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Learning from a Strategically Allied Firm: Incorporating a Teaching Perspective

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Abstract: In order to more accurately represent the inter-firm learning process in a strategic alliance, this paper argues that, under certain conditions, it is necessary to incorporate a teaching perspective. A framework that does so is proposed and tested by a case-study analysis. Case findings largely support the framework.

Keywords: strategic alliance, inter-firm learning, competence acquisition

1. Introduction

Learning competencies from a partner is an important area of inquiry in the strategic alliance literature (Doz & Hamel, 1998; Hamel, 1991). However, understanding of the process of competence acquisition is still at an early stage, as the research has largely focused on only one side of the learning transaction, namely, the competence acquirer, or learner.

This short paper argues that when allied firms actively support each other's learning goals, it is necessary to incorporate a teaching perspective into the analysis of inter-partner learning in order to capture the actual dynamics of the cross-firm interactions. In other words, to more accurately represent the competence acquisition process, sometimes it is necessary to consider the other side of the learning transaction, namely, the competence source, as a teacher. Better representation of this inter-firm linkage serves as an initial step in furthering understanding of the learning transaction and suggests ways it may be improved.

2. Two-Sided Learning Transaction

Defining learning is difficult because the word is used to refer to a variety of subjects, for example, the acquisition of existing knowledge (i.e., a product), the development of experiential meaning (i.e., a process), and a deliberate testing of ideas for problem solving (i.e., a function) (Smith, 1982). This paper is concerned with the first of these uses. Furthermore, the paper generally focuses its attention on the learning transaction itself, as opposed to the goals or aims of the transaction. This mirrors a primary line of investigation of the literature on andragogy, the theory of adult learning (Knowles, Holton, & Swanson, 1998).

The paper seeks to investigate a two-sided learning transaction between firms, one that consists of firms as teachers and learners. The two sides are discussed in turn below from three angles: function, motivation, and ability.

Research on andragogy generally considers the **teacher** to be a facilitator of learning, in other words, a process manager and content resource, rather than a content transmitter (see, for example, Knowles, 1981). This contrasts with the description in pedagogy of an *active teacher*, who encourages students to seek to learn and makes innovative changes in teaching methods to adjust to different learning styles (see, Armstrong, Henson, & Savage, 1997). Nevertheless, this latter characterization of the teacher is helpful in that it draws attention to the important area of learner motivation, which will be considered shortly.

Turning first to the motivation to teach, in the context of a strategic alliance between for-profit firms, motivation can be considered as stemming from the perception of some reciprocal benefit which can be gained by doing so, whether in the short-term or long-term, that is expected to ultimately lead to a net financial gain. The ability to teach can be considered the possession of valuable competencies that are somehow reproducible by the firm.

In andragogy, the **learner**'s acquisition of knowledge is assumed to be based on a number of factors including: the need to know why learning is needed, the self-concept of being responsible for one's own decisions, one's accumulated experience, one's readiness to learn, the perception of efficacy of learning, and the motivation to learn (Knowles, Holton, & Swanson, 1998). Among these items, motivation has been the subject of considerable attention (for example, Wlodkowski, 1999). This is understandable, as Walberg and Uguroglu (1980) have found that without a motivation to learn, there will be no learning.

For firms, the motivation to learn can be considered the profit-incentive, as in the case of the motivation to teach. The ability to learn can be considered to be a firm's absorptive capacity (see, Cohen & Levinthal, 1990).

The objects of teaching/learning considered in this paper are competencies of a firm. The use of the term competencies here differs slightly from that of Prahalad and Hamel (1990) and Hamel and Doz (1998). In this paper, firm competencies, that is, the collective learning in an organization and the abilities of a firm to coordinate diverse skills and technologies, are not viewed as limited to productive domains. Rather, the concept is extended to administrative functions, such as, marketing, finance, and human resource management, where collective learning and abilities to coordinate skills and technologies are equally critical to successful corporate management.

Competencies can be considered to be firm resources that are based on organizational routines, as discussed in Nelson and Winter (1982). This type of resource will typically be difficult to imitate (or replicate, see, Kogut & Zander, 1992) due to path-dependency, causally ambiguity, and social complexity (see, Barney, 1997).

Thus, it is expected that competencies are difficult to learn. Hence, it should be attractive to firms to have a facilitator of competence learning. Competence learning is defined as the acquiring of competencies from a partner. Competence teaching is defined as any assistance given to facilitate competence learning.

3. Partner as Learning Facilitator

The discussion of inter-firm learning in the alliance literature generally focuses most of its attention on the acquiring, or learning, side. The use of the term "learning" itself is indicative of this orientation, as the term itself emphasizes the person (or organization) in which a change occurs or is expected to occur (Boyd, Apps et al., 1980). Another reason behind the focus on the learner, or acquirer, is that the source firm in the learning transaction is typically viewed as a rival or potential rival, and thereby unwilling, or at best, reluctant, to facilitate its partner's learning efforts (Bleeke & Ernst, 1993, 1995; Hamel 1991).

In many cases, such a characterization is correct. Direct competitors, even when engaged in an alliance of convenience, naturally do not want to help each other any more than they have to, especially not in the form of sharing their valuable competencies. But what about the case when firms engage in little or no direct competition and neither side can reasonably foresee this changing? For example, such a situation may be the result of the allied firms being in very different industries or the same industry but in different regions or targeting different consumer segments in the same region.

When competition between firms is less head-to-head, then it is more likely that firms will support their partner's learning goals and serve as active learning facilitators, *provided* doing so will allow a firm to engage in its own inter-firm learning and/or receive other forms of benefits from its partner.

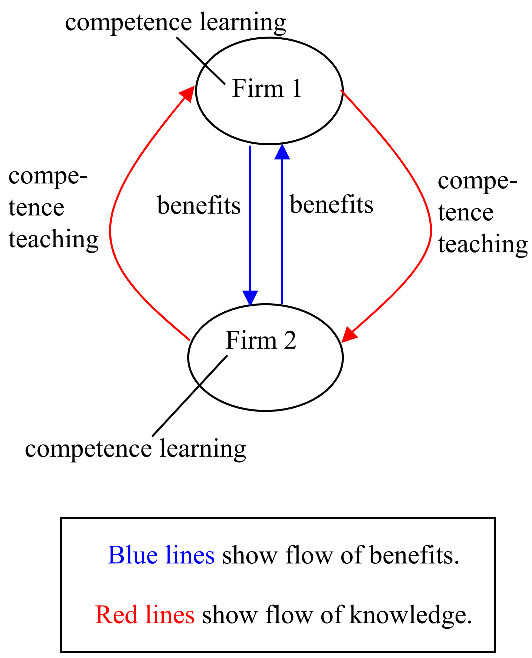
In cases where there is a partner that serves as a learning facilitator, it is possible to gain a deeper understanding of the learning transaction by incorporating findings of the educational literature, as described previously, into the discussion of learning between allied firms.

4. A Teaching/Learning Framework

A model of inter-partner learning that incorporates competence teaching is introduced below.

Figure 1 depicts a two-firm alliance between a hypothetical Firm 1 and Firm 2.

Figure 1: Inter-firm teaching and learning



The two allied firms are assumed to possess complementary class-leading competencies, which they continue to build and thus which remain competitive. Also, it is assumed that the firms will desire to learn these competencies from each other. Potential benefits which will be accrued to the firms in exchange for facilitating learning may include reciprocal competency learning from a partner, financial gains, and so forth.

Thus, the proposition that follows from the framework is that when the above conditions are present in an alliance, there will be competence teaching by the partners to facilitate each other's achievement of inter-firm learning goals.

5. Case Analysis

An in-depth interview-based case study that was conducted by the author with over 20 active and retired managers is used as a critical case to test the framework proposed in Section 4. (For details on this research method, see Yin, 1994.) The allied companies, Firm A and Firm B, are from the same manufacturing industry though they are headquartered in different countries, both are internationally active, and their products generally target distinct customer segments. The main findings of the case study are shown in Figure 2.

Firms A and B correspond to Firms 1 and 2 in the framework. Throughout the history of the alliance considered here, Firm A has been much larger than Firm B in total monetary sales per year. This fact has been represented in Figure 2, by Firm A being drawn as a larger circle than Firm B. The two firms have also remained in possession of complementary industry-leading competencies. Firm A's competence strengths lie in what can be considered more strategic areas—namely, marketing, finance, and human resource development. Firm B's competence strengths lie in what can be considered more operational areas—namely, manufacturing, engineering, and efficiency in product development.

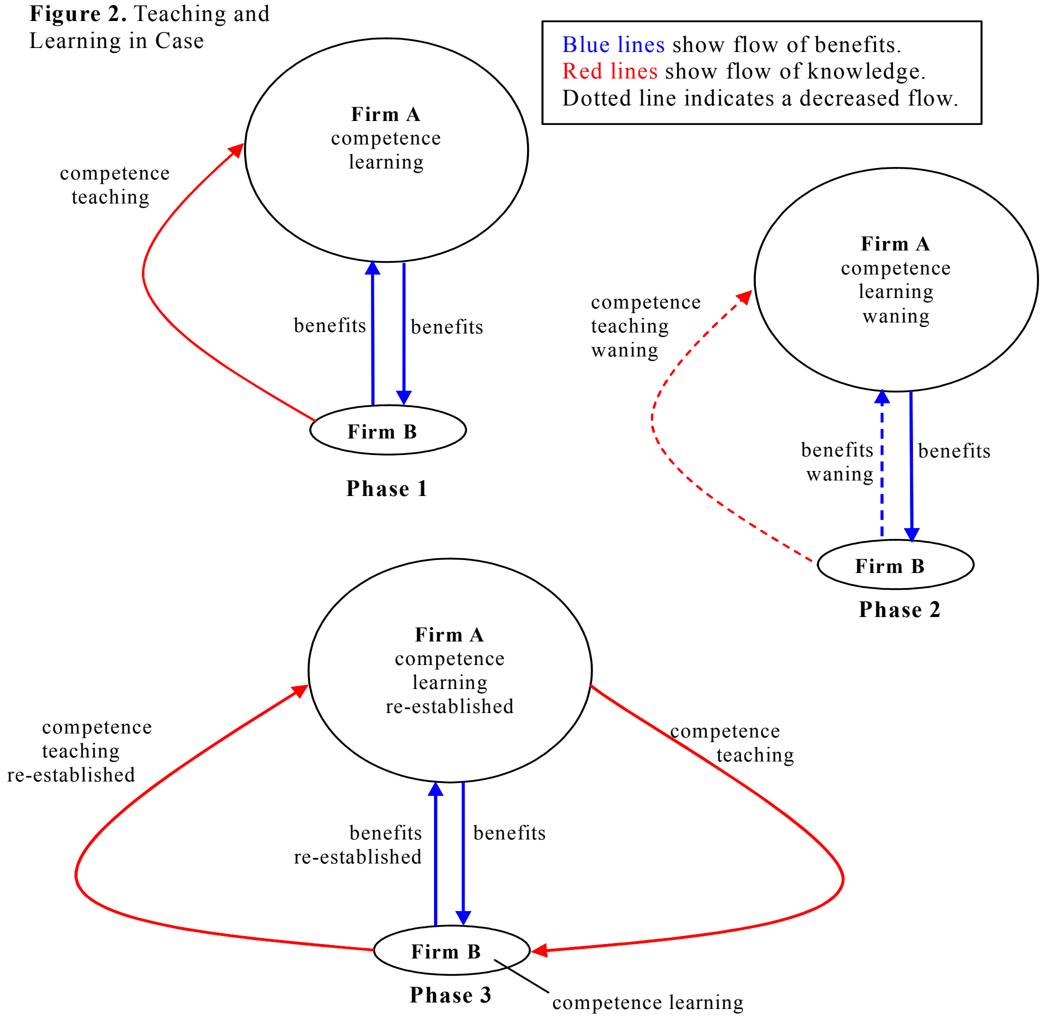
Throughout the history of the alliance considered here, Firm A has held a minority equity-stake in Firm B. Phase 1 begins with the purchase of the equity stake. For Firm A, the purchase was motivated in part by a desire to acquire competence learning from Firm B. Firm B, on the other hand, accepted the equity purchase to alleviate an ongoing financial crisis at the firm that had been caused by some strategic missteps that were then amplified by an external shock.

In addition, there were various opportunities for the firms to engage in mutually beneficial product and market initiatives. During Phase 1, the firms exploited a number of these opportunities, including the joint development of products, component supply, and original-equipment-manufacturing, among others.

Also, in Phase 1, Firm A strongly pursued its competence learning goals in a number of ways. For example, short-term teams were sent to visit Firm B with the explicit purpose of learning. Firm A also invited Firm B to set up one of its manufacturing facilities, which was then run by Firm A. Desiring to continue to be able to pursue the opportunities from which it was benefiting, Firm B actively engaged in competence teaching of Firm A to assist in its partner's learning efforts, in some cases, even going beyond what was expected by Firm A.

Phase 2 gradually developed after a number of years. Firm A's learning from Firm B waned, and

Figure 2. Teaching and Learning in Case



research interviews suggested that this was due in large part to decreased motivation in Firm A to seek to learn from Firm B. Consequently, competence teaching by firm B also decreased.

Firm A's lower motivation to learn from Firm B can be attributed to Firm A having successfully learned numerous operational competencies over the course of Phase 1. Indications are that this learning was due in large measure to competency teaching by Firm B, in addition to other forms of organizational learning at Firm A. As a result, Firm A managed to improve dramatically its operational performance. Thus, the perceived need to learn from Firm B decreased, as the gap between the two firms' operational competencies was perceived to have either narrowed considerably, or in some cases, even been reversed. Since it viewed its learning goals as largely accomplished, Firm A was considering whether or not to continue the alliance relationship. Developments at Firm B pressed the issue.

A new financial crisis began to emerge for Firm B, again caused by strategic miscalculations amplified by an external shock. Firm B increasingly needed the ongoing support of Firm A and actively sought closer alliance ties. It was not until this point that Firm B was strongly motivated to seek to learn competencies from Firm A. To encourage Firm A to strengthen the alliance ties, Firm B granted Firm A very broad access inside the firm so that Firm A could verify that Firm B still possessed class-leading competencies. As a result of these inquiries, Firm A was able to confirm that indeed, despite Firm B's financial difficulties, the firm still possessed numerous operational competencies that were superior to those of Firm A. The decision was made to strengthen alliance ties, with Firm A eventually raising its equity stake in Firm B.

Phase 3 began when Firm A decided to increase its equity stake in Firm B. Subsequently, Firm A sought to help Firm B improve its more strategic competences by dispatching managers and executives to work inside Firm B for extended periods of time. The functional areas of expertise of the dispatched managers corresponded to Firm A's strategic strengths—most notably, marketing and finance. In addition, the dispatches also started some human resource development initiatives.

In Phase 3, Firm A also renewed its efforts to learn from Firm B. However, these efforts were not found to be as systematic or widespread as they had been in Phase 1.

6. Discussion

Incorporating insights from the educational literature into the discussion on inter-partner learning, resulted in the development in Section 4 of a new framework for inter-partner learning, which holds that when allied firms are supportive of each other's learning goals and stand to benefit from facilitating a partner's learning, there will be competence teaching.

This framework was tested in Section 5 using a case that met the specified conditions. The framework was largely supported by the case findings. In both firms, indications and examples of each firm having taught competencies to its partner were found. However, one of the firms was found to have only engaged in competence teaching in the latter part of the observed alliance period. The firms alternately played the roles of teacher and learner, depending on the competency.

Thus, the framework introduced in the paper can help explain what is happening in the real world and may suggest ways in which the learning process can be improved. Nevertheless, numerous limitations to the study exist.

Firstly, better specification of the term "competence" is needed. Dosi, Nelson, and Winter (2000a) offer guidance in this area in their linkage of competencies with capabilities. Further pursuit of this issue may allow for the research to tap the rich body of literature on dynamic capabilities (e.g., Dosi, Nelson, & Winter, 2000b; Teece, Pisano, & Shuen, 1997) and capability replication (e.g., Kogut & Zander, 1992; Zander & Kogut, 1995; Szulanski, 1996).

Also, the framework would likely be improved by incorporating a time dimension, as the case revealed that time considerations were an important factor. Andragogy has also shown time to be an important constraint of learning (Wlodkowski, 1999).

In addition to addressing the study limitations outlined above, future research pursuits include the application of the paper's framework to other learning-orientated alliances in the same industry and other industries with comparable product/industry characteristics.

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