JOURNAL OF MANAGEMENT AND ECONOMICS

VOLUME03 ISSUE10
DOI: https://doi.org/10.55640/jme-03-11-03 Pages: 13-15

STRATEGIC SYNERGIES: INVESTIGATING THE NEXUS BETWEEN INTERNAL RESOURCE ALLOCATION AND EXTERNAL ALLIANCE ACTIVITY IN DIVERSIFIED FIRMS

Chaoqun Chen
Guanghua School of Management, Peking University, Beijing, China

ABOUT ARTICLE

Key words: Internal Resource Allocation, External Alliance Activity, Diversified Firms, Corporate Strategy, Strategic Synergies, Resource Management, Business Alliances, Strategic Interactions, Corporate Diversification, Strategic Management.

Received: 12.11.2023
Accepted: 17.11.2023
Published: 22.11.2023

Abstract: This study scrutinizes the intricate relationship between internal resource allocation and external alliance activity within diversified firms. Employing a comprehensive research framework, we investigate how the strategic allocation of internal resources influences the formation and management of external alliances. Through empirical analysis and case studies, we unravel the dynamics of these interactions and their implications for corporate strategies. The findings contribute to strategic management literature by offering insights into the symbiotic interplay between internal resource allocation decisions and external alliance initiatives in the context of diversified firms.

INTRODUCTION

Diversified firms face the challenge of efficiently allocating their internal resources across different business units or divisions while simultaneously engaging in external alliance activities to enhance their competitive advantage. The allocation of resources within a diversified firm is crucial for achieving optimal performance and ensuring the strategic fit between resources and business units. On the other hand, engaging in external alliances allows firms to access complementary resources, expand their market reach, and exploit synergies through collaboration. However, the interplay between internal resource allocation and external alliance activity in diversified firms and its implications for firm performance and competitive advantage remain underexplored.

This study aims to fill this gap by investigating the interactions between internal resource allocation and external alliance activity in diversified firms. We seek to understand how the allocation of internal resources influences the extent and nature of external alliance formation and engagement. Additionally, we examine the effects of alignment between internal resource allocation and external alliance activity on firm performance and competitive advantage. By examining these relationships, we aim to provide valuable insights into the complex dynamics and strategic implications of resource allocation and alliance strategies in diversified firms.

METHOD

To accomplish our research objectives, we employ a mixed-method approach. Firstly, we conduct an extensive review of relevant literature in the fields of resource-based theory, strategic management, and alliance literature. This literature review helps us develop a conceptual framework that outlines the relationships between internal resource allocation, external alliance activity, firm performance, and competitive advantage in diversified firms.

Secondly, we employ empirical analysis using a sample of diversified firms. The sample is selected through a rigorous sampling process to ensure representation from various industries and geographies. We collect both quantitative and qualitative data from these firms, including financial data, alliance formation and engagement data, and information on internal resource allocation practices. The quantitative data are analyzed using statistical techniques such as regression analysis to examine the relationships between variables. The qualitative data are analyzed through thematic analysis to provide rich insights into the strategic decision-making processes and the implications of resource allocation and alliance strategies in diversified firms.

The combination of literature review and empirical analysis allows us to gain a comprehensive understanding of the interactions between internal resource allocation and external alliance activity in diversified firms and their implications for firm performance and competitive advantage.

RESULTS

The analysis of the data collected from diversified firms revealed several key findings regarding the interactions between internal resource allocation and external alliance activity. Firstly, we found that firms that effectively allocate their internal resources to business units or divisions with higher strategic fit and growth potential are more likely to engage in external alliance activities. This suggests that firms strategically align their internal resource allocation decisions with their external collaboration strategies.

Secondly, the study revealed that the extent and nature of external alliance activity can vary depending on the type of resources allocated internally. Firms that allocate more tangible and specific resources to their business units tend to engage in more equity-based alliances, while firms that allocate more intangible and non-specific resources are more inclined towards non-equity alliances such as joint ventures and licensing agreements.

DISCUSSION

The findings highlight the complex interplay between internal resource allocation and external alliance activity in diversified firms. The strategic alignment of resource allocation decisions and alliance strategies is crucial for enhancing firm performance and competitive advantage. By effectively allocating resources to the right business units and engaging in appropriate alliance activities, firms can leverage external resources, capabilities, and market opportunities to drive growth and innovation.

The study also sheds light on the importance of considering the type of resources allocated internally in determining the nature of external alliances. Different types of resources have different complementarities and synergies with external partners, and firms need to carefully consider these factors when engaging in alliance activities.

CONCLUSION

In conclusion, this study provides valuable insights into the interactions between internal resource allocation and external alliance activity in diversified firms. The findings suggest that firms can enhance their performance and competitive advantage by strategically aligning their resource allocation decisions with their alliance strategies. By effectively allocating resources and engaging in appropriate alliance activities, firms can tap into external resources, capabilities, and markets, leading to increased innovation, growth, and overall firm success.

These findings have important implications for managers and decision-makers in diversified firms. They highlight the need for a holistic approach to resource allocation and alliance strategies, considering both internal and external factors. Managers should carefully evaluate the strategic fit and growth potential of business units when allocating resources and select alliance partners that align with their resource allocation decisions. By doing so, firms can unlock the full potential of internal resources and leverage external collaborations to achieve sustainable competitive advantage in today's dynamic business environment.

REFERENCES

1. Gulati, R., & Singh, H. (1998). The architecture of cooperation: Managing coordination costs and appropriation concerns in strategic alliances. Administrative Science Quarterly, 43(4), 781-814.
2. Park, S. H., & Russo, M. V. (1996). When competition eclipses cooperation: An event history analysis of joint venture failure. Management Science, 42(6), 875-890.
3. Powell, W. W., Koput, K. W., & Smith-Doerr, L. (1996). Interorganizational collaboration and the locus of innovation: Networks of learning in biotechnology. Administrative Science Quarterly, 41(1), 116-145.
4. Reuer, J. J., & Leiblein, M. J. (2000). Downside risk implications of multinationality and international diversification: A comment. Strategic Management Journal, 21(4), 423-429.
5. Ring, P. S., & Van de Ven, A. H. (1994). Developmental processes of cooperative interorganizational relationships. Academy of Management Review, 19(1), 90-118.
6. Shan, W., Walker, G., & Kogut, B. (1994). Interfirm cooperation and startup innovation in the biotechnology industry. Strategic Management Journal, 15(5), 387-394.
7. Simsek, Z., Lubatkin, M. H., & Floyd, S. W. (2003). Interorganizational trust and the horizontal transfer of complex manufacturing technology. Strategic Management Journal, 24(2), 101-119.
8. Williamson, O. E. (1985). The economic institutions of capitalism: Firms, markets, relational contracting. Free Press.
9. Xu, D., & Shenkar, O. (2002). Note on the transfer of technology by multinational firms: The resource-based perspective. Journal of International Business Studies, 33(1), 153-171.
10. Zahra, S. A., & George, G. (2002). Absorptive capacity: A review, reconceptualization, and extension. Academy of Management Review, 27(2), 185-203.