

Survival, Termination, and Performance of Strategic Alliances

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Abstract

The strategic alliance has become an increasingly popular way of organizing economic activities, and alliances play an important role for companies' ability to create value. Despite the popularity of alliances, many alliances fail to deliver the anticipated results and are terminated prematurely. Many companies that enter into alliances experience thus that the anticipated outcomes are not reached, and the costs of co-operating far exceed the benefits. Furthermore, the current literature on strategic alliances lacks in-depth knowledge on issues such as how alliances develop over time, and which types of alliances that will become long-term and successful.

The purpose of this study is to shed light on the survival, termination, and performance of strategic alliances. Based on transaction cost economics, the resource-based view of strategy and the relational contracting perspective, we review factors that these perspectives suggest as important for developing long-term and successful alliances. We focus particularly on the following six factors: (1) the level of investments in asset specificity, (2) the degree of complementary resources between the partners, (3) the strategic importance of the alliance, (4) the level of relational investments, and the importance of (5) relational norms and (6) personal relationships. Based on a longitudinal study with data from one hundred strategic alliances from the Norwegian manufacturing sector covering a five-year period, we empirically explored how these alliances developed, survived, and terminated.

The results show that the level of relational investments was negatively related to abrupt termination. Furthermore the strategic importance of the alliance and the degree of complementary resources between the partners were positively related to short-term performance. However, none of the variables derived from the three perspectives were related to long-term performance. Our results suggest that the co-operating partners' ability to manage the developmental process of the alliance is very important for achieving long-term success.