LEVERAGING STRATEGIC ALLIANCE IN PARTNERING FOR COMPETITIVENESS : THE PLACE OF SMALL BUSINESSES IN NIGERIA

Original Research Article

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ABSTRACT

This study examined Leveraging Strategic Alliance in Partnering for Competitiveness: The Place of Small Businesses in Nigeria. The study adopted a descriptive survey and it covered a population of 61 staff of twos elected small and medium scale enterprises in Nnewi. Anambra State. A sample of 53 members of staff was selected using the Taro Yamene formular. Data was gathered through both primary and secondary sources and was analyzed using analysis of variance technique (ANOVA) with the aid of 17.0 version of statistical package for social sciences (SPSS). It was concluded that SMEs should leverage strategic alliance in order to benefit from capabilities and competitive advantages which they cannot provide for themselves. The study recommended among others that SMEs should take advantage of cost-sharing emanating from strategic alliance to enhance their cost efficiency.

KEYWORDS

Alliance, Affiliate marketing, Competitiveness, Outsourcing, Strategic.

I. INTRODUCTION

The Federal Government is moving ahead with its plan to improve the ease of doing business in Nigeria as it recently slashed the period required for the perfection of import and export documentation papers from two weeks to between seven and ten days for export documentations and a maximum of eight days for import documentations. This is a timely intervention that can still be improved upon to ease and boost import/export business in Nigeria. The new measures are a direct response to demands from many quarters for government to ease the nation's business environment. The Senior Special Assistant to the President on Trade and Investment, Dr. Jumoke Oduwole, who announced the new measures during a recent investment sensitization work- shop in Lagos, said they became necessary to correct Nigeria's low ranking on the Ease of Doing Business Index.(source, sunnewsonline of 3rd May, 2017). Also, a 2016 Price water house coopers (PWC) interview of foreign companies operating in Nigeria high- lighted four critical concerns that they identified as challenges to their operations. These include corruption, inadequate infrastructure, low skills level and macroeconomic uncertainties. To overcome this situation, organizations are looking towards partnership as a panacea. There are diverse partnership models that organizations can leverage on but this study will focus on strategic alliance. Strategic alliances are increasingly becoming popular in the business world. To achieve competitive advantage, firms need to combine their assets and capabilities in a co-operative policy that is termed as strategic alliance. Strategic alliance is considered as an essential source of resource sharing, learning, and thereby competitive advantage in the competitive business world. Management of alliances and value creation to attain competitive advantage is very important in strategic alliance (Ireland et al, 2002). Strategic alliances involve firms with some degree of exchange and sharing of resources and capabilities to co-develop or distribute goods or services. The achievement of competitive advantage is not easy by one firm operating on its own because it does not possess all required resources and knowledge to be entrepreneurial and innovative enough in dynamic competitive markets. Partnering with other firms creates the opportunity to share the resources and capabilities of firms while working with partners to develop additional resources and capabilities as the function for new competitive advantage (Kuratko et al, 2001).

A strategic alliance is a formal and mutually agreed partnership arrangement between two or more enterprises or organizations. The partners pool resources together, exchange and/or integrate selected resources for mutual benefit while they remain separate and entirely independent from each other. It is a cooperative arrangement which enables partners to achieve goals together that they could not achieve alone. Strategic alliances are viewed as mechanisms for producing a more powerful and effective mode for competing in a globalized world (COPAC, 2000). Strategic alliance relationships continue to be one of the leading business strategies as a result of increasing competition in the global market. However, strategic alliances can take different forms and as such are not limited to commercial spheres alone. It can be an alliance of strong partners who are direct competitors, alliance between strong and weak partners, alliance between those who are weak and seek to gain power, between complimentary equals, or even a merger that results in formation of a new organization altogether. The main goal of alliance is to add value with different focuses on trade, competence, information/knowledge acquisition or overcoming barriers (Gomes, 1996).

Presently, strategic alliances are a prominent phenomenon in the global economy among multinational companies (MNCs) and between companies in developing countries too. Drucker (1996) states that "the greatest change in corporate culture, and the way business is being conducted, may be the accelerating growth of relationships based not on ownership, but on partnerships". Strategic alliances are therefore partnerships of two or more corporations or business units that work together to achieve strategically significant objectives that are mutually beneficial to the parties. These strategic alliances present enormous potential to a business. A strategic alliance is an "agreement between firms to do business together in ways that go beyond normal company to company, but fall short of a merger or a full partnership" (Wheeelan and Hungar, 2000). The alliances range from informal agreements commonly referred to as "handshake" to formal agreements with lengthy contracts in which the parties may also exchange equity or contribute capital to form a joint venture corporation. Typical strategic alliances are formed between two firms; however, increasingly these are trending towards multi-company alliances. Competitiveness relates to how effectively an organization meets the wants and needs of its customers in the marketplace relative to other organizations that offer similar products or services.

Statement of Problems

The Nigerian business environment is bedeviled with so many socio-economic challenges that have reduced the competitiveness of Nigerian organizations. The high cost of doing business, near absence of social-capital and the slow pace of indigenous technology development has created a vacuum that requires professional inputs. The circumstances above show the plethora of challenges in the Nigerian business environment that are frustrating the competitiveness of Nigerian businesses. While many firms may have adopted cost-cutting measures to remain afloat, it has become crystal clear that the way forward is in exploring external economies of scale through partnerships. The problem of this study therefore is to examine how Nigerian businesses are fairing in using strategic alliance to enhance their competitiveness.

Objectives

The general objective of this study is to examine Partnering for Competitiveness: the Role of Nigerian Business**.** Its specific objectives include;

i. Examine the role of outsourcing on cost efficiency in Nigerian SMEs.

ii. Examine the roles of affiliate marketing on market competitiveness of Nigerian SMEs .

Hypotheses

H_{01}: Outsourcing does not play significant role on cost efficiency of Nigerian SMEs.

H_{02}: Affiliate marketing does not play significant role on the market competitiveness of Nigerian SMEs.

II. REVIEW OF LITERATURES

Strategic Alliances

Strategic alliances are widely considered as collaborative strategies formulated and implemented to meet shared objectives and develop superior resources cooperatively. According to Hitt et al (2006)) strategic alliances are formulatedformulated for both business level strategies and corporate level strategies for expansion and other objectives. They define strategic alliance as a cooperative strategy in which firms combine some of their resources and capabilities to create a competitive advantage. Porter and Fuller(1986) also refer to strategic alliance as a strategic coalition which needs a good partner to conduct a developing partnership, where organizational resources and capabilities are shared and new ones are acquired and developed. Porter and Fuller further explain that in strategic alliance participating firms pursue shared objectives and create value adding processes to gain competitive advantage.

Firms use cross-border alliances as a means to transform themselves and to take advantage of opportunities surfacing in the rapidly changing global economy. The strategic alliances can be mostly summarized into three types: joint venture, equity strategic alliance, and non-equity strategic alliance (Porter, 1990). These three dimensions of strategic alliance contribute to competitiveness in different ways. A joint venture is an alliance where two or more firms form a legally independent firm to share their collaborative capabilities and resources to achieve competitive advantage in the market. Joint ventures are effective in establishing long-term relationships and in transferring tacit knowledge from one firm to another (Berman et al, 2002). The different expertise and experience in particular fields that each firm brings into the alliance foster the sustainable competitive advantage.

Generally, firms in a joint venture share resources and participate equally in the operations management. Orwall (2001) cited a good of the relationship between Sony Pictures Entertainment, Warner Bros, Universal Pictures, Paramount Pictures, and Metro-Goldwyn-Mayer Inc. where each have a 20 percent share in a joint venture to use the internet to deliver feature films on demand to customers. Joint ventures are considered optimal forms of alliance where firms share and combine resources and capabilities. The participant firms combine coordination of manufacturing and marketing to allow ready access to new markets, intelligence data, and reciprocal flows of technical information (Hoskinson and Busenitz, 2002). An equity strategic alliance is an arrangement where the ownership percentage of each firm is not equal. In this particular case, two or more firms own the shares of a newly formed company in proportion to their contribution in resources and capability with the main goal of developing competitive advantage. Strategic alliances focus on the linkages of management capabilities and operations activities between two or more different firms. As a result, two or more different corporate cultures are usually matched into one goal in the strategic alliances when equity strategic alliances occur. Many foreign direct investments such as those made by companies in developed economies like Japan and U.S. are completed through equity strategic alliances (Harzing, 2002).

A non-equity strategic alliance is less formal than an equity strategic alliance and a joint venture. To ensure competitive advantage, two or more companies form an alliance on a contract basis without forming a separate company and therefore they don't take equity shares. The main goal is to share their unique capabilities and resources to create competitive advantage. The relationship among partners is informal and requires less partner commitment than the other two forms of strategic alliances. These non-equity strategic alliances are easier to implement in comparison to the others (Das et al, 1998). Non-equity alliances do not require much experience neither do they require transfer of tacit or implied knowledge and expertise. Despite the shortcomings of non-equity strategic alliances, firms increasingly use this type of alliance in many different forms such as licensing agreement, distribution agreements and supply contracts (Folta and Miller, 2002). These partnerships are motivated by factors like uncertainty regarding technology and complex economic environment. Competition from rivals encourages greater commitments with partners. Strategic alliances in the form of cooperative strategies are on the rise among firms because of complexity in operations and the competitive business environment. Outsourcing of services is one key example of non-equity strategic alliance. Many companies outsource services such as cleaning, marketing, catering to gain certain competitive advantage (Uddin and Akhter, 2011).

Factors Fostering Strategic Alliance

Economic factors have been identified as the key reason why firms partner in strategic alliances. Companies find cooperative strategies more and more important for economic success. Technology based firms and those that are capital intensive are more eager to form alliances to ensure success. It is not practical for many firms to acquire technology fast enough on their own and therefore partnering is considered essential (Kelly et al, 2002). Strategic alliances are therefore expected to enable firms enter new markets more quickly and to create value that they could not develop by acting independently among other benefits. Cooperative strategies are hailed as profitable and large firms are noted to account for more than 20 percent of the revenue from strategic alliances. Dent (2001) has predicted that in the near future strategic alliances will account for as much as 35 percent of revenue for most companies in developed economies.

The other factor motivating firms to form strategic alliances is the entry restriction and slow-cycle market position. The restrictions on entry affect how a firm will enter into new markets or establish franchises in new markets. Kumari (2001) notes that the restriction into India's insurance market prompted American International Group (AIG) to form a joint venture called Tata AIG with Mumbai-based Tata Group. Tata AIG is presently considered one of the largest conglomerates in Indian market. Competitive advantage is not sustainable in fast-cycle markets because the firm's capabilities that contribute to competitive advantage are not shielded from imitation. They are high-velocity environments that place immense pressure on top management to make quick strategic decisions. Firms in industries such as mobile phones and PC vendors are forced to constantly look for sources of new competitive advantages which are best provided by strategic alliances. Sometimes, companies establish venture capital programs to facilitate efforts to build operational capacity and efficiency (Chesbrough, 2002). However, standard-cycle markets make use of economies of scale and large volume orientation as key areas of competitive advantage where they form strategic alliances to complement their resources and capabilities.

Socio-political factors also affect strategic alliances. Despite China's formal entry into the World Trade Organization (WTO), most foreign firms that have entered China as a result of huge potential China's markets presents, find it difficult to establish their legitimacy (Ahlstrom and Bruton, 2001). This is most likely due to most Chinese opposition of property rights where local authorities and the Communist Party feel private enterprises undermine socialist ideals. As a result, taxes and licenses imposed on private firms are punitive. It is therefore noteworthy that the social orientation and political factors prevalent in each economy will affect the types of strategic alliances that can be established. Cost of production is another determinant factor for strategic alliances. Most firms will establish businesses in other countries to lower the cost of production. Easy access to low-cost labor, energy and other natural resources are the motivating factors behind such establishments. Location of facilities needed for production also foster strategic alliances. Attractive location allows a firm to gain full advantage of strategic alliance (Bernstein and Weinstein, 2002). For example, Africa is a prime location for major multinational companies the same way in Eastern Europe, Hungary is a prime location for many manufactures. Africa has lower labour costs the same way Hungary is considered in Eastern Europe (Wilson, 2001).

Effectiveness of Strategic Alliance

Literature on empirical evidence on the effectiveness of strategic alliances has been presented over the past. Strategic alliances are the result of collaboration between firms designed to foster competitive business and cooperative relationships (Uddin and Akhter, 2011). Strategic alliances allow partners to focus on what they can do best in order to provide value to customers. Bierly and Coombs (2004) argue that most alliances have greater chances to terminate if they are formed early or late in the product development cycle. However there is a

higher chance of success in mid-stages of product development. Alliances are therefore correlated with the product development cycle. Scientific capabilities of a firm, firm location and experience of top management have considerable relationship with the amount of capital that can be raised through international strategic alliances (Coombs and Deeds, 2000). In a study, Soh (2003) observed that technological collaboration with partners and repeated interaction with new and existing partners improved new products' performance. Using a sample of 132 biotechnology firms, Dees and Hill (1996) studied the association between new product development and strategic alliances and a positive relationship was observed. Most of the researchers emphasized on transaction cost theory and resource-based view to analyze the alliance formation feasibility study. Initially firms focus on access to resources of partners followed by shortening of time to develop or market products. Cost reduction is the focal point for some strategic alliances in the initial stages of formation. But in high technology industries resource-based view prevails over the transaction cost theory (Yasuda, 2005). Chang (2004) examined how Internet startups' venture capital financing and strategic alliances affect these startups' ability to acquire the resources necessary for growth. The study found that three issues positively influenced a startup's time to IPO: the better the reputations of participating venture capital firms and strategic alliance partners were, the more money a startup raised, and the larger was the size of a startup's network of strategic alliances.

Competitiveness

Porter's (2004) concept of competitiveness focuses on prosperity created from economic activity that creates value by providing products and services at prices above their cost of production. Porter uses productivity as the key factor in defining competitiveness. Porter defines the competitiveness of a location as the productivity that companies located there can achieve. He uses this definition of competitiveness to understand the drivers of sustainable economic prosperity at a given location. According to Porter (1985) the principles of competitive advantage are low cost production, differentiation and focus. A firm will attain competitiveness if it is able to deliver its products or services at a low cost than its competitors. If the quality of such products and services are satisfactory, this translates into higher returns for the firm. A firm also gains competitiveness if it is able to differentiate itself from competitors. Differentiation leads to offering a product or service which is unique and desired, which translates into premium pricing. This also leads to superior performance and higher margins. Porter further explains that competitiveness is attained through strategy based on scope. In this case the firm gains competitiveness through defining its segment (scope) in which the firm operates and focusing on it.

Organizational competitiveness refers to the ability of an organization to withstand various challenges in the operating environment. It is the various strategies that have been put in place to prepare an organization for eventualities as well as to make it better placed than its competitors to face an ever changing world of economic turbulence. Some organizations adopt technologies that are unique or advanced, while others invest in preparing their staff for all kinds of unforeseen changes. It is also common to use a strong brand as a tool to enhance competitiveness, especially where an organization deals with a product that has a large number of substitutes (Cobb, 2003).

Many organizations also use globalization as a tool for competitive advantage. Survival and growth in competitive environments require achieving global competitiveness. . Since globalization has changed and opened up the world as a market place for us, be it for products, people or financial resources, so to capitalize on this opportunity, organizations have to be molded to become globally competitive (Varadajaran and Cunningham, 1995). Kale, Singh, and Bell (2009) sought to find out to what extent inter-firm strategic technology partnering affects the profitability of companies engaged in such joint efforts. The results showed that joint venture activity tends to have a significant negative short-term impact on profitability in chemicals and mechanical engineering industries but insignificant effects in the resource - processing sector. No significant long-term effects of joint venture activity on profitability were found in any industrial sector. Despite research attention to strategy and performance of strategic alliance individually, little research examines the relationship of those factors and their effects on the whole.

Organizational Competitive Advantage

Porter's (1990) diamond model suggests that organizations are more competitive than others in the globe. The argument is that the national home base of an organization provides it with specific factors which potentially create advantages on a global scale. The diamond model consists of four determinant factors which include factor conditions; demand conditions; related and supporting industries; and the firm strategy, structure and rivalry. Factor conditions are those that can be exploited by organizations in a given country. A company can therefore exploit and build on these factors to advance competition. The factors include highly skilled labour, availability of raw materials and natural resources. Demand conditions are brought about by large and more demanding home markets as opposed to foreign markets. This creates global competitiveness of the local companies. Porter further explains that related and supporting industries and suppliers can determine a company's competitiveness by making the company cost efficient and helping it to get more innovative parts and products. Similarly, a firm's structure and rivalry potentially affect its competitiveness. Porter (1990) explains that the five major forces could endanger a firm's position within a given industry if they are not tackled in the best way possible to achieve and maintain competitive advantage in the industry.

Evidence shows strategic alliances formed at complementary business levels, especially vertical ones, have the greatest probability of creating a sustainable competitive advantage. This has resulted in a large number of companies entering into alliances to gain competitive advantage (Uddin and Akhter, 2011). Similarly, strategic alliances designed to respond to competition and to reduce uncertainty can also create competitive advantage. However, the advantage created through complementary (both vertical and horizontal) strategic alliances are more permanent than the others that tend to be temporary. Complementary alliances are perceived to be more competitive primarily because they have a stronger focus on the creation of value compared to competition, thereby reducing uncertainty while competition alliances tend to be formed to respond to competitors' actions rather than to attack competitors. The participants of corporate-level strategies can also use the strategies to develop competitive intelligence (CI) through knowledge management. Knowledge management is crucial for the firms to gain maximum value from this knowledge. Competitive intelligence involves gathering, analyzing, and applying information about products, customers and competitors for the short term and long term planning needs of an organization (Blenkhorn and Fleisher, 2003). Indeed, competitive intelligence can be viewed as a "process for supporting both strategic and tactical decisions, and in order to support CI, organizations need systems and processes to gather and analyze reliable, relevant, and timely information that is available in vast amounts about competitors and markets" (Cobb, 2003).

III. METHODOLOGY

This study adopted a descriptive survey and it cover population of 61 management staff of 11 selected small and medium scale enterprises in Nnewi Anambra state. A sample of 53 anagement staff was selected using the Yaro Yamene

formular. Data was gathered through both primary and secondary sources and was analyzed using analysis of variance technique (ANOVA) with the aid of 17.0 version of statistical package for social sciences (SPSS).

IV. RESULTS AND DISCUSSIONS

SPSS Output for Hypothesis One
ONEWAY OandCE BY RANKS /STATISTICS DESCRIPTIVES HOMOGENEITY /MISSING ANALYSIS.
Oneway

Descriptives

OandCE

	N	Mean	Std. Deviation	Std. Error	95% Confidence Interval for Mean		Minimum	Maximum
					Lower Bound	Upper Bound		
1.00	4	1.2500	1.89297	.94648	-1.7621	4.2621	.00	4.00
2.00	4	9.5000	6.24500	3.12250	-.4372	19.4372	1.00	16.00
3.00	4	5.0000	6.00000	3.00000	-4.5473	14.5473	.00	12.00
4.00	4	28.5000	3.10913	1.55456	23.5527	33.4473	24.00	31.00
5.00	4	11.2500	1.70783	.85391	8.5325	13.9675	9.00	13.00
Total	20	11.1000	10.34103	2.31232	6.2603	15.9397	.00	31.00

Test of Homogeneity of Variances

OandCE

Levene Statistic	df1	df2	Sig.
2.607	4	15	.078

ANOVA

OandCE

	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	1758.300	4	439.575	24.108	.000
Within Groups	273.500	15	18.233		
Total	2031.800	19			

From the SPSS output above the p-value (sig) from the ANOVA table is 0.000 which is less than 0.05; we therefore reject the null hypothesis and accept the alternative which states that outsourcing plays a significant role in the cost efficiency of SMEs

SPSS Output for Hypothesis Two
ONEWAY AMandMC BY RANKS /STATISTICS DESCRIPTIVES HOMOGENEITY /MISSING ANALYSIS.
Oneway

Descriptives

AMandMC

	N	Mean	Std. Deviation	Std. Error	95% Confidence Interval for Mean		Minimum	Maximum
					Lower Bound	Upper Bound		
1.00	4	1.0000	2.00000	1.00000	-2.1824	4.1824	.00	4.00
2.00	4	4.0000	8.00000	4.00000	-8.7298	16.7298	.00	16.00
3.00	4	2.0000	4.00000	2.00000	-4.3649	8.3649	.00	8.00
4.00	4	34.2500	2.21736	1.10868	30.7217	37.7783	31.00	36.00
5.00	4	14.2500	3.86221	1.93111	8.1044	20.3956	10.00	18.00
Total	20	11.1000	13.44736	3.00692	4.8064	17.3936	.00	36.00

Test of Homogeneity of Variances

AMandMC

Levene Statistic	df1	df2	Sig.
2.836	4	15	.062

ANOVA

AMandMC

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	3124.300	4	781.075	37.612	.000
Within Groups	311.500	15	20.767		
Total	3435.800	19			

From the SPSS output above the p-value (sig) from the ANOVA table is 0.000 which is less than 0.05; we therefore reject the null hypothesis and accept the alternative which states that affiliate marketing plays a significant role in the marketing competitiveness of SMEs

V. FINDINGS

The findings of this study reflects a definite significant effect that strategic alliance can create on the competitiveness of SMEs as the value of the SPSS at 0.000 for both hypotheses test demonstrates not just significant but positive effects

VI. CONCLUSION

The drive to attain competitiveness is no longer a solo journey but that which requires partnership. This study therefore concludes that SMEs should leverage strategic alliance in order to benefit from capabilities and competitive advantages which they cannot provide for themselves.

VII. RECOMMENDATIONS

This study recommends that;

i. SMEs should take advantage of cost-sharing emanating from strategic alliance to enhance their cost efficiency

ii. To boost their market presence, affiliate marketing should be explored

iii. Strategic alliance leads technology transfer and this is key to improved competitiveness

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