
Introduction: filling gaps in research on interfirm collaboration – focus on alliances and networks

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Companies' international growth may take several forms, but increasingly the most common alternatives for organizing growth are various hybrid forms. In this volume, hybrid organizations refers to the business activities that fall in between markets and hierarchies (Powell, 1987) and the governance structures that have been created around them. In particular, we focus on two concepts intimately related with the phenomenon of hybrids in international business: alliances and networks. The definition of alliances and networks is not straightforward and previous research differs in its views about whether alliances are actually networks, networks can be seen as alliances or are the two totally separate? For example, Gulati (1998, p. 293) represents the latter view when he looks at embeddedness of alliances, that is, 'voluntary arrangements between firms involving exchange, sharing or co-development of products, technologies or services', in social networks, that is, 'a set of nodes (e.g., persons, organizations) linked by a set of social relationships (e.g., friendship, transfer of funds, overlapping membership) of a specified type' (ibid., p. 295). Mainela and Puhakka (2008, p. 17), in turn, define an international joint venture as 'a small international network – a triad'.

Research on both alliances and networks has been extensive during the past decades (see, for example, Hohenthal et al., 2014; Niesten and Jolink, 2014), but still many questions remain unanswered, and we do not seem to know sufficiently how they affect the organizations involved. It has been argued that one of the main reasons for inconsistency in research results stems from the fragmented nature of the research and a lack of broader theoretical approaches. Additionally, empirical findings originate often from cross-sectional and single-country studies conducted among companies based in Western economies. This book attempts to overcome the previously mentioned problems by combining different streams of literature, research methods and researchers with different backgrounds. Furthermore, it amalgamates different types of knowledge by including

diverse types of studies – literature reviews, conceptual papers and empirical studies – into one volume.

As mentioned, the research streams studying international alliances and networks have been kept separate, although in principle both of them deal with a similar phenomenon – interfirm co-operation – and share some of its key characteristics. For example, already the early definitions of interfirm co-operation highlighted the existence of common goal and mutual commitment for joint decisions (Simon, 1957; Thompson and McEwen, 1958). Later characteristics, such as duration, voluntariness and division or exchange of resources, have been added to describe interfirm co-operation (Hellman et al., 1993). Through establishment of common goals and mutual commitments within a durable and voluntary relationship in which resources are exchanged and shared, firms create alliances and networks as collaborative forms of business. This book is, to our knowledge, one of the first attempts to combine the two fields of literature and, hopefully, this approach allows us to fill in the structural holes between the fields and identify areas which would deserve more attention.

This volume draws on the knowledge of 40 experts from 12 countries. Its 18 chapters have addressed the theme of this book from a number of pertinent perspectives. The chapters are laid out in three parts, which focus, respectively, on state of the art, conceptual development and empirical evidence in international alliance and network research. Each of the chapters of the book is now briefly introduced.

PART I: STATE OF THE ART IN ALLIANCE AND NETWORK RESEARCH

Part I comprises four chapters that review current alliance and network research from diverse perspectives. In Chapter 1, Maria Elo studies diaspora networks in international business. She analyses the evolution of the diaspora network literature following an IB perspective and interconnects country- and individual-level dimensions of diaspora networks. The chapter presents the concepts diaspora and diaspora networks and connects them to economy and international business. Additionally, it identifies the key aspects that are significant for international business (IB) or require additional research attention in the IB domain, and grounds these aspects with extant interdisciplinary research. For the reader the chapter provides a state-of-the-art review of the diaspora networks in international business.

In Chapter 2 Cristina López-Duarte and Marta M. Vidal-Suárez present the findings of an extensive literature review on the role of culture

and cultural differences, and their impact on alliance performance. The study describes the main research streams within alliance research and concludes that the relationship between national cultural differences and alliance performance is much more multifaceted than prior research indicates. Based on their review, it seems that the contradictory findings in earlier studies are mainly due to methodological and measurement issues. It also seems that the role of moderating factors has been underappreciated and that they should be taken better into account.

Chapter 3 of this volume consists of an extensive literature review of hybrid forms of organizing in international entrepreneurship research. The authors, Tuija Mainela, Vesa Puhakka and Per Servais, fill a void in the literature as they examine existing knowledge on hybrid arrangements. Surprisingly, they find that although international entrepreneurship research has early on acknowledged hybrid forms of organizing opportunities in international new ventures and lately has significantly widened its scope, it is still limited in its understanding of hybrid arrangements in terms of governance structures or organizing logics. Although researchers agree that these are important for the operations of international entrepreneurial organizations, it remains unclear how organizing opportunities actually takes place. Building on these observations, the authors articulate conceptual directions for future study of hybrids in organizing international opportunities.

Part I concludes with Chapter 4, in which Klaus E. Meyer and Yi Wang critically evaluate transaction cost economics (TCE) literature on cross-border business activity and ask to what extent the empirical research actually allows support to TCE-based arguments. The authors identify four major challenges: (1) the level of analysis used to proxy transaction costs, (2) contextual drivers of transaction costs, especially in emerging economies, (3) theoretical ambiguity of TCE arguments with respect to distance and experience, and (4) the assumption that joint ventures (JVs) are a flexible (low-risk) mode of operation. This discussion leads to suggestions how to design empirical research to be more consistent with the statements of theory.

PART II: CONCEPTUAL DEVELOPMENTS IN ALLIANCE AND NETWORK RESEARCH

While the first part of this book focused on giving an overview of current state of research in the field, Part II comprises seven chapters all of which discuss conceptual developments related to alliances and networks.

Part II begins with Chapter 5 in which Svante Andersson and Gabriel

Baffour Awuah study the international growth of born-global firms in institutionally distant markets from a network perspective. They discuss how born global firms manage their international growth in diverse institutional contexts, such as emerging economies. They suggest that the establishment mode of born global firms proceeds from developed to emerging and then developing markets owing to the difficulty of establishing network relationships in these institutionally distant countries. Additionally, in these institutionally distant markets born global firms use high commitment entry modes, such as subsidiaries, to compensate for the weak local ties.

The following chapter (Chapter 6) also applies a network perspective, but in a completely different context, namely, a multinational company. The authors, Ulf Andersson, Peter Ekman and Cecilia Erixon, study the internal structures of a multinational corporation (MNC) and how this internal embeddedness affects subsidiaries' organizational performance. The internal embeddedness is discussed according to two dimensions: the internal production network and the MNC manager's social network. The characteristics of each dimension, and how they relate to earlier research, leads to a number of theoretical propositions. The authors propose that both the dependence between subsidiaries and the dependence of the headquarters on the subsidiary affect the performance of individual subsidiaries. Furthermore, they argue that subsidiary performance is influenced by internal embeddedness and the social networks of the subsidiary manager.

The authors of the next chapter (Chapter 7), Mikael Hilmersson, Martin Johanson, Heléne Lundberg, Stylianos Papaioannou and Aron Thyr, take a process view of networks and focus on the international opportunities that a firm faces during the early phases of its internationalization process. Based on a theory-based discussion they present four groups of propositions on the direct and indirect relationships between these constructs. The authors suggest that in the early phases of internationalization the company network and strategy are tightly intertwined and influence each other. Similarly, the network and company strategy are likely to influence the opportunity development process in the company.

As a response to the call for deeper understanding of the drivers of alliance performance (see Chapter 2 in this volume), in Chapter 8 Mia Hsiao-Wen Ho and Pervez N. Ghauri study the determinants, consequences and moderators of knowledge transfer and organizational learning processes in international strategic alliances by highlighting the contextual differences between partners. They argue that institutional distance and realized absorptive capacity are critical moderators in the processes of knowledge transfer and organizational learning, which, in turn, determine the alliance performance. Additionally, they propose that relationship quality is

an important determinant of the transferor firm's protective behaviour, which will subsequently affect the level of knowledge acquisition by the recipient firm. Yet knowledge acquisition will be significantly reduced if the negative impact of knowledge protection is intensified by large institutional distance between alliance partners. However, the performance of an alliance does not necessarily depend on the level of knowledge acquisition, but rather on the firm's realized absorptive capacity to apply sufficient, acquired knowledge into the alliance context.

In Chapter 9, Valteri Kaartemo, Hannu Makkonen and Rami Olkkonen study the potential of network pictures as a research method. International alliance and network research has largely focused on finding one-dimensional correlations between alliance/network characteristics and internationalization variables. This has resulted in a dearth of holistic studies to increase our understanding on coevolving network processes and structures. They discuss the limitations of the research domain, and assess how network pictures could advance IB network research. The notion of network pictures builds on and encapsulates wide areas of literatures with regard to sense-making, cognition and mental maps with an aim to further understanding the dynamics between individual network actors, their intentions and actions and the structural and processual elements of their surrounding business networks. Particularly, they focus on how network pictures could advance IB network research in terms of managerial sense-making, multi-level research and temporal dimension.

In line with Chapters 2 and 6, in Chapter 10 Ursula F. Ott focuses on the drivers of alliance performance and repeated contracting in international strategic alliances from the viewpoint of information asymmetry owing to different cultural, organizational and/or technological backgrounds of partners. The theoretical underpinnings show that these problems are embedded in the theoretical paradigms of contract theory. In general, the alliance partners have several options to take into account uncertainty about the ability and effort of the other players and their impact on the durability of the alliance. The complexity of multi-person decision making is reflected in incentive schemes for the stages of an alliance life cycle. This dynamic contracting scenario should avoid cheating and enhance co-operation in terms of contributions and expertise in the stages of the life cycle. The outcome is the design of inter-temporal, culturally sensitive contracts.

Part II concludes with Chapter 11 in which Asta Salmi and Lars-Gunnar Mattsson describe and analyse the changing networks during the transformation from a centrally planned to a market economy in Russia. In particular, their interest lies in the role of overlapping between business networks and personal networks, referring also to overlapping

between business networks and political networks. Taking the markets-as-networks view and focusing on the dynamics of business relationships, Salmi and Mattsson present two major arguments in the analysis of transformation in Russia. First, interpersonal (social) interaction is an integral part of economic activities but its role is changing during transformation to a market economy. Second, an important characteristic of a market economy is the existence of full-fledged dynamic business relationships. Creation of these has been the key challenge for Russian managers, for which they need organizational capabilities and network strategies.

PART III: EMPIRICAL EVIDENCE OF INTERNATIONAL ALLIANCES AND NETWORKS

The third part of the book comprises seven chapters, each of which provides different but important perspectives on networks and alliances in versatile empirical contexts.

In Chapter 12 Adele Smith, Paul A. Ryan and Natasha Evers provide empirical evidence for the emergence of international networks, a theme which was conceptually discussed earlier in this volume (see Chapters 5 and 6). Smith et al. study the networks of born global firms in the Irish digital animation industry. Their study takes a microscopic view of the networks and employs social network theory in order to identify and examine the role of key network intermediaries in the internationalization of born global firms. In particular, they are interested in how the intermediaries can fill in the structural holes of the networks. They found that the principal intermediaries in the actors' networks were institutional players, such as governmental agencies, and agents. Filling in the structural holes seemed to require face-to-face interaction; presence in social media was not sufficient.

Chapter 13 offers a perspective on collaborative market entry strategies of multinational enterprises (MNEs). Authors Ahmad Arslan and Jorma Larimo analyse, based on transaction cost economics, resource-based view and institutional perspective, the expected impacts of various firm, industry and target country specific determinants on the preference between greenfield JVs and partial acquisitions. The authors test their hypotheses based on a sample including over 600 investments made by Finnish firms in 30 developed and developing countries. The results show that several firm, industry and target country specific variables significantly influence the preference. Furthermore, the degree of ownership in

the units also significantly influences the impact of various variables on the establishment mode decision.

Chapter 14 presents a longitudinal case study of an Eastern European company. The authors, Svetla Trifonova Marinova and Marin Marinov, describe the transformation and development of the company, first, into an international joint venture and then, after a number of acquisitions, into a global player as a wholly owned subsidiary of an MNC. The 20-year follow-up study allows an exceptional view of the emergence of networks and alliances. It illustrates the interplay of relationships in the company's internal and external networks, and points out that a snapshot view of a foreign direct investment (FDI) never unveils the strategic intent of the investor. They argue that the success of an FDI depends on the capability of the investor to create and manage political and business networks in the host country, and in this process personal relationships are decisive.

In Chapter 15, Hemant Merchant investigates the relative significance of institutional variables and firm-specific variables in international joint ventures of American firms. With this empirical evidence he complements our understanding of the drivers of interfirm collaboration based on reviews of the existing literature (see Chapter 2 in this volume) and conceptual discussions (see Chapter 10 in this volume). Theory-based propositions are tested across five distinct emerging market groups: (1) Asia, (2) BRICS, (3) Europe, (4) Latin America, and (5) the rest of the world. The results based on the shareholder value creation analysis indicate that the performance of American firms is largely homogeneous across these five groups, although their institutional profiles vary. Thus, this chapter highlights the theoretical as well as empirical importance of modelling the role of institutions in studies where the influence of the acquired or established alliances on the performance of the investing firms is analysed.

The next chapter, Chapter 16, by Nicola Mirc and Philippe Very, addresses the role of network brokerage in the integration of mergers and acquisitions (M&A) and the properties and roles of acquisition brokers, that is, actors who promote acquisition integration through the relationships they span across the boundaries of merging firms. In addition, as networks tend to evolve following an acquisition, the structural properties pertaining to each actor are likely to change, meaning that the population of acquisition brokers could change over the course of integration. Building on a longitudinal case study of a symbiosis acquisition, the authors identified acquisition brokers and their characteristics at successive points in time in order to understand how these evolve along the integration phase.

The following chapter (Chapter 17) deepens our understanding of networks of multinational companies (see also Chapter 6 in this volume).

As a deviation from the mainstream literature, the chapter studies the networks at the level of the individual. The author, Elina Pernu, studies key account managers in MNCs as central actors in a company's global customer networks. Particular interest is given to how individual-level acting by key account managers is related to the ability of the MNC to manage its global customer relationships. The study illustrates key account managers' activities that connect different relationship levels and move the relationship from one level to another within the MNC to develop customer-focused internal networks.

Part III concludes with Chapter 18 in which Lasse Torkkeli, Sami Saarenketo and Niina Nummela examine the development of network competence in internationalizing small and medium-size enterprises (SMEs). In line with Chapter 7, they take a processual view to internationalization and provide empirical evidence on how and when network competence is developed during the internationalization process. The chapter describes a longitudinal case study of a Finnish software company. The findings indicate that network competence – as it is currently understood in the literature – does not necessarily exist at the time of the founding of the company. Therefore, the authors suggest that the concept of network competence should be extended in future research to include diverse competencies, some of which would be specific to the early phases of internationalization.

DISCUSSION AND CONCLUSIONS

This volume provides multiple views to the question, how does the extant research in international business field approach alliances and networks and uncover the varying forms of cooperative alliances and network-like organizations, operations and activities? The focus of this book is on organizing, that is, the organizational enactment of independent actors (cf. Chapter 3 in this volume), in order to shift the focus from organizational boundaries to the actions and actors. The chapters of this book provide an interesting overview of current research on international alliances and networks, and provide additional food for thought for the readers.

As a combination of two research streams, this book highlights the similarities between the two types of hybrid organizing forms and suggests avenues for future research. For example, both research in international alliances and networks use transaction cost economics (TCE) as the basis of theoretical analysis. However, despite its popularity, applying TCE has its challenges (see Chapter 4 in this volume). Also, the use of TCE in the

two contexts differs: whereas in alliance and joint venture research it has been the theoretical framework of numerous studies, in network research it has been more or less the underlying thinking affecting the ontological and epistemological assumptions of research. We would also argue that the potential of TCE has not been utilized in full in network studies. For example, the shirking and cheating costs identified by Hennart (1993) would be applicable in the network context, where opportunistic behaviour in networks has been discussed (Provan, 1993; Wathne and Heide, 2000) but not investigated in detail.

Another theme common to hybrid organizational forms is the uncertainty related to collaboration and related control mechanisms. For example, the relational risk which the parties experience owing to the uncertainty of a partner's behaviour has been discussed in alliance research (see, for example, Chapter 2 in this volume) but it has received less attention in network research. Through a network approach, relationships are typically seen connected with opportunities, not risks (see, for example, Chapter 7 in this volume).

Researchers interested in international networks could also benefit from the studies on international alliances in emerging and developing markets, as international networks in those markets have been much less investigated. We think that the chapters in this volume (see Chapters 5, 11 and 14) are valuable additions to our knowledge and would encourage future researchers to take this path.

On the other hand, research on international networks has been better to 'draw the big picture', concepts such as network embeddedness have helped researchers to see how the external and internal networks of organizations emerge and develop, as well as how they are managed. For example, the embedded organizational networks of multinational corporations (see, for example, Chapter 6 in this volume) have been extensively studied. Network researchers have also developed research tools, such as network pictures (see Chapter 9 in this volume), to analyse the created hybrid structures. Such a holistic approach seems to be lacking in alliance research.

Another area, in which network researchers have been more active, is the process view of the development of collaborative arrangements. Such studies focus on the incremental evolvement of networks and try to conceptualize and analyse the process (see, for example, Chapter 7 or 18 in this volume). In alliance and JV research such studies are less common and, thus, one can argue that the longitudinal case study by Marinova and Marinov (Chapter 14) in this book is exceptional in many ways.

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