The Formation of the Conflicts Management Models of the Strategic Alliances under the Conditions of the Globalization

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Abstract

The processes of globalization led to the fact that the world markets began to create new business forms actively, one of which is a strategic alliance. The conditions of the strategic alliances functioning uncertainty associated with a complex system of management and organization, conflicts arising from the work dissatisfaction and high uncertainty of possible outcomes. Conflicts may lead to the dissolution of the alliance at any stage of its formation and development. The influence of conflict can be minimized by choosing the most stable forms of corporations' interaction.

Objective: to develop and substantiate models which allow managing conflicts of strategic alliances on conditions of uncertainty of the current globalization state stage.

The result of this study is to construct two basic models of conflict management as a factor of the strategic alliances' stability: the state model allows identifying and eliminating the causes of the dissolution of strategic alliances in the conflict environment and forecasting model of variant forms of the corporations' interaction, leading to a stable development. For the formation and stability of the models a systematic approach is used as well as factor analysis and methods of the decisions' making. To control the conflicts, is to control the stability of strategic alliances: to predict the result of the activities, plan the development, to eliminate the problem quickly. The models, formed within the work allow predicting the result of the strategic alliances' activities: a stable development, consolidation or merger, dissolution.

Keywords: globalization, strategic alliance, stability, conflict model

1. Introduction

Nowadays the modern world community is in the process of globalization, the first phase of which falls on the beginning of the civilization. In the IV century BC first state was formed. By the beginning of XX century the division of the world space to the states was ended. And almost at the same time (1990) the second phase of the globalization process begins, which continues to the present. As a result, when the globalization process is ended, the dissolution the global community will start, and then all over again. On the basis of the above stated, we can conclude that the globalization is a cyclic process, which is submits to well-known laws of development – to centralization and decentralization.

It is understood that the completion of the globalization process will not happen in the nearest future. Globalization as any process has its positive and negative sides, so the international community should work for reducing or eliminating completely the negative effects of this process. Integrality and cyclical development of the international community allow us to consider the globalization, on the one hand, as a process and, on the other hand, as the system at a certain stage of development. Assuming that the international community is a system we can say that it has all the properties of the system. This, in its turn, entitles the authors to select in this system a subsystem – business. Business subsystem represents a system as well. This massage allows authors to perform operations not only with the individual objects, but with systems which are characterized by emergent and synergetic properties (Zhang & Liu, 2008).

The globalization processes led to the fact that the new business forms are begun to form. To the research the strategic alliances were selected. The strategic alliances' functioning is associated with a complex system of management and organization, conflicts arising from dissatisfaction and high uncertainty of possible outcomes

(Lorange & Roos, 1993). Conflicts may lead to the dissolution of the alliance at any stage of its formation and development. The majority of the alliances' researchers explore limited, unrelated reasons for their dissolution, of which the leading scientists are I.R. MacNeil, N. Venkatraman, J.B. Heidi, B. Gray and H. Delerue. Other studies are more descriptive and lack theoretical justification for the empirical observations results' presentation. This group of researchers is represented by such scientists as B. Kogut, A. Parkhill, R. Gulati and J.M. Gerindzher. To control the stability of the strategic alliances means to manage conflicts: to predict, plan, eliminate.

2. Materials and Methods

The presence or absence of conflict affects the stability and effectiveness of the strategic alliance and its competitiveness. The general responsibility for all administrative processes in a strategic alliance lies on the executers; therefore, only the director and key employees determines the effectiveness of the alliance. Bell J., 2006, proved that the alliance criteria effectiveness development is based on mutual and voluntary integration and consideration of the interests of all parties in the formation of the alliance. Having based on the work of Jeffrey J.Re., 2004, in this case we consider the integration, which is able to realize their benefits within each corporation. It is more effectually to apply the performance criteria of the alliance, which take into account the socio-economic indexes for each of the links in the integrated structure. Accordingly, in order to find the most tangible criteria of the effectiveness estimation it is necessary to use factor analysis of multistage processes.

Having based on the statements, which were represented in the works of such scientists as Das, T. and R. Kumar, 2009, Das, T. and R. Kumar, 2010, Das, T. and R. Kumar, 2010, Delerue H., 2007, it is possible to say, that the effectiveness criteria of the strategic alliance are valued by significant factors (criteria) that depend on the objectives and conditions of formation of the alliance (Das & Kumar, 2009, 2010; Delerue, 2007). The effectiveness criteria can be divided into two classes: the formal and substantive.

The results of the researches of Mohr, J., Spekman R., 2011, were taken as a basis for evaluation criteria formation. The formal class evaluation criteria are reflected in the international standards of corporate social responsibility. The great achievement of the international community was the creation of the International Committee on Corporate Social Responsibility. By this organization international standards of IC CSR-26000-2011 have been developed "The social responsibility of the organization. Requirements" (Social Responsibility of an Organization. Requirements, 2011) and ISO 26000:2010 Guidance on social responsibility. A conscientious performance of standards by corporations was to lead to sustainable business development. In the Law of the Russian Federation, 2006, it is pointed, that not all businessmen are conscientious.

Scientists Florian, R. and S. Galam, 2000, state in their work, that business form of the globalization process, strategic alliances, is a complex and multi-level management system. Its effectiveness depends not only on the formal class criteria, but also a substantial class. Researches Bernard, G. and D. Pier, 2009, Lin, X. and R. Germain, 1998, defined, that the substantial class contains four criteria which constitute a single complex of the strategic alliance effectiveness evaluation, "the evaluation of the process", "the evaluation of the objectives", "the evaluation of the satisfaction", "the evaluation of the result". These four criteria reflect the variants of the united effectiveness evaluation complex of a strategic alliance in the context of globalization):

- a satisfaction with the functioning of the process of strategic alliance;

- an individual significance of the results for each participating corporation;

- an achievement of the expected (planned) goal for creating a strategic alliance;

- a socio-economic significance of the results of a strategic alliance.

This paper considers the construction of two main models of the conflict management as a factor of the strategic alliances stability: **the state model** allows identifying and eliminating the causes of the dissolution of strategic alliances in the conflict environment and the **predicting model variant forms of the corporations' interaction,** which lead to a stable development. For the formation and stability of the models a systematic approach is used as well as factor analysis and methods of the decisions' making.

3. Results

The formation of the conflict management model as a factor of the stability of strategic alliances: the state model.

To construct a generalized model of stability we will consider the strategic alliance as a system – a system of conflicts (behavioral, structural, psychological). By the status of the alliance business relations may be meant cooperation or competition, management structure (rigid or flexible), purposes (short-term or long-term).

Condition of the proposed model functioning of the alliance stability: alliance as the system will evolve and be modified if conflicts are not balanced, but manageable. The differences in the efficiency results of the strategic alliance arise because of the change of criteria during the evaluation procedure. Some managers can assess the effectiveness by the criterion of the "socio-economic significance of the results of the strategic alliance," while others assess by the criterion of the "individual significance of the results for each of the participating companies." The possible variants of the alliance status are presented in Fig. 1.

As a result, conflicts arise and, as a consequence, competitiveness is reduced or the dissolution of the alliance begins.

In this research the founded criteria have important theoretical and practical significance for the understanding of the principles on which the activity assessment is based. The model allows proving the result of activity of strategic alliances: stable development, consolidation or merger, dissolution.
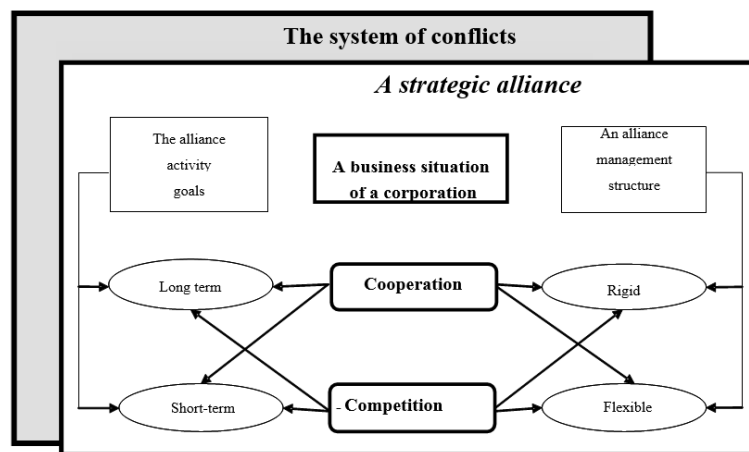

Fig. 1. The states' model of a strategic alliance

Stable development:

- a stability of the strategic alliance will be inversely proportional to the difference between the level of cooperation and competition in the economic process;

- a stability of the strategic alliance will be inversely proportional to the difference between the level of rigidity and flexibility of the enterprises' structures;

- a stability of the strategic alliance will be inversely proportional to the difference between the level of short-term and long-term orientation of the participants of the economic activity.

    Consolidation and merger:

- an alliance will shift toward consolidation and merger more than toward dissolution, when the competition, rigidity and long-term orientation dominate.

A dissolution:

- an alliance will shift towards dissolution more than towards a consolidation and merger, when a competition, flexibility and short-term orientation dominate.

Unstable states of the alliance:

- a rigidity and cooperation levels (as well as levels of flexibility and competition) will be under the positive interdependence, when the partners presuppose the short-term orientation in the strategic alliance;

- with a high level of the rigidity, cooperation and rigidity (as well as competition and flexibility) will be under the negative interdependence, when the partners presuppose the long-term orientation in the strategic alliance.

The model allows choosing such forms of interaction that will be the most stable under certain conditions (nature, time orientation and structure of the interaction). Scientists Depamfilic, D., 2007, Jiang Z.S., 2008, also consider,

that if the participants are focused on a long-term, flexible and competitive interaction, the most stable forms of the alliance will be licensing and co-production.

On the basis of the results summarizing of several researches (Hennart, Blick, Kent, Park, Rousseau, Pennings, Yamawaki & others) have been made during the last 15 years in different countries, the following forms of the corporations' interaction are possible:

Short-term competitive interactions:

- flexible interactions – short contacts;

- rigid interactions – the cooperative researches and developments, cooperative marketing.

Long-term competitive interactions:

- flexible interactions – licensing, co-production;

- rigid interactions – cooperative enterprises, alliances with a possibility to purchase the share of one of the participants.

Short-term cooperative interactions:

- flexible interactions – subsidized researches, cooperative distribution, assembly production;

- rigid interactions – a cooperative assembly production, cooperative research and development, cooperative marketing.

Long-term cooperative interaction:

- flexible interactions – local representation, franchising, licensing, cooperative production, the provision of the resources on the long term basis;

- Rigid interactions – cooperative enterprises, alliances with the possibility to purchase the share of one of the participants, subsidiary companies.

Model formed above can not be used for business relationships' prediction, which leads to its stable development, up to the alliance creation.

The strategic alliances activities' prediction, which leads to their stable development, is possible using the mathematical apparatus: the theory of decision making in multi-stage processes. Let's consider the formation of the following forms of interaction of economic and mathematical model of the strategic alliances stability: the long-term competitive interactions and cooperative interactions.

Researchers are traditionally interested in a foundation of the choice and results of the corporations' interaction forms usage. The choice of the form of interaction is considerably determined by its purpose, which limits the options for the of the relevant structures' selection (Jiang Z.S., 2008). For example, if the goal of the participants is to acquire a patented technology, then the relevant types of structures are licensing, cooperative production and cooperative enterprises. If the goal is to reduce the risks and expenses in research and development stage, then – the relevant types of structures are cooperative research and development, including the possibility to purchase the share of one of the participants. The link between the goals of the alliance systems and conflicts is reflected in their interaction, because the structure of the interaction is determined by goals.

Long-term competitive interactions and long-term cooperative interactions lead to the stable development of the strategic alliances.

Conflicts, arising during the work of strategic alliances associated most often with insufficient study of the effectiveness of long-term activities' planning

Recommendations. The authors propose the following sequence of the creating of the decision-making model within the formation of long-term competitive strategic alliance under the conditions of the globalization.

1. It is necessary to perform the description of the mathematical model which reflects the situation of the choice.

2. To perform the analysis of uncertainties, formalization of the goal notion, the criteria and objective functions formation.

3. To solve arising optimization and other mathematical problems.

This sequence is quite relative, since each action is closely intertwined while solving a particular problem is being solved.

As we know, any investigation begins with the construction of the choice situation model, it is necessary to understand the specifics of the process deeply. To formulate the problem, while the decision is made we use the language of binary relations and criterial description language of choice. The language of binary relations is more general with the comparison with the criterial language; it does not require numerical evaluation of the quality of each individual alternative. Criterial language is applicable in the case where the comparison of alternatives is reduced to the comparison of the corresponding properties. Chernorytckii, I., 2001, discovered, that the multicriteriality is possible, i.e. an alternative assessment which use not only one factor, but several. The given thesis was taken by the authors as a basis for further discussions.

The initial targets of the corporations, which enter the strategic alliance, not always fully concretized. So for the formation of a model at the initial stage, you need to use more common language, which is the language of the choice functions. Suppose that U – is a fixed set of goals of the Alliance for the corporation "A" , i.e. U – is a set of nonempty subsets of the A alternatives totality. The function of selection (for U) is the goals of creating a strategic alliance with the corporation "C", i.e. the "C" reflection, which put in correspondence the subset the mapping assigning to each set in a subset of $C (B) \subseteq B$ to the subset $B \in U$ (i.e., a subset of the "selected", "most preferred" alternative purposes). In particular, if the relation reference of the R goals is given, the selection function can be defined by $C (B) = MaxRB$. In this case the total of the goals $C (B)$ coincides with the final objectives of the alliance – the total of maximal elements of B with relative to R. The specified model of the strategic alliance forms on the basis of the decision making theory.

The proposed approach of the alliances stability management forming model, under conditions of globalization is quite general: the criteria and the corresponding target functions characterize the goal only indirectly, sometimes better, sometimes worse, but always approximately. In this connection it is necessary to talk about the criteria-substituents, i.e. criteria of such goal-setting, which characterizes indirectly the degree of achievement of related goals. In essence, all the criteria are "substituents", as nothing can be measured with absolute accuracy. The authors agree with the statements of such scientists as Kolobova, A., I., Omelchenko and A. Orlova, 2008, that strategic goal of the alliances creating must comply with the economic substance of the dynamic processes of the alliances development and provide the preservation of competitive advantages throughout the life cycles of alliances and products made by these alliances It doesn't matter in what phases of the life cycle the strategic alliance corporations and globalization are, the main criteria for assessing of the economic level development of the strategic alliance are to increase the socio-economic efficiency and productivity growth. The compliance with these criteria is the main source of competitive advantage of the strategic alliance, leading to its stable development.

4. Discussion

The presence or absence of conflict affects the stability and effectiveness of the strategic alliance and its competitiveness. The general responsibility for all administrative processes in a strategic alliance lies on the executers; therefore, only the director and key employees determines the effectiveness of the alliance.

The developed alliance effectiveness criteria are based on mutual and voluntary integration and consideration of the interests of all parties in the formation of the alliance. In this case we consider the integration, which is able to realize their benefits within each corporation. It is more effectually to apply the effectiveness assessment criteria of the alliance activity, which take into account the socio-economic indexes for each of the links in the integrated structure. Accordingly, in order to find the most tangible criteria of the effectiveness estimation it is necessary to use factor analysis of multistage processes. The effectiveness criteria of the strategic alliance are valued by significant factors that depend on the objectives and conditions of formation of the alliance. The effectiveness criteria can be divided into two classes: the formal and substantive. Formal class evaluation criteria are reflected in the international standards of corporate social responsibility. The great achievement of the international community was the creation of the International Committee on Corporate Social Responsibility. By this organization international standards of IC CSR-26000-2011 have been developed "The social responsibility of the organization. Requirements" and ISO 26000:2010 Guidance on social responsibility. Conscientious performance of corporations' articles of standards was to lead to sustainable business development. But as you know, not all businessmen are conscientious.

Business form of the globalization process, strategic alliances, is a complex and multi-level management system. Its effectiveness depends not only on the formal class criteria, but also a substantial class. The substantial class contains four criteria which constitute a single complex of the strategic alliance effectiveness evaluation, "the evaluation of the process", "the evaluation of the objectives", "the evaluation of the satisfaction," "the evaluation

of the result". These four criteria reflect the variants of the united effectiveness evaluation complex of a strategic alliance in the context of globalization:

- a satisfaction with the functioning of the process of strategic alliance;
- an individual significance of the results for each participating corporation;
- an achievement of the expected (planned) goal for creating a strategic alliance;
- a socio-economic significance of the results of a strategic alliance.

The differences in results of the strategic alliance effectiveness appeared dew to the criteria shift while an assessment procedure was conducted. Ones leaders conducted an effectiveness assessment by the "socio-economic significance of the strategic alliance activity results" criterion; others conducted an assessment by the "individual significance of the results of each participant" criterion. As a result conflicts appeared and, as a consequence, a competitive ability cooled down or the alliance dissolution begins.

The criteria determined in this paper have a significant theoretical and practical meaning for the understanding of the principles on which the alliances' activity assessment is based. The model presented in this paper allowed founding the strategic alliances' activity results: a stable development, a consolidation and merger, dissolution.

5. Conclusion

The formed status model can not be used to predict business relationships that lead to stable development, before the alliance is created. Conflicts, arising during the work of strategic alliances associated most often with insufficient study of the effectiveness of long-term activities' planning. The model of the strategic alliances activities' prediction, which leads to its stable development, is made on the basis of the mathematical apparatus: the theory of decision making in multi-stage processes. A model of decision-making was formed within the formation of long-term competitive strategic alliance in the context of globalization.

For its formation the following procedure is made.

1. It is necessary to perform the description of the mathematical model which reflects the situation of the choice.

2. To perform the analysis of uncertainties, formalization of the goal notion, the criteria F and objective functions formation.

3. To solve arising optimization and other mathematical problems.

The strategic goals of the alliances' creating correspond to the economic essence of the dynamic processes of the alliances' development and provides the preservation of competitive advantages throughout the life cycles of alliances and their products. It doesn't matter in what phases of the life cycle the strategic alliance corporations and globalization are, the main criteria for assessing of the economic level development of the strategic alliance are to increase the socio-economic efficiency and productivity growth. The compliance with these criteria is the main source of competitive advantage of the strategic alliance, leading to its stable development.

In conclusion, we emphasize that the proposed model of the business stability management - strategic alliances, based on CSR and decision making theory, used in practice successfully. The model formed in this paper allowed predicting the result of the activity of strategic alliances: stable development, consolidation and merger, dissolution.

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