Mechanics, problems and contributions of tertiary strategic alliances: the case of 22 Australian universities

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Abstract
This study reports the mechanics, problems and contributions of international strategic alliances involving 22 Australian universities. The findings suggest that the majority of Australian universities have a framework for internationalisation initiatives, with top university management being instrumental in initiating joint ventures with overseas institutions even though inadequate resources are provided especially at the pre-negotiation and implementation phases of the partnership. Our study shows that Australian universities believe they bring to the partnership high quality higher education and reputable credentials while their overseas counterparts (Australian Vice Chancellor’s Committee, AVCC) reports that in 1993 there were 1,232 formal links between Australian universities and overseas counterparts, the study poses the following questions:

- How do Australian universities go about alliance formation? More precisely, what are the mechanics of alliance formation in Australian universities?
- What problems do Australian universities involved in strategic alliances face?
- What contributions do Australian universities make to the partnership and vice versa?

Arguably, answers to the above questions would make tertiary strategic alliances more effective. The paper is structured as follows: first, international tertiary strategic alliance is defined, followed by a brief review of the strategic alliance literature. Next, methodology employed in the study is presented, followed by discussion of the findings of the study. The paper ends with conclusion and implications for future research.

Introduction
Co-operative strategy has become an essential part of business strategies in today’s global competition (Killing, 1988; Tallman and Shenkar, 1994) leading to co-operative arrangements between firms becoming increasingly popular in recent years (Sheth and Pravatijar, 1992; Demers et al., 1997). Indeed, in the past five years, it is estimated that the number of domestic and cross-border alliances has grown by more than 25 percent (Bleeke and Ernst, 1995).

While co-operative ventures have received considerable attention in the literature, it seems little attention has been given to strategic co-operation between tertiary institutions, in spite of its increasing importance. In Australia for instance, the Australian Vice Chancellor’s Committee (AVCC) reports that in 1990 there were 1,232 formal links between Australian universities and overseas counterparts (Australian Vice Chancellor’s Committee, 1996). Similarly, there is a reported boom in university twinning across Asia involving educational institutions from Western countries (Asian Business Review, September 1996). Given the increasing importance of collaborative relationships between Australian universities and overseas counterparts, the study poses the following questions:

- How do Australian universities go about alliance formation? More precisely, what are the mechanics of alliance formation in Australian universities?
- What problems do Australian universities involved in strategic alliances face?
- What contributions do Australian universities make to the partnership and vice versa?

Prior research
This section reviews the strategic alliance literature focusing on the rationale for and problems associated with strategic alliance.
There are numerous reasons why business enterprises enter into collaborative relationships. Some of the more common reasons include risk sharing and market dominance (Buckley and Casson, 1988; Harrigan, 1988; Sheth and Pratap, 1992; Tallman and Shengar, 1994); expansion of business operations in today’s fast changing environment (Sankar et al., 1985); access complimentary marketing skills, quick entry into foreign markets, cost reduction of doing business in foreign markets and circumvention of tariff and non-tariff barriers (Contractor and Lorange, 1988; Kotabe and Swan, 1993); strong synergistic opportunity extension of existing scope of operations (Bleeke and Ernst, 1995); competitive strengths, additional sources of capital, access to new technology, opportunities for rapid expansion into new markets (Cateora, 1996).

Other motives include access to a partner’s resources, economies of scale or response to local government policies (Makino and Beamish, 1995); leverage critical capabilities and improve flexibility in responding to market and technological changes (Modic, 1986). Firms may enter into a co-operative venture to deter competitors from entering the market (Harrigan, 1988), take complimentary competitive advantage (Beamish and Banks, 1987) or acquire skills necessary to achieve their objectives more effectively at a lower cost or with less risk than if they acted alone (Ohmae, 1995; 1996). Another reason is the structural flexibility of the strategic alliance which allows firms to concentrate on performing tasks at which they are most efficient (Beamish et al., 1994). International joint ventures have commonly been used by firms in order to expand abroad (Franko, 1971; Harrigan, 1985; Beamish and Banks, 1987; Hennart, 1989).

Alliances also provide a platform for organisational learning as well as access to the embedded knowledge of other organisations (Inkpen and Beamish, 1997). Indeed, the strategic management and international joint ventures (IJV) literature asserts that learning, knowledge, acquisition and adaptation are important rationales for the creation of international joint ventures, contributing significantly to IJV performance (Hamel, 1991; Hamel et al., 1989; Inkpen and Beamish, 1997); and to organisational performance more generally (Kogut and Zander, 1992; Nonaka, 1994). The increasing role of IJVs in terms of the accelerating pace of technological innovation and the globalisation of markets has also been established (Buckley and Casson, 1996).

Such alliances are by no means confined to large multinational firms. Globally, tertiary institutions are also taking advantage of the opportunities offered by globalisation and borderless markets and entering into international collaborative relationships or joint ventures (Asian Business Review, September, 1996; VACC Report, 1996). While partnerships are formed to bring value to the organisations entering into them, they are not without problems.

International collaborative ventures are configured in many different ways and different configurations are associated with different kinds of behaviour (Tallman, 1992). Buckley and Casson (1996) argue that no matter how an international joint venture is configured, it does not perform perfectly. Some researchers (Geringer and Herbert, 1989) have listed a wide range of factors such as technological, legal, cultural and psychological that have an impact on international joint ventures. The potential for failure of strategic alliances has also been noted. Stern (1994) lists some of the reasons for failure as: partners with different agendas as well as imbalance between partners in terms of their respective contribution to the alliance, conflict of interest, lack of communication, disagreement over how profits are to be shared, lack of perceived benefits to one or more of the partners, different management styles, different strategic issues and unwillingness to sacrifice some control by each partner (Robert, 1993).

Not all alliances succeed (Stern, 1994). Ajami and Khambata (1991) demonstrate that collaborative agreements for the most part have limited lifespans. For instance, studies by some researchers (Kanter, 1994; Bleeke and Ernst, 1995) found that the median lifespan of alliances was about seven years, failure rate was high, with seven out of ten joint ventures found to have fallen short of expectations and disbanded.

Culture is another problem that confounds strategic alliances. Some writers (Buckley and Casson, 1996; Fedor and Werther, 1995) take the view that partnerships are more dependent on culture for their success while others have highlighted the deleterious impact of cultural conflicts on alliances. Lane and Beamish (1990) stress that cultural conflicts can lead to instability and poor performance, while others argue cultural misunderstandings can reduce flows of information and learning. Partner cultural sensitivity is an important contributor to trust building on both sides of the dyad (Johnson et al., 1997). We define culture as shared values and beliefs and argue that cultural homogeneity, exemplified by shared beliefs, leads to a reduction of transaction
costs by avoiding misunderstandings, and underpins the willingness to share knowledge which is crucial to a joint venture. It is reasonable to argue that knowledge may be shared only with those who can be trusted to reciprocate, and thus favours partnership with the same cultural group. Cultural distance may therefore become an obstacle to international partnership formation and operation (Buckley and Casson 1996).

Methodology

To bridge the gap in our knowledge of strategic alliances involving tertiary institutions, the entire 38 universities in Australia were surveyed between April and August 1997. The list of the universities was obtained from the Australian Vice Chancellors’ Committee (AVCC) publications. Because of the small number of Australian universities, a census rather than a sample was undertaken. A structured questionnaire was developed after review of the strategic alliance literature and comprised 17 structured questions and seven Likert-type questions. The questionnaire had a brief preamble which sought the respondent’s permission and co-operation to complete and mail the instrument back. The questionnaire was pilot tested for ambiguity and clarity at the Northern Territory University. Changes were made to three questions while one question was deleted from the questionnaire. The final draft of the questionnaire was sent to all the universities in Australia in April 1997 and reminders were sent after eight weeks.

An initial problem encountered at the data collection stage was who to send the questionnaire to, given that terminologies pertaining to those with responsibilities for internationalisation activities varied from university to university. While in some universities the Deputy Vice-Chancellor was in charge of the international activities, in others, it was the Director or the Deputy Registrar. The questionnaire was addressed to the person with the designation and responsibility for the university’s international activities, with addresses obtained from AVCC publications and cross-checked with details from the latest edition of the particular university’s handbook, as well as from the university’s Web site. A total of 22 usable questionnaires were returned, representing 58 per cent response rate. The data was analysed using descriptive statistics.

Findings

Mechanics of internationalisation

As bureaucratic entities, universities usually operate guided by policies. Unlike business organizations funded by private funds, universities are funded by public money and have to be sensitive to political and community concerns. Therefore, adventures that will take them across their normal boundary of operation will require some guidelines in the form of policy. Our study shows that 84 per cent of the universities in the survey had a policy framework that was conducive to internationalisation initiatives, while the remaining 16 per cent did not have any internationalisation policy.

Multi-country and multiple alliances were the norm for the universities surveyed. Most of the universities (95 percent) surveyed had entered into at least five different alliances. Contrary to the view that the recent cuts in university operating grants had precipitated a rush into strategic alliances, our study does not appear to support this view. Rather, the study shows a long experience of strategic alliance activity by some Australian universities. A total of 55 per cent of the responding universities had had an international strategic alliance for more than a decade.

Strategic alliance in the business sector is usually initiated by senior management. Our study shows that initiating strategic alliances in Australian universities has been the responsibility of senior management (67 percent) complemented by Faculties or Schools (57 percent), and individual staff members (38 percent).

Problems of strategic alliances

Tables I, II and III summarise our findings regarding the problems faced by Australian universities during the initiation, negotiation and implementation stages of the alliance.

Table I lists the problems faced at the alliance initiation stage. The problems which were prominent at the negotiating stage are shown in Table II and Table III presents major implementation problems faced by the responding universities in their alliance formation.

<table>
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<th>Table 1: Problems faced at the alliance initiation stage</th>
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<td>Lack of resources</td>
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<td>Cultural differences</td>
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Contribution to strategic alliance

Alliances work well when both partners are strong in functions they bring to the venture. One of the conditions that the strategic alliance literature stresses for a “trouble free marriage” is an awareness of what each partner brings to the marriage venture (Lorange and Roos, 1991; Lei and Slocum, 1991).

Table IV summarises the contributions made by the Australian universities surveyed to the strategic alliances in which they are involved.

We also asked the respondents to indicate the contribution that they believed their overseas partners had made to the alliance. Table V presents their responses.

Financial resources constitute the most important contribution that overseas partners bring to the alliance (69 percent), followed by market access (62 percent) and opportunity for student exchanges (52 percent). Australian universities and their international partners contributed equally to their alliances in terms of cultural diversity, management styles and opportunity for staff development.

To put the contributions in a better perspective, we asked our respondents to tell us what they considered important in the alliance. On a five-point importance scale the universities surveyed, listed study abroad and student exchanges as very important, followed by collaboration in research and consultancy, twinning and staff exchange. Offshore programs were scored the lowest (see Table VI).

Conclusion and implications for management

This paper has examined the mechanics, problems and contributions of international strategic alliances involving 22 Australian universities. Our findings show that the majority of Australian universities have internationalisation policy frameworks that guide senior university management who are instrumental in strategic alliance formation. The study also shows that strategic alliances are not a new phenomenon for Australian universities with the majority of the responding universities having had several years experience of multi-country multiple alliances.

While the senior management of the universities surveyed may be described as pro-alliance, the resources provided for strategic alliances particularly at the implementation and initiation stages were inadequate. Cultural differences posed the most significant problem at the initiation stage with bureaucratic red tapeism and differences in the goals of the partners being the second most important bottlenecks. In spite of the above bottlenecks, Australian universities and their overseas partners made contributions to their partnerships. More specifically,
Australian universities’ contribution which may be described as altruistic, comprised scholarship, access to reputable, quality credentials. On the other hand, the contributions by the overseas partners were market-based and included revenue and market access. Managerial and research implications deriving from the foregoing are listed below.

Managerial implications

- Given the altruistic nature of the Australian universities’ contribution, performance may be difficult to evaluate. It may be worthwhile for Australian universities to state their objectives in market-based measures in such a way as to enable performance to be measured. Market-based measures have been suggested as superior alternatives for performance measures and have been used frequently to measure post-acquisition performance in the literature. Perhaps, total revenue generated from tuition fees, research and consultancy and franchising arrangements may serve as an appropriate measure for such process-based operating phenomena as strategic alliances.

- The study shows that senior university management played an instrumental role in strategic alliance formation. However, inadequate resources hampered alliance activities particularly at the initiation and implementation phases. Strategic intent must be met by ample supply of resources if Australian universities are to succeed in an increasingly competitive international market for students.

- Our study found the non-importance of off-shore programs having scored the least on the importance table. With the rapid advances in technology leading increasingly to the virtual university, the offer of distance education and off-shore programs requires immediate attention from Australian university management.

- Student exchanges must go hand in hand with staff exchanges for a more effective interaction between overseas students. Given the significance of cultural differences at the negotiation stage, it is pertinent to involve academicians and administrative staff in such exchanges. In particular, there is the need for academic staff to experience the culture of the overseas partners in the overseas country and vice versa. This is tantamount to studying by immersion which hastens learning.

References


Australian Vice Chancellors Committee (1996), Offshore Programs Conducted Under Formal Agreements Between Australian Universities And Overseas Higher Education Institutions or Organisations, June, Canberra.


Harrigan, K (1985), Strategies for Joint Ventures, DC Health, Lexington, MA.


Further reading
