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CRITICAL REVIEW OF THE SUCCESS FACTORS OF STRATEGIC ALLIANCES IN THE UK CONSTRUCTION INDUSTRY

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Abstract: With an increasingly competitive environment in the world and in the UK particularly, industries that are operating today face many complex technological challenges with regards to both hard and soft systems. Consequently, skills and knowledge are required, that are better accessed by firms through strategic alliances, which allow individual firms to jointly leverage their comparative advantages to gain an edge. This has now become a fundamental business strategy in several industries, where individual firms that are less competitive are forming strategic alliances to compete. In other industries, the resource-based and transaction cost theories show that strategic alliances are insufficient; when assets and capabilities are acquired and where internal contracts and investment are not efficient. Due to the lack of empirical data in this field particularly regarding strategic alliances in the UK, this paper provides a critical literature review that discusses the nature of strategic alliances in general and aims to identify the theoretical factors that influence alliance success in construction. These factors are divided into five categories: trust, commitment, knowledge sharing, communication & IT technology and dependency. This research, therefore, identifies the fundamental success factors of strategic alliances, through a systemic examination of a strategic alliance literature review. It is intended to further test these factors in a range of case studies.

Keywords: Strategic alliances, Construction, Trust, Commitment, Knowledge Sharing.

1. INTRODUCTION

Over the previous two decades, inter-organisational collaborative arrangements have increased as a means of improving a firm's competitive advantage. Companies are focusing on the essential activities of providing good quality products and services through the formation of strategic alliances with suppliers and customers (Sambasivan et al., 2013). Strategic alliances have received attention in previous studies, mainly on how alliances are providing rare and valuable resources, as well as knowledge and skills, that are critical for a firm's survival and growth (Nielsen, 2007). Strategic alliances are considered an important way to quickly develop success strategies and maximise shareholder equity. Thus, research and development strengths could be integrated to obtain external resources and skills, leading to the development and implementation of successful external strategies, which may have a positive or negative effect on a firm's performance (Lin et al., 2011). As a result, the strategic cooperative perspective represents strategic alliances as an alternative mechanism to market strategies, as well as exploring the system of hierarchies amongst firms for tackling specific strategic requirements (Williamson, 1991, Nielsen, 2007).

There are many reasons behind a firm's desire to establish strategic alliances (Gulati, 1998). For instance, cutting edge information and communication technology have created opportunities for cooperative business activities. Also, a challenging competitive environment has led firms to form alliances, because if firms operate alone, they may incur significant costs and generate low value. Hence, through cooperation, firms can increase

effectiveness and speed up innovation processes leading to greater market share and success (Tariq, 2012, Stuart, 2000). Furthermore, the main motivator for establishing strategic alliances is to cooperate and explore the possibility of mixing together compatible assets owned by different firms. In addition, alliances may be created when one company has strengths in different operational stages, such as in the product's value chain or when trying to share competitive risk (Stuart, 2000).

However, many researchers have stated that the percentage of strategic alliances failing has increased by more than 50% around the world (Sambasivan et al., 2013, Dyer et al., 2001, Das and Rahman, 2010, Sivadas and Dwyer, 2000). To overcome this high rate of failure in strategic alliances, a better understanding is required of what the factors are, that are necessary for successful strategic alliances (Sambasivan et al., 2013). In fact, when firms are establishing alliances, they can possibly engage with unqualified partners, which can lead to potential opportunistic behaviour, eventually leading to a loss of specific assets (Gaur et al., 2011).

Noticeably, literature on the strategic alliance of construction industries in the UK has already been somewhat covered. For example, according to (Ingirige and Sexton, 2006), alliances in the construction industry can be used as an instrument to assure a sustainable competitive edge. With studies focusing on the challenge of generalising and preserving the perspective of alliances in the long-term, to improve the environment of projects. Moreover, (Black et al., 2000) have tried to expand the literature on partnerships, by analysing empirical success factors and benefits. Concentrating on how working together to achieve partnership targets within an environment of trust helped realise the project sufficiently, without any opportunistic behaviour or conflict. It also increased end-customer satisfaction for all parties contributing in an alliance that strived to fulfil success (Mohr and Spekman, 1994).

This paper aims to provide a background study regarding the concept of strategic alliances in general as well as the factors for successful strategic alliances. It particularly concentrates on factors that encourage successful strategic alliances within the UK.

2. STRATEGIC ALLIANCES OVERVIEW

The number of strategic alliances has increased dramatically since the late 1970s, specifically in technological industries, where they have been increasingly used as a means to manage the practical risks and improve market performance (Lee et al., 2010). Additionally, alliances could help achieve success in environmental instability through the sharing of crucial information among partners, by identifying reciprocal responsibilities, control partnership implementation, and assessing the outcome of the alliance (Li et al., 2013). To realise the concept of strategic alliances, many researchers in the literature review have defined this concept. For instance, Das and Teng (1998) define strategic alliances as inter-organisational collaborative arrangements, whose purpose is to achieve the strategic targets of partners. In a similar way, Li et al. (2013) state that strategic alliances are facilitating access to partner resources, to absorb sufficient knowledge, as well as maintaining and developing abilities, by combining skills with their partners in order to minimise costs that appear from cooperative risks.

Furthermore, Nielsen and Nielsen (2009) agree with the view that a function of strategic alliances is generating realisation for the managers within the alliance to improve their

capabilities. This can be achieved by providing better products and services with the possibility of obtaining access to partner technology, or effective skills and knowledge portfolios. Also, (Chen et al., 2015, Chan et al., 1997) indicate that strategic alliances can be defined when two or more firms cooperate, involving a partnership through agreement, which identifies sharing resources in production, marketing, and IT technologies. Thereby benefiting from mutual participation for all partners. More specifically, strategic alliances are considered as a type of dynamic capability that supports firms with external resources, which otherwise would have been missed (Ma et al., 2012).

Notably, López-Duarte et al. (2016) point out that strategic alliances identified as a field, are a fundamental area to study, as they explore alliances within both international management and international business research. This study will be aligned with the definition of strategic alliances being generic and relevant to the plan, where (Yasir Yasin and Maqsood Ahmad, 2013) state that strategic alliances are a purposive partnership between two or more independent firms working together and trying to achieve strategic objectives for mutual benefit through sharing, co-development, exchange of resources and capabilities.

In other words, cooperative alliances work as an incentive for partners to increase trust and commitment by providing other members with resources for maintaining the relationship. As well as reducing the competitive level among partners, in turn leading to an enhanced feeling of trust and a higher commitment to work together. Indeed, collaborative firms have found alliances to be a good step towards maintaining lower overall costs, as well as obtaining greater trust internally between workers (Holt et al., 2000). Thus, Furrer et al. (2012) indicate that strategic alliances can be considered as a mixed motivator venture in which partners simultaneously collaborate and compete.

In fact, the researcher is aligned with the discussion mentioned above, that strategic alliances could appear as an instrument in which supporting partners are united together by various advantages such as lower costs, resource distribution, sharing significant knowledge and enhancing the spirit of trust and commitment. In addition, it plays a significant role in growing the needs of competition, to establish the spirit of innovation among workers throughout the alliance. Thereby in this study, strategic alliances will be defined as a horizontal collaborative agreement among two or more firms working at a similar level, aimed at enhancing the joint development of processes, services, operation, and distribution products.

3. STRATEGIC CONSTRUCTION ALLIANCES

When reviewing the literature on construction alliances, there are several principles which have been noted. For instance, (Bennett and Jayes, 1998) demonstrate that partnerships within construction industries have three testified stages, each of which is partially different in concept due to their evolution. While most researchers in construction have taken the principle of “partnering” to represent an alliance within the supply chain, concept of “strategic partnering”, “alliance” and “strategic alliance” are also utilised in describing such relationship. Additionally, many of the researchers and empirical studies demonstrate that strategic alliances in construction can provide a lot of benefits to all stakeholders. Such as those involved in a project, fundamentally due to its ability to change following adversarial behaviour among partners. It has emerged as an essential strategy for avoiding opportunistic

and conflict relations among partners, as well as enabling / or guiding those who are seeking a strategy for long-term relationships and commitments.

However, the application strategy of strategic alliances is different from project partnering. The latest theory of strategic alliances concludes that achievement of alliance targets and project performance are the main goals, while the former model concentrates on opening the scope for a consistent relationship between involved partners. Therefore, the strategy of alliances can be considered as process-oriented, and project partnering as result-oriented. Regarding the rethinking of construction, (Egan, 1998) expresses that alliances and organisational learning are the main mechanism for developing the performance and competitiveness of firms within construction industries. While, knowledge sharing is undoubtedly a way to fulfil competitive advantage. Thereby this component should be incorporated as a core mechanism of strategic alliances.

According to (Kululanga et al., 2001) there are two underlying principles of organisational learning:

- 1- The knowledge which is generated and or imbibed considers results through a learning process produced in both internal and external business environments.
- 2- Application of knowledge is maintained to continuously improve alliance performance.

Aligned with these facts, most of the researchers in construction take the term of alliance as reciprocal relationships within the supply chain. In general, alliances or strategic alliances work to empower the relationships between stakeholders via respect, commitment, trust, teamwork, knowledge sharing, communication and shared goals. These relationships are usually determined through good faith in alliance rules, rather than a formal contract. (Cheng et al., 2004) state that alliances within construction usually create an informal climate rather than formal relations.

The fundamental reason for using a strategic alliance is to fit the targets of engaged partners, which are involved with various incentives and benefits. There is an even more important belief that an alliance should lead to worthwhile jobs for the partners, and quality and time completion for the owner. This might be the essential reason for partners involved to consider utilising it. (Cheng et al., 2004) illustrate that strategic alliances in construction should aid engaged companies to earn actual benefits within the project, and corporate levels. These benefits include decreased risks, developed quality, reduced cost, decreased rework, provided market share, increased profits, improved competitive position, enhanced opportunity of innovation, developed labour productivity and efficiency.

Furthermore, to enhance these incentives and benefits within the alliance, partners should be involved in sharing experiences and skills. While, top management should support these parties by making the execution of an alliance smooth. Ensuring that all partners should be willing to contribute within the alliance as the effort will not be worthwhile without the support of top management. Meanwhile, the main obstacles of alliances are known to be inappropriate technological knowledge, lack of training programmes, conflict, and opportunism (Lu and Yan, 2007).

However, the success of a strategic alliance within construction does not only depend on suitable top management but can also be enhanced via the accomplishment of a current approach such as TQM. (Schultzel and Unruh, 1996) believe that allied organisations should provide a unique contribution to all parties and that construction companies should understand the ability to satisfy the demands of a project which is planned. Thus, the familiarity of knowledge and skills are an essential base for alliance success, with those who have these experiences preferable to those without or lacking when faced with partner selection. Meanwhile, a whole chain of projects can be provided by large developers in order to facilitate long-term collaboration between partners and this can help promote the success of alliance use (Wong and Cheung, 2004).

Moreover, (Egan, 1998) focuses on some major clients of the British Airport Authority and the relationships among objectives of organisations, stating that capabilities are the main incentive for alliance success. While, (Cheng and Li, 2002) provide a framework of management skills and contextual characteristics that can be used to identify critical success factors for a construction alliance. Stressing that alliance can become more successful using proper management mechanisms, which involve alliance tools and individual measures. Thus, to achieve alliance success, the owners of allied organisations should formulate a process of partner forming, which may include the following steps: (1) ensure partners are willing to participate within the alliance, (2) select a facilitator, (3) determine who will participate within alliance workshop, (4) schedule the alliance workshop, (5) choose and provide materials, (6) prepare the agenda and hold the workshop.

4. MOTIVATION FOR FORMATION OF STRATEGIC ALLIANCES

Many firms are using strategic alliances to exchange resources, share risks, respond quickly to environmental changes, accelerate technological advancement, and obtain access to global markets (Yasuda, 2005). Hence, strategic alliances could also be understood to have, in some instances, a sharing arrangement among partners to learn and obtain skills with knowledge that was not available within these firms otherwise (Chen and Chen, 2002). Nonetheless, many scholars have argued regarding the importance of strategic alliances and what the motivation is for firms to form these alliances.

For example, Das and Teng (2000) identify that alliances are usually formed following two theories that are: resource-based and transaction cost. According to the resource-based view, firms engage within alliances rationally with the aim to enhance and maximise their value through pooling and utilising valuable resources and skills as an alternative strategy for firms to gain access to another firm's resources. On the other hand, the transaction-cost theory states that firms target each other to minimise the total of transaction costs, production cost, and the sum of fixed costs via ownership decision centres (Yasuda, 2005).

Das and Teng (1998) argue that there are many reasons behind the formation of alliances. According to the resource-based view, the essential motivation pushing firms to form alliances is to maximise profit in the long-term. While, the fundamental reason leading to instability in alliances is the limitation of resources by partners. On the other hand, the transaction-cost view points out that the main motivation of constituting alliances is that it optimises and economises transaction costs and the primary reason behind the instability in alliances is the opportunistic behaviours of partners.

Meanwhile, (Chen and Chen, 2002) argue that there are three important motivations behind the formation of alliances:

- 1- Huge transaction costs resulting from the small amount of bargaining accrued between partners.
- 2- A strategic attitude that targets the supporting firm's competitive position or market power.
- 3- A search to find organisational knowledge and skills or try to learn and acquire critical knowledge by partners from others.

According to the network theory, the essence of strategic alliances is to make formal relationships among partners to manage and facilitate a continuing exchange of resources. This is because no firm can be considered as self-contained, so that they do not collaborate with other firms in some way or form. Hence, strategic alliances are considered a remarkable solution with a long-term need (Chen and Chen, 2002). Moreover, Vyas et al. (1995) categorise the following points as possible motivation for the formation of strategic alliances:

- Distribution Channels (going around entry barriers).
- Synergy (to pool resources, increase efficiency, share expertise, reduce cost, increase market share and become more competitive).
- Diversification (to reduce/share risk, gain access to new market segments), and
- Sourcing Raw Material.

To summarize the discussion above, the main goal of establishing strategic alliances is to pool resources among partners, to fill gaps in their strategies and achieve their objectives. In addition to sharing tacit and explicit knowledge between partners of the alliance that could improve innovation skills and technologically develop the firm's capabilities to enter new markets.

5. BENEFITS OF FORMING STRATEGIC ALLIANCES

Many researchers have referred to the benefits of alliance formation and the resulting valuable feedback on the firm's performance and attributes. Lee et al. (2010) state that strategic alliances may change the evolution of the firms entirely and enhance their strategic position between other competitors through the sharing of overall costs and risks among partners. As well as improving innovation skills by supporting the spirit of competition among employees, obtaining access to innovative technologies and markets, gathering and learning complementary skills, and accelerating the commercialisation processes.

At the same time, (Chen et al., 2009, Li et al., 2013, Lee, 2007, Nielsen, 2010) argue that strategic alliances offer benefits such as the sharing of vital or critical resources, blocking the appearance of stronger competitors, improving learning and innovativeness, external legitimacy, dealing and managing environmental dynamism. While, (Rai et al., 1996, Chen and Chen, 2002) propose that firms are relying on strategic alliances in order to achieve more profit in which alliances enhance effective means to evolve both economies of scale and scope, through investment in learning and adaptation.

To conclude, strategic alliances play a significant role in identifying policies and decisions, which could be followed to enhance a firm's strategic position within a complex changing business environment. Nevertheless, allied firms should also be prepared for challenges at various stages of the alliance and understand the regulations in selecting partners, managing or leveraging the alliance to achieve the objectives of the cooperation. Moreover, the benefit of alliance formation will not be achieved, if trust, commitment, and the sharing of knowledge are not found in that cooperation.

6. FACTORS SUCCESS STRATEGIC ALLIANCES

6.1 Trust

The concept of trust differs in either an individual's belief or a groups' belief, as it is embedded within the habits and culture of individuals, groups and industries, at a national stage and on an international level. It has been conceptualised as willingness for one party to exchange confidence with another reliably and integrally (De Ruyter et al., 2001, Kumar et al., 1994, Morgan and Hunt, 1994).

In other words, trust in an alliance context is defined as an individual's belief or a common belief among a group of individuals that another individual or group can be relied upon (Yasir Yasin and Maqsood Ahmad, 2013). Within a strategic alliance perspective, a transaction view proposes that the presence of trust is considered a vital factor in the relational governance structure of the partnership because of co-ordination and mutual dependency problems. This suggestion implies that trust has the ability to lower transaction costs via preventing opportunistic behaviour, thus helping partners to extend their view in order to take a long-term perspective to the relationship (Kauser and Shaw, 2004).

In respect of the relationship between trust and alliance performance, many theorists have noted that trust works as a trigger for various structuring, organising, and mobilising mechanisms to enable an alliance to fulfil an extreme performance outcome (Robson et al., 2008). As a result, Chang et al. (2011) propose that the main factor making the actual firm successful is trust, when virtual interaction and interpersonal processes possibly exist, meaning that the outcome will be great. However, disrupting the flow of information between partners could lead to an absence of trust, which could in turn result in conflicts and coordination problems.

6.2 Commitment

Commitment is a main element in the paradigm of a strategic alliance. Several researchers have provided definitions of commitment. For instance, Bianchi and Saleh (2010) define commitment as reciprocal to a partner's beliefs, that helps an ongoing relationship with another, which is so important that it warrants maximum effort to sustain it. Also, commitment is generally defined as an implied promise of relational continuity among exchange partners (Kauser and Shaw, 2004). Thus, if the partners do not sustain the pledges and try to act opportunistically, the value of its commitment will be lost with other firms (Li et al., 2013). However, sharing resources, risks and costs all refer to a partner's commitment, this mean the motivation for firms to make a commitment is the partner's promises of sharing potential outcomes (Li et al., 2013).

With regards to the importance of commitment in establishing long-term relationships, Pesämaa and Hair Jr (2008) identify that inter-organisational commitment is essential for a partnership. This is because it illustrates how success and strength can be accomplished via integration of resources from several firms engaged within the same destination level. For an enduring relationship to evolve, commitment and joint action of the engaged partners is required to encourage the recurring reciprocity. Commitment, therefore, is a significant variable for long-term success, because a partners' alliance is willing to invest valuable resources and sacrifice short-term advantages for long-term success. Furthermore, firms are building and sustaining a long-term relationship, in which if they reciprocate, beneficial gains can result from such a commitment (Chen et al., 2011).

Ultimately, it is suggested that commitment as an element discriminates among relationships that persist and those that have collapsed. So that, the enduring business transaction relationship between partners in a strategic alliance requires commitment to accomplish their common alliance targets. Thereby, commitment is the key for continuing a relationship and the fulfilment of desired outcomes for allied firms, and it has a positive impact on performance (Chen et al., 2011).

6.3 Sharing Knowledge

Sharing and absorbing knowledge can successfully occur by accumulating a range of performance benefits across partnership boundaries, including decreased failure rates and increased productivity (Squire et al., 2009). In turn, transaction values will grow because mobilised partners willingly share sensitive and proprietary knowledge necessary to cooperate and improve their workflow (Katsikeas et al., 2009, McEvily et al., 2003). Inkpen (2000) identifies that the generation of new knowledge is a huge challenge for a firm, so, it is worth doing it because sharing knowledge assures organisational actions and will provide organisational renewal (experimentation, change and innovation, competitive edge) (Lo et al., 2016).

According to the theoretical perspectives on strategic alliances, Inkpen and Tsang (2005) state that learning and knowledge can be obtained by partners engaged within an alliance through their past experiences and their tacit knowledge and experiences. In this sense, trust is considered a fundamental instrument as, if alliance actors are willing to share knowledge at a strategic and operational level, partners will share knowledge with confidence because of the development of trust (Nielsen and Nielsen, 2009). If trust and commitment among the partners are lost, sharing skills and knowledge of technology are commonly inhibited (Yasir Yasin and Maqsood Ahmad, 2013).

6.4 Communication and IT Capabilities

To achieve a successful strategic alliance operation, the partners are required to realise, share, exchange and obtain learning and skills from each other. So to achieve alliance targets, communication should be effectively sufficient to manage pooled resources (Youngtae et al., 2010). Therefore, communication quality can be defined as the level to which the content of communication is received and understood by the other partner in the alliance (Sengupta et al., 2000). The process of communication allows partners who share the information, to improve a relatively informal method. With the quality of information transferred and joint participation by parties in the planning and objective setting, transmitting very important

signals to the trading partners. This means that in virtual teams, a successful alliance depends on effective communication and the sharing of knowledge between partners (Sengupta et al., 2000).

Thus, communication has been realised as an important factor in facilitation and can be effectively used to strengthen the relationship of partners (Mohr and Spekman, 1994). Also, Costa e Silva et al. (2012) propose that communication is an essential asset that assures alliance partners learn skills from each other and co-ordinate their tasks, helping the alliance to enhance and sustain viable bonds. Importantly, achieving a satisfactory partnership can be gained by the development of effective communication skills, which is important for enabling ties of allied partners (Youngtae et al., 2010).

On the other side, information technology plays an effective role as a factor in aggregating essential information, which is responsible for the achievement of alliance targets. Information technology permits allied firms to share efficient and secure information. It is an infrastructure for exchanging information about the levels of demand and patterns, as well as other events that have been created by web based applications and information technology. These events have an important impact on cost reduction and partners' supply chain plans. However, it is clear that information technology alone is not sufficient for firms, who need to exchange critical and proprietary decision making information in order to develop trust and commitment (Chen et al., 2011). When firms have information technology capabilities it can leverage appropriate IT to aggregate a variety of information, which is considered important to fulfil an alliance's goals (information regarding the progress of the alliance duties, specific problems encountered, partner's participations, etc.). Hence, if a firm is engaged in an alliance, the managerial IT abilities become even more vital for achieving a high level of performance (Lioukas et al., 2016).

6.5 Dependency

The concept of dependency is effectively used as a factor to achieve success in a firms' relationship through the exchange of various aspects of (explicit, tacit) resources. According to Lefroy and Tsarenko (2013) dependence refers to the extent that the firm relies on its alliance partners for economic, social and financial resources. Following a resource dependence theory, alliances and maintenance are considered critical resources in the condition of organisational survival, in which firms work widely in an environment of resource uncertainty and thereby rely on cooperate partners to create resources necessary to accomplish the outcomes (Murray and Kotabe, 2005). Bearing this in mind, to deal with the uncertainty of an environment, the amount of information and knowledge that firms need to achieve cooperation and execution of alliance duties relies not only on the amount of activities performed, but on the extent to which actors depend on others to fulfil these activities. This dependence on each other is best captured via the level of dependency in an alliance (Lioukas et al., 2016). Even though, some of the suggestions assert that dominance by one partner might be better for performance, which can efficiently lead to a successful alliance (Liu et al., 2010). It certainly receives more purpose, as it shapes partnership objectives and increases the chances of accomplishing positive profits, by the facilitation of decision-making and empowerment of the action (Chen and Chen, 2002). This aspect can ultimately enable both partners rather than just one that is dominant, by enhancing ability and willingness to pursue target fulfilment, prompting higher satisfaction with the results, and improving new opportunities, as such solving problems through finding new solutions and access to new markets (Chen and Chen, 2002).

7. CONCLUSION

This paper provides a general overview on strategic alliances and strategic construction alliances specifically. In doing so, it presents the motivations and benefits that can be considered as core motivators for adopting the concept. It has revealed that a group of factors can fundamentally enhance the success of alliances. Nowadays, increasingly more clients consider trust and commitment to be essential factors for alliance success. Thus, it is important for clients and partners to have a better understanding regarding these fundamental success factors. Inhibiting knowledge sharing is a challenge for alliance success because it leads to decreased trust between partners. Furthermore, without a proper communication strategy among the clients, partners and project teams, the alliance is likely to underperform and may even fail. Consequently, effective knowledge sharing helps to create innovation, problem-solving, increased performance, and satisfied partners. Additionally, the interdependency between partners helps in reducing the costs of collecting resources, whilst enhancing the trust and commitment to achieve alliance targets. Future research efforts will concentrate on strategic alliances and attempt to illustrate the critical factors that lead to fulfilling alliance success in the construction industry in every single country. Additionally, a suggested conceptual framework will be developed to properly test and validate the research findings.

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