

A literature review to determine the critical success factors during different phases of strategic alliance lifecycle

Abstract

In order to survive in an environment that is changing constantly, companies would take different strategies, one of which is strategic alliances to reach different goals from getting new resources to decreasing the costs. In spite of the great deal of benefits these cooperation arrangements may bring for companies, not all of them will succeed and companies may face a lot of challenges to reach their goals. This research aims to identify the success factors that can help companies manage the alliances they may be involved in, along their lifecycle. The contribution is to increase the likelihood that companies can anticipate the desired benefits of a collaboration, and prepare accordingly.

Keywords: Strategic Alliances, Partnerships, Critical Success Factors, Alliance Lifecycle, Cooperation

Introduction

Strategic Alliances has become a strong management tool for companies to enhance their competitiveness in a turbulent environment(Kogur, 1988) and to gain the required resources they need for their future business development(Eisenhardt & Schoonhoven, 1996); in the past few decades, the use of this strategic instrument has been increased substantially in response to the challenges of market globalization(Russo & Cesarani, 2017); new market conditions like the occurrence of Covid-19 pandemic is another change in the companies turbulent environment, which might be a cause to start a strategic alliance(Cojoianu et al., 2020). Companies can use strategic alliances not only to face the challenges of constantly changing environment, but also they can use it for their growth and to gain competitive advantage by value creation through different opportunities like scale economies, effective risk management, cost efficient market entries and learning from partners(Arrigo, 2012; Ireland et al., 2002; Kale, 2010).

In spite of the great opportunities and benefits strategic alliances can bring for companies, a great number of them are not successful. Previous researches showed a failure rate of over 50%(Russo & Cesarani, 2017) and also a rate of 60% and 70% (Hughes & Weiss, 2007). This high rate of failure suggests that there are a lot of challenges companies may face in very strategic alliance they enter and they need to know about and use the critical success factors in this area to reach to the initial purpose of value creation and facing the challenges of VUCA environment.

As a case in point, pharmaceutical companies in Iran are using this strategic tool to face the challenges of environment like the Covid-19 and the political situations. Determining the factors that can help these sort of companies to succeed in strategic alliances are very critical for them. This research aims to determine and categorizes these factors to contribute the companies achieve their desired goal.

Every strategic alliance has a lifecycle which consists of different collaboration phases starts from formation to termination. Based on that, this research is going to review literature to detect the

critical success factors that are important in each phase; therefore, first, we are going to present strategic alliance lifecycle phases; second, the theories that the success factors are derived from are described, and finally, this article is going to categorize the success factors in each phase that should be considered to reach a successful strategic collaboration and based on that a model is presented.

Methodological Approach and Theoretical Framework

As stated before, the use of partnership as a strategic tool to gain competitive advantage in a turbulent environment like Covid-19 pandemic and political situations has been increased among different companies, one of which are pharmaceutical companies. The overall purpose of this paper is to find the critical success factors that can help companies achieve a good strategic alliance to reach their goals.

In this research, a comprehensive literature review is done by considering related theoretical perspectives and the main success factors in three main steps of strategic alliance which are formation, operational and evaluation phase are extracted, and presented in figure 1.

Strategic alliances Lifecycle

(Marxt & Link, 2002) believe that inter-firm cooperation develops in a five-stage process:

- *Initiation phase:* at this phase, the companies do the strategic analysis and choose strategic alliance as the tool to reach their goals.
- *Partner Selection developing profile:* partner is selected at this phase based on their profile and acquisitions and the partner is persuaded.
- *Designing the partnership:* the contract is written at this phase.
- *Implementation of the partnership:* the strategic alliance operation is monitored in terms of its regular improvement.
- *Termination:* the alliance is evaluated and the learning/experiences are assessed(Dadfar et al., 2014).

(Russo & Cesarani, 2017) suggest that strategic alliance lifecycle is a three stage process: Alliance formation phase is a combination of three phases stated in the previous article (Initiation phase, partner selection developing profile phase and designing the partnership); at this phase, the company shows interest in strategic alliance formation, analyzes the reasons and benefits, choose the partner and decides about the appropriate form of cooperation governance (Russo & Cesarani, 2017).

The second phase is alliance operational phase that the partnership is implemented. And, the last phase is the alliance evaluation phase which is the last stage in alliance lifecycle, it matures and reaches its potential benefits and the companies evaluate and decide about its further development (Russo & Cesarani, 2017).

Another research, classified alliance life cycle in to three stages of formation, setting up and managing(ZAMIR et al., 2014).

Theoretical perspectives and their relationship to critical success factors in strategic alliances

Different theoretical perspectives have been used in literature to identify the critical success factors in different stages of strategic alliances. Some of these theoretical perspectives are Transaction Cost Theory, Knowledge Based View & Social Exchange Theory, Resource Based Theory, Dynamic Capability and Alliance Capability View, management and inter-organizational theories (Dadfar et al., 2014; Russo & Cesarani, 2017).

As to the Resource Based view theory, companies would need new resources to keep their competitive advantage. Strategic alliance is one of the tools to access new resources. Select the appropriate partner is key in this part(Russo & Cesarani, 2017; Shakeri & Radfar, 2017).

(Russo & Cesarani, 2017) state that considering the transaction cost theory, companies would take strategies to reduce the costs, one of which is strategic alliances and to achieve their goal choosing “the appropriate governance form for alliance management” is critical.

(Jenkins et al., 2016) link the agency theory perspective to strategic alliance and believe that with the factor of “control” which managers have over their agents’ behavior within the firm, they can avoid misinformation and it is sufficient to ensure operational effectiveness.

Network theory emphasizes the effect of “social capital” as the source of relational advantage (Svejenova & Alvarez, 2016)

Critical Success Factors in different stages of strategic alliances

I. Alliance Formation Phase

1. Partner selection(Russo & Cesarani, 2017; Shakeri & Radfar, 2017): Partner selection is one of the important factors that can help companies achieve success in their strategic alliances. At this stage, companies have to select partners that have their desired resources, goals and strategies(Das & Teng, 2003). Partner complementarity, partner congruence, partner compatibility are three elements that should be considered to achieve partner fit(Harrigan, 1988; Shakeri & Radfar, 2017). High strategic flexibility, contributing specific strength and looking for similar resources, and agreement on fundamental values are essential at this part(Dadfar et al., 2014; Hoffmann & Schlosser, 2001; Marxt & Link, 2002).
2. Social capital (prior experiences)(Ahuja, 2000; Chung et al., 2000; Shakeri & Radfar, 2017; Shi et al., 2012): Social capital or having prior experience with the partner is a positive infrastructure to establish a new one because they can decrease the expenses of finding a partner and gain economic value(Chung et al., 2000; Shakeri & Radfar, 2017). Plus, it can facilitate the knowledge sharing between the two partners(Shi et al., 2012). Experience and reputation advantages are two things that are gained through repetitive relationships with previous partners that can facilitate the establishment of the new one(Ahuja, 2000).
3. Appropriate governance form for alliance management(Russo & Cesarani, 2017). This factor is very important to reduce the opportunistic behaviors; to do so, companies would choose equity ownership, contractual provisions and self-enforcing governance to manage the alliance(Kale, 2010; Sambasivan et al., 2013). The details of this factor

is stated in other researches as making clear action plan, agreement on clear objectives, precise definition of rights and duties, equal contribution of all partners, emphasizing joint value creation, and keeping their own core competencies (Dadfar et al., 2014; Hoffmann & Schlosser, 2001; Marxt & Link, 2002).

4. Awareness of time requirement is another important success factor at this phase (Dadfar et al., 2014; Hoffmann & Schlosser, 2001; Marxt & Link, 2002).
5. In order to be successful in the alliance both partners should have positive attitude toward alliance (Dadfar et al., 2014; Hoffmann & Schlosser, 2001; Marxt & Link, 2002).
6. Favorable legal framework, commitment of public and private sectors, sound economic policy, and availability of finance market are other essential factors that can help companies to reach their goal at strategic alliances (Ismail, 2013; Li et al., 2005).

II. Alliance Operational Phase

1. Development of Relational (Trust, Commitment, Communication, Power sharing) (Russo & Cesarani, 2017; Sambasivan et al., 2013; Shakeri & Radfar, 2017). When the partners commit resources to the relationship such as time, money and facilities, it is believed that commitment to a relationship is manifested (Sambasivan et al., 2013). Trust is believed to be closely related to opportunism (Kwon & Suh, 2005). Level of trust and commitment in the relationship affects the level of communication and information flow between partners, all of which are critical for alliance success.
2. Coordination (Mohr, 1994; Russo & Cesarani, 2017). Coordination which is considered another factor that can influence the alliance performance is a set of tasks that each partner is expected the other side to perform in order to reach their goal (Mohr, 1994).
3. Control (Russo & Cesarani, 2017; Sklavounos et al., 2015; Child et al., 2005). An optimum and balanced level of control is required in each partnership, which should be performed through a set of rules and mechanisms to be able to predict the partner's behavior and lead their actions to alliance goals (Russo & Cesarani, 2017; Sklavounos et al., 2015; Child et al., 2005).
4. Conflict management (Das & Teng, 2003; Russo & Cesarani, 2017; Shakeri & Radfar, 2017) is one of the most important factors which should be taken into account in each partnership as it has its own challenges (Das & Teng, 2003). Cross-cultural differences (Jehn et al., 2001) partner opportunism, goal divergence (Doz, 1996) are inherited factors in each partnerships that can bring conflicts, which managing them is crucial in alliance performance.
5. Alliance management capabilities (Russo & Cesarani, 2017; Shakeri & Radfar, 2017) which can be divided to alliance capabilities and learning (Shakeri & Radfar, 2017) is a set of tasks like establishing information and coordination system, avoiding unwanted transfer of knowledge, capacity to learn from partner, top management support, speedy implementation of measurement and fast results (Dadfar et al., 2014; Hoffmann & Schlosser, 2001; Marxt & Link, 2002) that companies need to consider to reach their optimal goal. Acquisition of two kinds of knowledge: information and know-how is what is aimed in learning from the

alliance partner (Shakeri & Radfar, 2017). Alliance capability is a higher-order resource that is hard to imitate and achieve and can substantially impact the company's alliance performance because some repetitive aspects of it like identifying partner, setting up relationship or restructuring personal alliances can help with obtaining, diffusion and applying strategic alliance management knowledge (Shakeri & Radfar, 2017).

6. Some other researchers point out that Choosing the best people for the project (Luo et al., 2015; Abrahams et al., 1998), Creating team spirit (Dadfar et al., 2014; Hoffmann & Schlosser, 2001; Marxt & Link, 2002), project and planning workshops (Luo et al., 2015; Abrahams et al., 1998) are necessary to achieve a good partnership and the initial intent.
7. Some companies would consider recruiting an independent team that views themselves as advocates for the alliance to guarantee the success of the cooperation (Kupp et al., 2017).
8. Secure a large and committed external network (Kupp et al., 2017) is key especially for start-ups to provide an easy and frictionless access to the expertise they require.

III. Alliance Evaluation Phase

1. Alliance Performance Evaluation (Dadfar et al., 2014; Hoffmann & Schlosser, 2001; Marxt & Link, 2002; Russo & Cesarani, 2017). At this phase, the alliance performance is evaluated to understand whether it was successful or not. In terms of success, (Marxt & Link, 2002) believe that even if the alliance goal is not achieved, it can be considered successful if new business ideas are generated. Alliance's durability, contribution to improving the strategic position or the competitiveness of the allied companies, the positive feeling of cooperation as well as the revenues as a whole are also other parameters which are considered to measure the alliance performance. There are many kinds of performance evaluation based on the initial goal like economic performance, operational performance, learning performance, and relational performance (Russo & Cesarani, 2017). These forms of performance evaluations allow partners to understand the status of the alliance and decide about its further development. Analyze the cooperation as a whole, continual review of alliance performance state the same factor in other researches (Dadfar et al., 2014; Hoffmann & Schlosser, 2001; Marxt & Link, 2002).
2. Further Alliance Development (Dadfar et al., 2014; Hoffmann & Schlosser, 2001; Marxt & Link, 2002; Russo & Cesarani, 2017). Based on the evaluation the companies do, (Tjemkes et al., 2013) believe that they decide whether adapt it or terminate it; he states that natural end, extension, premature termination, changes in the alliance structure and takeover of one partner by the other are the options for alliance development. Besides, at this stage, they learn about the risks, failure and success factors (Dadfar et al., 2014; Hoffmann & Schlosser, 2001; Marxt & Link, 2002).

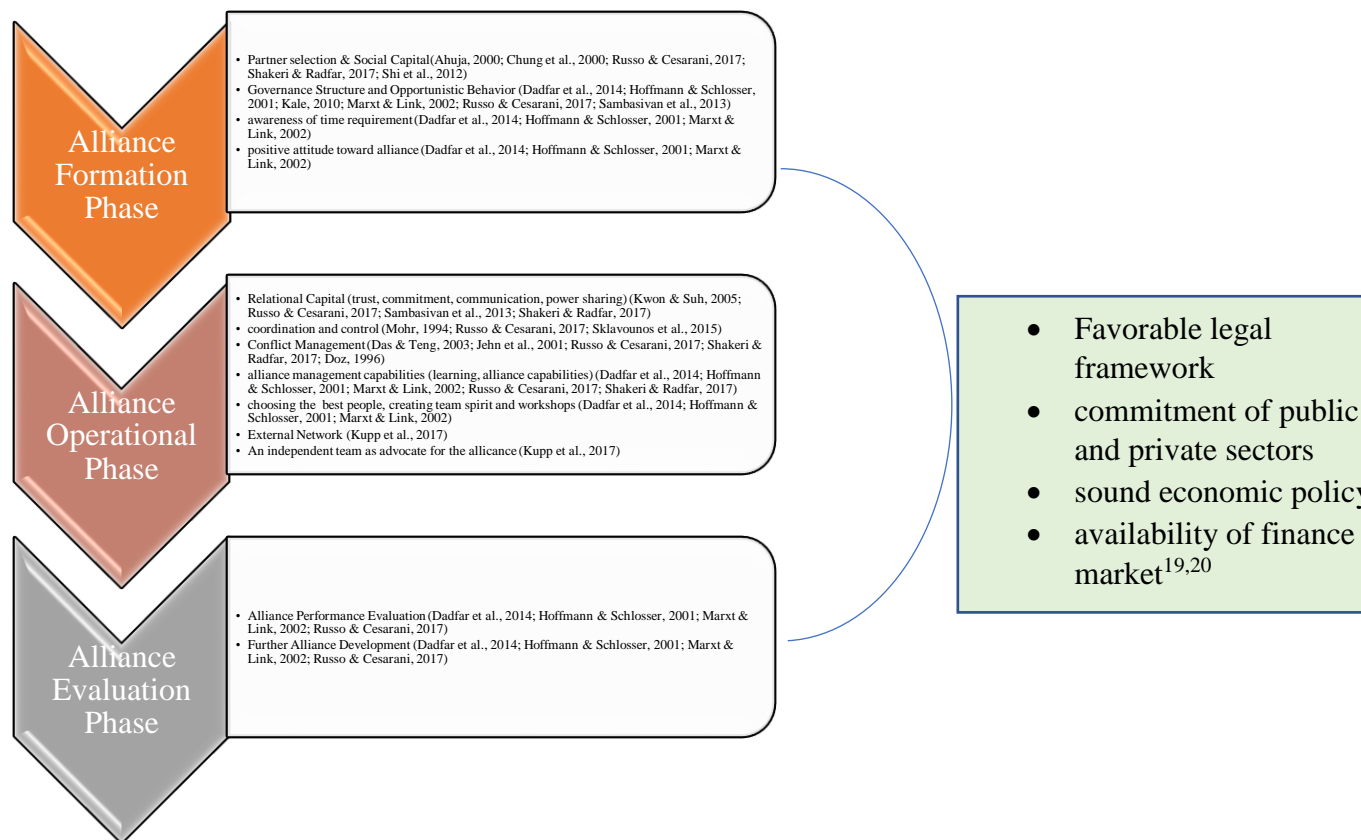


Figure1. Strategic Alliance lifecycle phases and the factors that influence the success of it.

Conclusions

Strategic alliances is a favorable tool that is used by companies to enhance their competitiveness and gain the required resources in a turbulent environment. In spite of the desired consequences these alliances can bring for the companies, not all of them are successful and the rate of failure is very high. Therefore, a lot of researchers has tried to detect what factors can help companies to achieve their goals in strategic alliances. In this research, literature was reviewed thoroughly to detect and categorize the critical success factors throughout alliance lifecycle; this results of this research can contribute companies to achieve better results in their strategic alliances by taking these factors in to consideration during the alliance lifecycle.

References

Abrahams, A. and Cullen, A. (1998), "Project alliances in the construction industry", *Australian Construction Law Newsletter*, No. 62, pp. 31-36.

- Ahuja, G. (2000). The duality of collaboration: Inducements and opportunities in the formation of interfirm linkages. *Strategic Management Journal*, 21(3), 317–343.
[https://doi.org/10.1002/\(SICI\)1097-0266\(200003\)21:3<317::AID-SMJ90>3.0.CO;2-B](https://doi.org/10.1002/(SICI)1097-0266(200003)21:3<317::AID-SMJ90>3.0.CO;2-B)
- Arrigo, E. (2012). *Alliances , Open Innovation and Outside-in Management*. 53–65.
- Chung, S., Singh, H., & Lee, K. (2000). Complementarity, status similarity and social capital as drivers of alliance formation. *Strategic Management Journal*, 21(1), 1–22.
[https://doi.org/10.1002/\(SICI\)1097-0266\(200001\)21:1<1::AID-SMJ63>3.0.CO;2-P](https://doi.org/10.1002/(SICI)1097-0266(200001)21:1<1::AID-SMJ63>3.0.CO;2-P)
- Cojoianu, T., Haney, A., & Meiring, A. (2020). Strategic Alliances as Treatment for COVID-19 and Beyond. *SSRN Electronic Journal*, January. <https://doi.org/10.2139/ssrn.3616444>
- Dadfar, H., Dahlgard, J. J., Brege, S., & Arzaghi, B. J. (2014). International strategic alliances in the Iranian pharmaceutical industry: an analysis of key success and failure factors. *Total Quality Management and Business Excellence*, 25(7–8), 812–826.
<https://doi.org/10.1080/14783363.2014.906109>
- Das, T. K., & Teng, B. S. (2003). Partner analysis and alliance performance. *Scandinavian Journal of Management*, 19(3), 279–308. [https://doi.org/10.1016/S0956-5221\(03\)00003-4](https://doi.org/10.1016/S0956-5221(03)00003-4)
- Eisenhardt, K. M., & Schoonhoven, C. B. (1996). Resource-based View of Strategic Alliance Formation: Strategic and Social Effects in Entrepreneurial Firms. *Organization Science*, 7(2), 136–150. <https://doi.org/10.1287/orsc.7.2.136>
- Harrigan, K. R. (1988). Strategic alliances and partner asymmetries. *Management International Review*, 28, 53–72.
- Hoffmann, W. H., & Schlosser, R. (2001). Success factors of strategic alliances in small and medium -sized enterprises - An empirical survey. *Long Range Planning*, 34(3), 357–381.
[https://doi.org/10.1016/S0024-6301\(01\)00041-3](https://doi.org/10.1016/S0024-6301(01)00041-3)
- Hughes, J., Weiss, J. (2007). Simple rules for making alliances work. *Harvard Business Review*
- Ireland, R. D., Hitt, M. A., & Vaidyanath, D. (2002). Alliance Management as a Source of Competitive Advantage. *Journal of Management*, 28(3), 413–446.
<https://doi.org/10.1177/014920630202800308>
- Ismail, S. (2013). Critical success factors of public private partnership (PPP) implementation in Malaysia. *Asia-Pacific Journal of Business Administration*, 5(1), 6–19.
<https://doi.org/10.1108/17574321311304503>
- Jehn, K. A., Northcraft, G., Gruenfeld, D., Ghatman, J., Neale, M., & Weigelt, K. (2001). <Longitudinal_Culture.Pdf>. © *Academy of Management Journal*, 44(2), 238–251.
- Kale, P. (2010). Managing strategic alliances: What do we know now, and where do we go from here? *Strategic Direction*, 26(2), 22. <https://doi.org/10.1108/sd.2010.05626bad.004>
- Kogur, B. (1988). Joint Ventures: theoretical and empirical perspectives. *Strategic Management Journal*, 9(9), 319–332.
- Kupp, M., Marval, M., & Borchers, P. (2017). Corporate accelerators: fostering innovation while bringing together startups and large firms. *Journal of Business Strategy*, 38(6), 47–53.
<https://doi.org/10.1108/JBS-12-2016-0145>
- Kwon, I. W. G., & Suh, T. (2005). Trust, commitment and relationships in supply chain management: A path analysis. *Supply Chain Management*, 10(1), 26–33.
<https://doi.org/10.1108/13598540510578351>
- Li, B., Akintoye, A., Edwards, P. J., & Hardcastle, C. (2005). Critical success factors for PPP/PFI projects in the UK construction industry. *Construction Management and Economics*, 23(5), 459–471. <https://doi.org/10.1080/01446190500041537>
- Marxt, C., & Link, P. (2002). Success factors for cooperative ventures in innovation and

- production systems. *International Journal of Production Economics*, 77(3), 219–229.
[https://doi.org/10.1016/S0925-5273\(01\)00197-9](https://doi.org/10.1016/S0925-5273(01)00197-9)
- Mohr, J. (1994). *I-15*(July 1991), 135–152.
- Russo, M., & Cesarani, M. (2017). Strategic Alliance Success Factors: A Literature Review on Alliance Lifecycle. *International Journal of Business Administration*, 8(3), 1.
<https://doi.org/10.5430/ijba.v8n3p1>
- Sambasivan, M., Siew-Phaik, L., Abidin Mohamed, Z., & Leong, Y. C. (2013). Factors influencing strategic alliance outcomes in a manufacturing supply chain: Role of alliance motives, interdependence, asset specificity and relational capital. *International Journal of Production Economics*, 141(1), 339–351. <https://doi.org/10.1016/j.ijpe.2012.08.016>
- Shakeri, R., & Radfar, R. (2017). Antecedents of strategic alliances performance in biopharmaceutical industry: A comprehensive model. *Technological Forecasting and Social Change*, 122, 289–302. <https://doi.org/10.1016/j.techfore.2016.01.003>
- Shi, W., Sun, J., & Prescott, J. E. (2012). A temporal perspective of merger and acquisition and strategic alliance initiatives: Review and future direction. *Journal of Management*, 38(1), 164–209. <https://doi.org/10.1177/0149206311424942>
- Sklavounos, N. S., Rotsios, K. P., & Hajidimitriou, Y. A. (2015). The Impact of Age, Interdependence and Perceived Risk of Opportunism on Inter-partner Trust in International Strategic Alliances. *Procedia Economics and Finance*, 19(Ebeec 2014), 175–183.
[https://doi.org/10.1016/s2212-5671\(15\)00019-2](https://doi.org/10.1016/s2212-5671(15)00019-2)
- Soure, Y. L. . D. (2017). The Evolution of Cooperation in Strategic Alliances : Initial Conditions or Learning Processes ? *Strategic Management Journal*, 17(Evolutionary Perspectives), 55–83.
- ZAMIR, Z., SAHAR, A., & ZAFAR, F. (2014). Strategic alliances; a comparative analysis of successful alliances in large and medium scale enterprises around the world. *Educational Research International*, 3(1), 25–39.
[http://www.erint.savap.org.pk/PDF/Vol.3\(1\)/ERInt.2014\(3.1-03\).pdf](http://www.erint.savap.org.pk/PDF/Vol.3(1)/ERInt.2014(3.1-03).pdf)