

# The effects of characteristics of partners on strategic alliance performance in the SME dominated travel sector

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## Abstract

This study examines the effects of characteristics of alliance partners on perceived strategic alliance performance. Alliance relationships were explored within and between the travel sector, and other tourism sectors of accommodation and transport. Study results indicate company executives' high level of satisfaction with alliances performance. Commitment and capability has been found to positively influence general satisfaction with alliance performance, market share and profitability, and overall alliance performance while trust positively influence general satisfaction with alliance performance. Control was found to have an influence on satisfaction with technology transfer and alliance operational performance while compatibility was positively associated with general satisfaction with alliance performance.

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## 1. Introduction

Strategic alliances are defined as purposive arrangements between two or more independent organisations that form part of, and are consistent with participants' overall strategies, and contribute to the achievement of their strategically significant objectives that are mutually beneficial (Pansiri, 2005). Studies on strategic alliances have reported unsatisfactory performance with few signs of improving (Beamish & Delios, 1997), and very high failure rates (Geringer & Herbert, 1991; Killing, 1982). Alliance failure can be minimised by identifying the most appropriate partner[s] (Mendleson & Polonsky, 1995). Past studies suggest that the failure of many strategic alliances can be traced to the partner selection and planning stages and identify the four Cs of compatibility, capability, commitment and control as critical for successful pre-selection of alliance partners (Hagen, 2002; Holtbrügge, 2004; Jamali, 2004). Based on strategic alliances and inter-organisational relationships literature, five characteristics

of alliance partners (compatibility, capability, commitment, control, and trust) which influence alliance performance are examined in this study.

Many authors have called for more empirical studies of the underlying causes of successful alliances (Medina-Munoz & Garcia-Falcon, 2000; Saxton, 1997; Smith, Carroll, & Ashford, 1995; Varadarajan & Cunningham, 1995). Saxton (1997, p. 444) argues that scholars know very little about the underlying causes of successful alliances and that "what is lacking is systematic analysis within a sample of alliances of the factors associated with those that are more satisfactory and beneficial to partner firms". The response to this has been encouraging. For example, Shamdasani and Seth (1995) investigated the influence of three relational predictors—competence, commitment and compatibility on partner firm's evaluation of its alliance relationship on two dimensions—satisfaction and continuity. They found that these predictors strongly influence alliance satisfaction and continuity.

There are very few studies of strategic alliance success factors in tourism or the travel sector in particular. One such study is by Medina-Munoz and Garcia-Falcon (2000) who investigated determinants of successful relationships

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between hotels and travel agencies, and found that trust, commitment, coordination, communication quality, information exchange, participation, usage of constructive resolution techniques, and similar relative dependence were determining factors for inter-organisational relationships between hotel companies and travel agents operating in the United States. Their study focused on hotels and limited the unit of analysis to those operating in the United States. Studies that consider these issues focusing on travel agencies, tour operators and tour wholesalers are lacking.

In this study, company executives from these three sectors of travel in Australia were studied to address this identified gap in the literature. The central research objective of this study was to establish whether significant relationships exist between strategic alliance performance evaluation and characteristics of strategic alliance partners, with a view to answer the central research question: what are the relationships between characteristics of alliance partners and alliance performance evaluation? In doing so, this research takes into account the fact that the travel sector businesses in Australia are small-to-medium enterprises (SMEs) behaving differently from large companies.

## 2. Strategic alliances in tourism

Tourism is one of the most highly integrated industries in the world (Bullock, 1998). Poon (1993) argues that major players in the tourism industry, particularly airlines, hotels, travel agents and tour operators have increasingly integrated in an industry whose boundaries are becoming increasingly blurred. She argues that "...it is no longer relevant whether a company is an airline, a travel agent, hotel or tour operator. As the boundaries among players are re-defined, what becomes more relevant are the activities along the value chain that they control" (Poon, 1993, p. 215).

One defining characteristic of these relationships is the proliferation of strategic alliances within the industry and between the industry and other sectors of the economy. Peattie and Moutinho (2000) emphasised the need for various segments of the travel industry to stay linked in order to provide the quality of service demanded by the increasingly sophisticated and demanding traveller. The argument is that strategic alliances can be used effectively in order to achieve growth and competitiveness which, in this industry take a variety of forms and occur across vertical, horizontal, and diagonal relationships (Bullock, 1998; Go & Appelman, 2001; Poon, 1993). These strategic alliances include joint venture and franchising (Contractor & Kundu, 1998), marketing alliances (Glisson, Gunningham, Harris, & Di Lorenzo-Aiss, 1996), and shared facilities (Bennett, 1997).

The different alliance types in Australia identified in the literature are linked to the fact that most of the businesses are SMEs. Bolin and Greenwood (2003, p. 5) found that 97% of travel agency and tour operator services in

Australia are micro and small businesses. The remaining 3% are either medium or large. A number of attempts have been made to define SMEs (Australian Bureau of Statistics, 1997; Loecher, 2000). Loecher (2000) argues that SMEs can be defined by quantitative criteria such as 'number of employees' and 'turnover'. In this article, SMEs are defined as those businesses employing less than 200 people (Australia Bureau of Statistics, 1997). Travel sector alliances in Australia, which have been identified from the literature include:

*Franchise agencies*—This involves the franchisor agreeing to provide a range of services and other benefits to the franchisee. Howard and Harris (2001) maintain that these benefits include a readily identifiable trade name, management systems, staff training, advertisement and access to bulk purchasing discounts and higher commissions. The largest franchise groups in Australia include Harvey World Travel, Traveland, and Jet Tours Ltd.

*Cooperative Buying groups*—In Australia, these groups include UTAG Travel, Community Travel, and Western Australia. These are made up of independent agencies seeking improved commission levels and bulk discounts from their membership. Agencies join cooperative buying groups in order to gain some of the advantages attached to larger scale franchise operation and chains. Howard and Harris (2001, p. 26) maintain that "these groups use their collective buying power to bargain with suppliers for higher commission. In addition, the fees paid by agencies to maintain their membership of the cooperative are sometimes pooled and used to undertake large-scale promotional campaigns similar to those of agency chains or franchise".

Based on the tourism and strategic alliance literature reviewed, eight alliance types were identified for this study. These are Joint venture, Equity participating alliance, Brand sharing, Franchises and licensing, Marketing and distribution agreements, Joint selling or distribution, Sharing information and communication technology, and Joint purchasing and equipment/office sharing. Since this study is in the tourism industry, which is essentially a service industry, other alliance types identified in Pansiri (2005) and the general strategic alliance literature such as Production and manufacturing alliances, and Research and development contracts, are excluded from the study because they are not relevant to the travel sector.

## 3. Theoretical background and research hypotheses

### 3.1. Characteristics of alliance partners

The failure of many alliances can easily be traced to partner selection at the planning stage, because it is at this stage where risk minimisation should be addressed. In choosing appropriate partners, strategic alliance research identifies four Cs (compatibility, capability, commitment and control) as criteria for successful pre-selection of alliance partners (Hagen, 2002; Kanter, 1994; Medcof,

1997). Trust has also been identified as an important variable determining whether an alliance can be maintained or not (Das & Teng, 1998; Medcof, 1997; Medina-Munoz & Garcia-Falcon, 2000). These factors (compatibility, capability, commitment, control and trust) are perceived as important determinants of alliance continuity. While these issues have been examined differently in diverse inter-organisational contexts, not much work has been done to investigate empirically how they (as partner characteristics of on going alliances) influence the evaluation of alliance performance and satisfaction in the travel sector.

### 3.1.1. *Compatibility*

Kanter (1994) observes that like relationships between people, organisation relationships begin with courtship, where organisations attracted to each other seek to discover their compatibility. This is ranked as one of the main ingredients for a successful alliance because the sophistication and expression of the strategy will not work if the relationship is not workable (Hagen, 2002). The degree of compatibility among partner firms has been found to be an important predictor of the success or failure of joint ventures (Shamdasani & Seth, 1995). Compatibility covers an array of issues including broad historical, philosophical, and strategic grounds, values and principles, and hopes for the future (Kanter, 1994), cultural and organisational issues (Shamdasani & Seth, 1995), and "...the extent to which an alliance partner has complementary goals and shares similar orientations that facilitate coordination of alliance activities and execution of alliance strategies" (Shamdasani & Seth, 1995, p. 11).

Therefore, the following hypothesis is proposed:

**Hypothesis 1.** The degree of compatibility displayed by the alliance partner influences positively a focal company's (1) assessment of the alliance performance, and (2) satisfaction with the alliance.

### 3.1.2. *Capability*

The 'Resource-based view of the firm' identifies an organisation as a collection of unique resources and capabilities that provide the basis for its strategy and is the primary source of its returns. Hitt, Ireland, and Hoskisson (1996) maintain that capabilities emerge over time through complex interactions between and among tangible and intangible resources, and they represent an organisation's capacity to deploy resources that have been purposely integrated to achieve a desired end state. Hitt et al. (1996) further see skills and knowledge as the primary base of an organisation's capabilities, which are often developed in specific functional areas such as manufacturing, R&D, marketing and advertising. Therefore, an important characteristic in alliances is whether a partner has the operational capability in terms of resources and core-competencies. The issue of capabilities in alliances is also concerned with how complementary competencies between organisations can be coordinated

effectively to maximise the partnership's competitive advantage (Shamdasani & Seth, 1995). Shamdasani and Seth also argue that in ongoing strategic alliances, this could be determined by continuity decisions. These are decisions closely related to the overall satisfaction or dissatisfaction with the strategic alliance based on evaluation of outcomes and experiences received in the past and reflect expectations of future cooperation.

Therefore, the following hypothesis is proposed:

**Hypothesis 2.** The level of capabilities displayed by the alliance partner influences positively a focal company's (1) assessment of the alliance performance, and (2) satisfaction with the alliance.

### 3.1.3. *Commitment*

This is the keystone to alliance success (Hagen, 2002), and is an essential element in social exchange behaviour. Ohmae (1989, p. 151) warns against one-sided asymmetry of effort and attention that have doomed relationships, and pronounces that "...alliances are like marriage—they only work when both partners do." Commitment has been described as a pledge by alliance members to undertake certain actions that will facilitate the attainment of the alliance's strategic goals (Shamdasani & Seth, 1995). Morgan and Hunt (1994, p. 23) define relationship commitment as "...an exchange partner believing that an ongoing relationship with another is so important as to warrant maximum efforts at maintaining it; that is, the committed party believes the relationship is worth working on to ensure that it endures indefinitely." Therefore, a partner's commitment is manifested by the extent to which a partner is willing and able to commit resources (time, tangible and intangible) to fulfil the goals and objectives of the alliance, and be able to display the desire and intent to maintain the alliance.

Therefore, from the above definition of commitment, the following hypothesis is proposed:

**Hypothesis 3.** The degree of commitment displayed by the alliance partner influences positively a focal company's (1) assessment of the alliance performance, and (2) satisfaction with the alliance.

### 3.1.4. *Control*

The fourth partner selection variable cited by Medcof (1997) relates to the control of an alliance and whether such control is likely to contribute to alliance effectiveness. The literature suggests that control is a key source of confidence in partner cooperation (Gulati, 1995; Parkhe, 1993b), therefore organisations in alliances tend to be more confident about partner cooperation when they feel they have adequate level of control over their partners (Das & Teng, 1998). At the same time, the very control that is supposed to enhance partner confidence in the alliance may stifle autonomy and flexibility of alliance members.

While strategic alliances present new opportunities with risks that can be shared, they often limit the discretion,

control, and profit potential of partners, while demanding managerial attention and other resources that might be directed toward the firm's mainstream activities (Hitt et al., 1996). Howarth, Gillin, and Bailey (1995) argue that strategic alliances also present costs and risks to partner organisations because of their organisational form, and they associate these with organisation's loss of autonomy and flexibility accompanied with possible relegation to an inferior position in the alliance. Therefore control challenges facing decision makers in alliances evolves around what level of authority one should have in using and developing alliance capabilities, and to what extent should it be shared among alliance partners in order to prevent one partner becoming dominant (Gomes-Casseres, 1997).

Therefore, the following hypothesis is proposed:

**Hypothesis 4.** The degree of control exercised by the focal firm on its alliance partner influences positively a focal company's (1) assessment of the alliance performance, and (2) satisfaction with the alliance.

### 3.1.5. Trust

Trust has been seen as critical in organisational relationships (Perry, Cavaye, & Coote, 2002) and strategic alliances in particular (Das & Teng, 1998; García-Canal, Duarte, Crido, & Llaneza, 2002; Hitt et al., 1996; Medcof, 1997). There is evidence which suggests that firms entering strategic alliances are potentially vulnerable to the opportunistic behaviour of their partners (Hamel, Doz, & Prahalad, 1989). Das and Teng (1998) maintain that inter-firm trust is a source of confidence in partner cooperation and in strategic alliances, it seems wide ranging in character, including lowering transaction costs, inducing desirable behaviour, reducing the extent of formal contracts, and facilitating dispute resolution. Trust should not only be conceived as an input but also as an output—gradually developed and accumulated over time through the development of a relationship. Hence García-Canal et al. (2002) argue that the trust generated by partners, in part due to the efforts of both with respect to the maintenance of personal contacts among the managers allows the alliance to overcome certain critical moments in its development. Therefore Hitt et al. (1996) cautions against opportunistic behaviour in strategic alliance, exemplified by cheating, shirking, distorting information, misleading partners, providing substandard products/services, and appropriating partners' critical resources (Das & Teng, 1998). Such practices can only develop a reputation that will prevent future cooperative opportunities because the organisation will be considered untrustworthy by potential partners. While on the other hand, if an organisation has developed a strong reputation in cooperative relationships, potential partners know that a strategic alliance formed with such a firm is likely to be successful hence they will be willing to be involved in the strategic alliance.

Therefore, the following hypothesis is proposed:

**Hypothesis 5.** The degree of trust displayed by the alliance partner influences positively a focal company's (1) assessment of the alliance performance, and (2) satisfaction with the alliance.

### 3.2. Strategic alliance performance

Performance has been a central construct of study in research on alliances and in larger domains of study such as international business and strategic management (Beamish & Delios, 1997). Beamish and Delios (1997, p. 105) define performance as the survival, duration, instability, or failure of an alliance; "...the degree of parental control; the effectiveness of technological transfer; the extent to which financial goals are realised; the degree of managerial satisfaction, and so forth." However, research on alliance performance has been difficult to conduct due to research obstacles which include complexity of alliance performance, given the multifaceted objectives of many alliances (Evans, 2001), measuring alliance performance in a consistent and appropriate manner and the logistical challenges of collecting the rich data necessary to assess performance (Gulati, 1998; Kale, Dyer, & Singh, 2002). Although Hamel et al. (1989) argue that alliance agreements should establish specific performance requirements, they concede that many of the skills that migrate between companies are not covered in the formal terms of collaboration. Gulati (1998) also argues that a further complication results from the dyadic nature of alliances. "Sometimes performance is asymmetric: one firm achieves its objectives while the other fails to do so" (Gulati, 1998, p. 307). For example, the research by Hamel et al. (1989) shows that Asian companies often learn more from their Western partners than vice versa because they contribute difficult-to-unravel strengths, while Western partners contribute easy-to-imitate technology.

Geringer and Herbert (1991) show significant differences in the operationalisation of International Joint Ventures (IJV) performance. They cite a number of studies, which used a variety of financial indicators such as profitability, growth and cost position, and objective measures of performance such as the survival of IJV, its duration, instability of its ownership and renegotiation of the IJV contract. Luo, (2002) used archival data to measure IJV performance, including sales level and return on investment. Jennings, Artz, Gillin, and Christodouloy (2000) used governance costs, revenue growth, profitability and market value as measures for alliance performance. However, they argue that these financial and objective measures embody potential limitations that are critical to evaluation of IJV performance. Some of the problems they cite as associated with these measures include unavailability of data and the fact that organisations generate financial returns through other mechanisms such as "...supply contracts, management fees, technology licensing fees, royalties and transfers" Geringer and Herbert (1991, p. 251).

The above cited measurement obstacles means that the subject has to be approached cautiously with varying methodological debates and fundamental differences. Gulati (1998) maintains that detailed surveys or careful fieldwork on alliances is required in order to uncover the multiple facets of alliance performance while Kale et al. (2002) cautions against the use of traditional accounting or financial measures like sales growth, return on assets, or profitability as measures for alliance performance. They further contend that these measures of alliance performance have attracted criticism for their limited ability to provide information about collaboration effectiveness.

As a result of these criticisms there has been a growing trend in the literature towards multiple method research work that puts less emphasis on objective measures and toward perceptual managers' assessments of performance (Beamish & Delios, 1997; Harrigan, 1985, 1986; Inkpen, 1995; Parkhe, 1993a). According to Kale et al. (2002), managers assess performance in terms of either their overall satisfaction with the alliance, or the extent to which an alliance has met its stated objectives. Such approaches enable the collection of a host of subjective and objective measures on which performance can be assessed, as well as an examination of dyadic asymmetries in perceptions (Gulati, 1998).

While managerial assessment of alliance performance has received some criticism for reasons of bias or inaccuracy of measures, (Beamish & Delios, 1997; Kale et al., 2002), some studies demonstrate the existence of correlation between objective and subjective measures (Dess & Robinson, 1984; Geringer & Herbert, 1991). Dess and Robinson (1984) used both subjective and 'self-reported' objective measures of return on assets and growth in sales to measure the economic performance of manufacturing organisations. They found significant positive correlation between objective and subjective measures of both return on assets and sales growth. Geringer and Herbert's (1991) study of IJV demonstrate the existence of a high correlation between subjective assessments of overall satisfaction with the IJV's performance.

#### 4. Methodology

##### 4.1. Setting and sample

The study focused on travel agents, tour operators and tour wholesalers operating in Australia. A random sample of 700 tourism businesses was selected from a list of 4610. The primary source for original firm selection was the Travel Compensation Fund (TCF) industry website directory. Then company websites were accessed to verify if such firms were travel agents, tour operators or tour wholesalers and to obtain the particulars of an executive likely to be able to complete the survey. The Chief Executive Officer or Managing Director (CEO/MD) was chosen unless another person more clearly matched the needs of this survey, as would for instance, a high-level

executive. For those businesses, which did not have any website to identify appropriate executive details, a decision was made to send a hard copy addressed to the MD. This was deemed an important decision to take because of the need to make the sample to be representative even of those, which for one reason or the other had no websites. These processes yielded 600 company executives who were then approached (435 by electronic and 165 by hard copy) to complete the survey.

##### 4.2. Measures

To generate measurement items, exploratory research can use several techniques, "including literature searches, experience surveys, and insight stimulating examples" (Churchill, 1979, p. 67), focus groups involving relevant actors, and analysis of critical incidents (Parkhe, 1993b). For this survey, extensive review of the literature with emphasis on generating a pool of items that tapped the core theoretical constructs was undertaken to generate the measurement items used for this study, which have previously been used by other researchers.

Once the items were generated, a decision was made to conduct a pilot survey. This survey was not necessarily to test the reliability of the instrument since most of the items have previously been used, but rather to assess the length of the questionnaire, and its readability. The pilot survey was conducted between February and April 2005.

The original questionnaire included among others, two sets of questions where the respondents were to answer 25 questions evaluating the one strategic alliance that they perceived to be the best of all their strategic alliances on a Likert scale of 1–5. This was followed by 14 questions, which wanted respondents to rate on a Likert scale of 1–5 the effects that going into the best strategic alliance evaluated under the previous questions has had on their current company/firm performance versus its performance before joining the strategic alliance. The second set wanted the respondents to evaluate the same factors but this time of the one strategic alliance that they perceived to be the worst of all. The rationale behind this was to assess the worst types of alliances and how they differed from those perceived to be the best. This was later abandoned because the response rate of 6% was very poor. Of the ones, which responded, 66.67% did not complete the section on the worst alliance they had. The conclusion drawn from this was that the questionnaire was too long. The final version of the questionnaire was shortened by removing questions on the worst strategic alliance.

The survey was made up of three parts. Part I requested respondents to fill in firm/company details. Part II asked questions about strategic alliances the organisation was involved in, and Part III requested the respondent's personal details. Part II had four sections; types of alliances, drivers for strategic alliance formation in the tourism industry, characteristics of strategic alliance partners, and strategic alliance performance. This paper only reports the results for

Part II—characteristics of strategic alliance partners and strategic alliance performance.

#### 4.2.1. *Characteristics of strategic alliance partners*

Characteristics of strategic alliance partners were divided into five factors with a variety of items under each factor: (i) Compatibility: Two dimensions used by Shamdasani and Seth (1995), and two used by Faulkner (1995) were adapted to evaluate strategic alliance relationships. These give an indication as to whether alliance partners are compatible; (ii) Capability: This was measured by the level of complementarity as adapted from Faulkner (1995); (iii) Commitment: Measures for commitment were adapted from Moore and Cunningham (1999); (iv) Trust: Variables for trust included four items assessing the respondent's views on counting on the alliance partner to do what is right with high integrity (Morgan & Hunt, 1994), whether alliance partner makes false claims or promises and the partner's honesty about problems when they arise (Moore & Cunningham, 1999); (v) Control—two dimensions developed by the researcher from analysing a study by Medina-Muñoz, Medina-Muñoz, and Garcia-Falcon (2003). For all the 18 items, respondents were asked to indicate on a 5-point Likert scale [from (1) strongly disagree to (5) strongly agree] the level to which they agreed with the statement. Respondents were asked to name their best strategic alliance (i.e. joint venture), and use it to evaluate the statements.

#### 4.2.2. *Strategic alliance performance*

Subjective measures were used to measure strategic alliance performance. These measures were divided into two:

- *Perceived strategic alliance performance*: A 14-item scale adapted from Geringer and Herbert (1991) was used to assess current firm/company performance versus its performance before joining the strategic alliance. Respondents were asked to evaluate the strategic alliance actual performance by assessing their current company/firm performance versus its performance before joining the strategic alliance on 14 items. This assessment was done using a five point Likert scale ranging from (1) “much worse” to (5) “much better”.
- *Perceived overall satisfaction with the alliance*: A 5-point Likert scale ranging from “strongly disagree” to “strongly agree” was used to measure managerial perceptions using six items about the level of satisfaction with the alliance. Two items; (a) in general, my organisation is satisfied with the strategic alliance overall performance, and (b) in general, our partner is satisfied the strategic alliance overall performance were adopted from Geringer and Herbert (1991). The item “The alliance has enabled us to develop new technology processes” was adapted from Doz, Otk, and Ring (2000) while “We have benefited from technology transfer from our partners” was adapted from Kotabe, Martin, and

Domoto (2003). “We have learned or benefited from our partners’ specific skills and competencies” was adapted from Tsang (2002). The researcher developed the last item, “We have experienced an increase in the number of clients since we joined the alliance”. In assessing both ‘perceived strategic alliance performance’ and ‘perceived overall satisfaction with the alliance’, respondents were asked to use an example of their best strategic alliance evaluated under characteristics of alliance partners to assess the statements.

#### 4.2.3. *Types of strategic alliances*

Based on the tourism and strategic alliance literature reviewed, eight alliance types were investigated in this study. Participants were asked to indicate out of eight the types of alliances their companies were involved in, both in Australia and abroad, and from which sectors in the tourism industry their alliance partners came from. These alliances were Joint venture, Equity participating alliance, Brand sharing, Franchises and licensing, Marketing and distribution agreements, Joint selling or distribution, Sharing information and communication technology, and Joint purchasing and equipment/office sharing. Three broad sectors were also included in the questionnaire—accommodation, travel and transportation. Respondents without any alliances were asked to complete only Parts I and III.

## 5. Results

### 5.1. *Sample*

There were 127 completed and returned surveys during the four months (May–August 2005) of data collection period, a 21% response rate. Out of these, 117 (92%) were found useable for the study. Thirteen respondents did not have strategic alliances. Of the 104 respondents who reported having strategic alliances, 55.8% had few (1–2) number, 26% had medium (3–4) number while 18.2% recorded a high (5 and above) number of types of strategic alliances. Only 12.6% of the companies, which participated in the survey, had both domestic and international alliances. The majority (50.5%) only had local alliances.

The majority (95.9%) of the sample firms were SMEs with less than 20 employees while 57.3% were family owned and 72.8% had annual turnover not exceeding AUD\$3 M. Respondents were from three travel sub-sectors, travel agents (36.8%), wholesalers (20.5%) and tour operators (42.7%). The participating businesses were located in the Australian states of Victoria (41.6%), New South Wales (17.7%), Queensland (16.8%), and South Australia (8.8%). Not many respondents came from The Australian Capital Territory—ACT, Northern Territory, Tasmania and Western Australia. All these four combined represented 15.0% of the respondents. The majority of the respondents (68.4%) were either CEOs or MDs, 67.3% were owner managers and 64.5% were male. Sixty-four

percent of the executives of the participating firms had more than eleven years experience while 53.9% had worked for the same company for more than 10 years. The majority of the respondents (53.5%) were below 51 years of age. Out of the eight alliance types evaluated, the best four alliances ranked from first to fourth were Marketing and distribution agreements, Sharing information and communication technology, Joint selling or distribution, and Franchises and licensing.

A network of strategic alliances exists between travel and other sectors of the broader tourism industry in Australia, particularly those of accommodation and transportation. Travel agents reported a high number of alliances with other tourism sub-sectors while tour operators reported the least. Travel agents have higher alliances with hotels, tour operators, tour wholesalers, airlines and cruise (all above 70%). Low-level alliances were reported between transportation and tour operators. More important is the level of partnerships among the travel sub-sectors with travel agents reporting more alliances with other sub-sectors than tour wholesalers and tour operators.

5.2. Strategic alliance performance

No single item is likely to provide a perfect representation of alliance performance. Therefore, performance can be viewed from multiple perspectives (Pett & Wolff, 2003), where each item is expected to have a certain amount of distinctiveness even though it relates to the same concept. For this reason, alliance performance was measured with 20 items under two themes—overall performance and overall satisfaction in respect to performance. Table 1 presents the means and standard deviations of all variables

measuring firm/company performance versus its performance before joining the strategic alliance, subdivided into three categories—‘overall alliance performance’, ‘operational performance’ and ‘market share & profitability’. This study found that executives who participated in the survey were satisfied with the strategic alliance’s overall performance because it has enhanced their company’s ‘market share & profitability’, i.e. increased their company’s sales level (mean = 4.00), market share (mean = 3.95) and profitability (mean = 3.89). This study also found that strategic alliances contribute less to a business’ ‘operational performance’, i.e. technology development (mean = 3.45), quality control (mean = 3.34), cost control (mean = 3.29) and labour productivity (mean = 3.25).

In respect to overall satisfaction with the strategic, Table 2 presents the means and standard deviations of all variables measuring firm/company satisfaction with the strategic alliance, subdivided into two categories—‘general satisfaction’ and ‘technology transfer and development’. Items under these two categories show that respondents were more satisfied with the general contribution of alliances to their businesses than the contribution alliances make in terms of technology transfer and development.

The Pearson correlation coefficients (*r*) shown in Table 3 indicates the level to which the perceived strategic alliance performance and satisfaction items are correlated. The first 14 variables are the 14 items adopted from Geringer and Herbert (1991) which measure perceived strategic alliance performance while the six overall satisfaction with the strategic alliance items are in bold in Table 3 (number 15–20). Most of these items are correlated at 99% significance level. The largest correlation between the 14 items was found between sales level and market share

Table 1  
Results of principal component analysis (PCA) with varimax rotation for 14-item scale of firm/company performance versus its performance before joining the strategic alliance

	<i>M</i>	<i>SD</i>	Eigen value	Cumulative % variance	Factor loadings	Cronbach $\alpha$
<i>Overall alliance performance</i>			6.736	48.116		0.8750
Overall performance	3.95	0.759			0.688	
Value creation	3.76	0.747			0.676	
Customer service	3.49	0.836			0.664	
Reputation	3.91	0.765			0.639	
Marketing	3.96	0.912			0.632	
Distribution	3.92	0.838			0.631	
<i>Operational Performance</i>			1.476	58.656		0.8401
Labour productivity	3.25	0.922			0.735	
Quality control	3.34	0.868			0.690	
Cost control	3.29	0.882			0.575	
Accessibility to skills	3.50	0.834			0.574	
Technology development	3.45	0.928			0.536	
<i>Market share and profitability</i>			1.176	67.058		0.8803
Market Share	3.95	0.834			0.848	
Sales level	4.00	0.825			0.835	
Profitability	3.89	0.776			0.570	

Notes: *M* = mean, *SD* = standard deviation, bartlett’s test of sphericity—approx. Chi-square = 801.206, *df* = 91, *p* < 0.000; and KMO measure of sampling adequacy = 0.834. Extraction method: principal axis factoring. Rotation Method: varimax with Kaiser normalisation.

Table 2  
Results of PCA with varimax rotation for overall satisfaction with the strategic alliance

	<i>M</i>	<i>SD</i>	Eigen value	Cumulative % variance	Factor loadings	Cronbach $\alpha$
<i>General satisfaction</i>						
In general, our partners are satisfied with the strategic alliance overall performance (partner satisfaction)	3.81	0.808	3.475	57.909	0.912	0.8749
In general, my organisation is satisfied with the strategic alliance overall performance (firm/company satisfaction)	3.87	0.772			0.901	
We have learned or benefited from our partners' specific skills and competencies (learning from partner's skills)	3.74	0.837			0.763	
We have experienced an increase in the number of clients since we joined the alliance (increase of clients)	3.59	1.044			0.565	
<i>Technology transfer and development</i>						
The alliance has enabled us to develop new technology processes (develop new technology)	3.20	1.139	1.353	80.461	0.955	0.8624
We have benefited from technology transfer from our partners (technology transfer)	3.30	1.087			0.756	

Notes: *M* = mean, *SD* = standard deviation, Bartlett's test of sphericity—approx. Chi-square = 359.069, *df* = 15, *M* = mean,  $p < 0.000$ ; and KMO measure of sampling adequacy = 0.730. Extraction method: principal axis factoring, rotation method: varimax with Kaiser normalisation.

( $r = 0.806$ ,  $p < 0.01$ ), followed by the correlation between reputation and value creation ( $r = 0.690$ ,  $p < 0.01$ ). Significant correlations have also been found between satisfaction variables with largest correlation between partner satisfaction and company satisfaction ( $r = 0.861$ ,  $p < 0.01$ ), followed by the correlation between technology transfer and developing new technology ( $r = 0.759$ ,  $p < 0.01$ ). Noteworthy are significant correlations between the 14 items on performance and satisfaction variables with large correlations between technology development and developing new technology ( $r = 0.604$ ,  $p < 0.01$ ), and technology transfer ( $r = 0.591$ ,  $p < 0.01$ ). Although distinctive, these correlations point to the fact that these performance and satisfaction items measure the same concept.

### 5.3. Data reduction

Data reduction through exploratory factor analysis using principal component analysis (PCA) as the extraction method and varimax rotation with Kaiser normalisation was conducted to identify the most critical characteristics of alliance partners factors that influence managers when adopting and evaluating certain strategic alliance practices. The same analysis was also conducted on the 14-item scale of business performance versus its performance before joining the strategic alliance, and the six items measuring overall satisfaction with the strategic. This was done not only to find out if these different variables are driven by the same underlying variable but also "to reduce the data set to a more manageable size while retaining as much of the original information as possible" (Field, 2005, p. 619). All components with eigenvalues greater than 1.0 were extracted. Items with loadings below 0.512 were excluded (Field, 2000). Hence the item "the alliance is based on a strong sense of loyalty to other alliance members" (factor

loading 0.46) under characteristics of alliance members was excluded from the analysis since it had a factor loading below the recommended 0.512.

Reliability analysis was then conducted on the various sets of items to measure the internal consistency of the items loaded onto each factor. The Cronbach's alpha values for all the components were in excess of the required 0.5 criterion for reliability, which according to Nunnally (1978) meets the requirements for basic survey research. Thus, a cut-off value of 0.50 was used to measure reliability and all the themes were accepted.

Perceived strategic alliance performance 14 item scale was reduced to three themes—'overall alliance performance', 'operational performance', 'market share & profitability', while perceived overall satisfaction with the alliance six items were reduced to two themes—'general satisfaction' and 'technology transfer and development' as shown in Tables 1 and 2. The characteristics of alliance partners' items were reduced to four themes—Commitment & capability, Trust, Control and Compatibility (as shown in Table 4). Table 4 presents the means and standard deviations of all variables measuring characteristics of alliance partners, subdivided into the four themes:

*Compatibility*: Two items measured compatibility. This study shows that there is less emphasis on partners having similar size and strengths (mean = 2.58) while there is recognition that in order to have an alliance that could be maintained for the longer term, businesses cultures should be compatible (mean = 3.39).

*Commitment and capability*: Table 4 indicates that when forming alliances, businesses are more concerned about continuity of the alliance (mean = 4.14) and see the alliance as something to be maintained in the future (mean = 3.98). This means that commitment to the alliance by both parties (mean = 3.71) is significant for alliance



Table 3  
Descriptive statistics and Spearman correlation: satisfaction with strategic alliance performance

	1	2	3	4	5	6	7	8	9	10
1. Sales level	1									
2. Marketing	0.445**	1								
3. Market share	0.806**	.504**	1							
4. Overall performance	0.537**	.541**	.580**	1						
5. Distribution	0.424**	0.630**	0.486**	0.537**	1					
6. Reputation	0.432**	0.472**	0.564**	0.587**	0.541**	1				
7. Profitability	0.655**	0.450**	0.667**	0.630**	0.450**	0.456**	1			
8. Value creation	0.428**	0.536**	0.432**	0.680**	0.468**	0.690**	0.457**	1		
9. Accessibility to skills	0.191*	0.386**	0.288**	0.408**	0.285**	0.452**	0.413**	0.547**	1	
10. Customer service	0.200*	0.428**	0.237*	0.641**	0.450**	0.447**	0.364**	0.490**	0.339**	1
11. Technology development	0.268**	0.332**	0.297**	0.362**	0.304**	0.399**	0.319**	0.368**	0.497**	0.308**
12. Quality control	0.376**	0.243**	0.413**	0.395**	0.299**	0.459**	0.339**	0.451**	0.487**	0.390**
13. Cost control	0.342**	0.419**	0.404**	0.526**	0.303**	0.274**	0.570**	0.441**	0.473**	0.554**
14. Labour productivity	0.191*	0.163	0.221*	0.306**	0.175**	0.168**	0.379**	0.318**	0.564**	0.186**
15. Company satisfaction	0.415**	0.298**	0.434**	0.385**	0.373**	0.282**	0.366**	0.374**	0.230*	0.135
16. Partner satisfaction	0.334**	0.254**	0.365**	0.347**	0.411**	0.226*	0.323**	0.303**	0.133	0.169
17. Learning from partner	0.401**	0.303**	0.432**	0.384**	0.375**	0.290**	0.252**	0.386**	0.289**	0.080
18. Increase of clients	0.477**	0.419**	0.429**	0.478**	0.258**	0.289**	0.405**	0.363**	0.277**	0.275**
19. Technology transfer	0.055	0.138	0.069	0.251**	0.085	0.140	0.138	0.187*	0.362**	0.096
20. Develop new technology	0.144	0.227*	0.208*	0.235*	0.105	0.291**	0.143	0.263**	0.402**	0.103
	11	12	13	14	15	16	17	18	19	20
1. Sales level										
2. Marketing										
3. Market share										
4. Overall performance										
5. Distribution										
6. Reputation										
7. Profitability										
8. Value creation										
9. Accessibility to skills										
10. Customer service										
11. Technology development	1									
12. Quality control	0.630**	1								
13. Cost control	0.456**	0.583**	1							
14. Labour productivity	0.410**	0.564**	0.481**	1						
15. Partner satisfaction	0.227*	0.364**	0.303**	0.142	1					
16. Company satisfaction	0.121	0.343**	0.283**	0.167	0.861**	1				
17. Learning from partner	0.229*	0.309**	0.159	0.176*	0.723**	0.687**	1			
18. Increase of clients	0.291**	0.286**	0.330**	0.181*	0.506**	0.535**	0.624**	1		
19. Develop new technology	0.604**	0.308**	0.287**	0.317**	0.224*	0.220*	0.331**	0.369**	1	
20. Technology transfer	0.591**	0.416**	0.243**	0.299**	0.316**	0.234*	0.452**	0.462**	0.759**	1

Notes: M = mean; SD = standard deviation; \* $p < 0.05$  and \*\* $p < 0.01$ . Mean calculated from a minimum of 1 and a maximum of 5.

Table 4  
Results of PCA with Varimax rotation for characteristics of alliance partners

Items	<i>M</i>	<i>SD</i>	Factor loadings	Eigen value	Cumulative % variance	Cronbach $\alpha$
<i>Commitment and Capability</i>				8.121	45.114	0.9108
Our company is likely to continue with the strategic alliance.	4.14	0.752	0.691			
This alliance is something our organisation intends to maintain in the future.	3.98	0.785	0.589			
We selected each other because there were possible synergies perceived in working together.	3.89	0.805	0.672			
Our company is satisfied with the strategic alliance.	3.84	0.790	0.723			
We selected each other because we were all very committed to the relationship.	3.71	0.999	0.653			
The alliance deserves our organisation's maximum effort to maintain.	3.69	0.946	0.655			
We selected each other because we had complementary assets.	3.63	1.092	0.645			
Our partner has a strong sense of loyalty to the alliance.	3.62	1.023	0.690			
Our partner is quite willing to make long-term investment in the alliance.	3.47	1.184	0.640			
Our partner is willing to dedicate whatever people and resources it takes to make the alliance a success.	3.40	0.916	0.639			
<i>Trust</i>				2.109	56.831	0.9193
Alliance partners have high integrity.	3.83	0.907	0.861			
Alliance partners are honest about problems when they arise.	3.64	0.933	0.868			
Alliance partners do not make false claims or promises.	3.64	0.956	0.827			
Alliance partners can be counted on to do what is right.	3.56	0.942	0.588			
<i>Control</i>				1.704	66.295	0.9142
We exert informal control over our alliance partners in order to achieve alliance objectives.	2.79	1.148	0.907			
We exert formal control over our alliance partners in order to achieve alliance objectives.	2.61	1.142	0.887			
<i>Compatibility</i>				1.045	72.100	0.6990
We selected each other because we were of an approximately similar size and strength.	2.58	1.217	0.659			
We selected each other because our culture was compatible.	3.39	1.232	0.626			

Notes: *M* = mean, *SD* = standard deviation, Bartlett's test of sphericity—approx. Chi-square = 1186.985, *df* = 153,  $p < 0.000$ ; and KMO measure of sampling adequacy = 0.878. Extraction method: principal axis factoring, rotation method: varimax with Kaiser normalisation.

continuity. The other important partner characteristics are possible synergies perceived in working together (mean = 3.89) and complementarity of assets (mean = 3.63). Executives also want to be convinced that the partner would be loyal to the relationship (mean = 3.62) by showing willingness to make long-term investment in the alliance (mean = 3.47) and to dedicate whatever resources it has to make the alliance a success (mean = 3.40).

*Control:* Descriptive statistics show less emphasis on control, both informal (mean = 2.79); and formal (mean = 2.61). These findings confirm past research on control of partners. Although Medina-Muñoz et al. (2003) cite a number of authors to argue that the tour operators' dominance is reflected in the control they exercise over the accommodation companies, which are subject to control in different ways and varying degrees; they confirm that there is no empirical evidence in the literature on tourism and hospitality management to back this claim. Medina-Muñoz et al. (2003, p. 144) found that the degree of control exercised by tour operators over accommodation companies is "medium" and that some operators exercise hardly any control, while others use a high degree of control. They also found that there is greater use of "informal control" than "formal".

*Trust:* Table 4 also shows that businesses are concerned about trust when dealing with alliance partners. This study measured trust based on "partners' high integrity" (mean = 3.83); partners' honesty about problems when they arise in the alliance (mean = 3.64); partners not making false claims (mean = 3.64); and being counted to do what is right (mean = 3.56).

#### 5.4. Hypothesis testing

In this study, a two-step procedure was followed. PCA was followed by multiple regression. Regression is "a way of predicting some kind of outcome from one or more predictor variables" (Field, 2005, p. 143). In accordance with previous studies of this nature (Medina-Munoz & Garcia-Falcon, 2000; Mohr & Spekman, 1994), multiple linear regression analysis is one appropriate approach to address the hypotheses. Five multiple regression analyses were run separately with results of the PCA from Tables 1 and 2 ('Overall alliance performance', 'Operational performance', 'Market share and profitability', 'General satisfaction', and 'Technology transfer and development') as the dependent variables. Independent variables are the results

Table 5  
Multiple regression results for characteristics of alliance partners influence on strategic alliance performance evaluation

	General satisfaction with alliance performance <sup>a</sup>			Satisfaction with technology transfer <sup>a</sup>			Overall alliance performance <sup>b</sup>			Alliance operational performance <sup>b</sup>			Market share and profitability <sup>b</sup>				
	<i>b</i>	Beta	<i>t</i>	<i>B</i>	Beta	<i>t</i>	<i>b</i>	Beta	<i>t</i>	<i>b</i>	Beta	<i>t</i>	<i>b</i>	Beta	<i>t</i>		
<i>Independent variable</i>																	
Constant	-0.003			0.002			0.019			0.002			0.023	0.005	0.059	0.015	0.170
Commitment and capability	0.638	0.620	10.641***	0.134	0.128	1.443	0.217	0.229	2.187*	0.136	0.145	1.1455	0.451	0.445	4.668***		
Trust	0.464	0.461	7.946***	0.114	0.112	1.266	0.118	0.121	1.156	0.138	0.142	1.430	0.094	0.090	0.098		
Control	0.007	0.007	0.117	0.535	0.521	5.897***	-0.063	-0.067	-0.646	0.298	0.320	3.236*	-0.142	-0.142	-1.494		
Compatibility	0.230	0.200	0.422**	0.015	0.013	0.143	-0.68	0.065	-0.621	0.112	0.107	1.076	-0.052	-0.046	-0.483		
R <sup>2</sup>		0.698			0.303			0.078			0.164			0.234			
df		4			4			4			4			4			
F		51.968***			9.772***			1.826			4.228**			6.560***			

*b* = unstandardised coefficients; df = degree of freedom; \**p* < 0.05, \*\**p* < 0.01 and \*\*\**p* < 0.001.

<sup>a</sup>*n* = 95.

<sup>b</sup>*n* = 91.

of PCA from Table 4 ('Commitment and capability', 'Trust', 'Control' and 'Compatibility'). In Table 5, characteristics of alliance partners were treated as the independent variables. Table 5 presents results for multiple regression analysis of characteristics of alliance partners and alliance performance. The results indicate that characteristics of alliance partners influence alliance performance and executives' satisfaction with performance.

**Compatibility** (Hypothesis 1): Results of multiple regression analysis indicated in Table 5 reveal no significant association between compatibility and satisfaction with technology transfer, overall alliance performance, alliance operational performance, and market share and profitability. Compatibility was only positively associated with general satisfaction with alliance performance.

**Commitment and capability** (Hypothesis 2 and 3): Beta values and t-tests indicate that commitment & capability had a positive effect on general satisfaction with alliance performance and market share and profitability (*p* < 0.001), and overall alliance performance (*p* < 0.05). This means that more successful alliances, which tour operators, tour wholesalers and travel agents are involved in exhibited higher levels of commitment. However, the association between commitment & capability and satisfaction with technology transfer, and alliance operational performance was not significant.

**Control** (Hypothesis 4): Results in Table 5 further reveal that control had a positive effect on satisfaction with technology transfer (*p* < 0.001) and alliance operational performance (*p* < 0.05).

**Trust** (Hypothesis 5): As shown in Table 5, general satisfaction with alliance performance was influenced positively by trust. This table also reveal no significant association between trust and satisfaction with technology transfer, overall alliance performance, alliance operational performance, and market share and profitability.

Empirical results from this study partially support the majority of the dimensions suggested in existing strategic alliance and inter-organisational relationships literature as

determining factors for relationship success: commitment, capability, control, trust and compatibility (Hagen, 2002; Holtbrügge, 2004; Jamali, 2004). This study found that a business' evaluation of the performance of an alliance is influenced by the characteristics of the alliance partner. These findings are similar to those of past research which has examined one or more of these constructs in other inter-organisational contexts such as alliances (Shamdasani & Seth, 1995), joint ventures and networking (Babakus, Yavas, & Hahti, 2006; Harrigan, 1985, 1986) and inter-organisational relationships (Crotts & Turner, 1999; Medina-Munoz & Garcia-Falcon, 2000). This study results confirm the importance of commitment, capability, trust, control and compatibility in both choosing alliance partners and effectively managing on-going strategic alliances since they strongly influence perceived alliance performance and satisfaction.

## 6. Discussion and implications

The central research question for this study was, "what are the relationships between characteristics of alliance partners and alliance performance evaluation?" This question was addressed by testing five hypotheses. The principal findings were: First, there exists a significant positive relationship between compatibility and executives' 'general satisfaction with alliance performance'. While compatibility of alliance partners has positive effect on executives' satisfaction with the alliance, it does not influence their perceived alliance performance ('overall alliance performance', 'operational performance' and market share and profitability). Second, commitment and capability was found to positively influence executives' 'general satisfaction with alliance performance', 'overall alliance performance' and 'market share and profitability'. Third, control was found to positively influence executives' 'satisfaction with technology transfer', and 'alliance operational performance'. This study found that in the travel sector, companies manage alliance partners using informal

control than formal control. Strategic alliance literature suggests that control minimise risk- relational risk and performance risk (Das & Teng, 2001). In this study, emphasis is on performance risk, i.e. technology transfer and operational performance. Fourth, trust positively influences executives' 'general satisfaction with alliance performance'.

The implications of this study point to the fact that strategic alliances need to be nurtured and managed in order for all parties to derive benefits (Crotts & Turner, 1999) through continued commitment, trust and control of all the partners while at the same time organisational cultures, values and ideals should be blended to minimise conflict. Company executives should identify potential partners who display similar culture, values and ideals. With respect to existing alliances by businesses with different cultures, values and ideals, efforts must be made to make alliance partners compatible or to learn to handle differences so that they do not jeopardise the alliance.

Furthermore, executives should form alliances with partners they believe would be committed to the alliance, have complementary assets, have possible synergies with, and are willing to dedicate resources to the alliance to make it successful. Successful alliances are those formed by partners who continue displaying high levels of commitment and capabilities. It is through commitment and capabilities that alliance partners are not only satisfied with the alliance but also increase their market share and profitability.

Trust is also a major issue in strategic alliances. For executives to build trusting relationships, they must act with high integrity, they should be honest about problems when they arise in relation to their obligations in the alliance, should not make false claims or promises and they should be counted on to do what is right. Zineldin (2002) observes that when there is trust, the need of pre-specifying every possible future detail or outcome is greatly diminished. This enhances satisfaction with the alliance.

With the exception of 'general satisfaction with alliance performance', all of the performance factors were significantly associated with only one alliance partner characteristic. This suggests that characteristics of alliance partners are important depending upon the type of performance being sought. For instance, in order to achieve satisfactory technology transfer, and alliance operational performance, there is need for partner control. If the objective of the alliance is to enhance market share and profitability, that requires the commitment and capabilities of an alliance partner. This study also found that 'general satisfaction with alliance performance' is significantly associated with most of the partner characteristics. For the alliance to be successful there is need for commitment and capabilities of alliance partners, trust and compatibility of the partners.

Practical implications drawn from this study are concerned with the manner in which travel agencies, tour wholesalers and operators' executives should confront the

realities of future competitive strategies. While tourism businesses are competing against each other, partnerships and alliances are significant for a number of reasons.

There is no doubt that most tourism companies are small. They therefore lack the adequate resources for both marketing and market penetration. To overcome these inadequacies there is need to join forces. This means having multiple alliances and alliance partners who meet a variety of needs. The fact that most of these businesses are SMEs and the multiplicity of their alliance partners has implications on the manner in which alliances are managed in the travel sector. They cannot rely on formal partner control mechanisms but rather more on partner commitment and capability, trust and compatibility. Executives' friendly ties may play a prominent role in enhancing commitment, trust and compatibility. This study found that 67.3% of the respondents were owner managers who have more than eleven years of experience (64%), and having worked for the same business for six years or more. These facts lend support to the idea that strategic alliances in the travel sector in Australia should be based on executives personal relations with each other, leading to more manageable alliance relations based on commitment, trust and compatibility rather than control. The limitations of such alliance practices are intractably linked to those of family owned businesses.

Studies on family-owned businesses show that there is always a tension between rational profit seeking activities and non-commercial objectives in family-owned business (Harris, Reid, & McAdam, 2004; Westhead & Cowling, 1997). Westhead and Cowling (1997) observe that because family-owned businesses are not solely profit maximisers, they also pursue such non-commercial objectives as maintaining/enhancing the family lifestyle of owners. Do these non-commercial objectives include forming and enhancing friendship through business strategic alliances? To what extent could personal ties influence alliance evaluation and satisfaction? There is need for more research on this area with a view to understand further the implication of personal friendships on alliance formation, management and performance.

Closely associated with the size of business is the need to identify the most effective yet less expensive forms of alliances. This is related to lack of finance associated with the smallness of most of the companies. Four most effective and less expensive alliance types identified are Marketing and distribution agreements, Sharing information and communication technology, Joint selling or distribution, and Franchises and licensing. These offer companies a variety of choice. Executives in the travel sector and the whole tourism industry need to be aware of factors that could yield better alliance results and should put more effort in making themselves better alliance partners.

Executives should be clear about what they are looking for in an alliance partner and be prepared to accommodate differences. In forming strategic alliances, executives in the

travel sector should determine the objectives of the alliance. Das and Teng (2001, p. 275) argue that “objectives and performance measures are of paramount importance to output control, because, without these, no output can be evaluated. The ability to set objectives for the alliance allows a partner to exercise control over what is satisfactory performance”. This is important for reducing performance risk. This is also important in identifying potential alliance partners and shaping alliance partner behaviors. For instance, if the objectives of entering an alliance are to enhance ‘market share and profitability’ and ‘overall alliance performance’ (value creation, enhancing customer service, reputation, marketing and distribution), executives should look for potential partners displaying high likelihood of commitment. If the objectives are to enhance technology transfer and operational performance (enhancing labour productivity, cost control and quality control), executives should be concerned about the ways through which they can control alliance partners in order to achieve these objectives. Results of this study suggest that ‘general satisfaction with alliance performance’ is an objective sought by most executives because it covers all the other four areas of alliance performance. Therefore, executives should strive to identify potential alliance partners displaying a high degree of commitment, capabilities, and trust, and their companies should display a certain level of compatibility.

This study also highlights the problems associated with alliance evaluation. Modern organisations are involved in multiple alliances most of which their single contribution to an organisation’s performance cannot be easily evaluated. This raises challenges to alliance management. Firstly, it means that greater care should be taken when deciding whether to continue with an alliance. Secondly, there is need to acknowledge that perceptual managers’ assessments of performance are influenced by a variety of factors including characteristics of alliance partners. Thirdly, the research design, operationalisation and conceptualisation of alliance performance measures need to be re-explored. Geringer and Herbert (1991) have provided a springboard upon which this could be done. This study has adapted their performance measurement items with some modifications, and has further shown strong correlations of these items. This study goes further by identifying perceived alliance performance and perceived overall satisfaction with the alliance factors, which could assist future evaluation of alliance performance. The classification according to these two dimensions brings more robustness to alliance evaluation and management. Travel sector executives could use this classification not only to assess the value of a potential alliance but also the performance of an existing alliance with a view to continue or terminate it.

Tour wholesalers’, travel agents’, and tour operators’ core activities depend on cooperation with others in the same or related lines of business (Leiper, 2004). The results of this study are encouraging as they show that success of such cooperation occurs because partners manage their

relationships through mutual consent rather than relying on coercion through written agreements (Kaiser & Shaw, 2004). Evidence from this study is that alliances based on commitment, trust, less control and compatibility are likely to be more successful. More research is needed on the area. However, this study was limited to empirical data collected in 2005 from travel sector organisations in Australia, most of which were small and medium enterprises. Interpretations should therefore be made with these facts in mind. It is not yet clear whether generalisations to other industries and countries could be made. Whether such behaviour is only peculiar to the travel sector alone could be further put to analysis through cross industry research.

## 7. Limitations and implications for future research

The findings presented here must be understood in the context of the following study limitations:

Firstly, the number of questionnaires returned may have reduced external validity. Hundred and twenty seven out of 600 potential respondents completed and returned the survey. The return rate was difficult to control because as a mail survey, the participants were responsible for their return. There is need for better ways of enhancing questionnaire retention in future research.

Secondly, it was difficult to identify organisations, which had some form of strategic alliances before distribution of the questionnaire. Had this identification been done, more appropriate sampling techniques such as stratified random sampling would have been adopted. Hence, it is not clear as to whether poor retention of questionnaires, particularly from those companies, which did not have strategic alliances, was because they were not interested or that very few of them were contacted.

Lastly, respondents who participated in the survey were asked to use an example of their best strategic alliance to evaluate both the partner characteristics and performance variables. Therefore, these analysis and results should be understood as applying to successful alliances and not alliance performance in general.

This study suggests that alliance subjective measures are related; meaning that these two set of items should always be used together in order to make a rigorous assessment of an alliance. Future research must focus on the development, testing and validation of these measures in order to help both academicians and practitioners to assess alliance performance.

This study has also established the importance of partner characteristics to the success of strategic alliances in the travel sector. It is important that alliance relationships be mutual and collegial as opposed to much reliance on legal contracts. Be as it may, there is need to strike a balance between control and its absence, because whichever way the pendulum swings has significant implications for alliance performance and satisfaction. The three main alliance types in this research can be classified as ‘loose’, meaning that they would not last if based on stringent

formal controls. If this were the case, a lot of movements by companies from one alliance to another can be expected. Such moves would be counter productive since there would be serious lack of stability. Such alliances can only last if they are built on commitment. Commitment ensures stability and builds trust.

This investigation of relationships between alliance performance measures and partner characteristics is by no means conclusive. Firstly, PCA as shown in Table 4 loaded commitment and capability variables together to create 'commitment and capability'. Previous studies have treated these factors separately and the literature on the subject suggests they are two distinct variables. Future results may try to find out if same trend of factor loading continues, or may include other compatibility items with a view of determining the most appropriate one to measure capability. Secondly, as Table 5 shows, a number of relationships between the characteristics of alliance partners and alliance performance variables were found not to be statistically significant. Future research in the travel sector directed at alliance performance is needed to establish the influence of partner characteristics on alliance performance. A major limitation for this study was the evaluation of the 'best' alliance. Future research should be designed in such a manner as to evaluate the 'best' and 'worst' alliances. This would further our understanding on what makes alliances 'fail' or 'succeed'.

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