1-1-2000

# The relationships between selected strategic alliance factors and the success of strategic alliances between United States casino hotels and restaurants

Hyunjung Kwon
*University of Nevada, Las Vegas*

# THE RELATIONSHIPS BETWEEN SELECTED STRATEGIC ALLIANCE FACTORS AND THE SUCCESS OF STRATEGIC ALLIANCES BETWEEN U.S. CASINO HOTELS AND RESTAURANTS

by

Hyunjung Kwon

Bachelor of Science
Hanyang University, Seoul, Korea
1996

A thesis submitted in partial fulfillment
of the requirements for the

**Master of Science Degree**
**William F. Harrah College of Hotel Administration**

**Graduate College**
**University of Nevada, Las Vegas**
**December 2000**

UMI Number: 1403086



Bell & Howell Information and Learning Company
300 North Zeeb Road
P.O. Box 1346
Ann Arbor, MI 48106-1346

UNLV

**Thesis Approval**
The Graduate College
University of Nevada, Las Vegas

Dec. 17th, 2000

The Thesis prepared by

Hyunjung Kwon

**Entitled**

The Relationships between Selected Strategic Alliance Factors and the Success of Strategic Alliances between U.S. Casino Hotels and Restaurants

is approved in partial fulfillment of the requirements for the degree of

Master of Science

*Examination Committee Chair*

*Dean of the Graduate College*

*Examination Committee Member*

*Examination Committee Member*

*Graduate College Faculty Representative*

PR/1017-53/1-00

ABSTRACT

**The Relationships between Selected Strategic Alliance Factors and the Success of Strategic Alliances between U.S. Casino Hotels and Restaurants**

by

Hyunjung Kwon

Dr. John T. Bowen, Examination Committee Chair
Professor of Hotel Administration
University of Nevada, Las Vegas

Strategic alliances between hotels and restaurants have existed in one form or another for many years. Hotels and restaurant companies will form more strategic alliances in the future as hotel and restaurant operators see strategic alliances as offering attractive benefits. Such a partnership can enhance their competitive edge, improve hotels' revenues and boost their reputation.

The purpose of this study was to investigate the implementation of strategic alliances between U.S. casino hotels and restaurants by examining the relationships between the perceived success of strategic alliances and their partner selection, shared control structure and subtle-issues management. An exploratory study was conducted to determine the relationships between strategic alliance factors and alliance success.

The data collected in this study supported the relationship between shared control structure and strategic alliance success. However, no relationship between partner selection and strategic alliance success and subtle-issues management and strategic alliance success was found.

TABLE OF CONTENTS

## LIST OF TABLES

## ACKNOWLEDGEMENTS

The support and cooperation of many people made this thesis possible. I would like to express my sincere gratitude to Dr. John T. Bowen, the chairman of my thesis committee, for his invaluable support, warm encouragement, and attentive advice throughout this research.

My deep appreciation also goes to Dr. John Stefanelli and Dr. Curtis Love, my other committee members, who provided constant support and warm encouragement throughout the course of my graduate studies. I would like to give my special thanks to Dr. Thomas Boyt for his invaluable insights and assistance. I am also grateful to those who agreed to complete surveys. Without their cooperation, the completion of this research would not have been possible.

Finally, I would like to express my profound gratitude to my husband, Youjoon Jeon. His love, constant assistance, understanding, and patience throughout my master program have been invaluable.

# CHAPTER 1

## INTRODUCTION

Today, strategic alliances are a fact of business life and are found on every corner of the corporate landscape. Among Fortune 1000, Booz, Allen, and Hamilton's research on alliances showed sales due to alliances growing from less than 2% in 1980 to 19% by 1996, with anticipated earnings for 2002 to reach 35% (Garai, 1999). A 1997 PricewaterhouseCoopers report indicated that the fastest growing U.S. businesses engaged in 48% more alliances in 1996 than in 1993 (Garai, 1999). Whether with competitors, suppliers, vendors, or complementary partners, such strategic alliances frequently seem the most efficient and effective means for achieving immediate access to the ingredients essential for maintaining market leadership. However, despite nearly exponential growth, success rates are low, with estimates suggesting that as many as 60% of all alliances fail (Bleeke and Ernst, 1993).

In recent years, strategic alliance has also become a powerful growth catalyst in the hospitality industry, helping to drive sales and change. While some hotel companies are working in-house to improve the quality of their restaurants, others are looking for outside restaurant companies to provide the distinction they want. As a matter of fact, strategic alliances between hotels and restaurants have existed in one form or another for many years, starting with Trader Vic's in the 1930s (Boone, 1997). In recent years, the practice has been viewed more strategically for both restaurants and hotel operations.

The idea behind strategic alliance is that a customer is more likely to choose a familiar restaurant over one that is unknown (Boone, 1997). The number of brand-name restaurant and hotel deals that were negotiated over the past several years evidences strategic alliance's expanding popularity. Clearly, some hotel and restaurant operators see strategic alliances as offering attractive benefits, not only as a way to minimize the problems associated with traditional hotel food and beverage operations, but for chain-restaurant companies seeking to increase points of distribution and customer traffic.

However, for this strategic alliance to work, choosing the right partner is crucial (Dignam, 1999). The right partnership can unlock new markets, create business opportunities, and attract new and existing customers. So far, most of the examples of strategic alliances have been success stories of minimized risks and maximized returns; however, there are dangers in linking one company with another company, and entrusting its values and reputation in another business and brand. Some scholars refer to the disappointing history of strategic alliances in the past and point out the organizational problems incurred because of the incompatibility of goals and different corporate cultures. The future will see more strategic alliance deals; however, companies will need to take a more sophisticated approach to choosing partners and identifying long-term strategic aims of alliances (Dignam, 1999).

## Problem Statement

Strategic alliances between hotels and restaurants are noticeably increasing. Although hotel-restaurant partnerships are not new, the number of partnerships seems to be increasing, due to the focus on food and beverage outlets as profit centers. Such an

alliance can improve hotels' revenues by enhancing their competitive edge, increasing guestroom receipts, food and beverage sales, and boosting their reputation. In other words, strategic alliances maximize the marketing synergies, which have a direct impact on profitability (Hall, 1997). However, the effective management of strategic alliance is not easy, and it is often difficult to achieve mutual success (Mohr & Spekman, 1994). While the creation of a new alliance often gains widespread attention, far less information is available regarding the results attained by ongoing alliances or those that have dissolved. Often, alliances do not achieve the objectives for which they are created. Moreover, there is no consensus opinion regarding why.

As strategic alliance practice increases in every industry, many studies have been conducted, focusing on partner characteristics as an explanation for alliance behavior and outcomes, and the interactive nature of cooperation between organizations (Saxton, 1997). Nevertheless, despite the unique managerial challenges associated with the effective implementation of strategic alliance factors, the importance of these factors and their relationship with the performances of the strategic alliances have been overlooked in academic and practitioner research. Furthermore, despite the increasing strategic alliances between hotels and restaurants, few studies have been conducted in this area, especially from the perspective of hotel operations. Correspondingly, this study focused on the question of whether significant relationships exist between various strategic alliance factors and the success of strategic alliances. The emphasis was on strategic alliances between American casino hotels and restaurants.

Moreover, a major purpose of this study was to examine the extent to which various strategic alliance factors are related with the success of the strategic alliances between

U.S. casino hotels and restaurants. This research will shed light on the need to consider and clarify the importance of various strategic alliance factors, and their role in understanding and managing the effective strategic alliance. A second purpose of this research was to provide a literature review of the strategic alliance in relation to these dimensions: definition, rationale behind the formation of strategic alliance, and strategic alliances in the hotel industry.

To achieve the purpose of this study, research questions were developed as follows:

Research Question 1: What is the relationship between the perceived importance of partner selection factors and the success of the strategic alliance?

Research Question 2: What is the relationship between the perceived problems of shared control structure and the success of the strategic alliance?

Research Question 3: What is the relationship between the perceived importance of subtle management issues and the success of the strategic alliance?

## Research Hypotheses

Three main hypotheses were developed in the study to identify the relationships between particular strategic alliance determinants and strategic alliance success. A set of sub-hypotheses for each main hypothesis was established to test for significance of any relationships between construct of strategic alliance factors and strategic alliance success measures in the U.S. casino hotels' strategic alliances with outside restaurant operators.

Partner selection is a key factor in planning and designing a strategic alliance. The objective of partner selection is to scrutinize the complementary capability, compatibility, and commitment of a potential partner. Geringer and Frayne (1993) stated that the choice

of a specific partner may critically impact prospects for effective implementation of strategic alliance strategy because it influences the operating policies and procedures which will be employed, along with the overall mix of skills and resources available to the strategic alliance. In order to identify the importance of partner selection in the success of strategic alliance, the following research hypothesis and its three sub-hypotheses were proposed.

Research Hypothesis 1: There will be a positive relationship between the perceived importance of partner selection (capability, compatibility, and commitment) and the success of the strategic alliance.

Three sub-hypotheses will be tested by using a Pearson coefficient of correlation to find the directions, strengths, and significance of the relationships between the success of the strategic alliance and the various implementation factors. The sub-hypotheses are numbered 1a – 1c.

Sub-hypothesis 1a: There will be a positive relationship between the perceived importance of capability of the partners and the overall success of the strategic alliance.

Sub-hypothesis 1b: There will be a positive relationship between the perceived importance of compatibility of the partners and the overall success of the strategic alliance.

Sub-hypothesis 1c: There will be a positive relationship between the perceived importance of commitment of the partners and the overall success of the strategic alliance.

Shared control structure of the strategic alliance creates the potential for mistrust, conflict, and misunderstanding across the interactions between partners (Lane & Beamish, 1990). Geringer (1993) stated that shared ownership was a factor associated with

negative outcome in the management of strategic alliance. Therefore, this study tries to confirm the relationship of shared control structure to the success of the strategic alliance. The following research hypothesis and its two sub-hypotheses concerning shared control structure were proposed.

Research Hypothesis 2: There will be a negative relationship between the perceived problems of shared control structure (conflict and management difficulties) and the success of the strategic alliance, such that greater harmfulness of conflict and management difficulties factors will be associated with less success.

Two sub-hypotheses will be tested by using a Pearson coefficient of correlation to find the directions, strengths, and significance of the relationships between the success of the strategic alliance and the various implementation factors. The sub-hypotheses are numbered 2a and 2b.

Sub-hypothesis 2a: There will be a negative relationship between the perceived harmfulness of conflicts occurring in shared control structure and the success of the strategic alliance.

Sub-hypothesis 2b: There will be a negative relationship between the perceived harmfulness of management difficulties occurring in shared control structure and the success of the strategic alliance.

Steward (1999) noted that the expected benefits of the strategic alliance could be identified as the motivation behind the formation of strategic alliance, which affect the strategic alliance failure or success. Baker (1994) pointed to some factors that promote mutual understanding and mutual benefits, and must be kept in mind as managers negotiate with alliance partners and manage the strategic alliance. These factors are

interaction and communication, flexibility and autonomy, real mutual benefits, and long-term commitment. Accordingly, the following research hypothesis and its sub-hypotheses were proposed.

Research Hypothesis 3: There will be a positive relationship between the perceived importance of subtle-issues management and the success of the strategic alliance.

Two sub-hypotheses will be tested by using a Pearson coefficient of correlation to find the directions, strengths, and significance of the relationships between the success of the strategic alliance and the various implementation factors. The sub-hypotheses are numbered 3a – 3b.

Sub-hypothesis 3a: There will be a positive relationship between the perceived importance of reciprocity development in the partnership and the success of the strategic alliance.

Sub-hypothesis 3b: There will be a positive relationship between the perceived importance of flexibility maintenance in the partnership and the success of the strategic alliance.

## Delimitations

This is an exploratory research that examined the relationships between the strategic alliance factors and the success of strategic alliances between hotels and restaurants. The delimitations of this study were as follows:

1. The focus of the research was on one industry – hotels only. This raises some questions regarding the generality of the results to other industries. The strategic alliance success factors associated with this industry may be different from other industries.

At the same time, concentration on one industry gives a more detailed information about alliances in the hotel industry.

2. Information was collected from only one partner - hotels - in each alliance between hotel and restaurant. While it is likely that perceptions about strategic alliance would differ for partners in an alliance, having data from both partners would explain the relationship between strategic alliance factors and strategic alliance success better.

3. The study did not seek information on the strategic alliance's actual financial performance and demographic information about the respondents and their hotels was not collected.

## Significance of the Study

The alliance boom is prevalent in most industries, especially those that operate in dynamic environments. Surprisingly, the number of alliances continues to grow, despite the fact that most studies point to high failure rates (Sparks, 1999). Many alliances turn out to be lose-lose instead of win-win. While strategic alliances have become increasingly important tool for ensuring both customer satisfaction and profit in operating hotel restaurants, many hotel companies have been plagued by implementation and management problems. Therefore, this study has concentrated on an exploratory investigation of the importance of strategic alliance factors that dominate implementation and management considerations. It is generally recognized that forming and managing the alliance through a clear recognition of the challenges and tasks involved can help improve the chances of success. The results of the study might be valuable both to researchers interested in studying the performance of strategic alliance between a hotel

and restaurant and to practitioners involved in the decision-making of such alliances.

Recognizing that there are several factors specific to the formation and management of strategic alliance may suggest some potentially useful directions for research on strategic alliances. The findings may not only provide an empirical analysis of several key strategic alliance factors underlying and contributing to the strategic alliance success, but may also provide some practical suggestions for future strategic alliance participants. This could shed light on the challenges, problems, and risks in finding a suitable partner, negotiating an agreement, managing an alliance, controlling its performances, and sustaining a compatible and mutually beneficial relationship.

In addition, the findings of the study could promote comprehensive efforts to reduce or eliminate the circumstances that lead to unsuccessful performance. Through a systematic examination and evaluation of strategic alliance factors and performance issues, many managers may be able to utilize the information presented in this research to better understand and address problems before they jeopardize the success of strategic alliances. The results of this study could enable practitioners to better plan their own strategic alliances.

## Definition of Terms

Strategic alliance: A strategic alliance is a close, long-term, mutually beneficial agreement between two or more partners in which resources, knowledge, and capabilities are shared with the objective of enhancing the competitive position of each partner. The term "strategic alliances" includes a wide array of organizational forms ranging from long-term purchasing agreements to co-marketing and licensing agreements, to R&D

collaboration teams, and joint ventures.

Partner selection: A consideration of a variety of firms as the prospective partners through important criteria such as capability, compatibility, and commitment of the partners.

Capability: The partner's possessions and contribution of complementary strengths in terms of resources and staff to make alliance success.

Compatibility: The harmony among partners in corporate culture, strategic objective, management style, and organizational structure.

Commitment: The partner's willingness to the continuation and nurturance of successful strategic alliance.

Shared control structure: An equal degree of control exercised by each partner, which causes problems of alliance management and ineffective partnership.

Conflict: The dysfunctional conflict among partners within alliance, which may attenuate strategic alliance performance

Management difficulties: The overall problems in managing the shared control structure toward success of strategic alliance.

Subtle-issues management: The constant consideration and implementation of delicate issues in strategic alliance formation and management.

Reciprocity development: A creation of mutually satisfactory and beneficial relationship.

Flexibility maintenance: The capacity to adapt and modify overall strategies in management and organization for mutual benefits.

# CHAPTER 2

## LITERATURE REVIEW

This chapter provides a foundation for the discussion of strategic alliance through a review of relevant literature. This review will encompass a range of disciplines including, strategic alliance, a general definition of strategic alliance, general reasons for strategic alliance, success factors of strategic alliance, strategic alliance success measures, and strategic alliances between hotels and restaurants. Academic, theoretical, and applied resources will be included.

### Strategic Alliance

The accountancy firm of Coopers and Lybrand, in their 1993 review of fast-growth firms, stated that of the 500 firms they surveyed, over 55% had one or more alliances in place. The percentages of companies reporting various types of strategic alliances were as follows (Coopers and Lybrand, USA, 1993):

Joint marketing or promotional alliance - 64%

Joint selling or distribution alliance - 52%

Technology license - 35%

Design collaboration - 34%

Research and development contracts - 28%

Production alliances - 28%

Other types of "outsourcing" - 23%

The consulting firm Ernst and Young reported in 1993 the results of a survey of CEOs from 300 North American electronics firms. The survey contained a question regarding the companies' activities in domestic and international alliances. The replies established that the industry group was clearly involved in alliances both domestic and worldwide. Of the 300 firms surveyed, 12% were active globally with no alliances; 27% were domestic with no alliance; 27% had major domestic alliances; and 32% had multiple locations for major alliances. The survey found that companies are relying upon alliances as the prime method of implementing global business strategies (Segil, 1996).

According to the surveys conducted by another firm, Booz Allen and Hamilton (Harbison and Pekar, Jr., 1998), strategic alliances have consistently produced a return on investment of nearly 17% among the top 2,000 companies in the world for nearly 10 years. That is 50% more than the average returns on investment that the companies produced overall. The surveys also showed that since the early 1990's, the percentage of revenue that the 1,000 largest companies in the United States have earned from alliances has more than doubled, to 21% in 1997. In 1980, it was less than 2%. By 2002, the successful alliance builders expect about 35% of their revenue to come from alliances.

## Definitions of Strategic Alliance

With the proliferation of alliances, some terms have become confusing. The term "alliance" can be applied to many kinds of relationships and is freely used in business, whether it is appropriate or not. Alliances – Merriam-Webster's Collegiate Dictionary, 10th edition, defines them as, "associations to further the common interests of the

members." According to Segil (1996, p. 22), a plain definition of an alliance is "a relationship that is strategic or tactical, and that is entered into for mutual benefit by two or more parties having compatible or complementary business interests and goals."

Lynch (1993) defined that the strategic alliance is the most basic, simple, and straightforward form of cooperative venture, and explained that all variants of the strategic alliance – joint ventures, equity partnerships, and franchise alliances – are built on the operating foundation of the strategic alliance. Lynch (1993) pointed out that several key factors must exist for a relationship to be considered an alliance:

1. There must be a tight operating linkage between the partners.
2. There must be a true vested interest in the ally's future.
3. An alliance is fundamentally a strategic affair, with long-term time horizons and significant competitive advantages.
4. There must be top-rank support for an alliance to truly exist.
5. With some notable exceptions, the management style of interaction tends to be highly coordinative and collaborative.
6. There must be reciprocal relationships sharing strengths, information, and mutual advantages. (p. 32)

A strategic alliance links specific facets of the businesses of two or more firms. At its core, this link is a trading partnership that enhances the effectiveness of the competitive strategies of the participating firms by providing for the mutually beneficial trade of technologies, skills, or products based upon them (Yoshino & Rangan, 1995). An alliance can take a variety of forms, ranging from an arm's length contract to a joint venture. Because varied interpretations of the term exist, Yoshino and Rangan (1995)

defined a strategic alliance as possessing simultaneously the following three necessary and sufficient characteristics:

> 1. The two or more firms that unite to pursue a set of agreed upon goals remain independent subsequent to the formation of the alliance.
> 2. The partner firms share the benefits of the alliance and control the performance of assigned tasks, perhaps the most distinctive characteristic of alliances and the one that makes them so difficult to manage.
> 3. The partner firms contribute on a continuing basis in one or more key strategic areas, e.g., technology, products, and so forth. (p. 13)

Harbison and Pekar, Jr. (1998) stated that the term alliance can describe a broad range of the relationships that fall within these extremes, from short-term projects, to long-lasting relationships between a supplier and a manufacturer, to broad strategic alliances in which partners tap into and learn from each other's capabilities. According to Harbison and Pekar Jr. (1998), a strategic alliance has the following distinct characteristics: a commitment of at least 10 years, a linkage based on equity or on shared capabilities, a reciprocal relationship with a shared strategy in common, an increase in the companies' value in the marketplace, placing pressure on competitors, and a willingness to share and leverage core capabilities.

Lau (1994) stated that strategic alliance can be defined as a partnership or long-term, non-equity relationship that permits partners to meet strategic goals. Unlike an

acquisition or a major-equity investment joint venture, a strategic alliance does not require large capital resources. Consequently, a strategic alliance is a pragmatic and accessible means to achieve business objectives (Lau, 1994).

Mohr and Spekman (1994) stated that partnerships are purposive strategic relationships between independent firms who share compatible goals, strive for mutual benefits, and acknowledge high levels of mutual interdependence. According to Gomes-Casseres (1994), an alliance group is a collection of separate companies linked through a collaborative agreement, while Culpan (1993) stated that strategic alliances are relationships that are used to exchange technology, goods, and services across national and firm boundaries, ranging from informal agreements, contractual collaborations, and joint ventures, to minority equity alliances.

Hunger and Wheelen (1993) stated that strategic alliances range from joint ventures equity arrangements to non-ownership cooperative agreements, research and development partnerships, and licensing agreements. According to Forrest (1992), strategic alliances are those collaborations between firms and other organizations, short-term and long-term, which involve either partial or contractual ownership and are developed for strategic reasons.

Lynch (1990) stated that strategic alliances allow firms to share their resources to gain a competitive advantage in the market. Unlike joint ventures that require companies to contribute specified amounts of resources to create an independent business organization, strategic alliances promote cooperation between firms without creating a new business organization. According to Lewis (1990), with strategic alliances, firms can create any mix of resources that meet their separate and mutual objectives by sharing

risks with partners. Further, alliances make it possible to work with any firms in any field. Unlike acquisition, an alliance must blend each firm's culture and functions that will work together. Alliances provide unique opportunities to build strength with an exceptionally wide set of partners – including customers, suppliers, competitors, distributors, and firms in other industries.

A number of authors have provided definitions of strategic alliance. The consensus view was that strategic alliances are long-term relationships with significant operational or technical elements as well as the marketing component, offering major strategic and financial advantages to participating partners, which do not usually involve cross-ownership of equity. For the purpose of this study, a strategic alliance is considered to be a collaborative relationship between business firms in which the participating partners exchange or pool the existing and complementary resources, and work cooperatively to manage an alliance and to attain mutual strategic objectives without losing their own identities.

## General Reasons for Strategic Alliance

In the past several years, strategic alliances have grown fast because there have been technological advances involving changes in traditional competitive advantages which cause research and development cost and risk to increase, and product life cycles to become shorter. These factors encourage firms to share risks and pursue mutual marketing through alliances. Technology clustering among companies also encourages firms to team with one another in order to expand their own technology base (Gugler, 1992). Furthermore, market globalization is changing the nature of foreign investments

and creating the need for firms to adopt flexibility in their structure in order to be competitive on a world-wide scale (Gugler, 1992).

The advantage of technological advances, technological clustering, and market globalization is having an impact on promoting co-operative strategies (Forrest, 1992). In the new concept of strategic alliances, competitive advantage is focused on the firm's ability to create, acquire, and co-ordinate the use of resources across national boundaries, rather than on the possession of assets by any particular firm in the alliance (Forrest, 1992). According to the results of a survey conducted by the consulting firm Ernst and Young in 1993, companies are relying upon alliances as the prime method of implementing global business strategies (Segil, 1996). The reasons for entering into alliances given were access to new markets, enhancement of marketing/sales distribution, access to new technology, improved product development, and defense of market share.

Green, Brupbacher, and Goldheim (1993) pointed out that through strategic partnering, the time required to produce engineered materials and deliver new materials into system is significantly reduced. The first reason for this reduction in time is that the partnership allows for the concurrent or parallel development of material technology as opposed to sequential development activities. The second reason is that strategic partnering, from the viewpoint of enhancing its own investment, encourages the simultaneous development of commercial. The inventing technology partner is interested in developing material technology for the market while the producing partner is interested in the large volume commercial market.

Yoshino and Rangan (1995) stated that the primary driver of strategic alliances is the emergence of intense competition. Firms must constantly innovate to forge ahead of

equally innovative rivals. They must quickly develop new capabilities, ranging from technology development to marketing and distribution. Alliance allows firms to recast their competitive strategies in response to globalization and create networks of intricate business relationships between major corporations.

Yoshino and Rangan (1995) also stated that three characteristics make the new strategic alliances interesting and managerially important. First, interfirm linkages between firms and their suppliers and distributors are increasingly giving way to relationships that often cross national boundaries. Second, these linkages are often between rival firms. Similar associations between rival firms exist in many industries such as consumer product, computer, telecommunications, and biotechnology. Third, not only are rival firms and firms in different countries, but also firms in industries thought to be entirely unrelated are joined by the new alliances. These new alliances often combine both competitive and cooperative elements in an environment of shared control.

Kanter (1994) stated that well-developed ability to create and sustain fruitful collaborations gives companies a significant competitive edge. Sometimes, partners are selected more for their potential to open future doors than for immediate benefits. According to Silver (1993), companies become involved in strategic alliances for the following reasons: to gain exposure to possible new markets; to add new products to existing distribution channels; to reduce the cost of research and development through strategic partnering; and to generate more revenue through strategic partnering. Sherman (1992) also indicated that strategic alliances have become an integral part of contemporary strategic thinking due to the fact that an alliance gains access to a new market or a special expertise, or allows a firm to beat others to market.

Lewis (1990) stated that two basic forces of strategic alliance necessity are the rise of technology and the globalization of markets. Lewis (1990) explained that globalization mandates alliances. making them absolutely essential to strategy. This implies that the simultaneously important market development under the name of globalization makes alliances necessary. Therefore, alliances are critical instruments of serving customers in a global environment. According to Lewis (1990, p. 46), there are two reasons why alliances are a necessity.

First, the convergence of customer needs and preference-whatever their nationality-receive the same information. Customers want the best products available at the lower prices possible. They are not concerned with country of origin. They are only concerned with the product's quality, price, design, and value. Second, today's products rely on so many different critical technologies that most companies can no longer maintain cutting-edge sophistication in all of them. One company is not able to do it all and to keep all of the relevant technologies in-house. In other words, operating with partners makes spread of technology possible.

According to Hamel, Doz and Prahalad (1989), alliance management's key task is to learn from alliance partners and to use that learning to win in the market place, presumably at the expense of allies. Permutter and Heenan (1986) also stated that cooperative strategies are the wave of the future, and the essence of the alliances' managerial task is to work toward harmonious relationships and to enhance the value of a cooperative activity.

This review of the literature clearly indicates a number of overlapping perspectives on the general reasons for alliance formation, with the various authors arriving at a

broadly similar set of motivating forces. Kogut (1988) has argued that essentially the strategic behavior view places alliances in the context of competitive rivalry and collusive agreements to enhance market power. Alliances are thus a mode of organization that maximizes profits through improving a firm's competitive position.

## Strategic Alliance Factors

### Partner Selection

Much has been written on the topic of partner selection. According to a survey of CEOs by Electronic Business magazine in 1992, the most important factor in designing a successful alliance is the selection of the right partner. The most important criteria concern the capability, compatibility, and commitment of the potential partner. Badaracco (1991) suggested the need to scrutinize the compatible values, commitment, and complementary capabilities of prospective partners before managers commit their firms to an alliance. If all are present, both partners can have a good chance of working successfully together. Similarly, Bergquist, Betwee, and Meuel (1995) found that in selecting partners, firms tend to opt for what is familiar and desire to work with a similar firm. They look for an exclusive or at least a consistent access to scarce or valuable resources and want to learn from a partner willing to share expertise. The optimal partner is the firm that can meet all of these requirements completely.

In addition to resource requirements, Collins and Doorley III (1991) advocated that it is important to consider management style and corporate culture, profitability of firms, and previous partnership experience. They also suggested that the firms considering the establishment of a cooperative alliance consider a variety of individuals and firms as

potential partners. Similarly, Murray and Siehl (1989) stated that the choice of a specific partner can be just as important and complex as the decision to enter into a partnership in the first place. Lane and Beamish (1990) argued that partner selection could be the determining factor in the success or failure of an alliance. However, they also stated that a number of firms involved in an alliance were impatient to find a partner and careless in their partner selection process and mistakenly traded poor partner quality for quick action. Partners are often selected only for short-term and political reasons. Thus, when the situation changes and the partner has nothing more to offer, the relationship often ends.

In summarizing prior research Geringer (1991) pointed out that success has been limited in identifying the relative importance of the various selection criteria used by firms or in identifying those variables that might explain why or how the importance of criteria can be expected to vary among alliances. Geringer (1991) also concluded that previous studies do demonstrate that partner selection is an important variable in the formation and operation of alliances, particularly as the mix of skills and resources, operating policies and procedures, and overall competitive viability of a venture is partly determined by the partner chosen. Moreover, partner selection appears to be a distinct decision within the alliance formation process, thereby providing the possibility of identifying the selection criteria employed as well as their relative importance in this decision.

<u>Capability</u>

Murray and Siehl (1989) emphasized that a strategic alliance demands different and complementary possession and contributions by the partners in terms of resources and staff. For example, one partner makes the primary contribution of a critical technology,

market, and access to raw material while the other partner could potentially provide the necessary employees who have the necessary expertise and will be directed toward achieving the goals of the alliance. Datta and Rasheed (1993) also claimed that the firm needs to assess the partner's skills and capabilities in the planning of alliances. A cooperative alliance agreement is most beneficial when the competencies of managerial personnel and lower-level employees as well as the skills and capabilities of the partner complement one another toward the realization of synergistic benefits.

Geringer (1991) concurred that the primary selection criterion should be a potential partner's ability to provide complementary technical skill and resources. This can permit each partner to concentrate resources in those areas where it possesses the greatest relative competence while diversifying into attractive but unfamiliar business areas. If a prospective partner can not provide these capabilities, then formation of an alliance is a questionable proposition. The alliances are more likely to succeed when partners have complementary capabilities that include resources and managerial capabilities, and other attributes that create a strategic fit (Harrigan, 1985).

Badaracco (1991) pointed that assessment of a possible partner's capabilities requires a strategic perspective. An attractive partner for a cooperative alliance should have a combination of products, knowledge, technology, capabilities, and financial strength. Cauley de la Sierra (1994) noted that the ability to contribute complementary strengths and resources to an alliance can help a firm to overcome any weaknesses that inhibit its ability to achieve desired business objectives. She also noted that a potential partner should clearly possess the resources necessary to contribute to the alliance.

Bergquist, Betwee, and Meuel (1995) found that the selection of partners involves an

assessment of each potential partner's shortcomings together with the appropriate and complementary strengths and resources such as distinctive expertise, needed investment capital, and special skills. They should assess what they can bring to the partnership and what they need most from their potential partners. Lewis (1990) further explained that a potential partner's competence and strategic synergy is judged by considering its strengths for later expansion, the availability of key resources, strategic abilities for teamwork, market requirements, and its track record of problems and weaknesses. Thus a firm's alliance opportunities depend on the complementary strengths it can offer.

Compatibility

A major limitation of formation of a successful alliance is the problem of finding a compatible partner (Culpan & Kostelac, 1993). Bucklin and Sengupta (1993) noted that the concept of organizational compatibility includes strategic and cultural compatibilities. Similarly, Yoshino and Rangan (1995) found that alliance-seeking firms are likely to attend closely to compatibility of organizational cultures when choosing potential partners.

In addition to complementary resources and employees, Murray and Siehl (1989) discovered the organizational elements that needed to be similar or consistent among the partners included the perceived need for the alliance, the ownership of the alliance, the commitment of top management to the alliance, the conflict management techniques used by the partners, the communication channels preferred by the partners, and the shared cultural values. They concurrently advised the organizational elements that should be clearly understood by all partners with regard to: definition of alliance success; goals for the alliance; preferred decision-making style; power of the partners in the alliance;

staffing of the alliance; and cultural attributes, including attitudes toward employees and willingness to accept risks.

It has been of importance for firms to choose partners that share some commonalty in culture and expectations between the partners (Murray and Siehl, 1989). As Datta and Rasheed (1993) described, a systematic evaluation of cooperative alliance opportunities requires that each partner considers and assesses the objectives of the other partner and their compatibility. It is important to understand the partner's objectives, to determine the partner's attitude toward the alliance, and also to determine the strategic importance they attach to the alliance, including the resources they are willing to commit to it. Moreover, an acceptable level of compatibility in partner objectives generally increases the likelihood of an alliance success, despite differences in management styles and organizational cultures.

Culpan and Kostelac (1993) also noted that most successful cooperative alliances are being formed between firms possessing specific strengths that complement those of their partners and between firms with compatible objectives. Lynch (1993) emphasized the need to avoid partners that are incompatible with respect to strategy, desire to enter into the partnership, personality, experience, and motivation. Lynch (1993) further argued that the clarified objectives of an alliance, the establishment of realistic structure and complementary managerial processes and systems, and the overall compatibility of information, decision, and problem solving systems and styles of the partners can make the collaboration succeed.

According to Cauley de la Sierra (1994), the compatibility should include an examination of a potential partner's existing competitive alliance network and previous

relationships. A successful history of doing business together provides positive evidence that a firm can build a good cooperative alliance. She also asserted that forgoing an alliance with a firm with which one firm has already done business offers a number of advantages. For example, the history of the relationship provides proof of how well the two firms can work together. Like Cauley de la Sierra, Lewis (1990) believed that the relationship depends on the prospective partners' compatibility in organizational structure, decision-making process, key individuals' style and technical competencies, and corporate cultures, as well as the prospective partner's track record and experience.

Commitment

Cauley de la Sierra (1994) viewed an equal sense of partner's commitment to the alliance as the third keystone to success. Even if partners appear capable and compatible, partners should realize a mutual long-term view and be willing to invest time, energy, and resources to make the alliance a success. Similarly, Baker (1994) emphasized the need for both partners to make a long-term commitment to the alliance. Collins and Doorley, III (1991) also noted that firms should choose partners for which the cooperative alliance will be of sufficient strategic importance to ensure a continuing high level of commitment.

By determining the prospective partner's strategic intent, managers can find out how serious the partner is about the alliance and what character of personnel and resources it is likely to commit (Badaracco, 1991). Cauley de la Sierra (1994) offered more explanation to the above statements by suggesting that firms can test whether their potential partners share a sufficient degree of commitment to the alliance by observing that the alliance is central within a core business or product line of the partner and determining how difficult it would be for a potential partner to withdraw from the

alliance. If the proposed alliance is in a business area that is only peripheral to the partner's mainstream activities, the partner firm will not be willing to devote the time and resources necessary to make the alliance succeed, and the partner could easily withdraw from the alliance.

Many scholars claimed that partners often require a willingness to undergo change and transformation. In addition to resource commitment, Lynch (1993) noted that another reason for failure of some alliances is a lack of top management's commitment and support from both sides of an alliance in providing long-term continuity when business patterns require significant adjustments. Lane and Beamish (1990) advocated that the first indication of whether or not the firm is likely to establish a successful cooperative alliance is its commitment to function in a cooperative mode and to respond in difficult conditions.

Bergquist, Betwee, and Meuel (1995) pointed out the importance of a mutual commitment between two or more partners to the continuation and nurturance of the successful partnerships. They also proposed the idea that it is important to have an ongoing commitment to share the information relevant to the partnership, to have an ongoing commitment to review the operations of the partnership and its goals, and to have an ongoing commitment to solve problems in a collaborative manner.

### Shared Control Structure

Datta and Rasheed (1993) characterized the unique feature of alliances as the shared nature of control structures (their ownership and decision-making management). Daniels and Magill (1993) further argued that, in partially-owned operations, a majority of firms may increase their control over an operation by maintaining at least equal ownership with

partners whenever possible. Most firms need equal power and percentage ownership to assure that the partner cannot take strategic action without its concurrence. Nevertheless, several academics have offered managers the potential disadvantages of shared control structure of an alliance. It has been recognized that the shared control structure of a strategic alliance may induce conflict and management difficulties, which can affect the strategic alliances (Culpan & Kostelac, 1993; Datta & Rasheed, 1993; Lane & Beamish, 1990; and Sherman, 1992).

Conflict

Datta and Rasheed (1993) asserted that most alliances fail because of the drive for unambiguous control causing conflicts and significant challenges to management. These conflicts and challenges are posed by shared control structure. According to Geringer and Frayne (1990), the control exercised by partner firms over an alliance's operation represents a critical determinant of the performance of alliance and the attainment of alliance objectives. Due to the shared ownership and decision making nature of these alliances, each partner should relinquish some control over the alliance's activities. However, it appears that a firm may avoid relinquishing control over some or all of its activities intimately related to its corporate strategy and objectives.

Sherman (1992) pointed out that conflicts and differences of opinion between alliance and among partners arise when partners wish to maintain close operating control of an alliance or when one of the partners attempts to integrate the alliance's operations with its own wishes. Geringer (1993) agreed that control plays an important role in determining a firm's ability to achieve its strategic objectives and affects the organization's ability to integrate the activities of its various business operations.

Without effective control efforts, firms are likely to experience increased difficulty in successfully managing their operation and achieving their objectives.

According to Lane and Beamish (1990), even if managers support the concept of shared control in principle, they often cannot see how to put it into practice. Some decisions will have to be jointly made, or arrived at through consensus after discussions. In this respect, consensus decision-making of the shared control structure takes time and creates the potential for enormous conflict, mistrust, and misunderstanding across cultures. As Lane and Beamish (1990) believed, it is more effective to allow one partner to make a given decision since each partner usually has different experience bases, different understanding, knowledge and skills, and different information. However, this requires people who are sensitive to the partner's needs and culture and who are willing to understand and learn. They advised that managing successfully in an alliance seems to require a shift from control through financial and legal structures to influence through creating relationships and through behavioral interaction.

Lynch (1993) concluded that the major problem for prospective partners in alliance negotiations will be the conflicts of their interests and needs. Equal divisions of ownership can have serious disadvantages if not carefully managed. One partner may perceive the other as having failed in the promised contribution, especially when the alliance may not be working out successfully. When there is a disagreement, it requires great skills in problem-solving and excellent relations among the partners.

According to Lorange (1993), a key aspect of cooperative alliance success has to do with delineating proper planning and control processes so that the cooperative alliance can better adapt over time to new opportunities and so that strategic progress can be

controlled. A clear set of procedures for conflict resolution should also be developed as part of such planning and control process, so that conflicts of interest can be dealt with in an expedient manner. Bucklin and Sengupta (1993), in their review of the relevant empirical studies, found a negative relationship between conflict and perceptual outcomes such as satisfaction, whereas conflict resolution can result in positive outcomes.

Management Difficulties

Since there are additional human resource and organizational considerations such as differences in culture and business practices that play an important role in the operating style of the management groups, Datta and Rasheed (1993) proposed that the shared control alternative might be particularly vulnerable to such significant differences between the partners and can be especially difficult to manage. Geringer (1993) also stated that shared ownership and decision making by two or more partners constitutes the major source of management difficulties and associated complexity in most alliances.

Despite its increased popularity and strategic importance, Geringer and Frayne (1990) found that cooperative alliance with shared ownership often fail to achieve the strategic objectives of their own firms. They further explained that the complexity and performance problems linked to the unique managerial requirements of shared ownership often cause the cooperative alliance to be difficult to manage and can result in substantial transaction costs in terms of the large amounts of management time, money, and other resources associated with coordination of partners. A shared control may also expose critical aspects of a partner firm's strategy, technology, or other know-how to the other partner or to third party firms, thereby threatening the partners' long-term competitive position. Culpan and Kostelac (1993) observed that shared ownership arrangements can

also create problems that result from the roles assumed in the alliance, problems encountered at the level of the board of directors of an alliance which contains representatives from each partner, and problems manifested in relationship to staffing drawn from each partner.

Based on his review of the relevant literature, Geringer (1993) stated that dominant control structures often make alliance easier to manage and may be more successfully executed than when the decision-making control is shared by the partners. Also, domination of alliance activities by a single partner may reduce the costs and uncertainties associated with coordination among partners, as well as the risk of unintended disclosures of proprietary know-how to a partner or other outside organizations. According to his review of prior studies, Geringer (1993) also found that firms frequently sought a majority ownership to achieve effective management control, exercise dominant control over an alliance allowing decisions to be made rapidly in response to market or product developments, and thus avoid the costly compromises or decision-making difficulties.

As Geringer and Hebert (1989) suggested, it may not be necessary for a partner to dominate the overall alliance in order to achieve these benefits. Rather, it may be possible to have a split control structure where one partner exerts dominant control over one or several different activities of the alliance. However, Geringer (1993) advised that the decision to use either overall or selective dominant control structure is appropriate only if the controlling party has the skills and resources necessary to satisfy the market requirements, such as sufficient manufacturing expertise, financial ability, or relationships with distributors. Otherwise, conflict among partners and management

difficulties are likely to result.

Subtle-Issues Management

Earlier studies (Doz & Phrahalad, 1981; Evan & Lorange, 1989) discussed the subtle-issues management process as well as mechanisms to minimize the disadvantages of the chosen strategy and to provide firms with corporate integration. Limerick and Cunnington (1993) also noted that it is necessary to focus on managing the soft issues - one of the essential elements of effective network management, to contemplate and manage strategic network.

Reciprocity Development

Relationships are a fundamental human need (Baker, 1994). As noted by Cohen and Bradford (1989), if the basis of organizational influence depends on mutually satisfactory exchanges, people are influential only when they can offer something that others need. Thus, the power comes from the ability to meet others' need. In their description of the importance of reciprocity perspective on the work accomplishment and social exchange, they addressed that reciprocity development calls for a creation of mutually satisfactory and beneficial exchange in mutual interdependence through which mutual influence is acquired to accomplish work without formal authority to command.

Similarly, Lynch (1993) stated that the concept of reciprocity in an alliance often requires directing without having full authority because there is often no direct line of command across corporate boundaries. The alliance must always seek to minimize mutual risks while maximizing mutual rewards. This is one of the main objectives of maintaining the win-win benefits. In addition, as Yoshino and Rangan (1995) believed, firms in an alliance should attach considerable importance to the relationship and

encourage reciprocal behavior on the part of a partner. Fostering reciprocity must be taken by top management to change organizational culture to accommodate alliances. A manager should be able to exercise power without authority, accomplish more with fewer resources, and influence direction without giving orders. There is nothing more powerful for cementing a relationship than the mutually beneficial accomplishments that require trust and a systematic effort to understand the prospective partner.

Limerick and Cunnington (1993) emphasized the very intangible issues of reciprocity, trust, and fair sharing which require constant reinforcement and management over the life of the alliance. They pointed out reciprocity as a basic ground rule that generates trustworthy transactions. The essential objective is to set up a relationship in which each partner takes an equitable share of potential benefits and risks. To achieve mutual benefits, each partner should show concern for the other. In such relationship, the degree of perceived mutual supportiveness lies at the heart of the development of trust. According to Bergquist, Betwee, and Meuel (1995), mutual trust in partners' intentions, competence, and perspective provide a foundation for a successful partnership. Trust in intentions is enhanced when information is shared; trust in competence is enhanced when problems are mutually addressed and solved; and trust in perspectives is enhanced when goals are monitored, clarified, and expanded with the growth and maturation of the partnership.

To satisfy both firms' needs, to avoid and resolve problems, and to deal better with differences, Lewis (1990) stated that firms should appreciate their partner's perception of fairness and recognize each others' attitudes, concerns, and values. Mutual understandings and trust should be developed through relations between individuals and

firms in an alliance, and should grow from effective communications to keep the partner informed about all alliance activities.

Cohen and Bradford (1989) emphasized the need to recognize that many different types of benefits and payments exist or broaden the range of what can be exchanged. In their article, they used the term "currencies" to describe the types of benefits that can be attained and exchanged in relationships. Currencies are a metaphor that provides a powerful way to conceptualize what is important to the influence and the person to be influenced. Additionally, part of the usefulness of currencies comes from their flexibility. For instance, there are many ways to express gratitude and to give assistance.

Baker (1994) described Cohen and Bradford's framework by stating that this framework goes far beyond the list of standard items, including basic and higher order needs. He replaced the term "currencies" with the term "benefits" to avoid the potential misinterpretation. Baker (1994) also included the psychic rewards of achievement and satisfaction as well as the fulfillment of the human needs to be creative and productive in the inspiration-related benefits. Task-related benefits include the technical and human resources usually associated with getting a job done such as access to raw materials, financing or budgets, people, information, and assistance. Relationship-related benefits are based on the fundamental human need for relationships. These benefits include understanding, empathy, social approval, friendship, and emotional support. Position-related benefits are based on the career advancement and acknowledgment. Finally, personal-related benefits include self-esteem, gratitude, and learning.

Flexibility Maintenance

Many scholars have suggested flexibility as an essential element for successful

management and partnerships. Yoshino and Rangan (1995) identified flexibility as a source of competitive advantage and stated that flexibility should be built into management of a multidimensional, alliance-based strategy. Sayles (1993) advocated that strategic alliances should be flexible enough to be changed by the partners in order to keep ahead of problems and uncertainties and to anticipate difficulties of turbulent conditions. Hendry (1994) also mentioned that a new management mentality to manage complexity implies a high degree of flexibility and diversity in organizational structure and systems as well as in management philosophy, education, and working practices. Flexibility is a key management quality in many types of alliances.

Schermerhorn, Hunt, and Osborn (1994) described the concept of flexibility that means that a firm could more readily shift and adjust its structures or processes to meet changing and unpredictable needs and conditions if the firm is able to combine efforts with one or more firms. Flexibility also means that the job of many people in the organization would become easier to manage and more adaptable to changes or unpredictable needs and conditions if firms are to cooperate with one or more firms. Thus, flexibility maintenance among the partners is particularly critical to the success of strategic alliance formation and management.

Sherman (1992) also emphasized that the need for flexibility and corporate power sharing to share the thinking, and to adjust to each other's skills and limitations when the partners are responding to other partners. Similarly, Lorange and Roos (1992) were concerned about the potential adaptation and modification needed in connection with establishing a strategic alliance. They proposed that it is important to have a clear strategy of what areas to adapt to the partner's wishes and to modify without losing

independence and identity.

Bergquist, Betwee, and Meuel (1995) gave a detailed explanation of the importance of flexibility. The authors discussed that firms should be adaptable and often subservient to some higher purpose and should recognize their interdependence to achieve the flexibility and responsiveness. Simultaneously, the partnerships should be sufficiently flexible to accommodate the varying interests and aspirations of all participants and should provide the formation of flexible working relationships which their structures and agreements can readily be changed. Thus, flexibility helps the partners build an enduring relationship.

Culpan (1993) offered some suggestions that firms interested in alliances should be tolerant of the unfamiliar practices and demands made by their partners, adjust to their partners' views, learn to rely on each others' information, and respect each others' need to maintain its own culture. Further, Moran, Harris, and Stripp (1993) suggested how to perform the subtle art of managing a culturally diverse workforce. This includes four steps: understanding that cultural differences exist, developing self-acceptance of their cultural background and style, learning about other cultures, and aspiring to flexibility. They claimed that the challenge of managers is to aspire to flexibility, which is the ability to shift behavior culturally to fit whomever they are communicating with.

Collins and Doorley III (1991) discussed that firms need to be flexible in their responses, be prepared to alter control agreements and to adapt their overall strategies to changing circumstances, be realistic about the degree of power they can command, and often be prepared to accept a minority position. The importance of working constructively together with the other partner and of flexibility must be understood at all

levels within the firm. Obviously, managers involved in strategic alliances should attend to the objective of maintaining flexibility. Badaracco (1991) explained the importance of flexibility by observing that the more varied and uncertain a firm's environment, the more flexible its responses should be. Especially, senior executives need to set personal examples of flexibility and commitment in order to show how concerned they are about the successful relationship.

## Strategic Alliance Success Measures

Strategic alliances are increasing in frequency and strategic importance. According to Yoshino and Rangan (1995), managers may have to intervene to obtain optimum performance, especially from the partner, through assessing alliances. Both ongoing management and timely intervention play a part in ensuring that an alliance meets expectations. Assessing an alliance performance adds to a firm's knowledge base regarding alliances: what it can and cannot achieve; under what circumstances it is most likely to succeed or fail; what managerial actions are most effective in what types of alliances; and so forth.

Prior research evidenced significant differences in the assessment of strategic alliance performance. No consensus on the appropriate definition and measurement of alliance performance has yet emerged, perhaps because of the difficulty in defining exactly what makes a strategic alliance successful or unsuccessful. Studies of Lecraw (1983) used a variety of financial indicators typically employed in business research such as profitability, growth, and cost position. Other studies utilizing objective measures to determine alliance performance include those by Killing (1982), Harrigan (1986), and

Gomes-Casseres (1987). Killing utilized a modified measurement of stability while Harrigan determined alliance performance by considering three indicators: venture survival, duration, and sponsor-indicated assessment of success. Gomes-Casseres's measurement was based on the instability (significant changes) of an alliance's ownership.

However, these financial and objective measures embody potential limitations that are critical to evaluation of strategic alliance performance. According to Lorange and Roos (1992), evaluating strategic alliances in the same way when measuring wholly owned organizational performance is likely to be misleading. Specifically, traditional short-term oriented financial measures are not valid because of the risky setting in which many alliances are formed. Additionally, alliances have multiple partners and one of them may consider it a great success while the other may see it as a failure. Consequently, traditional accounting figures are not sufficient to distinguish effective and ineffective strategic alliance.

Several researchers have chosen the term "instability" to describe an unsuccessful strategic alliance. One of the first researchers who considered strategic alliance failure by survival rate was Franko (1971). He defined a joint venture to be unstable when equity control of the venture passes to one partner, when one partner increases its equity share of the venture to a majority position, or when the venture is liquidated. The definition of joint venture instability set forth by Franko (1971) was later used by Killing (1982) who regarded those ventures that had been drastically reorganized or that had completely collapsed to be failures.

However, many researchers accentuated that the longevity of an alliance not be equated with alliance success as employed by Franko (1971) and Killing (1982).

Duration by itself is not a good indicator as explained by Hamel, Doz, and Prahalad (1989) who argued that judging an alliance success or failure based on longevity is a common mistake. They suggested that alliances should be evaluated by shifts in competitive strength of each partner. They focused on how firms use competitive collaboration to enhance their internal skills and technologies.

The idea that stability alone is not a good measure of strategic alliance success due to the consistency of change in the partner's needs has been recognized by earlier researchers. Ohmae (1989) stated that even when alliances are successful, they can be outgrown by one or all of the partners as their needs change. Inkpen (1995) concurred with Ohmae and described that the alliance became unstable when partner objectives are diverged. Both partners have very different longevity objectives. Alliances would be classified as unstable because termination was premature from the perspective of one partner. Thus, if at least one partner anticipates a long-term relationship, premature termination of alliance would constitute instability. This definition of instability can be considered as an evidence of unsuccessful strategic alliance along with alliance duration.

Despite poor financial results, liquidation, or instability, a strategic alliance may have been meeting or exceeding its partners' objectives and thus be considered successful by one or all of the partners. Conversely, a strategic alliance may be viewed as unsuccessful despite good financial results or continued stability (Inkpen, 1995). Because of these concerns, Killing (1983) used a single-item-perceptual measure of a partner's satisfaction with the performance of the joint venture. The main advantage of this type of measurement is its ability to provide information regarding the extent to which the joint venture has achieved its overall objectives or expectations. Killing (1983) also employed

measurement of longevity together with such managerial performance assessment. Interestingly, he found that both measures gave the same results.

Another approach was taken by Geringer and Hebert (1991) who developed and empirically tested a number of hypotheses to clarify the reliability and comparability of a range of objective and subjective measures of strategic alliance performance. Objective measures that were tested included survival rates, duration, and instability. Subjective measures that were tested included levels of satisfaction with performance and perceptions of partner satisfaction levels. Their findings showed that there was a significant positive correlation between objective and subjective measures of performance. Furthermore, the researchers found a significant correlation between one partner's satisfaction with performance, the other partner's satisfaction, and perceptions of their partners' satisfaction, thus suggesting that one partner's response is a reliable alliance performance assessment.

There are many alternative measures of performance more appropriate for alliances. However, realistic measurement of alliance success is difficult. Thus, firms should make an effort to develop performance standards, measure results, and then interpret them carefully.

## Strategic Alliances between Hotels and Restaurants

It is not uncommon to hear, particularly among hotel owners and operators, that hotel restaurants cannot make any money and should be leased out (Deluca, 1989). The primary reason for a restaurant facility is to enhance the potential revenues of the rooms department. A good restaurant operation, whether operated or leased, will allow more

flexibility in marketing. This flexibility will help sell rooms during slow periods. The presence of a restaurant operation will allow the hotel to appeal to more market segments, thus giving the hotel a broader and more secure income base. A restaurant operation should first be designed and concepted to maximize room revenue, secondly to do that profitably and third to appeal to non-hotel patrons.

The restaurant in a hotel is not just an appendage to lease out and collect minimal rent from; it must be developed as an asset that contributes to the overall profitability of the enterprise. As a matter of fact, leasing is a common answer among limited service operators, however the full benefit of the presence of the facility will never be realized under any scenario. if the two separate businesses are not marketed together at a positive standard.

For too many lodging properties, foodservice remains a drain on profits. The exceptions were some urban properties that truly attempted to draw local patrons and resorts that positioned their restaurants as an integral part of the guest experience. Most hotel restaurants lose money or, at best, break even. Most hotel restaurants have been unprofitable mainly because guests prefer food they know and trust at expected prices (Taylor, 1997). Thus, hotel developers, owners and chains are actively seeking outside help in managing on-premises restaurants, room service and banquet/catering operations (Deluca, 1989). They are looking for restaurant entrepreneurs or full-service restaurant chains who are willing to lease space in a hotel. Developers of new limited-service and economy hotels are looking for restaurants with which they can build on the same site.

In addition, many hotel franchise companies are actively exploring ways to help their franchisees provide foodservice in a way that both meets guest needs and reduces

operating costs. Taylor (1997) stressed that strategic alliance with outside restaurant companies is the most popular way to provide guests with food they know and like in a familiar atmosphere at expected prices. Strategic alliance also reduces foodservice operating costs while still providing quality food. More importantly, it has transformed otherwise unprofitable spaces into new profit centers that add value to the overall operations.

Hotels' alliance strategies include component branding with manufacturer brands and partnering with well-known restaurant chains. Both strategies come from the fact that consumers have come to rely on brands to provide consistency and quality at expected prices. Component branding strategy makes it possible that hotel foodservice operators pick the best sellers from several leading chain and manufacturer brands instead of expending money and labor offering the whole brand menu (Lorenzini, 1996). Some hotel chains (e.g., Choice Hotels and Holiday Inn) have found food courts or kiosks featuring well-known brands. Each brand offers only four or five of the hottest selling items. According to Lorenzini (1996), additional benefits of manufacturer brands are the absence of franchise fees, royalties, and franchise-infringement issues.

However, the leased restaurant operation can bring some problems to the hotel. The guest and restaurant patrons have the understandable impression that the restaurant is part of the hotel. Therefore, the hotel's same standards of behavior, operation, and appearance need to be required of the lessee. It is crucial that the restaurant operation not detract from the rest of the hotel. Employees must be held to have behavior standards that contribute to the hotel's image, not detract from it. In order to maximize hotel revenue and therefore the income of the hotel, there should be some joint marketing

efforts.

In addition, while leasing the restaurant to an outside operator is one option, many hotel companies do not want to lose control of the space or its potential profits. If an outside operator can run a restaurant, pay rent to the hotel and still make money, there is no reason why the hotel itself cannot. Because conflicts frequently arise between hotel management and the lessee over restaurant operation (Taylor, 1997), some hotel companies run their own restaurants as a franchisee of national restaurant brand instead of leasing out. According to Brumback (1998), hotels seem to be moving toward franchise or licensing agreements rather than leasing if they want a branded restaurant name. Moreover, while hotels continue to seek outside, name-brand restaurants to operate under their roofs, they also are creating their own concepts and running them like independent establishments (Ruggless, 1997).

As a matter of fact, strategic alliances between restaurants and hotels have existed in one form or another for many years, starting with Trader Vic's in the 1930s (Boone, 1997). There are four basic types of operational options that can be established between the hotel and the restaurant. Those four options are franchising, leasing, management contract, and licensing agreement (Strate & Rappole, 1997). Some national brand restaurants such as Country Kitchen, TGI Friday's, and Ruth's Chris Steakhouse have worked well with various lodging properties in one form or another (Parseghian, 1996).

Instead of offering food and accommodation, hotels are divvying up food and beverage responsibilities through strategic alliance, hiring specialists to manage operations, and using location to maximize visibility and attract more traffic. This approach is currently being used more frequently than ever to help companies maximize

their profit potential. For example, Pennsylvania Holiday Inn's sales increased to $4 million per year from $450,000 per year when it changed its hotel restaurant to TGI Friday's (Parseghian, 1996). Thus, the practice has been viewed more strategically for restaurants and hotel operations in recent years.

There are at least five reasons for this practice. An alliance may: create financial benefits, provide customers with greater value, improve a property's overall image, strengthen an operation's competitive position, and create operational advantages (Battaglia, 2000). In addition, other benefits of this alliance would be the reduced problems of getting and keeping skilled food service personnel, and the marketing power of brands to the property's advantage. The other idea behind strategic alliance is that a customer is more likely to choose a familiar restaurant over one that is unknown (Boone, 1997). Customers like brands because they are viewed as low-risk. With the right branded restaurant, the guest will stay in the hotel and pay more.

Strategic alliance's expanding popularity is evidenced by the number of brand name restaurant-and-hotel deals that have been negotiated over the past several years (See Table 1). For example, 31 TGI Friday's restaurants (4% of the TGI Friday's restaurants) are located in hotels, and they continue to pursue sites with hotels aggressively (Hall, 1997). Recently, Ramada Franchise Systems has entered into a strategic relationship with Bennigan's Irish American Grill & Tavern (Battaglia, 2000). Clearly, some hotel and restaurant operators see strategic alliance as offering attractive benefits, not only as a way to minimize the problems associated with traditional hotel food and beverage operations, but also for chain-restaurant companies seeking to increase points of distribution and customer traffic.

Table 1 Hotel and Restaurant Company Strategic Alliances

| Hotel Companies | Restaurant Companies |
| --- | --- |
| Holiday Inn and Holiday Inn Franchises | Denny's, Ruth's Chris Steakhouse |
| | Red Lobster, Pizzeria Uno, Perkins |
| | Good Eats Grill, Convenience Courts |
| | (Mrs. Fields, Little Caesar's Pizza, |
| | Blimpies, Sara Lee, Taco John's) |
| Doubletree Hotels | New York Restaurant Group (Park |
| | Avenue Café, Mrs. Parks Café) |
| | Au Bon Pain |
| Marriott and Marriott Franchisees | Ruth's Chris Steakhouse, Studebakers |
| | Benihana, Trader Vic's, Pizza Hut |
| Hilton Hotels | Trader Vic's, Ruth's Chris Steakhouse |
| | Benihana, Damon's, Pizza Hut |
| | TGI Friday's, Olive Garden |
| | Grace Services |
| Four Seasons | Bice Ristorante |
| Choice Hotels | Choice Picks Food Courts, Pizza Hut |
| Radisson Hospitality | TGI Friday's, Country Kitchens |
| | Damon's |
| Sheraton | Starbucks Coffee, Vie de France Baked |
| | Goods, Robert Mondavi Wines |
| Interstate, Richfield, Embassy Suites | Pizza Hut and Pizza Hut's Delivery |
| Motel 6 | Program |
| Ramada | Bennigan's |

Sources: Robert W. Strate and Clinton L. Rapple, "Strategic Alliances between Hotels and Restaurants," Cornell Hotel and Restaurant Administration Quarterly, Vol.38, No.3, (1997), p.52; Juliette M. Boone, "Hotel-restaurant Co-branding – a Preliminary Study," Cornell Hotel and Restaurant Administration Quarterly, Vol.38, No.5, (1997), p.46; Andy Battaglia, "Bennigan's, Ramada Sign Pack Sparkling Individual Growth Plans," Nation's Restaurant News, Vol.10, No.6, (2000), p.73.

Especially, strategic alliance development opportunities are much larger in the mid-priced, limited-service hotel market (Falbo, 1997) because it allows hotel operators to focus on their core business - lodging while adding value to their guests' experience with a highly recognized brand name restaurant. For the same reason, in the booming hotel environment of Las Vegas, a number of casino hotels are bringing in outside restaurant companies. A recent example is at The Venetian, a resort-hotel-casino. The hotel has brought in several prominent restaurant operators such as The Cheesecake Factory, Wolfgang Puck, and Il Fornaio.

Finding the right partner is not always easy, but getting the right partner works out to everyone's benefit. It requires plenty of homework, a good sense of market and a full understanding of the expectations and requirements of the hotel and the restaurant. Larry Welch of Winegardner and Hammons (Taylor, 1997) says that some restaurant chains have strict demands and can be inflexible. Large national restaurant franchises may expect annual sales of $1 million or more, which may be far beyond what many hotel dining spaces, especially in secondary or tertiary markets, can produce (Hall, 1997). According to Strate and Rappole (1997), the key factors of selecting a particular restaurant company from the perspective of hotels are similar business goals and corporate culture, the menu offered, on-going new menu development, proactive management style and support, restaurant décor, and training support. Strategic alliance is most successful when both sides are willing to work together and make concessions where possible.

There is no question that now and in the future more hotel and restaurant companies will establish strategic alliances. It is no longer financially feasible for a hotel restaurant

to be operated as just a support function to the hotel's lodging operations. The hotel restaurant must now be viewed as a selling point to generate increased room and restaurant revenues and managed as its own profit center where the goal is to maximize overall property profits (Strate & Rappole, 1997). To achieve a competitive edge, hotel companies must consider operating a franchised restaurant brand or leasing space within the hotel to a restaurant company. Doing so may improve customer perception and value, and increase the overall profitability of the property.

# CHAPTER 3

# RESEARCH METHOD AND PROCEDURES

The research method and procedures employed in conducting the study are presented and described in this chapter. The discussion includes the research design, the source of data, the instrument for data collection, the validity and reliability of the research instrument, the research procedures, and the method of data analysis.

## Research Design

While various research designs were suitable for examining organizational variables and strategic factors that relate to the success of strategic alliances, the present study was designed as a descriptive and correlational research. Further, it was used to examine the relationships between three key strategic alliance factors (partner selection, shared control structure, and subtle-issues management) and strategic alliance success. The following sections discuss the rationale for the research design.

First, this study addresses the question of the relationship between strategic alliance factors and the implementation of strategic alliances. The merits of several approaches were considered in evaluating alternative research strategies. A case and field-based approach would yield in-depth data on strategic alliances, but a small number of cases would provide insufficient evidence of the extent to which strategic alliance factors are important in contributing to the success of a strategic alliance. More importantly,

questions about strategic alliance implementation and the various factors contributing to success can best be addressed by investigating the relationships between the various strategic alliance factors and the strategic alliance success variables. Thus, given the purpose of the study, the nature of the problems, and the design alternatives appropriate for its investigation, descriptive-correlational research was an appropriate methodology.

Second, this study utilized descriptive and correlational analysis, using data collection primarily from a self-administered questionnaire distributed through mail to managers associated with strategic alliances. Although several data collection methods, including telephone and personal interviews, were possible for this study, a self-administered questionnaire research design, the most commonly used survey method, was chosen for several reasons: (a) various organizational and strategic variables could be measured efficiently with questionnaires. The purpose of the questionnaire was to identify the determinants of successful strategic alliance implementation as seen by managers. Although personal interviews with managers would provide the detailed descriptions considered necessary to understand a complex organizational phenomenon like a strategic alliance, the time and cost constraints of this method eliminated it from consideration for this study; (b) the questionnaire allowed managers the flexibility to respond at a convenient time. Most hotel managers were too busy for personal interviews. Getting them to give one or two hours from his or her schedules for a personal interview was difficult; (c) casino hotels involved in a strategic alliance with restaurant companies were spread across the United States. Therefore, mailed questionnaires were chosen to collect data. In addition, mailed questionnaires were chosen because they can be self-administering and made anonymous; and (d) the

collection of self-reported data from the key informants is appropriate as the managers involved in strategic alliances are the people who most fully understand the nature and dynamics of these alliance relationships.

The empirical model of the study included both independent variables and dependent variables. Independent variables are the strategic alliance factors that were divided into three categories: (1) partner selection, (2) shared control structure, and (3) subtle-issues management. Partner selection variables consisted of capability of partner, compatibility of partner, and commitment of partner. Further, shared control structure variables consisted of conflict and management difficulties. Lastly, subtle-issues management included reciprocity development and flexibility maintenance.

Dependent variables were strategic alliance success. Strategic alliance success consisted of managers' satisfaction with the overall performance of the alliance and perception of the overall success of his or her strategic alliance.

## Data Sources

The sources of information involved in the study are identified and described in this section. These include the target population, the samples, and the role of key informants. The target population of this study is all the U.S. casino hotel companies involved in strategic alliances with outside restaurant operators. There are several reasons why the casino hotels were chosen as the target population. First, hotel owners and operators are actively seeking outside help in operating on-premises restaurants because most hotel restaurants have been unprofitable, and it is hard to manage hotel restaurants in terms of staffing, training, and scheduling. Limited-service hotels, business hotels, and economy

hotels are choosing outside foodservice operators to meet guest needs, reduce operating costs, and focus on their main business – lodging. Since casino hotels are also actively exploring ways to help them focus on their main business of casinos and provide customers more dining options, casino hotels were selected as the target population.

Another very important reason the casino hotel companies were selected is since there are many strategic alliances in the hotel industry, it is neither feasible nor economical to take the entire hotel industry as a population and obtain a complete sampling frame for random sampling. Even if such a sampling were readily available, it was not feasible to draw a random sample from such a broad population in a realistic setting within a reasonable time frame. It would be too costly and time-consuming to complete such a survey. Therefore, given the study's objectives and research questions, a group of casino hotels was deemed appropriate.

For the research sample and the data obtained to be representative of the population, the sampling frame must also be representative of the population. The number of hotel rooms (more than 300 rooms) was used as a sample selection criterion because casino hotels with relatively small number of hotel rooms (less than 300 rooms) are not likely to participate in strategic alliances. For this study, the sample was U.S. casino hotels with more than 300 hotel rooms involved in strategic alliances with outside restaurant companies. The list and addresses of the casino hotels were obtained from the 1999 edition of Casino Business Directory. This source was chosen because it is recognized as a source of information on casino business including all the casino hotels in the U.S. Therefore, the sample chosen for this research included 264 U.S. casino hotels.

An important issue in this research is the use of key informants to provide

information. All of the respondents were those organizational members who were the most knowledgeable about the alliances. According to Neupert (1994), on average, one to three key executives within each organization were closely involved throughout the strategic alliance partner selection process and had access to the pertinent information. Therefore, the primary data in the present study were collected from the executives of the U.S. casino hotel companies. The initial contact person for each hotel was its vice president of hotel operation. If they were not available, other senior managers of hotel operation were contacted, such as director of hotel operation, director of food and beverage, or director of leasing.

A potential concern about the process used to select informants is that alliances are measured based on reports provided by a single individual. Phillips (1981) has questioned the reliability and validity of measures of organizational characteristics derived from reports by individuals. While the use of multiple informants is desirable, in situations like this study it is not feasible due to the difficulty associated with identifying knowledgeable individuals, eliciting their cooperation, and matching them to their alliance without compromising their confidentiality.

## Instrumentation

The instrument used in this research to measure the relationship between strategic alliance factors and strategic alliance success was a questionnaire initially developed by Cobianchi (1994) and Singsuwan (1995), and revised by the researcher, which is included in Appendix A. To increase the response, the questionnaire was accompanied with a cover letter that bore the University of Nevada, Las Vegas' letterhead. The cover letter

attached in Appendix A was issued under the name of the thesis chair and the researcher. The purpose of the cover letter is to define the focus of the study, present the nature of research, guarantee confidentiality of the information provided, solicit the participation of the hotels if they were involved in such alliances, and offer a summary report of the findings in return for participating in the study. In addition, to decrease the non-response rate, a preprinted and prepaid return envelope was enclosed to minimize the response cost to the proposed respondents.

There are five pages in the survey instrument. The survey instrument consisted of 54 questions and was structured into two parts. Itemized questions were the major response format in the first part of the questionnaire. A set of questions related to each factor contains closed-end Likert statements with five ordered response alternatives. In the second part, there were questions related to the basic information about the hotel (years of operation and number of restaurants), individual managers (position and current area of responsibility), and the nature of the strategic alliance for which the managers were working. In addition, the second part contained open-ended questions pertaining to managers' perceptions about his or her strategic alliance.

The first part consisted of five sections, A to E, with 38 questions in all. The questions in parts A to E are listed below:

A. Questions 1 to 11 measured the importance of partner selection criteria.

1. Partner's capability in terms of complementary resources contribution
2. Partner's capability in terms of complementary staff contribution
3. Partner's compatibility with your corporate culture
4. Partner's compatibility with your strategic objectives

5. Partner's compatibility with your management style

6. Partner's compatibility in your organizational structure

7. Partner's commitment in terms of resources

8. Partner's commitment in terms of information

9. Partner's commitment in terms of appropriate personnel contribution

10. Partner's commitment of top management in building the alliance

11. Partner's commitment of top management in managing the alliance

B. Question numbers 12 to 23 measured the problems of shared control structure.

12. Conflict about control of management

13. Conflict about the alliance objectives

14. Conflict of interest distribution

15. Conflict of benefit distribution

16. Conflict in consensus decision-making

17. Conflict due to corporate culture difference

18. Poor communication

19. High costs of time

20. High costs of resources

21. Unintended disclosure of strategy

22. Unintended disclosure of know-how

23. Compromises

C. Question numbers 24 to 29 measured the importance of subtle-issues management.

24. Reciprocal influence without full authority to command

25. Mutually beneficial accomplishment

26. Mutual trust

27. Flexible response to future problems

28. Flexible response to the strategic divergence of partner's interests

29. Cultural adjustment

D. Question numbers 30 to 36 measured the relationship with partner.

30. Business similarity with partner

31. Trust in strategic alliance

32. Personal commitment of top management in strategic alliance

33. Mutual respect in strategic alliance

34. Ethics in strategic alliance

35. Corporate culture similarity with partner

36. Communication in strategic alliance

E. Question numbers 37 to 38 measured the success of strategic alliance perceived by executives of the hotels.

37. Satisfaction with the overall performance of the alliance

38. Perception about the overall success of strategic alliance

The second part consisted of sixteen questions (numbers 39 to 54) dealing with the basic information about the hotels and the respondents, the nature of the strategic alliance, and the opinions of the respondents about their strategic alliance. The questions in the second part are listed below:

39. What is your title/position in the company?

40. What department of the company is your current area of responsibility?

41. How long has your company been in business?

42. How long has your company been in strategic alliance(s)?

43. How many restaurants does your company have?

44. How many restaurants are engaged in strategic alliance(s)?

45. How long is the average contract period of strategic alliance in your company?

46. In your opinion, why did your company enter this strategic alliance?

47. In your opinion, why did your company choose your partner for this strategic alliance?

48. Which one of the following categories best describes the type of your company's strategic alliance?

49. Which one of the following categories best describes the type of your partner company?

50. In your opinion, what are the key advantages of your company's strategic alliance?

51. In your opinion, what are the key disadvantages of your company's strategic alliance?

52. In your opinion, what did you expect from this strategic alliance?

53. In your opinion, what have you achieved in this strategic alliance that you had hoped to achieve?

54. In your opinion, what have you not achieved in this strategic alliance that you had hoped to achieve?

## Validity and Reliability of Instruments

An effort in conducting this study was made to reach valid conclusions about the relationships of various strategic alliance factors to strategic alliance performance and to

make valid generalizations about these conclusions. Although the questionnaire was analyzed for validity and used by Cobianchi (1994) and Singsuwan (1995), the researcher performed a theoretical validity analysis to determine that the items fitted with the conceptual domain of the constructs. An effort was made to ensure content validity and construct validity by pretesting the questionnaire. In pretesting a questionnaire, the participants were encouraged to provide evaluations of the questionnaire, and to make suggestions on factors and items that needed modification, change, deletion, or amplification.

The content validity of the instrument was individually assessed by two groups of experts. The first group consisted of six professors with the University of Nevada, Las Vegas: Dr. John T. Bowen, Dr. John Stefanelli, Dr. Curtis Love, Dr. Thomas Boyt, Dr. David Corsun, and Dr. Andy Feinstein. The first group reviewed and pretested the instrument for content validity and construct validity by independent determinations that each item was appropriate for measuring a variable required by the research questions. The first group was very helpful in developing a measurement scale and improving the flow of the questions. The pretest resulted in some small modification of ambiguous sentences and elimination of redundant words.

The second group of experts consisted of two practitioners. The instrument was pretested to ensure the sensitivity and the clarity of the questionnaire by personal interviews with two strategic alliance managers. One manager was the vice president of administration operations in a casino hotel, and the other was the executive director of leasing in a casino hotel. Both casino hotels were located in Las Vegas, Nevada. These experienced executives of the target casino hotel companies were asked to fill out

the survey questionnaire and to give feedback of the appropriateness of its length, format, and content. Both managers reviewed and tested the questionnaire, and provided useful recommendations that strengthened the content validity of the instrument.

After the adjustment and revision of items based on the suggestions made by these experts, statistical tests were used to assess the reliability of the instrument. Reliability is the extent to which measures are free from random error and yield consistent results. Cronbach's alpha was used after the collection of data to indicate the internal consistency of the various sub-scores of the instrument. Cronbach's alpha is the most commonly accepted formula for assessing the internal consistency of a multi-item measurement scale. Cronbach's alpha coefficients were calculated to estimate the reliability of sub-scores derived from the additive scale of the instrument and to test the reliability of the composite variables used in the instrument. Nunally (1978) suggests that values greater than .7 should be adequate. Churchill and Peter (1984) reported a Cronbach's alpha of .5 is used in marketing studies. The estimation of Cronbach's alpha for the three independent variables was greater than .7 in all sub-tests, suggesting the acceptability of the internal consistency reliability. Table 2 shows the value of the Cronbach's alpha for each of the composite variables.

Table 2 Cronbach's Alpha Coefficients for the Composite Variables

| Composite Variables | Number of Items | Cronbach's Alpha |
|---|---|---|
| Partner Selection | 11 | .7550 |
| Shared Control Structure | 12 | .9417 |
| Subtle-Issues Management | 6 | .7665 |

Finally, the cover letter, questionnaires, together with the informed consent also obtained the review and approval of the Office of Sponsored Programs.

## Research Procedures

This section explains the procedures used in collecting the data. It includes the distribution and collection of the instrument.

A questionnaire, cover letter, and return envelope were mailed to 264 U.S. casino hotels. Two rounds of follow-ups occurred after the initial mailing. The first follow-up was a one-page letter reminding the non-respondents to participate in the research. The second follow-up was also a letter explaining the importance of the study and reminding the non-respondents to participate in the research. Each follow-up letter was mailed along with questionnaire and return envelope.

Twelve questionnaires were returned due to undeliverable addresses. Of the remaining 252 hotels, 52 responded. The responses were divided between those who completed the questionnaire, and those who indicated that they did not have any alliance that met the rather restrictive qualifications. Thirty-five completed questionnaires were returned while seventeen hotels indicated they did not qualify. Thus, the response rate is 13.8%, or 35 valid respondents' questionnaires collected from 252 U.S. casino hotels

## Data Analysis

The summation of the response scores obtained from the set of questions related to each specific factor becomes each manager's composite perceptual score for that specific factor. Further, the score was utilized as an input when conducting various statistical

techniques employed to test the hypotheses and to investigate the relative importance of the factors. Pearson correlation coefficients were used to indicate the strength and significance of the relationship between the strategic alliance factors and the success variable. The Statistical Package for Social Science (SPSS) was utilized to analyze the data collected in the survey.

# CHAPTER 4

## FINDINGS OF THE STUDY

This chapter provides the research findings. Further, it presents the general characteristics of the alliances and hotels, the results of statistical data analysis pertaining to the relationship between the perceived success of strategic alliances, and strategic alliance factors. Lastly, it presents a summary of the results of survey questions requiring the opinions of the respondents. The first section provides the general characteristics of the alliances and hotels in the sample. The second section presents the results for the sub-elements of each strategic alliance factor to provide more complete coverage of the relationships between strategic alliance factors and strategic alliance success. The third section is a summary of the results of survey questions requiring the opinions of the 35 questionnaire respondents.

### The Characteristics of Sample

This section focuses on the characteristics of the strategic alliances and hotels in the sample.

#### Duration of Hotel Operation

As seen in Table 3 below, 25.7% of the hotels surveyed have been in business for 16-20 years. Additionally, 22.9% of the hotels surveyed have been in business for 26-30 years. Also, 60% of the hotels surveyed have been in business for less than 20 years.

Table 3 Duration of Hotel Operation (Number of Years)

| Number of Years | Frequency | Percent |
|---|---|---|
| Less than 1 year | 2 | 5.7 |
| 1 - 5 | 4 | 11.4 |
| 6-10 | 2 | 5.7 |
| 11-15 | 4 | 11.4 |
| 16-20 | 9 | 25.7 |
| 21-25 | 2 | 5.7 |
| 26-30 | 8 | 22.9 |
| More than 30 | 4 | 11.4 |
| Total | 35 | 100.0 |

## Duration of Strategic Alliance

From table 4, it is evident that most (71.4%) alliances in the sample are less than 5 years old. The number of alliances less than one year old is six or 17.1% of the sample.

Table 4 Duration of Strategic alliance (Number of Years)

| Number of Years | Frequency | Percent |
|---|---|---|
| less than 1 year | 6 | 17.1 |
| 1-5 | 19 | 54.3 |
| 6-10 | 4 | 11.4 |
| 11-15 | 4 | 11.4 |
| 26-30 | 2 | 5.7 |
| Total | 35 | 100.0 |

## Number of Restaurants in a Hotel

As shown in Table 5, 20 hotels (57.1 % of the sample) have less than six restaurants in a hotel. The number of hotels that have more than 12 restaurants is only three (8.6 % of the sample).

Table 5 Number of Restaurants in a Hotel

| Number of Restaurants | Frequency | Percent |
|---|---|---|
| 1-3 | 5 | 14.3 |
| 4-6 | 15 | 42.9 |
| 7-9 | 3 | 8.6 |
| 10-12 | 9 | 25.7 |
| More than 12 | 3 | 8.6 |
| Total | 35 | 100.0 |

## Number of Restaurants in Strategic Alliance

Table 6 shows that 62.9% of hotels that responded to this survey have fewer than three restaurants involved in strategic alliance. Only 8.6% of the respondent hotels have more than 12 restaurants involved in strategic alliance.

Table 6 Number of Restaurants in Strategic Alliance

| Number of Restaurants | Frequency | Percent |
|---|---|---|
| 1-3 | 22 | 62.9 |
| 4-6 | 6 | 17.1 |
| 7-9 | 4 | 11.4 |
| More than 12 | 3 | 8.6 |
| Total | 35 | 100.0 |

## Average Contract Period of Strategic Alliance

From Table 7, 19 hotels (54.3% of the sample) have an average contract period of 10 years or more. Only about 17% of the respondent hotels have contract period of three years or less.

Table 7 Average Contract Period of Strategic Alliance (Number of Years)

| Number of Years | Frequency | Percent |
|---|---|---|
| 1-3 | 6 | 17.1 |
| 4-6 | 8 | 22.9 |
| 7-9 | 2 | 5.7 |
| 10-12 | 15 | 42.9 |
| More than 12 | 4 | 11.4 |
| Total | 35 | 100.0 |

## Type of Strategic Alliance

From Table 8, it appears that most hotels in the sample use leasing as a type of strategic alliance. Franchising and management contracts are also commonly used by the sample for their strategic alliance. Some hotels indicated that they use several types of strategic alliance.

Table 8 Type of Strategic Alliance

| Type of Strategic Alliance | Frequency |
|---|---|
| Franchising | 8 |
| Leasing | 23 |
| Management Contract | 9 |
| Licensing Agreement | 3 |
| Other | 2 |
| Total | 45 |

## Type of Partner Company (Restaurant)

Table 9 shows that most hotels in the sample choose national brand restaurant companies as their partners. Some hotels indicated that they chose several types of restaurant companies as their partners.

Table 9 Type of Partner Company (Restaurant)

| Type of Partner Company | Frequency |
|---|---|
| National Brand | 26 |
| Regional Brand | 7 |
| Local Brand | 3 |
| Individual Operator | 11 |
| Other | 3 |
| Total | 50 |

## Hypothesis Testing

The results of three research hypotheses, together with their sub-hypotheses as stated in Chapter 1 are provided in the following section. The data included in the analysis were derived from the questionnaire (see Appendix A).

### The Results of Partner Selection Criteria and Success of the Strategic Alliance

Sub-hypothesis 1a predicted that there would be a positive relationship between the perceived importance of capability of the partners and the overall success of the strategic alliance. As shown in Table 10, there was a non-significant relationship between the capability of the partners and the success of the strategic alliance. Therefore, this sub-hypothesis 1a was not supported by the relationship between the capability of partners and the overall success of the strategic alliance.

Table 10 Pearson Correlation

| | | Success |
|---|---|---|
| Capability | Pearson Correlation | -.010 |
| | Sig. (1-tailed) | .477 |
| | N | 35 |

Sub-hypothesis 1b predicted that there would be a positive relationship between the perceived importance of compatibility of the partners and the overall success of the strategic alliance. The Pearson coefficient of correlation is presented in Table 11. As hypothesized, a significant positive correlation was found between the compatibility of the partners and the overall success measure. Thus, sub-hypothesis 1b was supported.

Table 11 Pearson Correlation

| | | Success |
|---|---|---|
| Compatibility | Pearson Correlation | .343 |
| | Sig. (1-tailed) | .022 |
| | N | 35 |

*Correlation is significant at the 0.05 level (1-tailed).

Sub-hypothesis 1c predicted that there would be a positive relationship between the perceived importance of commitment of the partners and the overall success of the strategic alliance. As shown in Table 12, there was a non-significant relationship between the commitment of the partners and the success of the strategic alliance. Therefore, sub-hypothesis 1c was not supported.

Table 12 Pearson Correlation

| | | Success |
|---|---|---|
| Commitment | Pearson Correlation | -.201 |
| | Sig. (1-tailed) | .123 |
| | N | 35 |

Consistent with the proposal of sub-hypotheses 1a through 1c, research hypothesis 1 predicted that there would be a positive relationship between the perceived importance of partner selection and the success of the strategic alliance. The analysis of the combined criteria of partner selection determined the following main result as shown in Table 13. There was a non-significant relationship between the perceived importance of partner selection and the success of the strategic alliance. Thus, research hypothesis 1 was not supported.

Table 13 Pearson Correlation

| | | Success |
|---|---|---|
| Partner | Pearson Correlation | .060 |
| | Sig. (1-tailed) | .366 |
| | N | 35 |

## The Results of Shared Control Structure and Success of the Strategic Alliance

Sub-hypothesis 2a predicted that there would be a negative relationship between the perceived harmfulness of conflicts occurring in shared control structure and the overall success of the strategic alliance. The Pearson correlation coefficients were shown in

Table 14. There was a significant negative correlation between the conflict and the success of strategic alliance. Thus, sub-hypothesis 2a was supported.

Table 14 Pearson Correlation

| | | Success |
|---|---|---|
| Conflict | Pearson Correlation | -.409 |
| | Sig. (1-tailed) | .007 |
| | N | 35 |

*Correlation is significant at the 0.01 level (1-tailed).

Sub-hypothesis 2b predicted that there would be a negative relationship between the perceived harmfulness of management difficulties occurring in shared control structure and the overall success of the strategic alliance. As shown in Table 15, there was a significant negative relationship between management difficulties occurring in shared control structure and the success of the strategic alliance. Therefore, sub-hypothesis 2b was supported.

Table 15 Pearson Correlation

| | | Success |
|---|---|---|
| Management Difficulties | Pearson Correlation | -.375 |
| | Sig. (1-tailed) | .013 |
| | N | 35 |

*Correlation is significant at the 0.05 level (1-tailed).

Consistent with sub-hypotheses 2a through 2b concerning the conflicts and management difficulties of the shared control structure and the strategic alliance success,

research hypothesis 2 predicted that there would be a negative relationship between the perceived problems of shared control structure and the success of strategic alliance. Greater harmfulness of conflict and management difficulty factors would be associated with less success of strategic alliance. Based on the result of the Pearson correlation coefficient of the combined factors of the shared control structure shown in Table 16, there was a significant negative correlation between the shared control structure and the success of the strategic alliance. Consequently, research hypothesis 2 was supported.

Table 16 Pearson Correlation

| | | Success |
|---|---|---|
| Control | Pearson Correlation | -.414 |
| | Sig. (1-tailed) | .007 |
| | N | 35 |

*Correlation is significant at the 0.01 level (1-tailed).

## The Results of Subtle-Issues Management and Success of the Strategic Alliance

Sub-hypothesis 3a predicted that there would be a positive relationship between the importance of reciprocity development in the partnership and the overall success of the strategic alliance. The result of the Pearson correlation coefficient analysis as shown in Table 17 showed a non-significant relationship between reciprocity development and the success measure. Thus, sub-hypothesis 3a was not supported by the result of the survey.

Table 17 Pearson Correlation

| | | Success |
|---|---|---|
| Reciprocity | Pearson Correlation | -.116 |
| | Sig. (1-tailed) | .254 |
| | N | 35 |

Sub-hypothesis 3b predicted that there would be a positive relationship between the importance of flexibility maintenance in the partnership and the overall success of the strategic alliance. As shown in Table 18, there was a non-significant relationship between flexibility maintenance and the success of the strategic alliance. Therefore, sub-hypothesis 3b was not supported by the result of the survey.

Table 18 Pearson Correlation

| | | Success |
|---|---|---|
| Flexibility | Pearson Correlation | -.011 |
| | Sig. (1-tailed) | .474 |
| | N | 35 |

Given that the subtle-issues management is suggested as a critical element of the success of the strategic alliance, research hypothesis 3 predicted that there would be a positive relationship between the importance of subtle-issues management and the success of the strategic alliance. The Pearson correlation coefficient of the combined issues of the subtle-issues management was presented in Table 19. As shown in Table 19, there was a non-significant relationship between the subtle-issues management and the success measure. Thus, research hypothesis 3 was not supported.

Table 19 Pearson Correlation

| | | Success |
|---|---|---|
| Subtle-Issues | Pearson Correlation | -.075 |
| | Sig. (1-tailed) | .335 |
| | N | 35 |

## Other Findings

The following is a summary of the results of survey questions requiring the opinions of the 35 questionnaire respondents.

Q46. In your opinion, why did your company enter this strategic alliance? Responses were as follows (3 respondents did not reply to this question). The most frequent answers for this question were product diversification, customer satisfaction, profit, and quality product. Some respondents provided multiple responses. (See Table 20)

Table 20 Reason for Entering Strategic Alliance

| Reason for entering strategic alliance | Number of Responses |
|---|---|
| Product diversification | 16 |
| Customer satisfaction | 15 |
| Profit | 13 |
| Quality product | 11 |
| Recognized brand name | 10 |
| Mutually beneficial opportunity | 8 |
| Financial problem | 6 |
| Staffing problem | 5 |
| Public relations | 3 |
| Branding | 3 |
| Local market need | 1 |
| Competition | 1 |

Q47. In your opinion, why did your company choose your partner? Responses were as follows (4 respondents did not answer this question). The most frequent answers for this question were product quality and product diversification. Some respondents provided multiple answers. (See Table 21)

Table 21 Reason for Choosing Partner Restaurant

| Reason for choosing partner restaurant | Number of responses |
| --- | --- |
| Product Quality | 13 |
| Product diversification | 11 |
| Partner reputation | 10 |
| Partner solid business success record | 8 |
| Partner experience | 6 |
| Product popularity | 5 |
| Demographic congruency | 4 |
| Partner flexibility | 3 |
| Partner integrity | 3 |
| Work business ethics | 2 |
| Partner food strategy | 1 |
| Type of cuisine requested by survey | 1 |
| Long standing relationship with partner | 1 |

Q50. In your opinion, what are the key advantages of your company's strategic alliance? Responses were as follows (5 respondents did not answer this question). The most frequent answers for this question were more business, publicity, and less management time in restaurant. Some respondents provided multiple responses. (See Table 22)

Table 22 Key Advantages of Strategic Alliance

| Key advantages of strategic alliance | Number of responses |
|---|---|
| More business (walk-in business) | 12 |
| Publicity | 9 |
| Less management time in restaurant | 8 |
| More options for guests | 7 |
| Brand name recognition | 7 |
| Quality food | 6 |
| Quality service | 5 |
| Customer satisfaction | 5 |
| Product diversification | 4 |
| Quick, less costly way to add a new restaurant | 2 |

Q51. In your opinion, what are the key disadvantages of your company's strategic alliance? Responses were as follows (7 respondents did not answer this question). The most frequent answers for this question were no control over food quality and service, no control over employees, and no control over menu price. Some respondents provided multiple answers. (See Table 23)

Table 23 Key Disadvantages of Strategic Alliance

| Key disadvantages of strategic alliance | Number of responses |
|---|---|
| No control over food quality and service | 9 |
| No control over employees | 8 |
| No control over menu price | 6 |
| Incongruity between corporate cultures | 6 |
| Disputes over responsibility | 5 |
| Revenue sharing | 4 |
| Total dependence upon the partner restaurant | 3 |
| Different goals | 3 |
| Lack of assertion to detail | 1 |
| Trash/Grease removal problems | 1 |
| No disadvantage | 5 |

Q52. In your opinion, what did you expect from this strategic alliance? Responses were as follows (6 respondents did not answer this question). The most frequent answers for this question were more business, profit, and more reputation. Some respondents provided multiple responses. (See Table 24)

Table 24 Expectation about Strategic Alliance

| Expectation about strategic alliance | Number of responses |
|---|---|
| More business (walk-in traffic) | 9 |
| Bottom line profit (increased revenue) | 8 |
| More reputation (name recognition) | 7 |
| Quality food | 6 |
| Customer satisfaction | 6 |
| Quality consistency | 4 |
| Ease of operation | 3 |
| Cooperation from top management | 1 |

Q53. In your opinion, what have you achieved in this strategic alliance that you had hoped to achieve? Responses were as follows (11 respondents did not answer this question). The most frequent answers for this question were increased revenue, increased publicity, and name recognition. Some respondents provided multiple answers. (See Table 25)

Table 25 Achievement of Strategic Alliance as Hoped to Achieve

| Achievement of strategic alliance as hoped to achieve | Number of responses |
|---|---|
| Increased revenue | 8 |
| Increased publicity | 6 |
| Name recognition | 6 |
| High visibility | 5 |
| Additional offerings for guests | 4 |
| Quality consistency (food/service) | 4 |
| Customer satisfaction· | 3 |
| Great cooperation | 2 |
| Saved capital expenses | 1 |

Q54. In your opinion, what have you not achieved in this strategic alliance that you had hoped to achieve? Twenty-five respondents did not answer this question and nine respondents answered that they achieved everything they had hoped to achieve. Some respondents provided multiple responses. (See Table 26)

Table 26 Failure to Achieve in Strategic Alliance

| Failure to achieve in strategic alliance | Number of responses |
|---|---|
| Reputation of quality food and service | 5 |
| Control over restaurant operation | 4 |
| Ease of operation | 3 |
| None | 9 |

## CHAPTER 5

## CONCLUSIONS AND RECOMMENDATIONS

This chapter discusses the resulting conclusions, the limitations of the study, the implication of the study, and the directions for the future research. The chapter is divided into four sections, and begins with a summary of the findings and a discussion of the conclusions drawn from the findings. Next is a discussion of limitations of the research. A discussion of the conceptual implications as well as a discussion of the managerial implications follows this. After a discussion of research implications, a final section includes the suggestions for the future research.

### Discussion of Results and Conclusions

This section presents the discussion of the conclusions based on the findings of the hypothesis testing. In addition, it discusses other findings of this study.

#### The Relationship between the Importance of Partner Selection and the Success of the Strategic Alliance

There was no significant relationship between the perceived importance of partner selection and the success of the strategic alliance between hotels and restaurants. Regarding research hypothesis 1, the findings of the U.S. casino hotels do not support the notion that partner selection was an important and determining factor to the success of the strategic alliance. Furthermore, the capability and commitment of partner were not

associated with the success of the strategic alliance. This suggests that partner selection is not a major source of concern and an important attribute to the success of the strategic alliance for the U.S. casino hotels. Moreover, they do not recognize the need to develop partner selection criteria in the partner selection process when hotels contemplate a strategic alliance, to identify a variety of potential partners, and to assess potential partner attributes, willingness, strength, and weakness with regard to the relevant and important criteria. Discussion of sub-hypothesis 1a through 1c will give further support for this argument.

The findings of sub-hypothesis 1a revealed no significant relationship between the perceived importance of capability of the partners and the success of strategic alliance. Thus the result does not provide support for sub-hypothesis 1a, and it cannot be concluded that the capability of the partners is important to the success of the strategic alliance. Although many U.S. casino hotels do not realize it, complementary resource and staff contributions are important criteria to be used when these casino hotels identify and evaluate their partners.

There was a significant positive relationship between the perceived importance of compatibility of the partners and the success of the strategic alliance. It can be concluded that the compatibility of the partners is important to the success of the strategic alliance. The higher the compatibility in corporate culture, strategic objectives, management process, and organizational structure between each participating partner in the strategic alliance, the greater the success of the strategic alliance. Some respondents who mentioned the key disadvantages of their company's strategic alliances were incongruity between corporate cultures and different strategic goals also explain this result.

Moreover, this result is consistent with the earlier findings of Bucklin and Sengupta (1993) who reported that the greater organizational compatibility between the firms and the potential partners could enhance the effectiveness of the alliance and the alliance commitment. The best relationships are established between firms of congruent cultural attitudes, objectives, and managerial procedures. It is necessary for both partners to believe and understand the meaning of an alliance in similar terms.

The findings of sub-hypothesis 1c revealed that there was no significant relationship between the perceived importance of commitment of the partners and the success of strategic alliance. The result does not provide support for sub-hypothesis 1c and can be concluded that the commitment of the partners is not important to the success of strategic alliance. American casino hotels do not recognize that partner's commitments in terms of resources, information, appropriate personnel contribution as well as partner's commitments of top management in building and managing the alliance are critical and determining factors for the success of strategic alliance with outside restaurant operators.

## The Relationship between the Problems of Shared Control Structure and the Success of the Strategic Alliance

Based on the findings, there was a significant negative relationship between the perceived problems of the shared control structure and the success of strategic alliance. The results provide support for research hypothesis 2. This provides support for the notion that when the problems of shared control structure increase, the success of strategic alliance tends to decrease. Respondents viewed that the division of ownership shares can lead to operational difficulties and problems of the business relationship which can cause the breakdown of the harmony of alliance and business relationship.

The following discussion of sub-hypothesis 2a and 2b will give further support for this argument.

The findings of sub-hypothesis 2a and 2b indicate that the success of the strategic alliance between hotels and restaurants substantially decreased as the harmfulness of conflict and management difficulties associated with the shared control structure increased, providing support for sub-hypothesis 2a and 2b. This suggests that the concept of a shared control structure is difficult and complex to implement since the desirability of having equally shared operational management and ownership of strategic alliance can cause management difficulties such as poor communication, misunderstanding, costly compromises, unintended transfer of knowledge and know-how, and other problems encountered. Major conflicts of benefits, culture, strategic objectives, and consensus decision-making can interfere with the negotiation of the alliance agreement and the long-term success of strategic alliance.

It can be further assumed that a possible reason for the harmfulness of conflict and management difficulties occurring in the shared control structure may in part be derived from the influence of cultural factor on the strategic alliance. Many of problems and misunderstandings in the shared control structure have their roots in the magnitude of cultural differences between partners. Cultural differences frequently can lead to failure to understand partners. Cultural values of the managers who came from different companies affect their capacity to agree on common ground at all stages of the development of strategic alliance. This is based on the argument made by Mead (1994) that cultural factors of each partner influence the likelihood of different groups of managers agreeing upon a range of factors including structural priorities, management

style, management plan, systems for communication, and assessment of alliance success and failure.

It is interesting to note that the degree of conflict in the shared control structure is sometimes perceived by each partner due to a misunderstanding of each other's behavior without the existence of real conflict. The more incompatible management style, goals, and decision-making process across partners and the more unfamiliar the partners are with one another, the higher the risk of such perceived conflicts. The intensity of conflict is also caused by cultural differences (Datta & Rasheed, 1993; Geringer, 1991; and Lane & Beamish, 1990). As conflict intensifies, perceptions become distorted and companies interpret everything according to their own cultural perspective (Geringer, 1991). In extreme cases, managers reject the various viewpoints and decrease communication. As a result, the success of strategic alliance between hotels and restaurants can be seriously and negatively affected.

There are several things that can be done to deal with the problems of conflict. The more problem solving orientation the partners have, the more they will perceive cooperation in the shared control structure. Some authors have mentioned that the success or failure of the cross-cultural management rests on the effective communication that plays a crucial role in the resolution of conflict since most conflicts in organizations can stem from failure to communicate (Black & Gregersen, 1997). Another way to coping with destructive conflict is that partners need to anticipate and identify the areas of conflict in advance, then include a mechanism to resolve conflict in the agreement (Lynch, 1993; Lane & Beamish; and Sherman, 1992). The final means of dealing with such conflict is through the maintenance of flexibility and development of reciprocity

(Lynch, 1993). These issues are the important elements in the management of any strategic partnerships.

## The Relationship between the Importance of Subtle-Issues Management and the Success of the Strategic Alliance

The results suggest that the significance of subtle-issues management is not a major concern for U.S. casino hotel managers, and the subtle-issues management with regard to the reciprocity development and the flexibility maintenance in the partnership are not the important attributes to the success of the strategic alliance between hotels and restaurants. These results do not support research hypothesis 3 as well as sub-hypothesis 3a and 3b. Discussion of sub-hypothesis 3a and 3b will give additional support for the above argument.

These findings reflect that respondents do not realize that it is increasingly necessary to mutually influence the partners without full authority to command and to realize the significance of mutual benefits, trust, and understanding if the strategic alliance is to be successfully implemented and managed. Although the maintenance of flexibility is an essential factor to the success of the strategic alliance, the concerns about the cultural adjustment and flexible response to the uncertainties and future problems and to the strategic divergence of partners' interest may not be seriously considered by respondents.

## Other Findings

The findings showed some insights about the strategic alliances between U.S. casino hotels and outside restaurants. It is interesting to see that six hotels among 35 sample hotels (17%) chose outside restaurant operators for all the restaurants inside their hotels. This implies that many hotel operators have seen internalized foodservice as a heavy

burden for their properties. Their arrangement with outside restaurant operators enables hotel operators to focus on their core casino business. Respondents emphasized that having outside restaurants on site can help deliver a well-rounded hospitality experience for their guests because the guests do not have to leave the building to enjoy the great food and service. Respondents answered that they chose their partners because they could offer quality food, an environment that customers enjoy, a respected and recognized name, and proven sales volume.

In addition, the respondents pointed out that having a recognized restaurant could bring more guests from other hotels as well as local patrons. The fact that most hotels in the sample chose national brand restaurant companies as their partners support this notion. Once customers have made a decision about a brand and its associations, they are often loyal to that brand, continue to buy it in the future, recommend it to friends, and choose the brand over others (Tepeci, 1999). Since customers prefer brand restaurants and hotels seek to fulfill the expectation of customers, hotels are more likely to select national brand restaurants over than other restaurants. In addition, hotels perceive that small restaurants may face more difficulties in producing high quality service and product and in attracting high-quality workers.

There are four basic types of strategic alliance options that can be established between hotels and restaurant operators. Among four options such as franchising, leasing, management contract, and licensing agreement, the first choice for the sample hotels is to use leasing. However, many respondents indicated that it is difficult to maintain full control of restaurant operations, products, and service through leasing agreement. Further, hotels could lose their reputation and recognition, or total quality levels of hotels

could drop during the term of the leasing agreement.

## Limitations of the Study

Since the data collection method in this empirical study was a mailed questionnaire survey, it was difficult to locate properties where involved in a strategic alliance. It was also difficult to choose qualified respondents and obtain their cooperation promptly and properly. Thus, despite two rounds of follow-ups, the response rate was relatively low (13.8%). Accordingly, the sample size was smaller than the researcher desired. The sample size of 35 respondents may not be reflective of the strategic alliances between U.S. casino hotels and restaurants.

## Implications

### Conceptual Implications

This study adds to the existing knowledge by demonstrating that the organizational and strategic factors pertaining to the strategic alliance play an important and effective role in the planning and the implementation of the strategic alliance. Especially, shared control structure appears to be a factor that significantly influences the success of the strategic alliance. The findings of this research show that the research model used in this study is applicable to the formation and management of strategic alliance and is useful in identifying the important elements that influence their performances.

This research contributes to the literature on strategic alliance from the partner selection perspective by empirically supporting several propositions related to the partner selection criteria. Some authors have proposed that even though partner selection could

be the determining factor in the success or failure of strategic alliance, it does not get the time and attention. This research found support for this proposition in that respondents did not realize the importance of the development of partner selection criteria to the selection of the right partner and the success of the strategic alliance. The concept of the importance of partner selection criteria to the successful strategic alliance has been stated by many authors including Cauley de la Sierra (1994), Geringer and Frayne (1993), Lewis (1990), and Yoshino and Rangan (1995). However, this study was not able to provide substantial empirical evidence from U.S. casino hotel perspectives to support this concept.

This study has contributed to the concept of the shared control of strategic alliance by clearly demonstrating that the problems of shared control structure represent the critical predictors of the performance of the strategic alliance. Moreover, the respondents suggested that the higher levels of conflict about equal managerial rights, objectives of the partnerships, sharing of benefits, consensus decision-making, and cultural differences can be associated with lower levels of harmonious cooperation and dissatisfaction with the business relationship. Geringer and Frayne (1993), Gomes-Casseres (1996), Harbison and Pekar, Jr. (1998), and Lynch (1993) stated the concept of conflicts and management difficulties linked to the shared control structure as the important problems of the implementation and management of the strategic alliance. Therefore, those concepts were given empirical validation by this study.

The findings did not contribute to the recognition of subtle-issues management as an important factor to the success of strategic alliance. Limerick and Cunnington (1993) suggested the concept of subtle-issues management was an essential element of effective

alliance management; however, the concept was not supported by this study. In addition, this study was not able to provide substantial empirical support for the concept of reciprocity development through reciprocal influence and exchange without full authority to command introduced by Cohen and Bradford (1989). Further, Baker (1994), Bergquist, Betwee and Meuel (1995), Conlon and Giovagnoli (1998), and Yoshino and Rangan (1995) underscored the mutual trust, mutual understanding, and mutual benefits as the basic elements in cooperative alliances. This study was not able to empirically validate this notion, but some respondents supported this notion by their comments.

The findings did not support the concept of cultural flexibility pointed out by Lewis (1990), the concept of the flexible response to future problems proposed by Badaracco (1991) and Schermerhorn, Hunt, and Osborn (1994), and the concept of the flexible response to the strategic divergence of partners' interests identified by Bergquist, Betwee, and Meuel (1995) and Yoshino and Rangan (1995). Therefore, the findings have not contributed to the body of knowledge on strategic alliance from flexibility perspectives that flexibility maintenance is a key management factor of strategic alliance.

## Managerial Implications

The research contributed practical insights for hotel managers in charge of strategic alliance with restaurants. The knowledge about the relationship between the strategic alliance factors and the success of the strategic alliance can be used by managers to understand those primary factors that contribute substantially to the long-term success of the strategic alliance. By thoroughly examining the effectiveness and the importance of strategic alliance factors to the implementation and management of strategic alliance, particularly U.S. casino hotels can use the results as a guideline in the design, planning,

development, and management of their own strategic alliances with outside restaurant companies. The findings of this study have notable implications for managers as they develop and implement their strategic alliances.

This research found that the shared control structure to be the strongest predictor of success and revealed that the conflicts due to shared control structure can be very harmful to the harmony and effective business relationship among the partners. This knowledge can be used by the managers to gain a sense of the importance of conflict resolution, compatibility, reciprocity development, and flexibility maintenance between the partners in the shared control structure. The shared control structure can represent an effective management control system if each partner does not focus solely on its own self-interests, but instead encourages the other partner to achieve complementary strategic objectives.

This study indicated that harmfulness of conflicts and management difficulties occurred in a shared control structure was associated with an unsuccessful strategic alliance between hotels and restaurants. Certainly, this knowledge can aid hotel managers to recognize the potentially serious disadvantages of a shared control structure. The mere equal division of the control and ownership in the control structure does not guarantee success. Unless hotel managers are alert to and consciously aware of the levels of cultural differences, potential conflict, and poor communication, the risks of failure increase enormously. Therefore, hotel managers need to better plan the shared control structure. Building respect for the partner's objectives and desire based on the belief of mutual trust and mutual benefit can lead to more successful long-term strategic alliance.

The research has not shown that partner selection was the strong determinant of success. However, the knowledge about the importance of partner selection is still useful

to hotel managers when they seek and collect data on several prospective partners to form the alliance. Strategic alliances between hotels and restaurants prosper when partners are chosen carefully and relationships are structured toward balance. Hotel managers can maximize the benefits of strategic alliance with outside restaurants by selecting a restaurant with complementary resources and staff, compatible corporate cultures, strategic objectives, management style, and organizational structure, and mutual long-term commitment in terms of resources and personnel contribution.

Among partner selection criteria, hotel managers should focus on a partner's compatibility to establish successful strategic alliance with restaurants. Many hotel managers answered that they chose their partner restaurants since their partners had compatible corporate cultures, strategic objectives, management style, and organizational structure. It is clearly advisable to develop an understanding of a potential partner's business philosophy and culture before engaging in the alliance to ensure effective working relations.

In addition, as part of the partner selection process, hotel managers should articulate the alliance drivers-the benefits anticipated-for both their hotels and the prospective partner restaurants. Most alliance partners have complementary drivers, but that does not mean that these drivers are the same. Taking each partner's needs into account helps build trust and starts the relationship building and the bargaining on a solid basis (Harbison & Pekar Jr, 1998). Anticipating each partner's reactions and being able to see things from that partner's perspective can help keep lines of communication open when difficulties arise.

## Recommendations for Future Research

Several extensions of the current research can be followed by future researchers. The research can be continued by following up on the selected alliances as case studies. There were several respondent hotels that expressed a willingness to be the sites for case studies. If the use of multiple informants is included in the case studies, this could provide a richer learning opportunity, reduce single source bias, and strengthen internal validity. These case studies could be used by hotel managers to better understand the dynamics of the alliances.

A multi-method approach for data collection can be a research extension that may provide a richer exploration of the success and failure of the strategic alliance. In addition to mailed questionnaires, a future study could employ a multi-stage, multi-method approach such as a personal interview of a case study which seeks to compound the discrete advantages of the methods, offset their inherent disadvantages, determine the longitudinal effects, and achieve a deeper understanding and more definitive conclusions about the impact of strategic alliance factors on the alliance performance.

Another obvious extension for future research would involve reproducing this research by adjusting the criteria to select data sources. A larger sample size would add to the power of the analysis that in turn would generate more definitive results. This study focused on a single partner-hotel in the alliance between hotels and restaurants. Given the reciprocal nature of interorganizational behaviors (Anderson & Weitz, 1989), future research would be fruitful if it includes both partners - hotels and restaurants in the alliance. Having both sides of the alliance would allow different perceptions of the determinants of successful strategic alliance.

Finally, it would be interesting to add productivity measures to this research model such as market share, return on sales, and level of revenues and examine such measures together with the perceptual or subjective measures by using case analyses or survey research. A study that focuses on examining the multiple measures of strategic alliance performance could be advantageous for at least two ways. The first is that assessing both subjective and productive measures would provide more insights of whether the two types of performance measures provide the same results. This could provide the information about the reliability and comparability of the various strategic alliance performance measures. Second, it would increase the knowledge and a better understanding of the relationships between the strategic alliance factors and the various performances of the strategic alliance.

# APPENDIX A

## Cover Letter and Research Instrument

May 9, 2000

«FirstName» «LastName»
«JobTitle»
«Company»
«Address1»
«City», «State» «PostalCode»

Dear «FirstName»:

Over the years, hotel restaurants have often been managed as a secondary function of the hotel that is, as a costly amenity rather than a revenue center. Today, however, many hotel companies are rethinking how to integrate food and beverage services into lodging facilities. In the process of doing so, hotels are opting to franchise a restaurant brand or to lease space to a restaurant company. Especially for hotels, it allows hotel operators to focus on their core business – lodging – while adding value to their guests' experience with established restaurant brands.

I am a graduate student of Hotel Administration at University of Nevada, Las Vegas. My thesis research studies the formation and implementation of strategic alliances (i.e., franchising, leasing, or management contract) between casino hotels and restaurants. The study attempts to determine what factors are related to the success of an alliance, and their possible impacts on performances.

If your company has been or is currently involved in a strategic alliance with restaurant companies, I would like you to participate. If you are not the person who is primarily responsible for strategic alliance, please forward this to the appropriate person. Your participation in the study is entirely voluntary and your responses will be kept strictly confidential. The questionnaire should take about 10-15 minutes to complete. Please complete and return your survey by **May 31** in the enclosed postage-paid envelope. A summary of the results will be sent to you by e-mail or by mail upon request. If you would like a copy of the results, please include a business card with your completed survey.

I realize that your time is at a premium and hope that you will assist me in this research. If you have any questions or comments, please contact me.
Thanking you in advance, I am very appreciative of your support.

Sincerely,

Hyunjung Kwon

Hyunjung Kwon, M.S. Candidate
kwonh2@hotmail.com
Tel:702-696-9687

John T. Bowen, Ph.D., Thesis Chairman
bowen@ccmail.nevada.edu
Tel:702-895-0876

November 27, 2000

«FirstName» «LastName»
«JobTitle»
«Company»
«Address1»
«City», «State» «PostalCode»

Dear «FirstName»:

Several weeks ago you should have received a mail questionnaire which requested your participation in a survey on strategic alliances between hotels and restaurants.
If you have already mailed your completed survey, thank you for your valuable assistance.
If you have not completed your survey, we hope that you consider investing a few moments of your time to help me. This survey is specific to the hotel and restaurant industry and **your participation is crucial to the success of this study**.

Your participation in the study is entirely voluntary and responses will be kept strictly confidential. The majority of the questions can be answered by simply checking a box, and we estimate it will take 10 minutes to complete. If you are not the person who is primarily responsible for strategic alliance, please forward this to the appropriate person. **Please return your survey by September 29** in the enclosed postage-paid envelope. A summary of the results will be sent to you via email or if you request, through the postal service.

We realize that your time is valuable and hope that you will assist us in this research. If you have any questions or comments, please contact me. Thank you for your consideration.

Sincerely,

Hyunjung Kwon

Hyunjung Kwon, M.S. Candidate
kwonh2@hotmail.com
Tel:702-696-9687

John T. Bowen, Ph.D., Thesis Chairman
bowen@ccmail.nevada.edu
Tel:702-895-0876

Strategic alliance, in the context of this research study, means any franchising agreement, leasing agreement or management agreement between hotel companies and restaurant companies. The purpose is long-term cooperation agreements in which the partners' cooperative effort will synergize their collective resources to yield a mutual benefit greater than their independent efforts in maintaining a competitive position or gaining a competitive advantage. Please respond to the questionnaire in terms of your company's most significant strategic alliance.

## PART I

**A.The following questions relate to the attributes of a strategic alliance partner.**

How important has each of the following areas of your partner's capability been in contributing to the success of the strategic alliance?

| Areas | Very Important | Important | Neither Important nor Unimportant | Unimportant | Very unimportant |
|---|---|---|---|---|---|
| 1. Partner's capability in terms of complementary resources contribution | | | | | |
| 2. Partner's capability in terms of complementray staff contribution | | | | | |

How important has each of the following areas of your partner's compatibility been in contributing to the success of the strategic alliance?

| Areas | Very Important | Important | Neither Important nor Unimportant | Unimportant | Very Unimportant |
|---|---|---|---|---|---|
| 3.Partner's compatibility with your corporate culture | | | | | |
| 4.Partner's compatibility with your strategic objectives | | | | | |
| 5.Partner's compatibility with your management style | | | | | |
| 6.Partner's compatibility in your organizational structure | | | | | |

How important has each of the following areas of your partner's commitment been in contributing to the success of the strategic alliance?

| Areas | Very Important | Important | Neither Important nor Unimportant | Unimportant | Very Unimportant |
|---|---|---|---|---|---|
| 7. Partner's commitment in terms of resources | | | | | |
| 8. Partner's commitment in terms of information | | | | | |
| 9. Partner's commitment in terms of appropriate personnel contribution | | | | | |
| 10. Partner's commitment of top management in building the alliance | | | | | |
| 11. Partner's commitment of top management in managing the alliance | | | | | |

**B. The following questions relate to the problem of shared control structure of the strategic alliance.**

How harmful has each of the following factors of conflict been to the success of the strategic alliance?

| Areas | Very Harmful | Harmful | Neither Harmful nor Harmless | Harmless | Very Harmless |
|---|---|---|---|---|---|
| 12. Conflict about control of management | | | | | |
| 13. Conflict about the alliance objectives | | | | | |
| 14. Conflict of interest distribution | | | | | |
| 15. Conflict of benefit distribution | | | | | |
| 16. Conflict in consensus decision-making | | | | | |
| 17. Conflict due to corporate culture difference | | | | | |

How harmful has each of the following factors of management difficulties been to the success of the strategic alliance?

| Areas | Very Harmful | Harmful | Neither Harmful nor Harmless | Harmless | Very Harmless |
|---|---|---|---|---|---|
| 18. Poor communication | | | | | |
| 19. High costs of time | | | | | |
| 20. High costs of resources | | | | | |
| 21. Unintended disclosure of strategy | | | | | |
| 22. Unintended disclosure of know-how | | | | | |
| 23. Compromises | | | | | |

**C. The following questions relate to the subtle-issues management of the strategic alliance.**

How important has each of the following areas of reciprocity development been in contributing to the success of the strategic alliance?

| Areas | Very Important | Important | Neither Important nor Unimportant | Unimportant | Very Unimportant |
|---|---|---|---|---|---|
| 24. Reciprocal influence without full authority to command | | | | | |
| 25. Mutually beneficial accomplishment | | | | | |
| 26. Mutual trust | | | | | |

How important has each of the following areas of flexibility maintenance been in contributing to the success of the strategic alliance?

| Areas | Very Important | Important | Neither Important nor Unimportant | Unimportant | Very Unimportant |
|---|---|---|---|---|---|
| 27. Flexible response to future problems | | | | | |
| 28. Flexible response to the strategic divergence of partner's interests | | | | | |
| 29. Cultural adjustment | | | | | |

**D. The following questions relate to the relationships between your company and your partner.**

How much the strategic alliance attributes are there between your company and your partner?

| Areas | An Extremely High Level | A High Level | A Moderate Level | Very Little | None | Don't Know |
|---|---|---|---|---|---|---|
| 30.Business similarity (i.e., market and consumer) | | | | | | |
| 31.Mutual trust | | | | | | |
| 32.Personal commitment of senior level management | | | | | | |
| 33.Mutual respect | | | | | | |
| 34.Ethics | | | | | | |
| 35.Corporate cultural similarity | | | | | | |
| 36.Communication | | | | | | |

**E. The following questions relate to the strategic alliance performance between your company and your partner.**

37. Which one of the following statements best describes your satisfaction with the overall performance of the alliance?

❑Very satisfactory ❑Satisfactory ❑Neutral
❑Unsatisfactory ❑Very unsatisfactory ❑Don't know

38. How would you rate the overall success of your strategic alliance?

❑High success ❑Success ❑Neutral
❑Failure ❑High Failure ❑Don't know

**PART II**

39. What is your title/position in the company? ______________________________

40. What department of the company is your current area of responsibility?
❑General management ❑Marketing ❑Operation
❑Food & Beverage ❑Other (please specify)___________

41. How long has your company been in business? ___________years

42. How long has your company been in strategic alliance (s)? _________years

43. How many restaurants does your company have? __________restaurant(s)

44. How many restaurants are engaged in strategic alliance (s)? _____________

45. How long is the average contract period of strategic alliance in your company?
__________years

46. In your opinion, why did your company enter this strategic alliance?
_____________________________________________________________________________
_____________________________________________________________________________
_________________________________________________________

47. In your opinion, why did your company choose your partner for the strategic alliance?
_____________________________________________________________________________
_____________________________________________________________________________
_________________________________________________________

48. Which one of the following categories best describes the type of your company's strategic alliance?
❑Franchising ❑Leasing ❑Management contract
❑Licensing Agreement ❑Other (please specify)_______________

49. Which one of the following categories best describes the type of your partner company?
❑National brand (Top 50) ❑Regional brand ❑Local brand
❑Individual operator ❑Other (please specify) _____________

50. In your opinion, what are the key advantages of your company's strategic alliance?
_____________________________________________________________________________
_____________________________________________________________________________
_________________________________________________________

51. In your opinion, what are the key disadvantages of your company's strategic alliance?

52. In your opinion, what did you expect from this strategic alliance?

53. In your opinion, what have you achieved in this strategic alliance that you had hoped to achieve?

54. In your opinion, what have you not achieved in this strategic alliance that you had hoped to achieve?

**Thank you very much for your help and cooperation**

**Please return the survey in the postage paid envelope**

You may be assured of complete confidentuality. The questionnaire has an identification number for mailing purposes only. This is so that we may delete your name from the mailing list on receipt of your survey. Your name will never be placed on the questionnaire form.

APPENDIX B

Approval Form

UNLV
UNIVERSITY OF NEVADA LAS VEGAS

DATE: May 2, 2000

TO: Hyunjung Kwon
Food and Beverage Department
M/S 6022

FROM: Dr. William E. Schulze, Director
Office of Sponsored Programs (x1357)

RE: Status of Human Subject Protocol Entitled:
"Strategic Alliances between Hotel and Restaurants"

OSP # 603s0500-031

---

This memorandum is official notification that the protocol for the project referenced above has been approved by the Office of Sponsored Programs. The approval is for a period of one year from the date of this notification and work on the project may proceed.

Should the use of human subjects described in this protocol continue beyond a year from the date of this notification, it will be necessary to request an extension.

If you have any questions or require assistance, please contact the Office of Sponsored Programs at 895-1357.

cc: OSP File

Office of Sponsored Programs
4505 Maryland Parkway • Box 451037 • Las Vegas, Nevada 89154-1037
(702) 895-1357 • FAX (702) 895-4242

## BIBLIOGRAPHY


Anderson, E. and Weitz, B. (1989). Determinants of continuity in conventional industrial channel dyads. Marketing Science, 8 (4), 310-323.

Assael, H. (1991). Consumer Behavior and Marketing Action. Boston, MA: PWS-KENT.

Badaracco, J. L. (1991). The Knowledge Link: How Firms Compete Through Strategic Alliance. Boston, MA: Harvard Business School Press.

Baker, W. E. (1994). Networking Smart: How to Build Relationships for Personal and Organizational Success. New York, NY: McGraw-Hill.

Battaglia, A. (2000). Bennigan's, Ramada sign pact sparking individual growth plans. Nation's Restaurant News, 10 (6), 8.

Bergquist, W., Betwee, J., and Meuel, D. (1995). Building Strategic Relationships: How to Extend Your Organization's Reach Through Partnership, Alliances, and Joint Ventures. San Francisco, CA: Jossey-Bass Publishers.

Berthon, P., Hulbert, J. M. and Pitt, L. F. (1999). Brand management prognostications. Sloan Management Review, 40(2), 53-72.

Black, J. S. and Gregersen, H. B. (1997). International Management Behavior. Cambridge, MA: Blackwell Publishers.

Blackett, T. and Boad, B. (1999). Co-Branding (The Science of Alliance). New York, NY: St. Martin's Press.

Bleeke, J. and Ernst, D. eds. (1993). Collaborating to Compete: Using Strategic Alliances and Acquisitions in the Global Marketplace. New York, NY: John Wiley & Sons.

Boone, J. M. (1997). Hotel-restaurant co-branding – a preliminary study. Cornell Hotel & Restaurant Administration Quarterly, 38 (5), 34.

Brumback, N. (1998). Inn style. Restaurant Business, 47.

Bucklin, L. P. and Sengupta, S. (1993). Organizing successful co-marketing alliances. Journal of Marketing, 57, 32-46.

Cauley de la Sierra, M. (1994). Best Practice: Strategic Alliances. New York, NY: The Economist Intelligence Unit.

Child, J. and Faulkner, D. (1998). Strategies of Cooperation. New York, NY: Oxford University Press.

Churchill, G. A. and Peter, J. P. (1984). Research design effects on the reliability of rating scales: a meta-analysis. Journal of Marketing Research, 21, 360-375.

Cobianchi, T. T. (1994). Relationships between Strategic Alliance Factors and Strategic Alliance Success. D.B.A. dissertation, United States International University, San Diego.

Cohen, A. R. and Bradford, D. L. (1989). Influence without authority: the use of alliances, reciprocity, and exchange to accomplish work. Organizational Dynamics, 17(3), 4-17.

Collins, T. M. and Doorley III, T. L. (1991). Teaming Up for the 90s: A Guide to International Joint Ventures and Strategic Alliances. Homewood, IL: The Book Press.

Conlon, J. K. and Giovagnoli, M. (1998). The Power of Two. San Francisco: Jossey-Bass Publishers.

Culpan, R, ed. (1993). "Multinational Competition and Cooperation: Theory and Practice." Multinational Strategic Alliances. New York, NY: International Business Press.

Culpan, R. and Kostelac, E. A. (1993). "Cross-National Corporate Partnerships: Trends in Alliance Formation." Multinational Strategic Alliances. Edited by Culpan, R. New York, NY: International Business Press.

Daniels, J. D. and Magill, S. (1993). "Protection of Competitive Advantage in U.S./Asia-Pacific Joint Ventures from High-Technology Industries." Multinational Strategic Alliances. Edited by Culpan, R. New York, NY: International Business Press.

Datta, D. K. (1991). "International Joint Ventures: A Framework for Analysis." Global Strategic Management: The Essentials. Edited by Vernon-Wortzel, H. and Wortzel, L. H. New York, NY: John Wiley & Sons.

Datta, D. K. and Rasheed, A. M. A. (1993). "Planning International Joint Ventures: The Role of Human Resource Management." Multinational Strategic Alliances. Edited by Culpan, R. New York, NY: International Business Press.

Deluca, M. (1989). Please lease me. Restaurant Hospitality, 20,138-149.

Dignam, C. (1999). The beginning of a profitable friendship. Marketing, 15-18.

Doz, Y. L. and Prahalad, C. K. (1981). An approach to strategic control in MNCs. Sloan Management Review, 3, 5-13.

Ehrenberg, A.S.C., Goodhardt, G.J., and Arwise, T. P. (1990). Double jeopardy revisited. Journal of Marketing, 54(3), 82-91.

Evans, P., Doz, Y., and Laurent, A. (1989). Human Resource Management in International Firms. London: The Macmillan Press.

Falbo, B. (1997). Carlson sells Country Kitchen; co-branding remains priority. Hotel & Motel Management, 212 (15), 1-2.

Forrest, J. E. (1992). Management aspects of strategic partnering. Journal of General Management, 17, 25-40.

Franko, L. G. (1971). Joint Venture Survival in Multinational Corporations. New York, NY: Praeger.

Garai, G. (1999). Leveraging the rewards of strategic alliances. Journal of Business Strategy, 2, 24-27.

Geringer, J. M. (1991). International Management Behavior: From Policy to Practice. Boston, MA: PWS-KENT Publishing Company

Geringer, J. M. (1993). "Ownership and Control in East-West Joint Ventures." Multinational Strategic Alliances. Edited by Refik Culpan. New York, NY: International Business Press.

Geringer, J. M. and Frayne, C. A. (1990). Human resource management and international joint venture control: a parent company perspective. Management International Review, 30, 103-118.

Geringer, J. M and Frayne, C. A. (1993). Implementing Strategic Processes: Change, Learning, and Co-operation. Cambridge, MA: Blackwell Publishers.

Geringer, J. M. and Hebert, L. (1989). Control and performance of international joint ventures. Journal of International Business Studies, 3, 235-254.

Geringer, J. M. and Hebert, L. (1991). Measuring performance of international joint ventures. Journal of International Business Studies, 22 (2), 145-178.

Gomes-Casseres, B. (1987). Joint venture instability: Is it a problem. The Columbia Journal of World Business.

Gomes-Casseres, B. (1994). Group Versus Group: How Alliance Networks Compete. Harvard Business Review, 3, 62-75.

Gomes-Casseres, B. (1996). The Alliance Revolution. Cambridge, MA: Harvard University Press.

Green, A. S., Brupbacher, J., and Goldheim, D. (1993). Allying with Alloys: Strategic Partnering Aids Technology Transfer. Boston, MA: Auerbach Publications.

Gugler, P. (1992). Building transnational alliances to create competitive advantage. Long Range Planning. 25 (1), 90-99.

Hall, S. B. (1997). Passion & purpose (alliances between restaurants and hotels). Hotel & Motel Management, 212 (19), 57-60.

Hamel, G., Doz, Y., and Prahalad, C. K. (1989). Collaborate with our competitors and win. Harvard Business Review, 67, 133-139.

Harbison, J. R. and Pekar Jr, P. (1998). Smart Alliances. San Francisco, CA: Jossey-Bass Publishers.

Harrigan, K. R. (1985). Strategies for Joint Ventures. Lexington, MA: Lexington Books.

Harrigan, K. R. (1986). Managing for Joint Venture Success. Lexington, MA: Lexington Books.

Hendry, C. (1994). Human Resource Strategies for International Growth. New York, NY: Routledge.

Heskamp, T. (1999). Starting with the basics. FoodService Director, 111-112.

Hunger, J. D. and Wheelen, T. L. (1993). Strategic Management. New York, NY: Addison-Westey Publishing Company.

Inkpen, A. C. (1995). The Management of International Joint Ventures: An Organizational Learning Perspective. New York, NY: Routledge.

Kanter, R. M. (1994). Collaborative advantage: the art of alliances. Harvard Business Review, 3, 96-108.

Kerlinger, F. N. (1992). Foundation of Behavioral Research. Orlando, FL: Harcourt Brace College Publishers.

Killing, J. P. (1982). How to make a global joint venture work. Harvard Business Review, 21, 96-108.

Killing, J. P. (1983). Strategies for Joint Venture Success. New York, NY: Praeger.

Kogut, B. (1988). Joint ventures: theoretical and empirical perspectives. Strategic Management Journal, 9, 319-332.

Lane, H. W. and Beamish, P. W. (1990). Cross-cultural cooperative behavior in joint ventures in LDCs. Management International Review, 30, 87-102.

Lau, R. (1994). Why everyone wants to know more about strategic alliances. Broker World. 2, 48-54.

Lecraw, D. J. (1983). Performing of transnational corporation in less developed countries. Journal of International Business Studies, 14 (1), 15-33.

Lewis, J. D. (1990). Partnerships for Profit: Structuring and Managing Strategic Alliances. New York, NY: The Free Press.

Limerick. D. and Cunnington, B. (1993). Managing the New Organization: A Blueprint for Networks and Strategic Alliances. San Francisco, CA: Jossey-Bass.

Lorange, P. (1993). Implementing Strategic Processes: Change, Learning & Co-operation. Cambridge, MA: Blackwell Publishers.

Lorange, P. and Roos, J. (1991). Why some strategic alliances succeed and others fail. Journal of Business Strategy, 12, 25-30.

Lorange, P. and Roos, J. (1992). Strategic Alliances: Formation, Implementation, and Evolution. Cambridge, MA: Blackwell Publishers.

Lorenzini, B. (1996). A trio of trends to bank on. Restaurants & Institutions, 106(3), 76-78.

Lynch, R. P. (1990). Building alliances to penetrate European markets. The Journal of Business Strategy, 3, 4-8.

Lynch, R. P. (1993). Business Alliances Guide: The Hidden Competitive Weapon. New York, NY: John Wiley & Sons.

Mead, R. (1994). International Management Cross-Cultural Dimensions. Cambridge, MA: Blackwell Publishers.

Mohr, J. and Spekman, R. (1994). Characteristics of partnerships success: partnership attributes, communication behavior, and conflict resolution techniques. Strategic Management Journal, 2. 135-152.

Moran, R. T., Harris, P. R., and Stripp, W. G. (1993). Developing the Global Organization: Strategies for Human Resource Professional. Houston, TX: Gulf Publishing Company.

Murray, A. I., and Siehl, C. (1989). Joint Ventures and Other Alliances: Creating a Successful Cooperative Linkage. Morristown, NJ: Financial Executives Research Foundation.

Neupert, K. E. (1994). Implementing Strategic Buyer-Supplier Alliances for Product Development. Ph.D. dissertation, The University of Western Ontario.

Nunnally, J. (1978). Psychometric Theory. New York, NY: McGraw-Hill.

Ohmae, K. (1989). The global logic of strategic alliances. Harvard Business Review. 143-154.

Parseghian, P. (1996). Branding offers hotels opportunity to increase food sales (hotels with brand-name restaurants). Nation's Restaurant News, 30 (23), 96.

Permutter, H. W. and Heenan, D. A. (1986). Cooperate to compete globally. Harvard Business Review, 136-142.

Phillips, L. W. (1981). Assessing measurement error in key informant reports: a methodological note on organizational analysis in marketing. Journal of Marketing Research, 18, 395-415.

Rao, A. R., Qu, L. and Ruekert, R.W. (1999). Signaling unobservable product quality through a brand ally. Journal of Marketing Research, 36(2), 258-282.

Ruggless, R. (1997). Upbeat times spur hotel chains to make room for brands, trendier concepts. Nation's Restaurant News, 31 (25), 176-179.

Saxton, T. (1997). The effects of partner and relationship characteristics on alliance outcomes. Academy of Management Journal, 41 (2), 443-462.

Sayles, L. R. (1993). The Working Leader: The Triumph of High Performance over Conventional Management Principles. New York, NY: The Free Press.

Schermerhorn, J. R., Hunt, J. G., and Osborn, R. N. (1994). Managing Organizational Behavior. New York, NY: John Wiley & Sons.

Segil, L. (1996). Intelligent Business Alliances. New York, NY: Random House.

Sherman, S. (1992). Are strategic alliances working? Fortune, 3, 77-78.

Silver, J. (1993). Strategic Partnership. New York, NY: The Dye Press.

Singsuwan, K. A. (1995). The Study of the Relationships between Strategic Alliance Success Factors and Business Performances in U.S. and Thai Diversified Firms. D.B.A. dissertation, United States International University, San Diego.

Steward, C. (1999). Developing Strategic Partnerships. Brookfield, VT: Gower.

Strate, R. W. and Rappole, C. L. (1997). Strategic alliances between hotels and restaurants. Cornell Hotel & Restaurant Administration Quarterly, 38 (3), 50-62.

Taylor, S. P. (1997). Food for thought. Lodging Hospitality, 53(12), 45-46.

Tepeci, M. (1999). Increasing brand loyalty in the hospitality industry. International Journal of Contemporary Hospitality Management, 11(5), 223-229.

Yoshino, M. Y. and Rangan, U. S. (1995). Strategic Alliances. Boston, MA: Harvard Business School Press.

# VITA

Graduate College
University of Nevada, Las Vegas

Hyunjung Kwon

Home Address:
2121 E. Warm Springs Rd. #2088
Las Vegas, Nevada 89119

Degree:
Bachelor of Science, Food & Nutrition, 1996
Hanyang University

Thesis Title: The Relationships between Selected Strategic Alliance Factors and the Success of Strategic Alliances between U.S. Casino Hotels and Restaurants

Thesis Examination Committee:
Chairperson, Dr. John T. Bowen, Ph. D.
Committee Member, Dr. John Stefanelli, Ph. D.
Committee Member, Dr. Curtis Love, Ph. D.
Graduate Faculty Representative, Dr. Thomas Boyt, Ph. D.