

Strategic Alliances between Japanese-Western Companies: A Win-Win or Win-Lose Relationship? The Case of the Automobile Industry

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Abstract

Inter-firm cooperative arrangements involving flows and linkages that use resources and/or governance structures from autonomous firms based in different countries help in accomplishing both the individual objectives and the collective ones. Through collaboration with foreign partners, firms are able to exploit new market opportunities, minimise investment risks, set up more efficient and effective distribution channels or create products, product features, brands or services and, above all, absorb key capabilities and technologies from the partner. Literature on strategic alliances raised the issue on an alleged appropriation of benefits by Japanese firms when participating in strategic alliances. Japanese companies have experienced higher shareholders' returns in strategic alliances with Western partners, both in the short term and in the medium one. The choice of Japanese and Western companies calls for a deeper understanding of the drivers of the alliances and the determinants of value creation without misleading influences deriving from different business environments.

This paper analyzes the wealth distribution taking into account the reaction of the market to the alliance as an indicator of a successful strategy. It explores the case of the automobile industry, which is characterised by a high use of inter-firm cooperation, such as strategic alliances and mergers & acquisitions, to effectively compete in the global market and face the global crisis.

Keywords: strategic alliance, abnormal returns, brand reputation

1. Introduction

Through collaboration with foreign partners, companies are able to exploit new market opportunities, minimize investment risks, set up more efficient and effective distribution channels or create products, product features, brands or services and, above all, absorb key capabilities and technologies from the partner (Kalaigianam, Shankar, & Varadarajan, 2007).

Both management and economics literature have deeply investigated the drivers of the various cooperation strategies such as collaborative alliances, joint ventures and mergers & acquisitions, (e.g., Das & Kumar, 2007; Dussauge, Garrette, & Mitchell, 2000; Gomes, Barnes, & Mahmood, 2016; Robson, Leonidou, & Katsikeas, 2002; Swaminathan & Moorman, 2009). The strategic rationale beyond these forms is mainly based on the level of commitment, flexibility, structural and institutional constraints of the industry (Cullen, Johnson, & Sakano, 2000). Further, the managerial perception of general uncertainty, technological demand and volatility increase the likelihood of firms to choose strategic alliances (Dickson & Weaver, 1997).

A strategic alliance is a complex and risky initiative that often fails to deliver anticipated benefits. Some studies report extremely high failure rates for collaborative alliances and joint ventures (Kale, Dyer, & Singh, 2002; Kale & Singh, 2009; Lunnan & Haugland, 2008). For this reason, the performance measurement has been an important research topic to understand if the hazards of collaboration prevail in the strategic alliances (Bamford, Gomes-Casseres, & Robinson, 2004). The link between the alliances and the company value has been

investigated mainly in terms of relational (e.g., Swaminathan & Moorman, 2009), revenue (e.g., Luo, Rindfleisch, & Tse, 2007) and innovation outcomes (e.g., Rindfleisch & Moorman, 2001). However, the value created from the announcement of a strategic alliance on a firm's performance has been under researched (Swaminathan & Moorman, 2009).

This paper tries to analyze the wealth distribution taking into account the reaction of the market to the strategic alliance as an indicator of a successful strategy. It has been chosen the event study methodology that gives the immediate short-term reaction of the stock market to the alliance announcement. These issues are investigated with specific regard to alliances between Japanese and Western companies in the automobile industry through an exploratory analysis of wealth imbalances. There is a strong theoretical support for the use of strategic alliances both at industry and company level in the automobile industry (Blake, Cucuzza, & Rishi, 2003). Such a choice calls for a deeper understanding of the drivers of the alliances and the determinants of value creation without misleading influences deriving from different business environments. The reason is that cultural distance might affect the reliability of the analysis considered that Asian markets other than Japanese are subject to unpredictable fluctuations (McMullen, Plummer, & Acs, 2007).

The paper presents the theoretical background on strategic alliance and its performance. Then it focuses on the automotive industry and the announcement of a strategic alliance between Japanese and Western companies, thus proposing the research questions. Methods of data collection and analysis are explained. Finally, it offers discussion, conclusion and managerial implications.

2. Literature Review

Strategic alliances enable companies to fill gaps in resources or to implement particular abilities, but could also have performance and relational risks. Therefore, companies act in order to minimize the risk and maximize resources. According to Gulati and Singh (1998), strategic alliances are developed through a command structure, an incentive system (with rewards and punishments), standard procedures for facilitating a decision-making system and procedures for resolving disputes and non-market pricing system.

The cooperation problems in strategic alliances have been largely analyzed in literature from different perspectives (e.g., Arend & Seale, 2005; Gulati, 1995; Parkhe, 1993; Uzzi, 1997). The common result is that the success of strategic alliances lies in the ability of managers to anticipate and prevent conflicts among partners, and minimize opportunistic behavior, rather than focus on contractual and control aspects (Sarkar, Echambadi, Cavusgil, & Aulakh, 2001; Robson, Skarmeas, & Spyropoulou, 2006). In addition, Gulati, Wohlgezogen, and Zhelyazkov (2012) have underlined the importance of coordination among partners, assuming that, even in a situation of perfect alignment of interests, partners still need to divide labor and coordinate effectively to complete their joint and individual tasks.

The nature of the relationship determines not only the benefits that partners of an alliance will get vis-à-vis third parties but also the wealth distribution of benefits among themselves. On the one hand, partners in strategic alliances have to collaborate and avoid defensive measures that limit their ability to learn. On the other, they should pose limits to the resources they pool into the alliance in order to avoid the dependency spiral. Two companies can create and defend competitive advantage by engaging in a win-win capability-building relationship, aimed at enhancing their strength vis-à-vis third parties. They are much more exposed to the risk of benefits appropriation especially in case the relationship turns into dependency (Glaser, Fourné, & Elfring, 2015).

2.1 Value Creation in Western-Japanese Strategic Alliances

As strategic alliances can have varied objectives, various types of measure correspond to different level of performance according to the context and the alliance objectives (Houston & Johnson, 2000; Kalaignanam, Shankar, & Varadarajan, 2007). As the general objective of an alliance is to be more competitive than prior the alliance, each partner must contribute something distinctive, that is basic research, product development skills, manufacturing capacity, access to distribution. Companies carefully select what skills and technologies to pass to their partners and develop protections against unintended, informal transfers of information. The type of skills a company contributes is an important factor in how easily its partner can internalize the skills. Anand & Khanna (2000) recognize alliances as a fertile environment for managerial discretions. The appropriation of benefits from partner firm's opportunistic behaviors and the increase of transaction costs are two of the main control problems that a company have to manage when is involved in a strategic alliance.

Literature has identified three approaches to assess alliance performance. First, the multifaceted assessment (Hornsby, Kuratko, Shepherd, & Bott, 2009; Tsang, Nguyen, & Erramilli, 2004) incorporates different

performance elements such as market and financial outcomes, employee morale and knowledge acquisition (Robson, Leonidou, & Katsikeas, 2002) in order to capture the extent to which a strategic alliance has achieved its objectives (Lyles & Salk, 1996). Second, the financial assessment weighs performance through objective indicators (profitability, sales growth) that constitute the dominant model of empirical strategy-performance research (Ireland, Hitt, & Vaidyanath, 2009; Tortoriello, Reagans, & McEvily, 2012). Third, strategic alliance stability is assessed in terms of operational survival (e.g., rate of unexpected dissolution). Indeed, financial measures include various measures of profitability, growth and cost position, while operational measures include stability measures such as longevity of the strategic alliance ownership or contract stability, and survival (Geringer & Hebert, 1991; Yan & Zeng, 1999). The most commonly used measure of organizational effectiveness is an overall assessment of the company's satisfaction with strategic alliance performance (Lin & Germain, 1998).

Among all the indicators market reaction represents a proxy of alliance performance. A measure could be the abnormal returns, which merely indicate how the actual returns differ from the predicted return. Previous studies have reached, on average, positive and statistically significant abnormal returns when a strategic alliance is announced (Koh & Venkatraman, 1991; Woolridge & Snow, 1990). By considering marketing and technological alliances, Das, Sen, & Sengupta (1998) found that overall positive abnormal returns are attributable to technological alliances. Chan, Kensinger, Keown, and Martin (1997) documented positive price reactions to the formation of collaborative strategic alliances without evidence of wealth transfer. Kalaignanam, Shankar, and Varadarajan (2007) find that new product development alliances improve company shareholder value. However, strategic alliances are complex and risky initiatives that often fail to deliver anticipated benefits (Kale & Singh, 2009; Lunnan & Haugland, 2008). This raises the question of whether investors consider the potential for failure in strategic alliances, particularly in the case of alliances that involve firms with different corporate culture, know-how and nationalism.

Companies with inter-organizational cooperative know-how may search out reliable partners, effectively anticipate contingencies, design suitable contracts and other bonding mechanisms to discourage opportunism, monitor partner behaviors, and lower the potential for failure (Simonin, 1997). In our case, Japanese companies are expected to have greater opportunities to capture such know-how because, historically, they were able to increase their international presence through collaborative relationships between manufacturers and their suppliers with positive performance. For example, Dyer (1997), examining the Japanese automakers' supply chains, concluded that they enjoyed lower transaction costs and higher asset specificity compared with US carmakers. However, when the Japanese bubble economy burst and the competition became increasingly internationalized, the uniqueness of the Japanese carmakers' supply chains had begun to malfunction owing to increasing cost pressures (Ahmadjian & Lincoln, 2001; Miwa & Ramseyer, 2002). The economic downturn and overseas production have changed the strategic approach of Japanese companies (Endo, Delbridge, & Morris, 2014). Governmental interference has become less intrusive and Japanese companies opened to managerial influence from abroad. Therefore, since the presence of foreigners on their boards is followed with great interest in Japan, it has been hypothesized that stock market appreciates an increasing acknowledgement of the location of Japanese companies in international context.

H1: The announcement of an alliance creates positive company abnormal returns to Japanese companies.

2.2 Value of the Partner

Previous research (Swaminathan & Moorman, 2009) has demonstrated that the stock market rewards the company announcing the new alliance for a track record of successfully managing alliances over time. At the same time, the company's returns are weakened when it allies with a partner that has a similar successful track record. These results indicate that the stock market uses this information as a signal of how much the firm will benefit relative to partners (Frels, Shervani, & Srivastava, 2003).

Contrary to the previous research in which the alliance announcement has been viewed as a signal of a company's low growth prospects within existing markets, alliances prove to provide companies with access to knowledge, resources and reputation (Chandler, Haunschild, Rhee, & Beckman, 2013; Gu & Xiaohui, 2014). Therefore, some marketing tools, such as brand, sales force or joint promotion, influences alliance outcomes (Li & He, 2013).

Reputation has been recognized as one of the key foundations on which to build corporate success and a valuable, critically intangible asset (Dolphin, 2004). A company's reputation is company-centric and is focused on the credibility and respect that the company has among a range of stakeholders (Vercic & Vercic, 2007). This suggests that reputation is about legitimacy of the organization with respect to the stakeholders. The company's

reputation has a broader influence on perceptions of customer value and customer loyalty (Cretu & Brodie, 2007).

Before allying with a partner, firms should also make clear whether this partner has a reputation for dealing fairly and performing well (Das & Teng, 2001). Such a reputation for trustworthiness and competence is an important strategic asset and tends to be cumulative over time. A good reputation signals the quality of a firm and encourages other firms to ally with it. By contrast, firms with a bad reputation are likely to behave opportunistically and be difficult to work with. Reputation will be one of the key factors for the future stability and successful implementation of an alliance. Reputation is an important source of mutual trust, because it helps lower transactional costs, minimize potential opportunistic behaviors, decrease inter-partner conflicts and control relational risks (Saxton, 1997; Das & Teng, 2001). Firms tend to be confident that a partner with a good reputation will cooperate in good faith and make a real contribution to the alliance. They may therefore reasonably expect to collaborate with the partner for quite a long time in the belief that this partner will help them achieve the expected objectives and make the alliance succeed.

H2: Reputation of the partners will be positively correlated to alliance performance.

Literature on strategic alliances (Cravens, Piercy, & Cravens, 2000; Gulati, 1999; Kale, Singh, & Perlmutter, 2000) raised the issue on an alleged appropriation of benefits by Japanese companies when participating in strategic alliances. Japanese companies have experienced higher shareholders' returns in strategic alliances with Western partners, both in the short term and in the medium one. However, a study (Chan, Kensinger, Keown, & Martin, 2008) on non-equity strategic alliances between US and Japanese companies found that on average both US and Japanese partners benefited from the formation of strategic alliances. Research also suggests that the preferences for Japanese-made cars are related to networks defined geographically and demographically (Yang & Allenby, 2003).

Different cultural values and attitudes (Hofstede, 1980) affect models of conduct, standards of performance and relationships (Hewett & Bearden, 2001). Therefore, trust influences the relational behaviour that firms engage in and the level of collectivism and/or individualism (Chen, Chen, & Meindl, 1998). Western companies face a basic disadvantage because their skills are generally more vulnerable to transfer. The magnet that attracts so many companies to alliances with Asian competitors is their manufacturing excellence. Asian companies often learn more from their Western partners than vice versa because they contribute difficult-to-unravel strengths, while Western partners contribute easy-to-imitate technology (Amaldoss & Staelin 2010; Kalaignanam, Shankar, & Varadarajan, 2007; Narula & Santangelo, 2009).

H3: The more similar the cultural background the higher the reciprocal benefit in a strategic alliance.

3. Methodology

This paper focuses on the wealth effect for Japanese and Western companies that announce equity strategic alliances. Although different types of strategic alliances exist, for the sake of accuracy this paper has taken into consideration only the "equity-alliances", where partner companies share equity control. Announcements of such alliances have a higher impact on stock price in the short term and are generally longer and more stable than non-equity alliances. This makes their evaluation more precise and facilitates an accurate appraisal of wealth creation through the event study methodology. The rationale behind this approach is that, assumed a full rationality in the marketplace, the effect of a strategic alliance's announcement will reflect immediately in the asset prices (Warren-Boulton & Dalkir, 2001).

In order to avoid the biases of previous research (for a review see Swaminathan & Moorman, 2009), only one industry, the automotive, has been chosen. In such an industry know how, culture and nationalism are more important than ever. Even though it has always been characterized by local champions, it is probably the most globalized industry in the world with the presence of three main geographical-based groups dominating the marketplace (US, Western Europe and Japan). There have always been high complementarities between Japanese and Western automobile firms. Japanese firms were considered to be important strategic partners rather than simple competitors. They were able to produce a wide range of products at competitive prices, through the implementation of flexible manufacturing systems and advanced computer-aid design. On the other hand, Western car producers were sought as important by Japanese firms for expanding their operations overseas and improving their products in order to make them appealing to Western customers.

Therefore, a sample of equity alliances between Japanese and Western car manufactures between 1979 and 2006 has been analyzed. Such data cover several aspect of the alliance, ranging from the governance structure of the collaboration, to the financial data of the companies before, during and after the alliance as well as the dynamics

occurred in terms of capability building and knowledge sharing. Data on stock prices fluctuations over the period considered were collected from the Center for Research in Securities Prices (CRSP) and Datastream respectively for Western and Japanese partners, in order to examine the wealth benefits for both domestic and foreign partners. The focus was limited to the strategic alliances involving only one Japanese firm and one Western firm in order to facilitate the analysis of the determinants of the wealth effect of international strategic alliances. As the focus is on equity alliances, those strategic alliances with no equity investments were removed, because non-equity arrangements follow different dynamics and often do not imply stock prices reactions given their nature. Moreover, to avoid any misleading event that could alter the measurement of the valuation effects of the alliances, those announcements by Western firms that made other announcements five days before or five days after the initial announcement date were excluded. Dates of the announcement of alliances were searched in the Wall Street Journal.

Stock price reactions are taken not only as a short-term indicator of the alliance success but also as long-term proxy of the investor perceptions about the alliance future outcome. Therefore, negative abnormal returns after the announcement of a given alliance will be a sign of low confidence of the long-term convenience of the alliance.

Following the approach of the traditional literature (Agrawal & Kamakura, 1995; Geyskens, Gielens, & Dekimpe, 2002; MacKinlay, 1997), firstly, the event window is represented by the three days following the announcements, considered the minimum number of days for investors to react to the event. In the second analysis, the event window is expanded to 730 days after the announcement, in order to catch the medium-term reactions of the stocks. This approach reduces the influence of misleading events that might have affected the stock price in the 3 days event window.

To measure the event impact, abnormal returns were calculated as the actual ex post return of the firms over the event window. The normal return is defined as the return that would be expected if the event did not take place. The market model was used to represent the normal return that is a stable linear relation between the market return and the security return.

Given Day 0 as the initial announcement date, abnormal return is calculated as the difference between the actual return and an expected return generated by the market. The latter is calculated using the average growth of the market (S&P500, Dax 50, CAC 40, FTSE 100 and Nikkei 225 index for US, German, French, UK and Japanese companies respectively) over the period from 200 days before the announcement. Abnormal returns and cumulative abnormal returns are generated for each partnering firm over the period of 3 days after the initial announcement date for the first analysis and 730 days for the second one. Cumulative abnormal returns are then calculated by summing up the daily abnormal returns over the respective periods. The two-day period (0, 3) captures the price reaction to the alliance announcement. Significance is evaluated according to *t*-statistics test with parameters linked to standard deviation (Brown & Warner, 1985).

Then, a brand reputation index has been calculated from reports on the automotive industry by Datamonitor and Mintel in order to compute the global reputation of the brands involved in the alliance. Such a metric includes perceptions and attitudes with respect to the brands used in the event analysis; it is a measure not only of their reliability as producers but also of the market appreciation of their products and image.

4. Findings

Consistently with previous research (Ador & McMullen, 2002), this study finds out that Japanese companies have experienced higher shareholders returns in strategic alliances with Western partners, both in the short-term and in the medium one.

As regards the abnormal returns to shareholders of Western and Japanese companies in the three days period immediately after the announcement, the former have experienced a negative median abnormal return (-.095 *t* = -7.96), while the latter experience a significantly positive median abnormal return (.08 *t* = 8.01).

Table 1. Stock price reactions—3 days period

Western				Japanese					
Year	Company	CAR	Median_AR	t	Year	Company	CAR	Median_AR	t
1979	A	-9.62	-.097	-3.929	α		45.24	.023	1.981
1981	B	-3.83	-.095	-3.828	β		352.16	.161	4.898
1996	A2	-2.86	-.068	-11.928	$\alpha 2$		56.90	.027	4.969
1999	C	-21.29	-.223	-10.624	χ		36.52	.020	11.614

2000	D	-5.27	-.042	-8.678	δ	130.82	.094	1.967
2000	E	-12.68	-.044	-8.773	ϵ	215.75	.142	22.633
	Western	-9.257	-.095	-7.96	Japanese	139.563	.078	8.01

Also in the medium-term perspective (two years after the announcement, i.e. 730 days) the results are consistent with previous findings. In fact, Western companies experience a negative median abnormal return ($-.34$ $t = -32.0$), while Japanese ones experience a positive median abnormal return ($.074$ $t = 10.3$).

Table 2. Stock price reactions-2 years

	Western			Japanese				
	Company	CAR	Median_AR	T	Company	CAR	Median_AR	t
1979	A	-8535.08	-.769	-56.301	α	17595.28	.154	10.270
1981	B	-1655.207	-.231	-19.672	β	91728.59	.225	26.983
1996	A2	-2159.516	-.133	-19.519	$\alpha 2$	15896.13	.092	13.298
1999	C	-3087.569	-.129	-14.328	χ	39226.9	.116	8.717
2000	D	-8699.053	-.309	-35.140	δ	24509.27	.134	18.018
2000	E	-14818.45	-.447	-47.070	ϵ	-40530.52	-.275	-15.228
	Western	-6492.479	-.336	-32.0	Japanese	24737.608	.074	10.3

In the automobile industry Western companies often entered alliances to avoid investment, share risks and costs of penetrating new markets, developing products rather than acquiring new skills and capabilities (Stevens, 2008). In other words, they are more interested in regaining competitiveness as quickly as possible with the minimum effort. This provides the Japanese partners with more learning opportunities. Therefore, H1 and H2 are confirmed.

In order to understand in which cases the market rewards the alliance and if the brand reputation has an impact on the alliance outcome or abnormal returns, an ordinary least squares regression has been carried out. As explanatory variables brand reputation as measured by the index from Datamonitor and Mintel, culture as measured by the Hofstede index and the dimension of the companies (number of employee, turnover); while CAR for the event window as a measure of the alliance performance is treated as the dependent variable.

Table 3. OLS results

Independent variables	β	Sig.
Brand Reputation	.43	.01
Culture	.34	.01
Dimension of the companies	.32	.05
Relative annual sales	.04	
Industry demand	-.10	
Industry production capacity	-.06	
Manufacturing economies of scale	-.04	
Reduction of financial risk	.15	

Dependent variable: Alliance performance (CAR for the event window);

$R^2 = .56$.

The influence of brand reputation on alliance performance is positive, thus verifying H3. Brand reputation do relate positively to companies' reliability in the relationship and thus in a higher alliance performance together with a higher recognisability on the market. Given the importance of experience and credence qualities in the purchase decision and the role of image and reputation, the importance of the symbolic aspects of automobiles such as corporate identity and corporate image, are particularly decisive. Brands, therefore, can be the most important tool both in reducing the risk and in creating a community.

5. Discussion

This paper confirms that a win-win game of capability-driven alliances between Japanese and Western firms

have never fully taken place in the automobile industry. Major Japanese automakers have had the ability to focus on long-term development of core competencies and strategic management rather than the performance of the current product portfolio or short-run financial goals. They constantly over-performed the Western partners because they understood that, besides the official objectives set at the time of alliance formation, companies which gain the most from strategic alliance are those that devote resources to learning about their partners' capabilities whilst protecting the unintended and uncompensated transfer of their own core skills and competencies. As long as Western companies continue to approach alliances under a short term perspective, they will experience limited wealth benefits. Furthermore, with a short term vision, they will continue to end up into a dependency spiral, obtaining easy-to-imitate single technology while dispersing unique core competencies. The result will be a vicious circle of constant win-lose relationship in favour of Japanese partners, which interpret the collaboration under an enriching long term perspective.

In order for an alliance to be truly successful, each partner should consciously contribute with distinctive capabilities while preventing unintended transfers of information. This is an aspect in which Western partners tend to fail. The potential for unintended transfer is higher when a firm contribution is easy to be transported, stored, interpreted and internalized. Western companies are generally more vulnerable to this transfer since they contribute with easy-to-imitate technology. On the contrary, Japanese firms have been always considered for their manufacturing excellence, which involves a complex set of hardly replicable processes, employees training, and integration with suppliers. The key issue is that there is a fundamental distinction between technology and competence. While Western companies historically provided easy-to-imitate technology, Japanese counterparts offered hard to copy strengths and capabilities.

The findings consider the shareholder value as an indicator of firm's performance. However, since an alliance is characterised by complexity and heterogeneity, the hypothesis of an asymmetric wealth distribution between Japanese and Western firms has to be evaluated also on a case-by-case basis. A critical analysis is vital to assess both the achievement of the objectives set at the beginning of their partnership and the performance attained by the two firms beyond the official objectives. The intrinsic nature of alliances makes unpredictable any evaluation of the alternatives to the alliance itself. Although it is possible to assume how the partners would have performed if the alliance did not occur, a precise measurement is almost impossible. What is possible is to appraise the relative strength of the partners vis-à-vis third parties obtained through the alliance but also and most importantly vis-à-vis one another.

Nowadays, firms engaging in mutual equity investments cannot neglect the importance of capability-building as primary driver for the collaboration success. Indeed, positive short-term return on investment cannot be taken as sole proxy to assess the profitability of a certain agreement, since the relative competitive position of the partners before and after the operation strongly influences the future sustainability of firms operations.

A strategic alliance is a constantly evolving bargain whose real terms go beyond the legal agreement or the aims of top management. Learning from partners is paramount. Successful companies view each alliance as a window on their partners' broad capabilities. Using an alliance with a competitor to acquire new technologies or skills is not devious. It reflects the commitment and capacity of each partner to absorb the skills of the other (Hamel, Doz, & Prahalad, 1989).

This exploratory study is focused on firm abnormal returns in the event window surrounding the announcement, not in the long run. This paper has two main limitations: the time horizon considered and the sample size. As the time period considered goes from 1979 to 2006, it might argue that the same characteristics do not hold over 27-year time period. However, although it is not very large, it analyzes all equity alliances between Japanese and Western companies that took place in the last 30 years in the automobile industry. Therefore it is statistically representative of the whole population.

However, given the recent developments in finance, further research could account for time-varying stock price volatility in estimating the abnormal returns at the time of alliance announcement (Brown & Warner, 1985). Three main elements have to be considered (Dyer, Kale, & Singh, 2004): 1) the resources and synergies the partners seek, 2) the market they compete in and 3) the competencies to be shared. Moreover, industry plays an important role (Yin & Shanley, 2008), directly influencing the degree of commitment (Husan, 1997), the need for flexibility (Li & Atuahene-Gima, 2002) and the structural and institutional constraints (Blake, Cucuzza, & Rishi, 2003).

6. Conclusion

This study provides, on the one hand, quantitative confirmation of wealth imbalance between Japanese and Western firms both in a short and medium time horizon. On the other, it acknowledges the importance of

strategic considerations at the individual-firm level in the assessment of advantages and disadvantages of this specific business decision. Traditionally, the main threat in intra-firm collaboration was the creation and strengthening of competitors, which in turn could outperform the firm that transferred its distinctive capabilities. Therefore, over time companies have developed a set of defensive organizational tools to control the transfer of capabilities. However, previous research (MacDonald, 1995) had demonstrated that control actually reduces the transfer of capabilities, making the alliance an empty box. Willingness to cooperate is the main prerequisite for strategic alliances to be truly effective in capabilities transfer and take advantage of the full learning potential. A critical issue is the balance (equilibrium) between preserving core capabilities and actively collaborate with the partner.

The automobile is a highly concentrated capital-intensive sector in which investments in scale-intensive facilities are required and, at the same time, innovation and new product development gained increasingly importance after the challenge posed by the entry of Japanese companies. This new scenario has increased exponentially the uncertainty in the industry and, as a consequence, has called for a new need for flexibility, keeping unvaried the need to make significant investments to exploit scale and scope opportunities. Concentration implies a constant regulatory scrutiny by anti-trust authorities that hampers any consolidation attempt. Furthermore, government influence on national champions is still very relevant, since they provide strong financial support and sustain investment plans. Thus, the car manufacturers' activity is constantly under the pressure of several stakeholders. Decisions are often the result of a compromise among political, social and economic interests.

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