alliance Portfolio Orientation, the results reveal that from our sample, 60% of the firms collaborate only to obtain short-term/financial gains and 40% of the firms are more long-term oriented and partner also to improve firm's incremental innovative performance. Moreover, we found that neither firm does not partner to bring to the market new products/services/solutions in the form of radical innovations. Our work is projected to improve the understanding of the strategic alliances/collaborative strategies phenomenon of theorists and practitioners working within the strategic management field.

KEYWORDS: *collaborative strategies, strategic alliances, alliance competence, alliance portfolio diversity*

JEL CLASSIFICATION: *D22, L21, L24, L25*

1. INTRODUCTION

The competitive landscape firms have to operate in the first decades of the XXI century is characterized by hyper competition, high uncertainty, the reduction of products lifecycle and a growing level of importance devoted to the introduction and development of new products/services or solutions (Hitt et al., 2007). In these competitive conditions, in order that the firms obtain competitive advantage they face two main challenges: (1) to improve firm's efficacy and efficiency in firm's current operations and (2) to continuously innovate and bring to the market new products/services (Nielsen & Gudergan, 2012; Rice & Galvin, 2006). Strategic management literature suggests these strategic intentions are ambidextrous, in the case one firm allocates resources for productive performance improvement will impede or hamper the improvement of the innovative performance (de Leeuw et al., 2014; Kale et al., 2001; Nielsen & Gudergan, 2012). de Leeuw and collaborators (2014) argue that the simultaneous pursuit of exploration and exploitation is a very difficult task because what

¹ Babes-Bolyai University, Romania, lehenecosmin@gmail.com, the corresponding author

² Babes-Bolyai University, Romania, anca.borza@econ.ubbcluj.ro

drives the former is profoundly different from what drives the latter and the resulting tension may ultimately undermine performance.

In this line of thinking, one modern challenge one firm faces is how to allocate resources and manage firm's activity for both strategic intentions accomplishment. Levinthal and March (1993) – *apud* Nielsen and Gudergan (2012) – argue that the challenge facing now the firms is to engage in sufficient exploitation to ensure its current viability and on the same time, to devote enough energy to exploration to ensure its future viability and survival. Nielsen and Gudergan (2012) reveal that one firm should pursue and manage its activity for these strategic intentions accomplishment separately.

In this sense, in order to better face and align with this challenge, our work suggests that one way firms may increase their innovative and productive performance (in the case of our study resulting from firm's collaborative strategies) is through being open, engage, promote and learn through its collaborative strategies. This set of capabilities we termed Alliance Competence. Our paper suggests that this approach (creating and developing the Alliance Competence) is a real and important source of competitive advantage in the new competitive environment firms need to operate. Therefore, the first goal of our study is to investigate the level of Alliance Competence of a sample of Romanian firms headquartered in Nord-West Region of Romania, in Cluj-Napoca. We propose that one firm's Alliance Competence can be evaluated through four components: (1) the institutionalization of firm's collaborative strategies (Dyer et al., 2001; Hoffmann, 2005; Kale et al., 2002), (2) alliance scanning, (3) alliance coordination and (4) alliance learning (Heimericks et al., 2009; Kandemir et al., 2006; Lambe et al., 2002).

Our second goal in the present study and correlated with the new challenge is to investigate the direction of the portfolio of strategic alliances of the participating firms. Is the portfolio of alliances oriented to productivity or to innovation? More specifically, is the portfolio of alliances oriented to productivity, radical innovative and/or to incremental innovative performance? In this sense, we adopt the approach of de Leeuw and collaborators (2014) and evaluate the Alliance Portfolio Diversity of the participating firms depending if the portfolio of alliances is oriented to improvements in firms' productivity, radical innovative or incremental innovative performance. Our model (for the second goal) is based on the approach and findings of de Leeuw and collaborators (2014) but there are two main differences compared with Dutch professors' study. First, the Dutch professors approach to measure productivity, radical innovative and incremental innovative performance is limited to one measure for each dimension. For example, the productive performance is measured as logarithm of sales per employee. In our work, we adopt their approach but we propose a larger dimension for performance measures. For example, for productivity we consider the financial measures as return on investments, enhancement in profitability ratios, market share and market development, the firms have obtained after collaborative strategy implementation. We have considered these aspects in our discussions with the managers and have looked to firms' portfolios of alliances broader than through only one specific measure of performance. And second, we suggest that the partnerships with research institutes and universities are also formed to improve firms' incremental innovative performance not only to improvements in firm's radical innovative performance. In this sense, we term the alliances with research institutes and universities as explorative strategic alliances and we looked also to the orientation of firm's portfolio of alliances depending if is oriented to exploration and/or to exploitation.

From this main difference results our third goal: to investigate if the participating firms have engaged in explorative and/or exploitative collaborative strategies, also through looking to their portfolio of strategic alliances. For both, the second and the third goal accomplishment, we investigate the direction of the portfolio of strategic alliances, but for different reasons: the former investigates the orientation of the portfolio of strategic alliances to performance improvements (productive, radical innovative or incremental innovative) and the latter analyzes the orientation of the portfolio to exploration or exploitation as strategic directions. (Is the portfolio of alliances oriented to exploration or only to exploitation? Do the firms partner to explore or only to exploit?)

One additional finding has resulted from our study and we provide answer to the following question: what are looking the managers to obtain through formulating and implementing collaborative strategies? Why do they partner?

We have tried to accomplish these goals through realizing one empirical investigation in Romanian firms operating in Cluj-Napoca, Romania. The study is based on qualitative data and has lasted from August 2016 until January 2017.

The paper proceeds as follows: we begin with the methodological aspects regarding the sample of participating firms and the presentation of the scientific methods used in our study. Then, we follow with the theoretical framework and the interpretation of each dimension in the firms we have investigated – Alliance Competence and Alliance Portfolio Orientation. Finally, we conclude with presenting paper's limits, importance of our study for theory and practice and the final conclusions.

2. METHODOLOGY

Our study is based on qualitative data. The study has begun in august 2016 and has lasted until January 2017. The study is based on interviews with specialists from practice and analysis of secondary data. All the interviews were tape recorded and has lasted between 35 and 45 minutes. Also, the interviews were semi structured and exploratory oriented. The exploratory approach has given us the possibility to explore the collaborative phenomenon under its main facets (Răboacă & Ciucur, 2009), to identify the current level of Alliance Competence developed in the participating firms and to identify the patterns of collaboration resulting from studying the orientation of their portfolio of strategic alliances.

The first step in our attempt was to form a sample with the companies in Cluj-Napoca we thought are more often oriented and predispose to formulate and implement collaborative strategies. In this sense, we chose firms we knew for their reputation as being important local players for the local community and for their performances also. A letter of intent was sent by email or presented at the firms' headquarters. Through this intent, we kindly ask the assistant managers to forward the email or present the letter to firm's CEO in order that she/he establish the adequate person to participate at interview. In all the cases, the initial letter was followed by one reminder or telephone calls to ask for a response to our intent. From august 2016 until January 2017 we realized ten interviews.

Regarding the respondents hierarchical position in their organizations the sample is as follows: eight general managers (CEO), one Technical Director and one Economic Director. The average age of the key informants is 46,8 years old with the youngest manager being 38 years old and the oldest 59. We introduced the age of informants in our study since we think

one manager of 30 years may perceive different a particular task compared to one manager of 60 years old. Moreover, we introduced the age since our study is based on qualitative data and in qualitative studies the authenticity and the personal characteristics of interviewed is important (Chelcea, 2007). Also, the average years of managerial experience of the interviewed in our sample is 15.9 years, with the manager less experienced displaying 10 years' managerial experience and the most experienced activating for 23 years in the domain. Since we promised participating firms the confidentiality of the answers provided, in our study we do not provide the names and details of the participating firms. However, because the study is projected to be useful for both, researchers and practitioners, we provide some information (non-confidential) regarding the participating firms in order to facilitate a better understanding of the decisions managers done regarding the creation of a high-level Alliance Competence (or contrary) and the direction of their Alliance Portfolio Orientation. (For information regarding the participating firms *see* the Table 1.) The firms' order in the Table 1 is the same for the next two tables in order to facilitate a better comparison between firms.

Table 1. The sample of participating firms

Firm	Industry	Size	Turnover 2015
Firm 1	Construction	Small	8 million €
Firm 2	Manufacturing of furniture	Large	65 million €
Firm 3	Construction	Medium	5 million €
Firm 4	Medical Devices	Small	4 million €
Firm 5	Construction	Medium	3.8 million €
Firm 6	Engineering	Small	3 million €
Firm 7	Construction	Small	3.5 million €
Firm 8	Construction	Small	3 million €
Firm 9	Engineering, Construction	Medium	4.4 million €
Firm 10	FMCG/Beverages	Medium	20.5 million €

Source: own editing based on data from www.mfinante.gov.ro

Overall, in our study participated the managers of four small firms, five medium firms and the CEO of one large firm. In Romania, the classification of firms is as follows: up to 50 employees are termed small firms, between 50 and 250 employees are termed medium size firms and above 250 employees are termed as being large firms (mfinante.gov.ro). The unit of analysis is the firm level. In this sense, on the subsequent paragraphs, we evaluate participating firms' level of Alliance Competence (alliance scanning, alliance coordination, alliance learning) and the orientation of firms' portfolio of strategic alliances (to productivity, radical innovative and incremental innovative performance) after discussions with firms' managers and analysis of secondary data.

3. THEORY AND FINDINGS

Collaborative strategies represent the common activity of two or more firms with the purpose to achieve common beneficially goals or to improve firms' competitive advantage (Borza, 2012; David, 2008; Hitt et al., 2007). Collaborative strategies as a primary type of firm level strategy (David, 2008) can take various forms: various types of vertical agreements between buyer-seller firms (supply partnerships, distribution agreements etc.), horizontal relationships between competitors or even collaborative relationships between firms pertaining to completely unrelated industries (Pitt & Koufoupoulos, 2012). All these types of collaboration will take the form and will be organized such as strategic partnerships, minority equity

alliances or through setting a joint venture (Barnes et al., 2012; Das & Teng, 2000; Lehene & Borza, 2016). Broadly, within the strategic management literature the collaborative strategies are classified as “strategic alliances”. For this reason, we adopt the concept “alliance” as an umbrella term for all the collaborative strategies the firms in our sample have formulated and implemented. In this sense, we use the concept Alliance Competence to describe the competence of a firm to formulate, implement and evaluate collaborative strategies and Alliance Portfolio Diversity (APD) to describe the various types of partners with whom a firm has formulated and implemented a collaborative strategy.

3.1 Alliance Competence

In strategic management literature, broadly the Alliance Competence is defined as a firm’s superior portfolio competence that help it scan its environment for partnering opportunities, coordinate its alliance strategy and learn from its alliance experience (Kandemir et al., 2006). It involves the ability to select and formulate an efficient collaborative strategy, ability to select good alliance partners, ability of how to manage alliance experiences with alliances well-trained alliance managers, or simply being alert to new alliance opportunities (Gulati, 1998; Heimericks et al., 2009; Kandemir et al., 2006; Lambe et al., 2002; Sarkar et al., 2009). Lambe and collaborators (2002) defined the alliance competence as an organizational ability for finding, developing and managing alliances. They argue that this competence is not only the antecedent and an important asset in order to gain access to necessary resources but also to alliance success itself. Moreover, the degree firms enter into partnerships with growing frequency they will encounter new problems from the management of alliances and they will strengthen their collaborative capabilities as they enter and expand these experiences (Kandemir et al., 2006). Even so, Kale and collaborators (2002) have found that a firm’s investment in the creation of the alliance function is a more significant predictor of a firm’s overall success than a firm’s alliance experience. In our paper, we argue that is not sufficient for a firm to engage in collaborative strategies and gain experience, they should also create alliance competence to professionally manage firm’s collaborative strategies. In this line of thinking, on the subsequent paragraphs we investigate the level of Alliance Competence of the firms which have participated in our study.

3.1.1 The formalization and institutionalization of firm’s collaborative strategies

Hoffman (2005) argues that the first step toward creation of Alliance Competence and alliance function/department is to start institutionalizing firm’s collaborative strategies. For the medium size firms, they can name one manager responsible with firm’s collaborative strategies to monitor the formulation and implementation of firm’s strategic alliances within all business units. For the large firms, is recommended to create the alliance function/department who should manage its own staff and resources for the same purposes (Dyer et al., 2001; Hoffmann, 2005; Kale et al., 2002). As outlined by Dyer and collaborators (2001) the institutionalization of firm’s strategic alliances is a costly movement. Firms need to engage in sufficient level of alliances and obtain a higher level of profits from firm’s strategic alliances in order that such an alliance function/the nomination of a manager of strategic alliances to be justified.

The formalization and institutionalization of firm’s collaborative strategies in the case of firms in our sample is low (inexistent). Perhaps, the firms in our sample did not start to institutionalize firm’s collaborative strategies for two reasons: (1) they are too small and young in order to justify the creation of the alliance function/nomination of a collaborative strategies

manager, and firm's current operations do not justify a such investment and (2) for the medium size and large firms we studied they do not engage in sufficient strategic alliances to justify the investment in a such function or to name one strategic alliances manager. In this line of thinking, since our work is projected to be useful for all sizes of firms (Small and Medium Enterprises and large firms) we evaluate firm's Alliance Competence in terms of alliance scanning, alliance coordination and alliance learning as a general measure of firm's competence to formulate, implement and evaluate collaborative strategies. The formalization and institutionalization of firm's collaborative strategies remains a powerful descriptor and an adequate measure of firm's Alliance Competence but we have excluded it from our study since neither company has started to institutionalize/formalize its strategic alliances.

3.1.2 Alliance scanning

Alliance scanning refers to the extent to which a firm proactively monitors for and identifies partnering opportunities (Kandemir et al., 2006; Lambe et al., 2002; Sarkar et al., 2009). As suggested by Holmberg and Cummings (2009) the process of identification of partnering opportunities should be realized first at the industry/segment level and then pass to select the partner firm. Basically, the selection of the adequate collaborative strategy should be realized at business unit level depending on the firm's business unit strategy (Hoffman, 2005). In other words, the future alliance should facilitate the attainment of the business unit goals and corporate/firm fundamental goals. On the other hand, scanning the environment for partnering opportunities is a task in the responsibility of firm's CEO. He or she can work closely with the head of marketing for a better understanding of the current needs of customers. We argue that because the scanning of environment for partnering opportunities should be realized first with possible industries/segments (Holmberg and Cummings, 2009) the head of strategic alliances cannot be lost somewhere within firm's business units, should be ranked above divisional managers into firm's hierarchical rank and work closer with firm's CEO. In its responsibilities, will be the alliance scanning and coordination of all firm's strategic alliances and gathering, generating and disseminating also the alliance management knowledge within all alliances a firm pursue within all firm's business units (Heimericks et al., 2009).

3.1.3 Alliance coordination

The second dimension of a firm's Alliance Competence reflects firm's ability and propensity to coordinate all the alliances a firm pursue within one business unit, to coordinate all the alliances a firm pursue within different business units and to coordinate also individual alliances formed within one or between different business units (Dyer et al., 2001; Hoffmann, 2005; Sarkar et al., 2009). Kandemir and collaborators (2006) define firm's alliance coordination as the extent to which a firm systematically integrates strategies, synchronizes activities and regularly disseminates knowledge across its alliances. Coordination enhances the ability of a firm to share information, identify opportunities and important activities within all the partnerships formed (Kandemir et al., 2006; Sarkar et al., 2009). At the firm level, the alliance coordination becomes important especially when with one partner is formulated and implemented a collaborative strategy for multiple goals pertaining to the same and/or different business units. Also, becomes more important at the point firms start entering strategic alliances more often and their alliance portfolio start growing.

Moreover, the strategic alliances a firm pursue should be aligned with firm's international strategy (Vapola, 2010) and with the firm's diversification strategy (Hitt et al., 2007). For this reason, we argue that the individual alliances cannot be spread and lost around business units

and at least a minimum degree of coordination between firm's strategic alliances should be exercised by firm's CEO or by the head of strategic alliances. The danger here is that the firm can be engaged in collaborative strategies which are no longer aligned with firm's strategic intention, its fundamental strategy and other corporate/firm level strategies.

3.1.4 Alliance learning

The alliance learning is the third dimension of firm's Alliance Competence. The alliance learning refers to the extent to which a firm acquires, interprets, and leverages alliance management know-how throughout its alliance portfolio (Kandemir et al., 2006). The ability a firm learns from its past alliances, institutionalizes the lessons learned and then applies and disseminates that information through firm's alliances (and not only) represent an important source of competitive advantage in the new competitive landscape (Inkpen, 2005). In the new competitive context, in order a firm obtain competitive advantage it should learn better and quicker than its competitors, and then apply and disseminate that knowledge within the firm (Hitt et al., 2007). The firms which are not preoccupied to learn from their past alliances and from their current partners face the danger to do not grow and develop as fast as they need to grow, do not being aware of what is happening in the local/global economy and perhaps most importantly, they do not increase their innovative capabilities. As suggested by Borza (2012) the firm's innovative capabilities are distinctive competencies with greater importance for firms to obtain competitive advantage. From other point of view, they are critical resources for the firm's progress (Borza, 2012).

With these three dimensions of firm's Alliance Competence framed, let see on the subsequent paragraphs how these dimensions look in the firms that have participated in our study. For a summary of our results *see* the Table 2. For comparisons and details regarding the participating firms go back to the Table 1.

Table 2. Alliance Competence of participating firms

Firm	Alliance scanning	Alliance coordination	Alliance learning
Firm 1	low	low	medium
Firm 2	medium	low	medium
Firm 3	medium	medium	medium
Firm 4	low-medium	low	medium
Firm 5	low-medium	low	low-medium
Firm 6	low	low	medium
Firm 7	low	low	low-medium
Firm 8	low	low	low-medium
Firm 9	medium-high	medium	medium
Firm 10	medium-high	medium-high	medium

Source: authors' own elaboration

3.1.5 Findings

Scanning the environment in order to find valuable opportunities for collaboration at both, industry/segment level and firm level, is in nearly half of the cases evaluated as being low and in another half, is evaluated as being medium. *See* the Figure 1.

This dimension of Alliance Competence has lot to do with the substantiating and formulation of a collaborative strategy. Despite the increase in importance of the collaborative strategies in many firms (as suggested by the general managers of 50% of the participating firms), the

collaborative strategies are not in the center of attention of their top management. For example, in the case of a medium size firm operating in the construction industry the interviewed told us:

“In our collaborations (actually the partners are called suppliers), the communication with our partner never pass from the operational level to managerial level. Within the collaboration are involved our acquisition department employees and partner sales department employees. The collaboration never bypass this level [...]”. (M.C., 53 years old, 13 years’ managerial experience)

This is an example of a firm that manages a pure productivity oriented portfolio of alliances. Moreover, the relation is based on strict contracts and clauses to monitor the evolution. In this case, the level of Alliance Competence is the lowest from the firms represented in our sample. In other case, the level of Alliance Competence is evaluated as being medium to high. For example, the CEO of one firm which is a subsidiary (Foreign Direct Investment in Romania) of a large group of American firms outlines the importance of a collaborative strategy:

“Our firm some years ago, has looked to improve its incremental innovative performance through diversification and enter into a new business: the distribution of a new product in Romania. In order to implement the diversification strategy and enlarge our portfolio of products we invested in a Joint Venture with one local manufacturer. In this way, we obtained the exclusivity of distribution of that product in Romania”. (P.R., 50 years old, 18 years’ managerial experience)

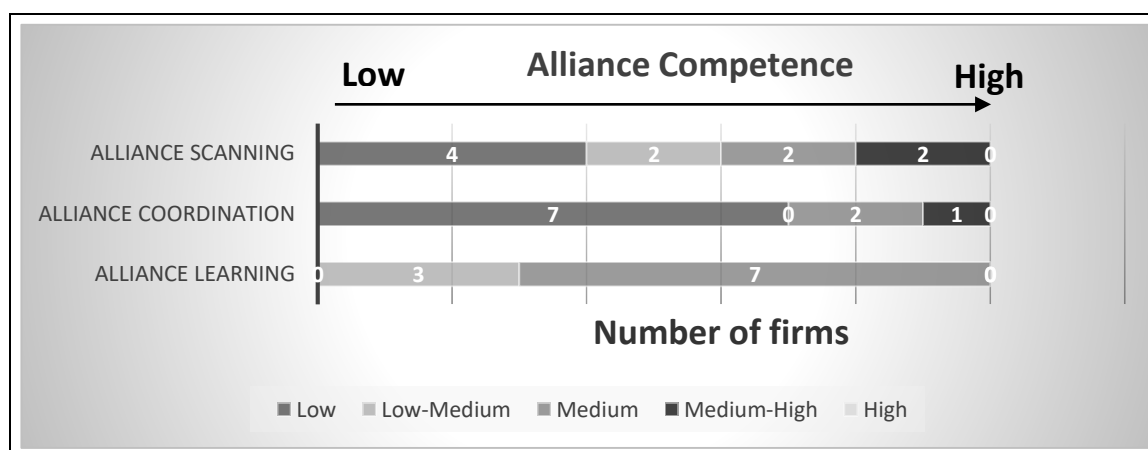


Figure 1. Selected firms' Alliance Competence

Source: author's own elaboration

In all the cases, the scanning for alliance opportunities is driven by the need to implement the business level strategy. These findings provide support for the assumption of Hoffman (2005) suggesting that collaborative strategies are drive mainly by the need to implement the business level strategy. However, in none of the cases there do not exists rigorous procedures first to choose the collaborative strategy at industry/segment level and then pass to the firm level (Holmberg and Cummings, 2009). From discussions with managers regarding the formulation of a collaborative strategy, all the managers have told us the procedures in their company to select a partner are drive by criteria that are normally used to select directly the firm. For example, the price, quality of partner firm products, the time of delivery etc. However, in some cases there is the marketing department who is on charge to search and find adequate partners and perhaps partnering opportunities. The point here is that in half of the

cases the scanning for alliance opportunities is low and only drive by the pure business level implementation without any concern to innovate (radical or incremental in that business).

The alliance coordination dimension is low to medium in almost all the firms we studied. The lower lever is determined as suggested previously by the fact that the importance and managerial attention put in starting institutionalizing firm's collaborative strategies is not present. Only in one case we found that there exists a manager responsible with individual specific alliances which are more complex, but even there do not exist one manager responsible with the formulation and coordination between various alliances the firm pursue. The nomination of an alliance manager for some complex relationships provides the firm with a higher level of coordination and better communication between firm's employees who directly work in the alliance. For example, if during the implementation occur some technical problems the alliance manager allows for a faster answer to solving that problem. As the CEO of the firm pointed out:

“In our company, we have one person who is responsible with some individual strategic alliances. The responsibility for the alliance represent an additional task for that person. He is responsible and manages the relationship with our partner. In case there occur some problems, he calls and involves for example, a technical director”. (R.O., 42 years old, 15 years' managerial experience)

As results from this example, the alliance managers are spread around firm's business units. They are not involved into a separate function and work only in alliance issues and there do not exist a manager who may allow a better alliance scanning, coordination and learning through all firm's collaborative strategies in order to term, that firm's Alliance Competence is rounding the highest level. Not yet. From other point of view, in this case, with a medium level of Alliance Competence the alliance scanning is properly done by the marketing department employees, is the task of the marketing department. This is other argument for our assumption that the Alliance Competence in some cases exists and even is medium developed, but is spread around business units and firm's functions. More specifically, is not yet institutionalized.

The dimension alliance learning is medium for the firms we studied. Even if there do not exist (as pointed out previously) one manager responsible with firm's collaborative strategies or the creation of an alliance function/department responsible with the acquisition, institutionalization and dissemination of lessons learn through firm's strategic alliances, the preoccupation to continuously learn is in the center of attention of all the managers we interviewed. As the CEO of a small firm operating in the medical devices industry pointed out:

“The relationship with our partner is a continuous learning process. We learn from our partner how to be more efficient in our operations and they learn from us how to operate in Romania”. (M.G., 41 years old, 20 years' managerial experience)

In four cases (40%), the interviewed had pointed out that there exist training programs offered by partner firms and the employees of their company participate. Once returned into their company the participants start to disseminate through company what they had learnt due the course. As we can see, there exists the preoccupation to learn but only if the partner offer trainings and seminars. Since there do not exist one manager responsible with firm's strategic alliances or an alliance function/department there is no one to acquire, institutionalize and disseminate lessons learned from past and current firm's strategic alliances. However, all the managers interviewed have outlined that the learning component of the Alliance Competence

is very important for their company and they are preoccupied to continuously learn and improve firm's processes and products. This is a positive point and for this reason we termed the alliance learning is generally medium.

Overall, the general Alliance Competence in the firms we studied is medium. The alliance scanning, coordination and learning in some cases are low and drive only by short term financial gains and in other cases are medium, more long-termed oriented but are spread around business units or functions.

However, the general Alliance Competence is quite different for its components. As we can see in the Figure 2, the most developed competence within the firms in our study is the Alliance learning with a score 27 from maximum 50. Second, is the Alliance coordination with a score 17 and the least developed is the Alliance scanning with the score 16. To get these results we calculated for each component the level of alliance competence. For example, for the dimension Alliance scanning we have, four firms with this competence low, two low-to-medium, two medium, and two medium-high. Following, we put in one scale from one to five the level of alliance competence. In this sense, we gave one point if the competence was low, two points if it was low-to-medium, three if it was medium, four if it was medium-high, and five points if it was high. The level of competence for Alliance scanning was calculated with the formula: Alliance Scanning = The sum of [number of firms in the category (low, medium, etc.) * the score for category]. For example, for the Alliance Scanning the level of competence (AC) was calculated as follows: $AC = 4*1 + 2*2 + 0*3 + 2*4 + 0*5 = 16$.

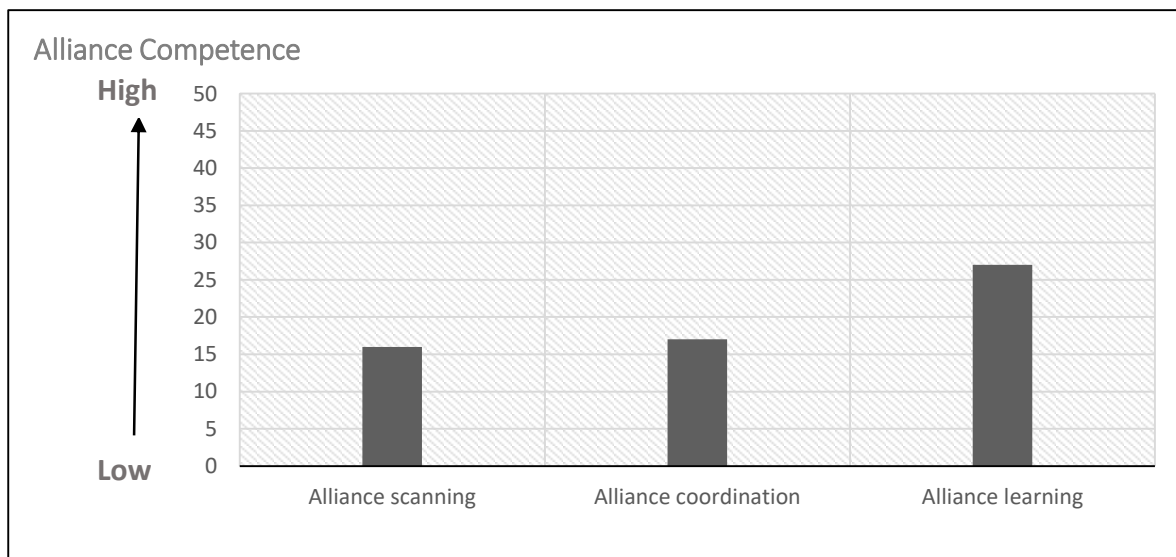


Figure 2. The level of competence of firms for each Alliance Competence component

Source: authors's own elaboration

Next, in order to obtain the general Alliance Competence of the firms in our study, we summed the scores of its components and we obtained the $AC = 16 + 17 + 27 = 60$. The general Alliance Competence of the firms in our study is equal with 60 from a maximum 150 that it can be. (The rationale for this assumption is, the maximum value will display that all the ten firms will have five points for each component and each component will be the highest possible, 50.) This result indicates that the Alliance Competence of the firm in our study is medium, but is at the lower frontier, bordering the low category. In our assumption, the low level of AC range from 0 to 50, medium from 50 to 100, and high from 100 to 150.

Moreover, regarding the Alliance Competence, in neither company, does not exist one manager responsible with firm's collaborative strategies or the creation of the alliance function/department. The responsibility for the formulation and implementation of collaborative strategies is pursued in all the cases by the firm's CEO. In other words, the preoccupation for firm's strategic alliances exists but is still in its burgeoning period.

3.2 Alliance Portfolio Orientation

The portfolio of strategic alliances of one firm refers to all the firms with whom the focal firm has formulated and implemented a collaborative strategy (Heimericks et al., 2009; Hoffmann, 2005; Sarkar et al., 2009). In a portfolio of alliances of a firm there can be comprise very diverse and nonhomogeneous partners starting with firm's suppliers, competitors or even organizations from completely unrelated industries between which at the first look do not exist any link. This diversity is called Alliance Portfolio Diversity and is defined as the extent of variance in a focal firm's alliance partners (Collins & Riley, 2013; de Leeuw et al., 2014). Broadly, one firm can engage into four types of collaboration: (1) backward alliances with firm's suppliers, (2) forward alliances with its customers (both types are seen as vertical alliances), (3) horizontal alliances with firm's competitors, and (4) horizontal alliances with organizations from related or unrelated industries (Pitt & Koufopoulos, 2012, p. 307).

The analysis of firm's Alliance Portfolio Diversity is an important aspect since may provide important information regarding firm's strategic intention. In this line of thinking, one firm's Alliance Portfolio Diversity reflects firm's Alliance Portfolio Orientation (exploration – exploitation) and the degree of importance put in each strategic intention. For example, one firm may be strong oriented to innovation/long term performance and less oriented to obtain short term/financial gains. On the other hand, the analysis of firm's Alliance Portfolio Diversity can facilitate us to understand what are the benefits and outcomes managers desire and look to obtain from firms' collaborative strategies (what is important for them).

Leeuw and collaborators (2014) argue that managing different types of partners in the Alliance Portfolio Diversity will result in three different types of performance: (1) productive performance, (2) radical innovations and (3) incremental innovations. In this sense, one firm partnering only with firm's suppliers and/or customers is oriented to obtain the enhancement of the productivity performance (enhancement of firm's financial performance, market share and market development). On the other hand, if the firm's alliance portfolio reflects that the firm is partnering with its suppliers, customers and with research institutes and universities, that firm desire to obtain better productivity performance and to introduce also new products/services. In the third case, if the firm's Alliance Portfolio Diversity reflects that the firm is partnering with firm's customers, suppliers, research institutes and universities and is partnering also with organizations from other industries (related or unrelated), that firm is oriented and look to obtain better financial results, to introduce new radical innovations and to improve firm's current offerings – better products/service/solutions (de Leeuw et al., 2014).

Professor of sociology Septimiu Chelcea (2007) outlines that the formalization is necessary in social sciences. One purpose of qualitative studies is to identify the patterns of evolution and the variables which have an impact on previously defined effect (Răboacă and Ciucur, 1999). This is also the purpose in our study, to identify the patterns of collaboration for the firms we studied. In this sense, on the subsequent paragraphs, we analyze each firm's Alliance Portfolio Diversity depending on the four classes of collaboration one firm may engage. For the purpose of our study we introduced a distinction compared to work of Pitt and

Koufopoulos (2012) in the class four, “alliances with organizations from related and unrelated industries” and treat the upstream alliances separate. In this sense, we have: (4a) alliances with research institutes and universities and (4b) alliances with organizations pertaining to related/unrelated industries for all other partners from all industries. Therefore, the formalization is as follows: $APD = (\text{alliances with suppliers} + \text{alliances with customers} + \text{alliances with competitors} + \text{alliances with research institutes and universities} + \text{alliances with organizations pertaining to related/unrelated industries})$.

In the first case, if one firm has formulated and implemented collaborative strategies only with firm’s suppliers and/or customers we term that firm is oriented to obtain and improve firm’s productive performance (P). Therefore, the formalization is $P = \text{alliances with suppliers} + \text{alliances with customers}$. In the second case, if the firm has formulated and implemented collaborative strategies to improvement of firm’s (P) and partners also with research institutes and universities, we term that firm is oriented to obtain and improve firm’s radical innovative performance (R). The formalization is $R = \text{alliances for P} + \text{alliances with research institutes and universities}$. In the third case, if the firm partner with firm’s supplier/customers, research institutes and universities, and collaborate also with organizations that operate in other industries (related or unrelated), or even with firm’s competitors, we term that the firm is oriented to obtain and improve firm’s incremental innovative performance (I). In this case, the formalization is $I = \text{alliances for P} + \text{alliances for R} + \text{alliances with organizations from related/unrelated industries} + \text{alliances with competitors}$. Moreover, we term that the firm is oriented to improvement of incremental innovative performance (I) also in the case the firm has partnerships with suppliers and/or customers and with organizations operating in related/unrelated industries and/or with competitors and do not has partnerships with research institutes and universities. Therefore, also $I = \text{alliances for P} + \text{alliances with organizations from related/unrelated industries}$, or $I = \text{alliances for P} + \text{alliances with competitors}$ (de Leeuw et al., 2014). For example, one firm operating within retail industry, distribution of FMCG (fast-moving consumer goods) has formulated and implemented a collaborative strategy with one firm operating within the production of beverages industry to build a new production factory in Romania (a firm operating in a related industry). Due to collaboration, the distributor has enlarged its portfolio of products and can bring to the market a better product compared with competitors’ products. This is an example of a firm pursuing a portfolio of alliances oriented to improvement of firm’s productivity performance (P) and incremental innovative performance (I).

In this sense, we have tried to understand which dimension between P, R and I performance are important for the firms we studied, through looking to their portfolio of alliances. In our study, the productive performance means that a firm desire and looks to improve its short term/mainly financial performance obtained through implementation of collaborative strategies. In other words, for this reason firm engage in collaborative relationships. The radical innovative performance means that a firm desire and look to bring to the market completely new products/services or solutions and the incremental innovative performance means that a firm desire and looks to improve its current products/services/solutions offered to customers (better services/products/solutions). Both types of innovative performance are seen as long-term performance measures and the former one is seen as a short-term performance measure. Moreover, the radical and incremental innovative performance refers to growing through diversification, entering new businesses (Hitt et al., 2007).

Forwards, we evaluate participating firms’ Alliance Portfolio Diversity depending on its direction. Is the portfolio of alliances oriented to productivity, radical innovative or

incremental innovative performance? For a summary of our results *see* Table 3. For comparisons and details regarding the participating firms go back to Table 1.

Table 3. Alliance Portfolio Orientation of participating firms

Firm	Direction of Alliance Portfolio Diversity
Firm 1	P + I
Firm 2	P
Firm 3	P + I
Firm 4	P
Firm 5	P
Firm 6	P
Firm 7	P
Firm 8	P
Firm 9	P + I
Firm 10	P + I

Note: P = Portfolio of alliances oriented to productivity performance
 I = Portfolio of alliances oriented to incremental innovative performance
 R = Portfolio of alliances oriented to radical innovative performance

Source: authors' own elaboration

3.2.1 Findings

The main purpose of this subchapter is to describe participating firms' Alliance Portfolio Orientation to productivity, radical innovative and/or incremental innovative performance through evaluating firm's Alliance Portfolio Diversity depending of four types of collaboration one firm may engage. In this sense, on the subsequent paragraphs we present how is looking the Alliance Portfolio Orientation in the firms we studied.

In our sample, we found two general types of portfolios. First, there is the portfolio of alliances oriented only to improvement of firm's productivity performance. The characteristics of this type of portfolio are the following: the firms in this category only partner with firms' suppliers and/or customers, they engage in collaborative strategies only to increase firms short term/financial performance, basically the collaboration takes the form of Strategic Partnerships (contractual alliances), the relationship with the partner firms is less integrated compared to firms in other type of portfolio. This type of portfolio was observed in 60% of the cases selected.

The second type is the portfolio of alliances oriented to improvement of firm's productivity and oriented also to improvements in firm's incremental innovative performance. The firms in this category have formulated and implemented collaborative strategies with firm's suppliers and/or customers and collaborate also with organizations operating in other industries (related or unrelated), or with firm's competitors. For example, one firm which we analyzed that produces assembly components for local and national firms in many industries (construction, automatization, engineering etc.) additional to firm's strategic alliances with its suppliers and customers has also formed partnerships with some of its competitors. The CEO of the firm told us:

"If some years ago, I would have told you that I do not collaborate with my competitors, I must recognize that my mentality has changed. Currently, we have collaborations even with some competitors. For example, if one of our customers require one demand to be done quicker than our standard time delivery and add additional options we cannot comply, or simply a better

solution which can integrate competitors' products, we have formed that collaboration and we can comply with that customer requirement". (V.K., 59 years old, 23 years' managerial experience)

As results from this example, this firm and specifically its portfolio of alliances is oriented to improve firm's productivity performance and to improve also firm's incremental innovative performance. In this case, through partnering to offer a better service and a better solution to firm's customers.

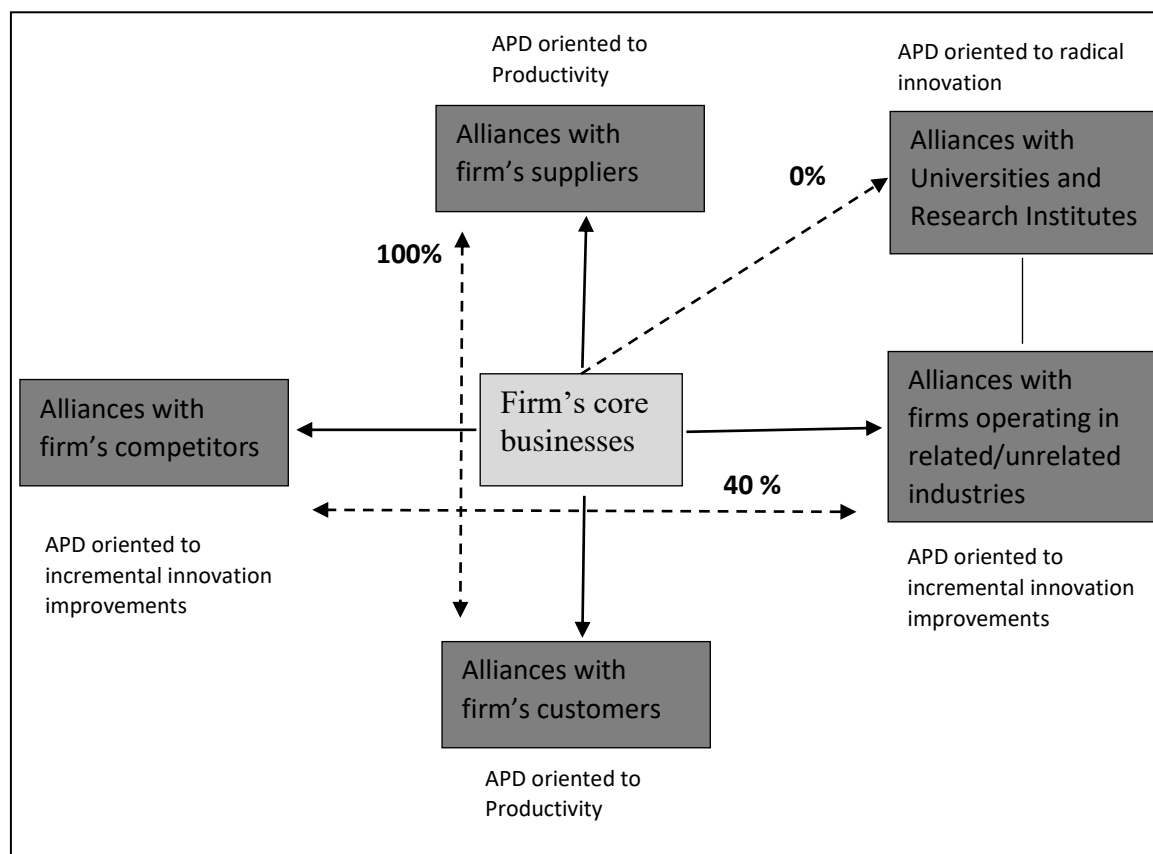
In this sense, we can say that the firms in this category have a superior level of awareness regarding the importance of collaborative strategies in the new competitive landscape and the management is more professional. Moreover, these firms are more open to collaboration, they are more oriented to growth and development compared to firms in other category and they look to many diverse opportunities to satisfy their customers (for example, partnering with organizations from completely unrelated industries in order to offer better solutions to customers). This type of portfolio was observed in 40% of the cases.

As a conclusion, we can summarize that all the firms in our study partner to improve their productivity and from them, 60% only partner to improve this type of performance. On the other hand, 40% of the firms partner also to improve their innovative performance. Even so, they partner only to improve their incremental innovative performance. Neither firm in our sample partner to improve its radical innovative performance. For a summary of our results *see* the Figure 3.

This is the general tendency, the pattern of collaboration for the firms we analyzed. However, there are also preoccupations regarding the improvements of incremental innovative performance for the firms in the first category, but the point here is that the collaborative activity of the firms in the first category is oriented only to obtain better productive performance. In other words, they only partner to improve firms' productivity, they do not partner to offer a better service, better products or better solutions to firms' customers. On the other hand, some firms in our sample are oriented to improvements of firm's products/services but through other strategic options (Borza, 2012; David, 2008). For example, through direct investments in detriment to collaborate. As example, in two SME operating in the construction industry the managers try to improve firm's incremental innovative performance through investing in R&D activities in comparison to collaborate. Moreover, within these firms there are even constitutes R&D teams to bring to the market better products.

In our sample, within 30% of the firms the incremental innovations are pursued through direct investments (DI) and within 10% this type of performance is pursued through realizing acquisitions of companies. For an overview perspective *see* the Figure 4.

Moreover, the firms in the second type of portfolio, additional to formulating and implementing collaborative strategies to improve firm's incremental innovative performance are also preoccupied to improve firm's productivity through direct investments as much as the firms in the first category do. Therefore, they are somehow more oriented to satisfy customers' needs with possible consequences for firms' future competitive advantage.



Note: a) the type of partners with whom a firm ally reflects its portfolio orientation, for example, one firm allying with its competitors reflects that firm has a portfolio of alliances oriented to incremental innovation improvements; b) the percentage reflects the percentage of the firms in our study oriented to a specific type of portfolio; c) APD = Alliance Portfolio Diversity

Figure 3. Selected firms' Alliance Portfolio Orientation

Source: authors' own elaboration

Other important aspect is that in the sample we studied the firms (from both types of portfolios) are not preoccupied to engage in collaborative strategies to introduce completely new products/services (radical innovative performance). Moreover, they have not formulated and implemented exploratory alliances (R&D alliances) of any type: for incremental (with other firms) or radical innovations (with universities/research institutes). In our view, this is a weakness of the firms in our sample because as suggested also by Levinthal and March (1993), Rice and Galvin (2006), Nielsen and Gudergan (2012) the challenge in this competitive landscape is to assure firm's current profitability but at the same time to devote enough energy to increase the probability of firm's survival in the future.

Overall, as a conclusion, all the firms in our sample do not engage in explorative collaborative strategies (R&D alliances) to bring to the market better or new products. See the Figure 5. They have formulated and implemented only exploitative collaborative strategies. More specifically, their portfolio of alliances is oriented only to exploitation and not also to exploration.

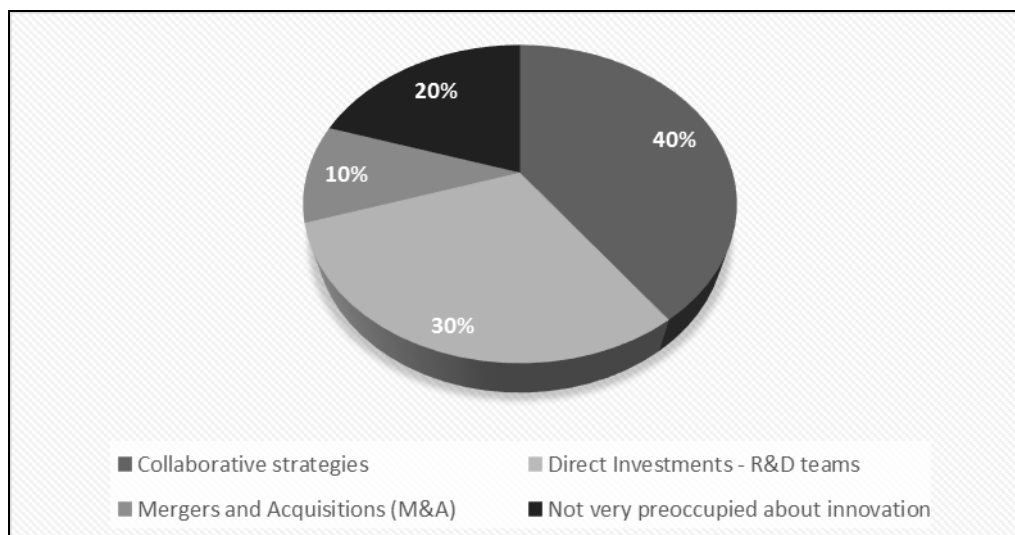


Figure 4. Selected firms' overall incremental innovation pursued through corporate/firm level strategies

Source: authors' own elaboration

4. STUDY'S LIMITS AND FUTURE AVENUES OF RESEARCH

As pointed out previously, the study is based on a qualitative interpretation regarding the level of the Alliance Competence and the direction of firms' portfolio of alliances. In this sense, the data is based on the authenticity of the key informants, on real facts and observations. The interpretation of each dimension reflects top-level managers' assumptions regarding the topic of our study (80% of the interviewed were CEOs). However, the sample is too narrow in order to generalize the findings to a larger population. There should be realize various quantitative studies in order to test the level of Alliance Competence and the Alliance Portfolio Orientation on larger samples of firms.

On the same time, our study is based on information provided by only one key informant pertaining to each firm. There should be also interviewed other employees within the participating firms. Perhaps, through interviewing the employees who effectively work in alliance issues (the implementation phase) we can find a different level of Alliance Competence of participating firms. Moreover, each component of the Alliance Competence may display a different degree of importance in the overall measure. For example, one firm can display a high level for alliance scanning and a low level for the alliance learning components of the Alliance Competence. In this sense, more studies should be done (qualitative and quantitative) regarding and testing for separate each component of the overall Alliance Competence dimension. For example, which degree of importance plays each component in building the Alliance Competence? How do they interact? Which are the characteristics and possible outcomes of firms with high level alliance scanning compared to low ones?

In our study the dimension Alliance Competence contains only three (four with the institutionalizing component) components. The Alliance Competence is a firm level measure as suggested by Kandemir and collaborators (2006) which reflects firm's competence to formulate and implement collaborative strategies. In this line of thinking, also implementation issues can be considered in order to find a more accurate level of a firm's Alliance Competence. For example, other possible component of firm's Alliance Competence can be

firm's alliance experience or individual alliance manager's collaboration capabilities (Lambe et al., 2002).

Regarding the Alliance Portfolio Orientation for both investigations, firms' performance improvements and the strategic direction of firm's collaborative strategies, the study is limited only to ten firms headquartered in Cluj-Napoca, Romania. There should be done more qualitative studies to contain many more firms in order to find a general pattern of firms' Alliance Portfolio Orientation with possible implications at macro level. For example, if in the case of Romanian firms – resulting from examining the portfolio of alliances of a statistical significance sample of firms – turns out that Romanian firms engage mainly into exploitation and partner in general for productivity performance improvement (as results from our study) there is a clear indication that there should be intervened at macro level. For example, there can be institutionalize a policy that research institutes and universities should promote and encourage courses for innovation management in order that country stays competitive in the years ahead.

5. STUDY'S IMPORTANCE AND MANAGERIAL IMPLICATIONS

From our study results four managerial implications which stood at the base of our motivation in start writing the present article. First, as results from our study only 40 % of the firms partner to improve firm's incremental innovative performance and none to improve the radical one. This is a finding that underlines the importance and the need of awareness of managers to devote more energy to formulating and implementing collaborative strategies to improve firm's innovative performance. Since, as underlined in the introductory chapter, the importance of innovation is constantly growing is important for managers to become aware of the need to collaborate for better innovative performance achievement (radical and incremental).

Second, our second motivation in writing this article was that in neither firm there are not formulated and implemented explorative collaborative strategies (as results from our investigation). Through reading our study, the managers may become aware of the importance of engaging in explorative collaborative strategies (R&D alliances between firms or with universities) to improve firm's radical and incremental products/services. We think this type of collaborative strategies will become more important in the years ahead for two reasons: (1) the increasing importance of improving the quality of firm's products/services and (2) the need to bring to the market "completely" new products/services/solutions.

Third, as suggested along the paper, collaborative strategies will become more and more important in the future. In this sense, we wrote the article for the awareness of the managers of the importance of building and developing their firm's Alliance Competence as an important source of competitive advantage. And fourth, our paper demand the attention to the development of an arising and important specific type of explorative collaboration: the collaboration university-firm. Despite the importance of innovation in the new competitive environment, as suggested in the introductory chapter, in our investigation we have not found any explorative collaboration university-firm. (However, we are aware that some relations of this type exist within the local business community but the firms pursuing them have declined our invitation to participate at interviews.) We argue that this particular type of explorative collaboration will become more and more important in the years ahead. For example, a firm operating in the construction industry may formulate and implement a collaborative strategy with, let say a Faculty of Environmental Sciences and a Technical University, to jointly

develop a new product, let say a new kind of plastic used in the fabrication of windows. In the collaboration, each partner will contribute with independent resources and competences. For example, the firm will contribute financial resources and some R&D researchers – if the firm possesses these persons and competences – and the universities can contribute also some financial resources, and expertise in fundamental research. The future innovative product resulted from the alliance will be used then into firm's core business, the construction of industrial and residential projects. The product resulting from collaboration will be an important source of competitive advantage for the firm and for the university.

6. CONCLUSIONS

A medium level of Alliance Competence

In his study Goerzen (2005) – *apud* Vapola et al., (2010) – has found that although alliance portfolio management was considered critical to the management of the Multinational Companies (MNC), at the date of his study, it was still underdeveloped in most firms. Our findings are in line with this assumption. Even if the managers interviewed had generally recognized the importance of engaging in collaborative strategies they up to now do not have started to institutionalize and devote enough energy to formulate and implement professionally collaborative strategies. Through examining firms' Alliance Competence, we can say, that in the case of selected firms they are at a medium level oriented to collaborate. In other words, they have a medium level performed portfolio of alliances compared to what they can do and the current opportunities they may encounter in emerging markets. This assumption is based in the facts and observations that the participating firms partner only to exploitation not also to exploration. In our view, 60% of the firms collaborate broadly to achieve short term gains and mainly productive performance enhancement. Which is fine for that, but when in discussion comes the future survival of the firms they manage, we think they should devote more energy to innovation and in our case, through formulating and implementing explorative collaborative strategies to bring to the market innovative products/services or solutions. From the firms we studied in neither firm does not exist a manager responsible with the firm's collaborative strategies or the creation of the alliance function/department. In all the cases, the responsibility for firms' strategic alliances is pursued by the firm's CEO. Because the CEO has many more responsibilities additional to monitor firms' collaborative strategies once the portfolio of alliances grow, on the same time with the growth of the company, we recommend that the CEO to name one manager responsible with the firm's collaboration. The first step is to name a manager responsible with the firm's collaborative strategies (manager of strategic alliances). As the portfolio expands and the firm engages in perhaps hundreds of partnerships the CEO is recommended to institutionalize the alliance portfolio management and to create the alliance function/department with its staff and resources (Dyer et al., 2001; Hoffmann, 2005; Kale et al., 2002). In this way, through starting to institutionalize firm's collaborative strategies firms will gain a superior level of Alliance Competence with direct effects on current and future competitive advantage.

Alliance Portfolio Orientation to productivity and incremental innovations

Regarding the innovation – productivity tension outlined in the introductory chapter, from all the cases studied all the firms were strong oriented toward productive performance improvement. *See* the Figure 5.

As suggested by de Leeuw and collaborators (2014) one firm in order to improve its productivity should partner only with few partners, mainly the supply chain partners and try to optimize the relationship with them. We observed that this is tendency, the general pattern of partnering for all the firms we have investigated. In other words, the firms' propensity to

collaborate (Alliance Orientation) is strong oriented to enhancement of productive performance and to exploitation alliances. On the other hand, for exploration, the dimension radical innovative performance and interest are very low for the managers interviewed. As one interviewed pointed out:

“Our core business is the construction of industrial and individual projects [...]. You cannot make tomorrow bread if your business is the construction”. (M.C., 53 years old, 13 years’ managerial experience).

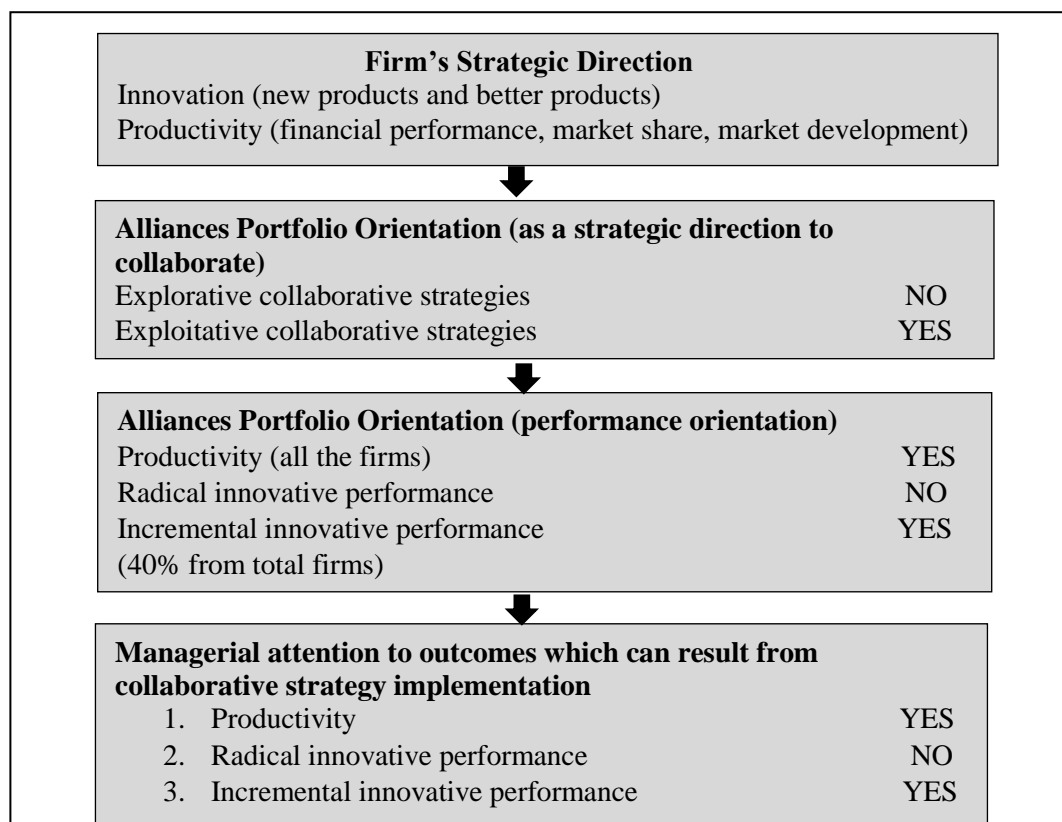


Figure 5. Alliance Orientation and outcomes desired by managers from firm's strategic alliances

Source: authors' own elaboration

Even if the firms we studied are not oriented to formulating and implementing collaborative strategies to bring to the market new radical innovations, they are oriented to improvements of innovative incremental performance. All the managers interviewed have outlined the importance of improving firms' innovative performance in order to obtain competitive advantage. As the CEO of a firm studied argues:

“We are interested and open to continuously innovate, but in our business. We are more interested in technology innovations. Even we do research in construction industry but in our segment”. (B.I., 38 years old, 13 years’ managerial experience)

This assumption is also supported in the case of other company operating in the construction industry, which has a team working to bring to the market a better cement. As these examples illustrate, the firms studied are preoccupied to enhance firm's incremental innovative performance in their core businesses and segments. But even so, they do not have formed exploration alliances with research institutes and universities in order to innovate in their businesses. They are trying to innovate alone. More specifically, the Alliance Portfolio

Orientation of the firms studied is inexistent for exploration, the firms studied do not partner to innovate. From our point of view, for better performances, the R&D activity of the firms in our sample is recommended to be complemented with exploration alliances with universities and research institutes, since these upstream partners have better competencies and are focused on fundamental and application oriented types of research (Răboacă and Ciucur, 1999).

Alliance Portfolio Orientation to exploitation. Productivity and incremental innovations expected

Overall, the firms in our sample are oriented to formulate and engage in collaborative strategies only for exploitation but once the collaboration has been formed they look to enhance firm's performance resulting from the alliance implementation for both types of performance: (1) productive performance and (2) innovative performance. However, for the dimension innovation they look only to incremental one (*see* the Figure 5). Between firms' productivity and innovative performance enhancement, resulting from the implementation of the collaborative strategy, the managerial attention is balanced. Therefore, the managers of the firms in our sample look to enhance firm's productivity and to increase also firm's incremental innovative performance resulting through the implementation of firm's collaborative strategies.

Alliance Competence and Alliance Portfolio Orientation as a reflection of firm's strategic intention to collaborate

The Alliance Competence and the direction of firm's portfolio of alliances as suggested by Rice and collaborators (2012) reflect firm's strategic direction to a certain degree. For example, one portfolio of alliances oriented to productive performance may reflect, that firm only wishes to improve its financial performance and its short-term gains. Is preoccupied to maximize financial investments of stakeholders on short term but is not preoccupied to grow and develop for the future, to innovate and diversify. However, one firm can collaborate for productive performance enhancement (exploitation) and realize acquisitions or direct investments for developing new innovations (exploration). In this line of thinking, the Alliance Portfolio Orientation only reflects firm's strategic intention to collaborate. As suggested by Rice and collaborators (2012) the Alliance Portfolio Orientation is a good predictor of firm's strategic intention, reflects its strategic intention, but there should be also considerate other corporate/firm level strategies in order to describe a firm's strategic intention.

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