

## **STRATEGIC ALLIANCES AS A COMPETITIVE TOOL IN COMPLEX GLOBALISED WORLD**

**Rajiv Gupte**, MET Institute of Management, India, rajivgupte1@rediffmail.com

**Pallavi Mhatre**, MET Institute of Management, India, pallavikmhatre@rediffmail.com

### **ABSTRACT**

Globalisation is associated with conflicting notions like of economic, politico cultural systems across the Globe as a major force of human development and prosperity to ecological exploitation & conflicts (Nibojsa Makicennovic, 2008)

In this complex, interconnected world, we are already witnessing “Lorenz Effect” in most spheres of life.

Sectoral approaches rely upon actor’s behaviour including resource – based models, and politico economic outcomes (Kurth 1979, Rogowski, 1989) (Gourevitch 1986) (Gilmore 1997). Their approaches explain technological changes in Globalised world in sectoral variation, without referring to institutionalising innovations. According to Freeman & Perez, “Technology has wide spread consequences .... In that, the diffusion is accompanied by structural crisis of adjustment” Charles Perrow & Oliver Willums have studied “degree of coupling” in the elements of technological system and the other in the “Complexity of causal interactions among production stages”.

The authors here wish to look at impact of Globalisation of technology from Evolutionary perspective as a multi-disciplinary approach.

The authors therefore, wish to study the topic, as path dependent outcome.

The phenomenon would explain,

How the organisation can achieve “Global optima” rather than “Local optima” during core evolution of organisational structure as Complex Adaptive System using Rugged Landscapes (NK Theory).

While discussing “Strategic Alliances as a competitive tool”, the authors would discuss outsourcing core competency including “Tacit Learning”.

The expected results would be to show, how Institutional factors and Strategic alliances would lead to a success strategy for many large economies and how Diversity would lead to better overall “Ability”.

### **PAPER**

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This study is divided into two parts

- A. The authors wish to comment on the conceptual framework about the possibilities of “Fitness” of firms engaging themselves in innovation process.
  - B. The authors wish to comment on the institutional adaptation to affect successful innovation practices with strategic alliances.
- A. **Fishers’ fundamental theorem** – Role that variation plays in adaptation
- a. There is no cardinal – This emphasizes that there is a lot of variation within the species. The application here being, within the industrial strategic groups the practices of different firms vary.
  - b. Rugged landscape (NK theory) - The assumption here being the landscape is constantly “Dancing”. Hence in this complex interdependent world, it is advisable to develop those strategies which would lead to global optima rather than local optima.
  - c. Replicator dynamics – Firms would copy those firms which are more “Fit” and firms which have more “Common” strategies. Various studies based on agent base simulations incorporating path dependent outcome emphasize how firms could get trapped under local adaptation and all restructuring attempts of an organization in the center point would result into negative gain unless of course the landscape is stable and the firm is near global optima, where six sigma approach would be more appropriate.

Vast literature on Spatial Economics also considers geography of innovation and considers the roll of

1. Contextuality. From a structural perspective, economic agents are situated in contexts of social and institutional relations (Grannovetter, 1985, 1992a,b). Since the conceptualization views action as being embedded in specific contexts, it cannot be explained through the application of universal spatial laws.
2. Path – dependence. From a dynamic perspective, contextuality leads to path- dependent development because yesterday’s economic decisions, actions and interactions enable and constrain the context of today’s actions. They also direct future intentions and actions to some extent (Nelson and Winter, 1982; nelson, 1995).
3. Contingency. Economic processes are at the same time contingent in that the agents’ strategies and actions may deviate from existing development paths. Economic action in open systems is not fully determined and cannot be predicted through universal spatial laws. Despite its path – dependent development which provides a particular history, economic action is subject to unforeseeable changes and is therefore fundamentally open – ended (Sayer, 1992 – 2000)

This closely relates to the institutions within innovation management. In this interconnected world the innovation process require organizations to connect in order to enable flows of knowledge, capital, labor and hence the need for dynamic innovation system. The objectives for such strategic alliances could be

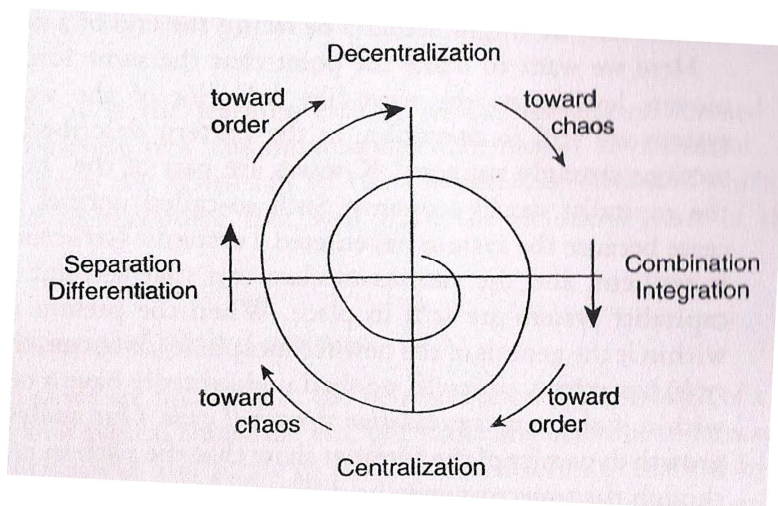
1. The efficient acquisition of informational resources via inter – organizational learning,
2. The intensive apportioning of managerial resources towards highly scarce managerial resources, their extended, rapid application, and the raising of the efficiency of the system as a whole by combining the managerial resources of other firms with those of one’s own firm, and

3. The securing of a basis for the advantageous deployment of managerial resources in industries that are ruled by network externalities.

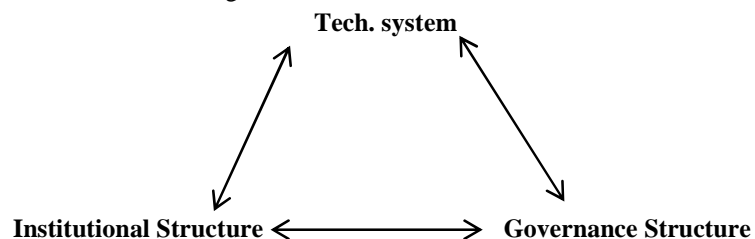
This brings us to the requirement for institutional adaption.

**B. Institutional Adaptation:**

The Internet, with its networking potential, compels us to address the co – evolution of technology and organizational structures. It can make a highly decentralization and decentralization so as to maximize organizational effectiveness



In addition to Spatial economy the governance structure also have been proved to be having enormous impact on institutional structure and technological system. Therefore the Fit needs to affect by the strategic alliances which could facilitate learning.



Kitschelt has studied institutional Fits for technological system and identified “coupling and Causal complexity”. From evolutionary perspective variation selection causes amplification and cooperation becomes eminent for the successes of strategic alliances. Network externalities on the basis of Urn model, which strengthen the impact of governance on institutional structure would be the result of path dependent outcome. Selection through mutation therefore becomes important for the success of strategic alliances for certain organisations success.

- a. Tightly – coupled organization are unlikely to survive by adaption as
  - Change in one attribute causes impact on many others
  - Better to make “Long Jumping” in dynamic lanscapes
- b. Loosely – coupled organization survive in
  - Adapting quickly

- Making few long jumps

Thus it is extremely important for the organization to select the “ “ in which they would like to operate and network. Careful selection of alliance partners would ensure fitness in long run.

In light of this it is worth noting that various empirical studies pertaining to out sourcing core competency (including tacit learning) State the enhancement of managerial decision making and better sustainable competitive advantage.

## CONCLUSION:

In this complex, interconnected world strategic alliance, can and should use as a competitive tool. The authors study this phenomenon from multidisciplinary perspective and conclude that institutional aspects, especially Trans boundary alliance, could be extremely useful for certain economies with rigid governmental structure especially when there is modular strategy rather than coupled strategy for innovation.

In this case, such alliances could help develop the complete edge through learning and organization skill building.

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