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**THE MODERATING ROLE OF ALLIANCE SCOPE IN SOLVING
PARTNER DIFFERENCES AND DILEMMA OF COOPERATIVE FORM
CHOICE**

Abstract:

In the past decade, forming alliances has become a popular strategy among firms, and substantial attention has been paid to the selection of a suitable governance form, in particular equity versus non-equity mode. Such a strategic choice is important in that an alliance teams up multiple firms that are divergent, to some extent, in upstream resource endowment and/or downstream market coverage. To bridge inter-partner differences and facilitate cooperation, it becomes necessary to select an appropriate governance structure to organize the collaborative activities. Indeed, studies based on transaction cost economics have provided a guideline that an equity alliance should be formed if the partnership is exposed to greater risks of opportunism and contractual hazards, which are primarily shaped by the degree of asset specificity, observability, and appropriability. Despite adherence to such a tenet, prior studies have seemed to prescribe conflicting cooperative strategies in governing the inter-organizational differences. As previous research noted that alliance scope also plays a crucial role in influencing the probability of partners' opportunism, it is essential to take into account the contingency of alliance scope in the quandary of the partner discrepancy-governance choice relationship. In determining a pertinent collaborative form, this study seeks to remedy prior oversight by considering concurrently 'how disparate partnering firms are from each other' and 'how vast the domain of collective activities is performed'.

Keywords:

strategic alliance; governance choice; interfirm difference; alliance scope