ALOOF PARTNERS: HOW ENTREPRENEURS DEVELOP STRATEGIC ALLIANCES UNDER INSTITUTIONAL UNCERTAINTY (INTERACTIVE PAPER)

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ALOOF PARTNERS: HOW ENTREPRENEURS DEVELOP STRATEGIC ALLIANCES UNDER INSTITUTIONAL UNCERTAINTY

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Principal Topic

How do entrepreneurs develop effective strategic alliance? Such alliances contribute to deals with rapid, significant, and low risk capital accumulation (Villette and Vuillermot, 2009). Entrepreneurs establish strategic alliances to speed up opportunity exploitation; gain access to necessary resources without incurring large capital costs, thus sometimes shifting downside risk to allies; and mitigate the risk of demonstrating the value of a new product to potential customers (Shane, 2003). When the strategic alliance processes of effective entrepreneurs operating in stable institutional settings are examined, an additional motivation—conforming allies to the deal strategy leading to capital accumulation—has also been identified (Villette and Vuillermot, 2009). However, we know relatively little about the entrepreneurial strategic alliance process in unstable institutional settings that are an increasingly significant feature of the global economy. In this study, we ask: how do entrepreneurs develop effective strategic alliances under institutional instability?

Method

We employ a single case research design focusing on one effective entrepreneurial deal as the unit of analysis. The selected case—the 1997 debt capital raising by Alfa Bank, controlled by Russian entrepreneur Mikhail Fridman—is revelatory in nature and situated in an unstable institutional context—post-communist Russia. Fridman was selected from a population of 27 effective Russian entrepreneurs. Data was collected during the periods 1997-1999 and 2014-2016 from two sources: archival documents and direct observation. A narrative case study was developed from these data and presented for feedback at three international academic conferences and two graduate level courses. We developed a template from the literature, then coded the case to confirm or disconfirm the theoretical framework reflected in the template. When an element was disconfirmed, we returned to the literature to modify the framework.

Results and Implications

Under institutional instability effective entrepreneurial strategic alliances 1) hedge uncertainty through capital source diversification and information manipulation, 2) emphasize reputation building through information arbitrage, 3) demonstrate commitment to partners during crises through incremental capital commitments, and 4) increase firm viability through gradual marketization. These findings can be utilized to build a more generalizable model of entrepreneurial strategic alliances and to adjust entrepreneurs’ “playbooks” as they move into unstable institutional environments.

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