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BREAKING UP IS HARD TO DO: EXAMINING THE ROLE OF PARTNER CHANGES ON STRATEGIC ALLIANCE OUTCOMES(INTERACTIVE PAPER)

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INTERACTIVE PAPER

BREAKING UP IS HARD TO DO: EXAMINING THE ROLE OF PARTNER CHANGES ON STRATEGIC ALLIANCE OUTCOMES

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Principal Topic

Facing increasing uncertainty in their external environments, many firms have formed strategic alliances with various external actors including customers, suppliers, and even competitors (Brush & Chaganti, 1996). Alliances offer significant benefits for managing uncertainty by helping a firm achieve a more negotiated environment (Stearns et al., 1987).

At the same time, cooperation can also create uncertainty, particularly in terms of its long-term impact on a firm (Das & Teng, 1998). Despite these potential threats, alliance popularity continues to increase (Elfring & Hulsink, 2003), a somewhat surprising result, especially given that some estimates suggest alliance failure rates may range from 50 to 70 percent (Day, 1995; Park & Ungson, 2001). These difficulties in successfully managing alliances so that they attain organizational goals raise a key research question for both researchers and practitioners:

What critical factors increase the probability of alliance success (Lambe et al., 2002)?

Extant research has cited myriad success factors impacting alliance outcomes including each partner's individual strategic directions, alliance goals, alliance commitment, and resource endowments present at the alliance's formation (e.g., Parke, 1993). Research has increasingly noted, however, that beyond these *ex ante* conditions, other events that occur during the alliance's existence (e.g., major changes in the external environment) may impact alliance outcomes (Park & Ungson, 2001). Thus, to provide a more complete view of factors impacting alliance success or failure, research needs to examine not only initial alliance conditions but also how changing firm conditions over time may impact an alliance's eventual success or failure.

Method

To examine these issues, we employ a unique dataset based on surveys administered in 2003 to firms participating in the U.S. Commerce Department's Advanced Technology Program, which supported highly innovative and risky, but feasible, technology developed by firms involved in strategic alliances. This program provided grants totaling several millions of dollars for applicant firms that could demonstrate both the scientific and business merits of their projects. Our final sample includes 95 alliances.

Implications

Based on our findings, we will detail important implications these results have for both practitioners and alliance research as well as suggest future research avenues to build on our results.

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