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THE ANTECEDENTS AND IMPACT OF ALLIANCE MANAGEMENT CAPABILITIES AND THE MODERATING ROLE OF SOCIAL CAPITAL: EVIDENCE FROM THE LIBYAN FAMILY BUSINESS SECTOR

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THE ANTECEDENTS AND IMPACT OF ALLIANCE  
MANAGEMENT CAPABILITIES AND THE  
MODERATING ROLE OF SOCIAL CAPITAL:  
EVIDENCE FROM THE LIBYAN FAMILY  
BUSINESS SECTOR

ABDALHAMED N. A. NASR

A Thesis Submitted to the University of Huddersfield in Partial Fulfilment of the  
Requirements for the Degree of Doctor of Philosophy

The University of Huddersfield

Business School

2018

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## ABSTRACT

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Alliance among firms can yield competitive advantages by providing access to the tangible and intangible assets through inter-organisational learning. However, the research shows that these relationships are complicated and risky where approximately 50% of them fail. Against this background, researchers sought to understand the evolution of particular capabilities that are essential to develop and maintain strategic alliances, namely the Alliance Management Capabilities (AMC). However, evaluation of this relationship in the setting of family businesses is missing. Drawing on the resource-based view (RBV) perspective, this study develops and tests a relational model of AMC and alliance performance. Specifically, this study aims to identify the mediating role of AMC on the relationship between (Alliance experience, Culture of Family Business and Political Instability) and alliance performance in Libyan family business using a quantitative research approach. Data were collected by a questionnaire from 302 Libyan family businesses.

Overall, this study makes four key contributions: First, in consideration of RBV, this study attempts to answer what the determinants of AMC effectiveness are in Libyan family business domain? Second, this study has examined the antecedents of AMC in Libyan family businesses and has found that alliance experience, the culture of family business and political instability tends to positively affect AMC. Third, this study adds to current knowledge by examining social capital as a moderating effect on the relationship between alliance management capabilities and alliance performance. Finally, this research contributes to the literature of AMC by empirically testing the AMC construct and its dimensions (alliance proactiveness, alliance coordination, and alliance learning) in the Libyan family business context. The findings have also shown that AMC has a positive impact on alliance performance and partially mediates the relationship between alliance experience, the culture of the family business, and political instability and alliance performance. In particular, the result of this study shows that the effect of AMC on alliance performance is dependent upon the level of social capital.

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## LIST OF ABBREVIATIONS

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AMC	Alliance management capabilities
AE	Alliance experience
CD	Cognitive Dimension
COD	Alliance Coordination
CFB	Culture of Family Business
Tr	Trust
AP	Alliance Performance
AMOS	Analysis of Moment Structure
CFA	Confirmatory factor analysis
CFI	Comparative Fit Index
CR	Construct (Composite) Reliability
df	Degrees of Freedom
EFA	Exploratory Factor Analysis
GFI	Goodness of Fit Index
GOF	Goodness of Fit
IOC	Inter Organisational Collaboration
KMO	Kaiser Meyer Olkin
NA	Not Applicable
OECD	Organisation for Economic Cooperation and Development
PCA	Principal Component Analysis
PRT	Alliance Proactiveness
PI	Political Instability
LRN	Alliance Learning
RBV	Resource Based View
RMR	Root Mean Square Residual
RMSEA	Root Mean Square Error of Approximation

SD	Standard Deviation
SMEs	Small and Medium Sized Enterprises
SD	Structural Dimension
SEM	Structural Equation Modeling Sig Significance
SRMR	Standardised Root Mean Square Residual
TCE	Transaction Cost Economics
UK	United Kingdom
$\alpha$	Cronbach's Alpha
$\beta$	Standard Regression Coefficient
R	Pearson's Coefficient

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DEDICATED

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بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

وَاللَّهُ يَهْدِي الْقَوْمَ الصَّالِحِينَ  
وَاللَّهُ يَهْدِي الْقَوْمَ الصَّالِحِينَ  
وَاللَّهُ يَهْدِي الْقَوْمَ الصَّالِحِينَ

صَدَقَ اللَّهُ الْعَظِيمُ

*The road to success comes through hard work, determination, sacrifice and guidance  
of elders, especially those very close to the heart.*

*“To my parents & family”*

*For their prayer, love, endless support, encouragement and sacrifices*

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## ACADEMIC PUBLICATIONS AND PRESENTATIONS FROM THIS THESIS

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- Examining the effect of alliance management capability and social capital on family business performance (775), British Academy of Management (BAM), 5–7 September 2017, Warwick business school, Warwick University
- Presenting my research titled the role of alliance management capability (AMC) in boosting alliance performance in the family business: The Libyan setting. Businesses School Research Conference University of Huddersfield, 11-13- January -2017
- Presenting my research titled (Alliance Management Capabilities antecedents and impact: Evidence from the family business). Businesses School Research Conference University of Huddersfield, 11-13- January -2018
- Alliances as a strategic choice for family SMEs in developing economies: evidence from the Libyan context. International Conference for Islamic Economics and Finance, Umm Al-Qura University 2019 (688). (February 2019).

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## CHAPTER ONE

### INTRODUCTION

---

#### Overview

This chapter provides an outline of the study. In specific, it discourses specific areas comprising the research background, research objectives, research questions, overview of research methodology, and key theoretical contributions.

#### Research Background

Recently, a strategic alliance is becoming a popular option for companies in response to severe competition in their operating markets (D. D. Li & Johnson, 2010; Niesten & Jolink, 2015). According to Gulati (1998, p. 293), the strategic alliance can be defined as “voluntary arrangements between firms involving exchange, sharing or co-development of products technologies or services”, which is necessary for building competitive advantages. Therefore, due to rapid technological change, globalisation and companies limited capacities, alliances have become significant strategic manoeuvres in different industries including automobiles, telecoms, biotech and electronics (Eisenhardt & Schoonhoven, 1996). Alliances assist in bridging the gap among the present resources of firm's and its expected requirements (Bronder & Pritzl, 2013). Especially, the alliances between companies have been increased as a way to achieve a competitive advantage, through providing access to external resources, through providing synergies and by enhancing quick change and learning (Hagedoorn, 1993; Sluyts, Matthyssens, Martens, & Streukens, 2011).

Similarly, the environment is highly competitive in the family business domain, thus the strategic alliance becomes a popular approach in this sector (Odlin and Benson-Rea (2017); Chiu and Moss (2007), in order to achieve growth and survival, (Golovko and Valentini (2011); Coad, Segarra, and Teruel (2016) the literature in the strategic management field have documented the role of the alliance. Despite the ever-growing interest in the alliance, it has been associated with a high rate of failure and notorious instability, in a large number firms and SMEs (Greve, Baum, Mitsuhashi, & Rowley,

2010; Greve, Mitsuhashi, & Baum, 2013). For instance, nearly half of the alliances have failed as shown by the empirical studies (Kale, Dyer, and Singh (2002); Lunnan and Haugland (2008), whereas most of these alliances have failed due to inception (Lhuillery & Pfister, 2009). The alliance failure may cause several adverse effects. For example, as pointed out by A. Das, Narasimhan, and Talluri (2006), companies might incur the loss of revenues and uncompensated resources transfer. The anxiety over the loss of reputation and proprietary information and the operational difficulty are the other effects in the family business (Lhuillery & Pfister, 2009; S. H. Park & Ungson, 2001). Researchers have tried to provide comprehensive discussions on why the coalitions failed by looking at the innate unstable nature of alliance (Madhok, Keyhani, & Bossink, 2015). This occurs when rivalry eclipses cooperative tendencies, as argued by (S. H. Park & Ungson, 2001). Actually, in the alliance, companies are mutually dependent, that leads to the involvement of management of the alliance relationships and the control (Cuevas, Julkunen, & Gabrielsson, 2015). Competition between partners and the frequent collaboration might create additional complexities, particularly, for mutually interdependent companies (J. S. Harrison, Hitt, Hoskisson, & Ireland, 2001; Y. Liu, Li, & Xue, 2011). Therefore in order to achieve their potential benefits, effective alliance management has been prescribed as an essential prerequisite.

Against this background, researchers have sought to understand the evolution of particular capabilities that are essential to develop and maintain strategic alliance (Cummings & Worley, 2014); namely the Alliance Management Capabilities (AMC). AMC comprise behavioural, cognitive, or organisational skills which could offer the foundation to manage alliances efficiently. Thus, it is an intangible resource. AMC might increase the organisations' performance, when collaborating, in view of their value, rarity, inimitability and non-substitutability, therefore can constitute a source of competitive advantage (J. Barney, 1991; Kauppila, 2015).

Due to the perceived importance of the role of AMC for firms in the competitive markets, several researchers have sought to examine the relationship between AMC and alliance performance (Kale et al., 2002; Schilke & Goerzen, 2010). However, we have little understanding about the nature of this relationship in the family business setting (Chirico, Ireland, & Sirmon, 2011; Chirico & Nordqvist, 2010). While some studies have tested AMC in SMEs (Sala, Landoni, & Verganti, 2016; Van Gils & Zwart,

2004; F. Zhao, 2014), it is surprising that researchers to achieve alliance targets in the family business have overlooked it. Therefore, the current study could be the first to examine AMC in the family business as to the best of the researcher's knowledge.

The family firms defined as one that is owned by the same family members to shape or/and pursue the implicit vision or formal of their business (Venter, Boshoff, & Maas, 2006). Drawing on the resource-based view (RBV) perspective, this study develops and tests a relational model of the alliance experiences, AMC and alliance performance in Libyan family business. Libya is selected as the research context for two reasons. First, in the last two decades, Libya has moved to privatise the public sector to small private companies. Based on the nature of the Libyan environment, the family companies have emerged to dominate the market. Second, Libya has witnessed changes in its government regime following the Arab Spring, unlike developed countries, which are characterised by relative stability in their governance systems (Eljayash, 2015). The state and its institutional environment are still weak, with local and non-state actors driving the transition of political, and therefore, the environment of business has become additional challenging and difficult. In contrast, it is rather rare to have such an environment in Western countries. This environment is considered a unique environment in political changes and civil wars (see section 3.4).

## **1.1 Research Gaps**

A large number of scholars have made contributions to the AMC development from different points of view: alliance experience (B. N. Anand & Khanna, 2000a; Draulans & Volberda, 2003; Hoang & Gimeno, 2010; Luvison & de Man, 2015; Bernard L Simonin, 1997). Notably, most studies on AMC have been associated with large companies (Gulati et al., 2009; Hohberger, Almeida, & Parada, 2015; Konsti-Laakso, Pihkala, & Kraus, 2012; Love et al., 2014; Useem, 2014). Only a handful of such studies have dealt with small and medium sized enterprises (Sala et al., 2016; Van Gils & Zwart, 2004; F. Zhao, 2014). However, to the best of researcher knowledge, AMC concept has never been investigated within the family business. This represents a significant research gap because measuring and assessing the family businesses SMEs will help the researcher to identify the family business dynamism within the Libyan context.

Furthermore, due to the political and institutional instability, Libya has witnessed massive changes over the last few years, where the study of AMC in such condition can provide unique insights that are different from those experienced in the West (Dinnie, 2011). Importantly, current uncertainty and turbulence in the Libyan environment have driven family businesses to gain experience in crisis management (OECD, 2016b). The uncertainty increased for Libyan family business after 2011 (Abdesamed, 2014). Thus, as highlighted by Brenner & Keat (2010), firms have to cope with constant and significant risks of social capital and political instability in situations such as the Arab Spring where there is a partial or complete breakdown of state authority. After 2011, Libya became politically divided into a power struggle divided between three governments seeking and demanding legitimacy, the Government of National Reconciliation, the Salvation Government, and the parliament government (Lacher, 2016; Report, 2016). This study, therefore, will examine how the family business develops AMC within the Libyan context. Accordingly, the previous discussion reveals the second research gap for this study. There is a need to examine and evaluate the interaction between alliance experiences, the culture of family business, political instability, AMC, and performance constructs within the less developing economies. In addressing this gap, the current study focuses on the Libyan context.

Family firms might have several benefits of improved social capital among stakeholders and the family. Payne et al. (2011) state that this characteristically generates the capability to nurture and foster long-standing relationships through the firms' stakeholders. Social capital can affect alliance proactiveness as trust being essential to reduce negotiation and conflict costs between partners (McEvily, Perrone, & Zaheer, 2003). Furthermore, shared vision between partners assists and accelerates the negotiations. Consequently, this leads to achieving common goals efficiently and effectively (Blagescu & Young, 2005). Partners can also increase alliance performance in preformation stage by having the same language for negotiation, leading to easier communication in the post-formation stage (Al-Tabbaa & Ankrah, 2016b). Accordingly, there is a need to examine the role of social capital as moderating the relationship between AMC and performance.

## **1.2 Aim, Objectives and Research Questions**

Following gaps identification and justification of research context, it is required to specify the research aim and objectives clearly. Focusing on the Libyan family business context, the study aims to identify the role of AMC on (alliances experience, Culture of Family Business and Political Instability) and alliance performance and explore the potential moderating effect of social capital.

To reach this overall aim, the following objectives of study that underpin the study is formulated:

1. To examine the mediation effect of AMC on the relationship of (alliance experience, political instability, and culture of the family business) and alliances performance in Libyan family business.
2. To examine the effect of alliance experience, political instability, and culture of the family business (as an antecedent) on the development of AMC in Libyan family business.
3. To examine the impact of AMC on alliance performance in Libyan family business.
4. To analyse the moderating effect of social capital on the relationships of AMC and alliance performance in Libyan family business.

### **Research Questions**

In addition to the outlined research gaps, this research aims to add to the literature of the Resource-Based View in general and the alliance management capabilities and the family business literature in particular through addressing the following the research question:

What are the determinants of AMC effectiveness in Libyan family business domain?

To address this question, two sub-research questions are set forth as general guiding aims.

Q1. What are the antecedents of AMC in family businesses?

Q2. To what extent do AMC affect the effectiveness of alliance performance formed by family businesses?

### **1.3 Hypotheses development**

This study developed a theoretical basis for the hypotheses regarding the role of AMC in family businesses in Libya. It is organised into four sections starting with the relationship between alliance experience and AMC; then culture of family businesses as moderator variable; the third section is the AMC as mediator, the relationship between alliance experience and alliance performance; and the last section deals with the social capital as verbal mediator in the relationship between AMC and alliance performance. The hypotheses of study as having been formulated:

Hypothesis 1: Alliance experience that has been accumulated from previous alliances is related positively to the development of AMC in Libyan family businesses.

Hypothesis 2: Culture of the family business has a positive impact on the development of AMC in Libyan family businesses.

Hypothesis 3: Political instability has a positive effect on the development of AMC in Libyan family businesses.

Hypothesis 4: AMC is related positively to the alliance performance in Libyan family businesses.

Hypothesis 4a: AMC mediates the relationship between (alliance experience, the culture of family business, and Political instability) and alliance performance in Libyan family business.

Hypothesis 5: Social Capital will positively moderate the relation between AMC and alliance performance in Libyan Family business.

### **1.4 Overview of Research Approach**

In order to answer the research question, the quantitative research approach has been adopted. In doing so, the appropriate data has been collected via a questionnaire from 302 Libyan families' businesses. Libya is selected as the research context for two reasons. First, in the last two decades, Libya has moved to privatise the public sector organisations into a large number of small companies. Based on the Libyan environment, it is evident that the family businesses have dominated the market

(Shareia & Irvine, 2014). Second, Libya has witnessed changes in its government regime following the so-called Arab Spring, which has led to a call for significant changes in its governance (Eljayash, 2015). The non-state and local factors which drove the political transition are still weak, with the state and its institutional environment (Boduszyński and Pickard (2013). Thus, the business environment, unlike that of the Western countries, has become more difficult and challenging (Bayoud, Ouchenane, & Kh, 2013). This environment is considered unique since businesses have to operate in rather hostile political transformations and civil wars.

### **1.5 Main Contribution of the Research**

This research contributes to the current literature theoretically and methodologically. Theoretically, the four key contributions are as follows:

First: This study adds to the literature of RBV in general, and alliance management capabilities and the family business literature in particular.

Second: The culture of Libyan society in particular and the Arab community, in general, is different from that of the Western societies. The Libyan and Arab society represent a collectivist -society, while Western societies are individualistic societies (G. Hofstede, 2003). Consequently, as to the best of the researcher's knowledge, this study is the first attempt to add the impact of the culture of Libyan family businesses on AMC.

Third: Social capital is the resources embedded in the relations between persons. According to Argote and Miron-Spektor (2011), trust and shared norms are the basic building blocks of a mutual culture in the alliance that can be the foundation for the partnership between partners (Tagiuri & Davis, 1996). Thus, this study added the social capital as moderating on the relationship between AMC and alliances performance.

Finally: Libya has experienced significant political changes following the Arab Spring. This environment is considered a unique environment in political changes and civil wars. Consequently, this study added and examined an important aspect of the external environment, which is the effect of the political instability on the AMC where this relationship was measured in the Libyan environment.

The present research suggests some methodological contributions through developing, empirically examining and operationalising the scales to assess strategic alliances. In specific, the improvement of multi-item measures such as measuring the independent variables, the dependent variables of AMC and the moderator variable in the Libyan family business, because most of the measurements of these variables were shown to have good reliability and validity in the non-family business and different context.

The results of this research are expected to be of significant use for policymakers and the family business and regulators when deciding to make the alliance.

## **1.6 Organisation of the Thesis**

This research is consist of seven chapters, the composition and contents of which are showed in Figure 1.1. Furthermore to this initial chapter, the remaining ones serve the next purposes.

### **Chapter One: Introduction**

A brief whole introduction to the study is delivered. It starts with an introduction to the study that is shadowed through a concise background, motivations and justification for the study. It also offers the scope of the study, the aim, objectives and questions of the study, shadowed through a summary of the methodology and study setting. Lastly, the contributions of the research are clarified, and the thesis structure has been offered.

### **Chapter Two: Literature Review**

Reviews the literature on alliances and introduces the concept of AMC and dimensions of AMC. More specifically, the chapter offers the extensive literature definition and the firm's level of AMC. In addition, the antecedents and moderator of AMC in the previews studies are presented. This chapter as well as establishes the relationship among alliance management capabilities and alliance performance.

### **Chapter Three: Context of Study**

This chapter is aimed to offer background information about the study family business context in Libya. Furthermore, it offers a justification for the choice of the Libyan family business and the antecedents of AMC.

#### **Chapter Four: Theoretical Framework**

Based on the barriers and antecedents of AMC, A number of propositions have been suggested. By the particular discussion of the possible mediation effects of AMC on the relationship among alliance experience, the culture of family business and political instability, and their impact on alliance performance, these hypotheses are developed.

#### **Chapter Five: Research Methodology**

The research questions and objectives are addressed through discussing the research philosophy and methods used. The chapter offers justification and explanation regarding the chosen strategy and design of the research. Additionally, the appropriate techniques of data collection are presented for addressing the questions of the research. Lastly, the operational measures of the control, dependent, and independent variables are offered.

#### **Chapter Six: Data Analysis and Findings**

The primary objective of this chapter is to hypothesis a complete the problem picture of the study. The data analysis is devoted in the chapter that entails a detailed descriptive validation and analysis and measurements assessment. Furthermore, using structural equation modelling, the conceptual study model is tested.

#### **Chapter Seven: Discussion and conclusion**

This chapter explains and clearly evaluates the results gained through the data analysis stage. In particular, attention is focused upon the hypothesises of the study. Furthermore, the influence of the control variables on the results obtained is discussed. In addition, the theoretical, methodological and practical contributions of this study are clearly examined. Finally, the limitations of the study are considered, and proposals for directions of the future research put forward.

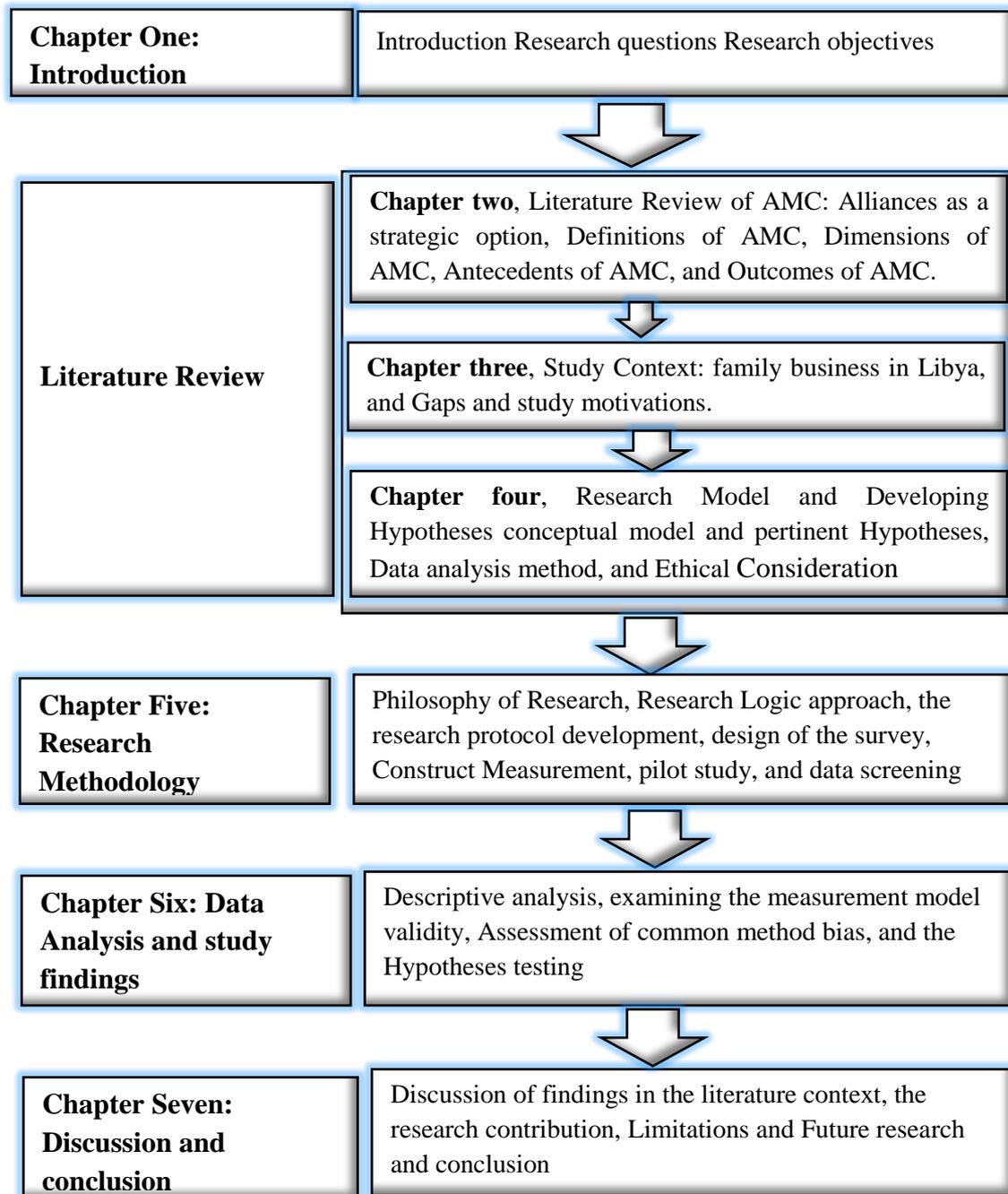


Figure 1-1 Structure of the thesis

## 1.7 Summary

The introduction to the research is offered in this chapter. The chapter has presented the background and, detailed gaps of the justification and research for this research. The chapter has also depicted the main drivers of research with a clear statement of the question of the research and the objectives. The study method for this thesis has been

proposed. Furthermore, the contributions of the research have been outlined. Finally, an overview of the study structure is presented.

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## CHAPTER TWO

### LITERATURE REVIEW OF ALLIANCE MANAGEMENT CAPABILITIES

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#### 2.1 Introduction

This chapter reviews the AMC-related literature, highlighting potential research gaps, and providing the foundation for the development of the theoretical framework and the hypothesis behind this study. Specifically, the review examines and evaluates the empirical findings and arguments relating to initial studies of AMC involving the relationship among alliances' experiences, the culture of family business and political instability and AMC, with alliances' performance in Libyan family businesses as shown in Figure (1). This chapter is organised as follows. Section 2 discusses alliances as a strategic option for companies and probes the theoretical background. Section 3 describes the emergence of the AMC concept; definitions of AMC' and dimensions of AMC. Section 4 discusses antecedents, moderation, and outcomes of AMC. Finally, section 5 offers a chapter summary.

#### 2.2 Alliances as a Strategic Option: A Theoretical Background

Over the past several years there has been a growing interest in the alliances as a strategic option for growth and gaining competitive advantages (Zineldin & Dodourova, 2005). Some researchers have defined alliance as the cooperation or association agreement between at least two independent companies that will manage one specific project, for which they will work together to improve their competencies during a specified period (Koen H Heimeriks & Duysters, 2007). As stated by Crossan and Apaydin (2010, p. 416), alliances now “shape complicated webs of relationships that form networks”. According to Rothberg (1997), a strategic alliance is a co-partnership between more than two companies that unite to investigate a set of agreed upon aims. Furthermore, strategic alliance has also been defined as a voluntary agreement among enterprises involving sharing and exchange of services, or co-development of products and technologies (Gulati, 1998). In the light of the definitions offered below, it can be argued that the alliance is a simple form of collaboration among at least two partners, aiming to reach higher capabilities.

The RBV suggests that resources of the valuable company are usually scarce, imperfectly imitable, and lacking in direct substitutes (J. Barney, 1991; Bromiley & Rau, 2014). Because of this, the accumulation and trading of resources are strategically crucial to organisations. When it is possible to exchange resources in the market efficiently, it is more likely that organisations will start new alliances (Eisenhardt & Schoonhoven, 1996). However, market transactions are the default state for the firm, for the spot market, it is often impossible to have efficient exchanges (Lavie, 2006). Additionally, it is not possible to trade some resources perfectly, as they either intertwine with other resources or are integrated into firms (Chi, 2015). Hence, acquisitions, strategic alliances and mergers are implemented (Tushar K Das & Bing-Sheng Teng, 2000).

Thus, from the RBV perspective, strategic mergers/acquisitions and alliances are considered as strategies for obtaining resources from other organisations that could garner competitive advantages (H. Yang, Lin, & Lin, 2010). Thus, from the RBV perspective, strategic mergers/acquisitions and alliances are considered as strategies for obtaining resources from other organisations that could garner competitive advantages and values that would otherwise be unavailable to the organisation (H. Yang et al., 2010). When these resources cannot be efficiently achieved by acquisitions/mergers or market exchanges such as aggregate, exchange or share valuable resources with other companies. Combining these with others' resources leads to creating the most value out of existing resources, provided that such combination results in optimal returns (Koen H Heimeriks & Duysters, 2007; Karsmakers, Duysters, & Snijders, 2010; Lütjen, Tietze, & Nuske, 2014). On the whole, the goal of strategic alliances is that an organisation can extract the most value out of its existing resources by combining them with resources from outside the firm, providing that this combination present beneficial returns to the organisation.

As assets that are tied semi-permanently to the organisation, resources are defined as “intangible and tangible” (M. Kim, Song, & Triche, 2015). Further, Jeffrey H. Dyer (1997) argues that just as with enterprises lacking alliances, participants in a strategic alliance also create values through the accumulation of intangible knowledge and the differentiation of capability and tangible resources. However, alliances present a more

efficient and convenient approach to this process of value creation (Chaharbaghi, Adcroft, Willis, Todeva, & Knoke, 2005).

By alliances, firms can obtain tangible and intangible resources (J. Barney, 1991; Kauppila, 2015). Among the tangible resources are forms of equipment, products, financial assets and services (Hitt, Hoskisson, Johnson, & Moesel, 1996). As resource-types, these form the basis of an organisation's marketing and production activities (Sambasivan, Siew-Phaik, Mohamed, & Leong, 2013). Additionally, substantial profits for the firms are yielded by tangible assets that are differentiated and of high quality. In today's knowledge-based economy, capability learning, the efficient management and continual generation of knowledge are key assets to the firm's ability to generate value.

Furthermore, David J Teece, Pisano, and Shuen (2009) suggest that the reason an organisation exists in the first place is to acquire and develop intellectual assets. Intangible resources, represent intellectual, and organisational capital, data and information, know-how knowledge and capabilities (Diefenbach, 2006). There are currently two methods of acquiring knowledge. First, there is the internal approach, which means that intellectual knowledge is accumulated and developed within an organisation independently (Kraaijenbrink, Spender, & Groen, 2010). This approach is primarily constrained by the fact that this demands significant time and resources for the organisation. Additionally, it is not possible for an organisation to accumulate all of its required knowledge through internal development only. Secondly, there is the external approach whereby the organisation acquires its resources and knowledge through strategic alliances, merger & acquisitions and market transactions (Fey & Birkinshaw, 2005). Moreover, resources and knowledge retrieved via this external approach include managerial knowledge, tacit knowledge such as technology and procedures for routine and time management (Alavi & Leidner, 2001b). Due to the tacit nature of this knowledge, this makes it difficult to transfer such intellectual resources unilaterally (Goh, 2002). However, some firms do attempt to address this issue of high transaction costs by merging or acquiring other organisations that possess desirable capabilities or knowledge (Uhlenbruck, Meyer, & Hitt, 2003). However, due to constrained managerial and financial resources, the merger and acquisition approach presents its disadvantages (Grant & Baden-Fuller, 2004). Due to these points, the best

solution for a firm appears to be to acquire new knowledge from an allied firm or to generate new knowledge in collaboration with another organisation (Gray, 2006).

The alliance cannot be expected to offer benefits in the short term; it may add values in the long term. Jarillo (1989) and Kogut (1988) found that firms enter alliance arrangements for long-term strategic considerations, without taking into account the costs that result in the short term. However, this long-term alliance advantage may create value for partners. Through stimulating environmental adaptation, the alliances have been found the best solution to foster a decrease in organisational inertia and market changes Ireland, Hitt, and Vaidyanath (2002) and Doz (1996) also foster a rise in an organisation's flexibility of strategic through increasing the options of available vital number (Di Guardo & Harrigan, 2012). Typically, these studies emphasis on the achievements alliances provide when companies are effective in managing the process of alliance (Di Guardo & Harrigan, 2012; Doz, 1996).

Moreover, they tend to highlight the arrangement of purposes and combined improvements to yield alliance-specific rents (Hughes-Morgan & Yao, 2016; Khanna, Gulati, & Nohria, 1998a). While a few researchers have studied how alliances influence the process of entrepreneurial Kreiser, Marino, and Weaver (2002) and how the business process affects the development of alliance Hoang and Antoncic (2003), these lines of inquiry do not need assistance to understand how family business can overcome liabilities of foreignness and increase performance through the use of alliances (Agostini & Nosella, 2018). Some studies also have therefore argued that most of the literature maintains that companies are simply reacting to changes in their environment and gives a smaller amount support to the notion that companies form alliances to actively look for new opportunities through combined discovery and knowledge acquisition (Beverland & Bretherton, 2001; O'Dwyer, Gilmore, & Carson, 2011). Many studies as well as have argued that the structure of alliance at the formation stage is vital to alliance performance. Therefore, success is pre-determined through the early combination of ingredients Doz (1996) for example chose the partner, the negotiation and organisational congruence (Morosini, Shane, & Singh, 1998; Taylor, 2005). Other proponents have argued that the process of alliance operation and how it develops over time has an additional effect on the partnership success (Arino & De La Torre, 1998). The evolutionary process of how the alliance explains over time is comparatively

under-researched Taylor (2005) in which the understanding of the developmental of alliance processes still quite limited.

### **2.3 Alliances challenges: The Emergence of AMC Concept**

Alliances are a strategy for acquiring capabilities and resources from business partners to share risk and improve competitive advantage (Helfat & Martin, 2014). However, research has shown that alliance, in general, has a high failure rate, where many companies fail to get the hoped-for outcomes from their alliances (Lhuillery & Pfister, 2009; Lokshin, Hagedoorn, & Letterie, 2011; S. H. Park & Ungson, 2001). For example, Kaplan, Norton, and Rugelsjoen (2010) found that about Fifty percent of all alliances yield returns over the input of capital cost. Zineldin and Dodourova (2005) also documented that the failure rate of strategic alliances is projected to be as high as 50%. According to Kale et al. (2002), 40% of research alliances could be judged as having failed. Similarly, only 15% of the terminated Research and Development (R&D) alliances sampled in Reuer and Ragozzino (2006) were judged as effective, 34% being considered as failures, and 51% have experienced an average result in the form of contract withdrawal or expiration abreast through a partner. Ignorance and lack of experience are said to be a critical cause of alliance failure (Heimeriks, Koen, Duysters, & Geert, 2007).

As a result of this high failure rate, scholars have sought to increase the effectiveness of these alliances by developing the concept of AMC (Ha Hoang & Frank T Rothaermel, 2005; Karsmakers et al., 2010). AMC can be considered as cognitive, organisational or skills that can offer the basis to effectively manage every alliance (Jeffrey H Dyer & Singh, 1998; Schreiner, Kale, & Corsten, 2009). In this respect, Kale et al. (2002) claim that in order to assist the firms to learn from their alliance experiences and to share opportunities, the alliance management capabilities should be treated as a superior set of skills in enhancing their capabilities

However, the AMC is a difficult organisational capability because of the uncertainties and difficulties characteristic of managing projects across organisational boundaries. It is not surprising, consequently, that some alliances do not live up to expectations or even fail (Kogut & Zander, 1992; Rungsithong, Meyer, & Roath, 2017). So far, the AMC has been recommended because it allows a company to reconfigure, integrate,

and build external and internal capabilities to address change of the environments because they generate innovative forms of competitive advantage (Helfat et al., 2009). Therefore AMC contributes to firm-level competitive advantage, consequent that it has become an important concern in strategic fields (W. Y. Wu, Shih, & Chan, 2009).

The approach of AMC draws upon the Resource-Based View notion of organisational capabilities and routines to clarify strategic alliance management (Niesten & Jolink, 2015; Wassmer, 2010). Accordingly, the capability to manage alliances successfully between firms is considered as a source of competitive advantage, which is referred to as AMC (Bharat N. Anand & Tarun Khanna, 2000; Ireland et al., 2002). Isoraite (2009) and Ditillo and Caglio (2011) argue that if the competence to administer alliances is heterogeneously distributed across companies and hard to imitate, then the AMC has the possibility to create the competitive advantage at the company level (Rungsithong, 2014).

### **2.3.1 Definitions of AMC**

Although AMC is rooted in marketing and management disciplines, the literature on AMC has used several notions to reference this phenomenon. The terms AMC and alliance capability have naturally been used in the management strategy and publications by Kale and Singh (2007b), and Yongzhi Wang and Rajagopalan (2015b) whereas relational competence has been a matter of concern by Zambaldi, Mascarenhas, Bernardes, and Garcia Neto (2010), and Phan, Styles, and Patterson (2005). For example, the utilisation of relational capability has been mostly examined by (Kohtamäki, Rabetino, & Möller, 2018; C. Storey & Kocabasoglu-Hillmer, 2013). AMC is essentially constructed upon the RBV, which suggests that “inimitable rare, and valuable, assets reside in the companies” (J. Barney, 1991). It is defined as the ability of the companies to find, negotiate, coordinate, and terminate the alliance (Kale & Singh, 2009a; Lavie, 2007). Regarding the stages in the alliance life cycle, the components are “search partner, negotiation, coordination, bonding, communication, learning, and exiting”.

Activities and processes enable the utilisation of capabilities and resources, frequently linking resources among departments or functions (Kraaijenbrink et al., 2010). Aligned with the resource-based view, J. Barney (1991) states that AMC consist of

competencies and processes, which bundle together with other capabilities and related competencies and processes, to achieve VRIN/O “valuable, rare, inimitable, non-substitutable, and structured” assets, consequently classifying competitive advantage (Kraaijenbrink et al., 2010).

Kale and Singh (2007b) consider AMC as a higher-order dynamic capability that is in alliances might facilitate the reconfiguration of resources. Consequently, “dynamic capabilities might be disaggregated to the capacity (1) to keep effectiveness through combining, enhancing, protecting, and, when essential, reconfiguring the business enterprise's intangible and tangible resources (2), to seize opportunities, and (3) to sense and form threats and opportunities,” (David J Teece, 2007, p. 1319). Some studies consider AMC as “higher-order resources that influence the lower-order alliance level resources” (Niesten & Jolink, 2015). Thus, the dynamic capability can assist reconfigure, seize and sense, as a base of firm's resource (David J Teece, Pisano, & Shuen, 1999). In summary, AMC might serve companies in two ways. First, in order to maintain competitiveness, it allows a continuous alliance with management, alliance partners, and learning from the alliance relations, and integration. Secondly, AMC functions as a dynamic capability with an emphasis on exploration, as an operational or strategic capability enabling exploitation (Kale & Singh, 2007b; Kohtamäki et al., 2018; Yongzhi Wang & Rajagopalan, 2015b).

The AMC is the ability to choose partners, involvement knowledge through alliances, and coordinating to minimise costs and maximise overall benefit to the companies. In other words, AMC consists of alliance transformation, inter-organisational learning, and inter-organisational alliance portfolio coordination (Easterby-Smith & Lyles, 2011; Schilke & Goerzen, 2010). AMC is defined as the process that covers mainly the different organisational routines of building and coordinating alliances during their whole life cycle (Kupke and Lattemann (2008). On the other hand, alliance management capabilities as a multidimensional structure based on three skills coordination, bonding, and communication, to manage the stage of post-formation alliances (Schreiner et al., 2009).

The term ‘communication’ relates to the likelihood of sharing accurate knowledge and bonding indicating the capability of companies to increase strong personal relationships among persons joining in the alliance management capabilities. Coordination, on the

other hand, refers to the ability to manage and coordinate interdependence between partners. Learning is related to activities which Lieberman and Peralta (1989) involve transferring knowledge across the boundaries of organisations within an alliance (Kang, Hur, & Kim, 2014b). As stated earlier, Kandemir, Yaprak, and Cavusgil (2006) coordination, learning, and scanning are capabilities as a firm's higher order capability created regard AMC. For the list of definitions of AMC from the previous studies see Table 2-1 below.

Table 2-1 Definitions of AMC (Jifri, 2016; Kohtamäki, Rabetino, & Möller, 2017)

Article	Definition
Khanna (1998, p. 351)	Alliance capability as “a firm’s ability to identify partners, initiate alliances, and engage in the ongoing management and possible restructuring and termination of these alliances.”
Kale et al. (2002)	“Alliance capability would rest upon how effectively the firm is able to capture, share, and disseminate the alliance management knowhow associated with the prior experience”.
Draulans and Volberda (2003, p. 152)	“The ability to create successful alliances, based on learning approximately alliance management and leveraging alliance knowledge inside the company.” (p. 152, see also p. 153)
Hoffmann (2005)	“Alliance capability on the portfolio level constitutes the ability to develop the alliance portfolio strategy, establish an alliance management system, and coordinate and monitor the portfolio”.
Rothaermel and Deeds (2006)	A firm’s ability to effectively manage multiple alliances
Koen H Heimeriks, Duysters, and Vanhaverbeke (2007)	“The degree to which firms are able to use mechanisms to integrate alliance related knowledge, which enables them to create routines for managing alliances.”
Heimeriks et al. (2007)	“Alliance capability is defined as a higher-order resource, which is difficult to obtain or imitate and has the potential to enhance the performance of the firm’s alliance portfolio”.
Schreiner et al. (2009)	“The constituent skills that are relevant to managing an alliance during the post-formation phase” (p. 1411)
Schilke and Goerzen (2010)	Alliance management capability can consider a “type of dynamic capability with the capacity to purposefully create, extend, or modify the firm’s resource base, augmented to include the resources of its alliance partners.”

According to the previous studies, the AMC can be defined as firm's ability, which is composed of managerial decisions of business level within processes and routines to monitor and manage alliances at the alliance's portfolio. AMC also includes the competencies of seizing and sensing, learning, and coordination (Kale et al., 2002; Niesten & Jolink, 2015; Schilke & Goerzen, 2010; Schreiner et al., 2009; Sluyts et al., 2011).

### **2.3.2 Firm-Level Alliance Capability**

All alliances between firms initiate the strategic decision at the firm level. Due diligence for partners will begin after the objectives of the strategic alliance have been agreed upon in the organisation (Schreiner et al., 2009). AMC, on the other hand, is the capability of the firm level, and includes decisions from top management particularly in the early stages of the capability development (Kale & Singh, 2007a). In the early stages of the capability development, strategic orientation toward alliances is established by the intervening of top executives (Sluyts et al., 2011). Subsequently, the top management has an essential role in AMC development. They direct the efforts to assist in decision-making regarding alliance and in building processes and routines to manage alliances (Adner & Helfat, 2003). The companies allowed to take advantage of organisational learning as a result of the directions of top management, and hence improve the alliance's management capabilities that are exercised on a daily routine

Three various levels distinguishing AMC has been suggested by the prior literature. First, the capabilities of individual-alliance that emphasis on the abilities of firms to initiate, manage, and finish a single alliance (Schreiner et al., 2009). This has been defined as an ability of firms to searching for the partner, negotiate, manage, and finish the alliance individually (Kale & Singh, 2009a; Lavie, 2007). Regarding the alliance life cycle stages, "the mechanisms are partner search, negotiation, coordination, communication, bonding, intra firm learning, and exciting" (Yongzhi Wang & Rajagopalan, 2015b, p. 6). Second, alliance-portfolio capabilities which emphasize a company's abilities in coordinating and developing an alliance portfolio (Gillis, Combs, & Yin, 2018; M. Sarkar, P. S. Aulakh, & A. Madhok, 2009). It is defined as the capability of firms to start and coordinate the alliance's portfolio, including the capability to select partners on the basis of portfolio fit, sharing and leveraging knowledge across alliances, and coordinating and monitoring the portfolio to increase

overall benefit and reduce costs to the business (Koen H Heimeriks & Duysters, 2007). Coordinating the alliance's portfolio is diverse from managing the individual alliance because the partners in a company's portfolio of the alliance are often interdependent (M. B. Sarkar, P. S. Aulakh, & A. Madhok, 2009; Vassolo, Anand, & Folta, 2004). Third, dyad-specific alliance capabilities which reflect the dyad relational capability (Jeffrey H Dyer & Singh, 1998; Zollo, Reuer, & Singh, 2002). Additionally, the empirical research on AMC can be divided to those that make emphasis on the phase of preformation and those that concentrate on the stage of alliances post-formation (Gulati, 1999; Khalid & Larimo, 2012). Preformation AMC research examines capabilities, partner selection and outcomes, for example, alliance formation (Gulati, 1999; Bernard L Simonin, 1997). On the other hand, the post-formation research examines capabilities alliance coordination (Schreiner et al. (2009), alliance learning (Schilke and Goerzen (2010) and outcomes of firm and alliance performance.

The companies need to have the ability to effectively seize and identify the opportunities for partnering before the alliance is functional. In order to minimise risks and to meet objectives of strategic, the partner is selected explicitly and based on an integrated framework (V. A. Lewis, Tierney, Colla, & Shortell, 2017; Shah & Swaminathan, 2008). Others have used the perspective of the Resource-Based View and have concentrated more explicitly on the aim of enhancing strategic effectiveness (Eisenhardt & Schoonhoven, 1996). Accordingly, when companies are in a weak position, they might form alliances for example in need of particular resources or a strong position, and well-connected top management to increase their position in the market (Baum, Calabrese, & Silverman, 2000; Faems, Van Looy, & Debackere, 2005). Generally, the process of alliance formation is political and is dependent upon the negotiation efficiently of the conditions and contract. As a result, large firms with a stronger position in the market commonly have a bargaining power advantage more than the smaller firms (Contractor & Lorange, 1988; Eisenhardt & Schoonhoven, 1996). Thus previous experiences among the partners might as well help firms to choose a trustful previous partner and assist them to increase trust and hence achieve the alliance aims (Robson, Katsikeas, & Bello, 2008).

Post-formation is the second stage. The real management of the alliance starts after the alliance is formed and partner selection has been made (Zollo et al., 2002). The actual

key to an effective alliance is the process of managing the alliance relationship effectively and by alliance firms level processes and routines that are developed and enhanced (K. Heimeriks, 2008; Kale, Singh, & Perlmutter, 2000a). This is due to the presence of the potential danger of constant tension among collaboration and competition between the firms (M. Zeng & Chen, 2003). By combining the results of these business-level capabilities routines, improvement can be made (Koen H Heimeriks & Duysters, 2007). As such, AMC forms the routines of business-level, and at the same time, the results are affected. Due to the rapid change in the elements of the external environment consequent that there is a need for the higher order of AMC to change routines of the business level (Doz & Hamel, 1998). Because of a business-level, restructuring process may be in the form of higher returns than alliances (Niesten & Jolink, 2015; J. D. Thompson, 1967).

Consequently, to obtain alignment with factors of environment, companies need to adjust the AMC, at the same time, as Kale and Singh (2007b) argued, this is done in order to improve or develop their lower-order partnering skills and to manage diverse aspects or phases in alliances more effectively. The AMC, therefore, needs to be considered as dynamic, because it allows companies to get alliance performance. The monitoring and involved decision-making are considered as the most effective mechanisms in the stage of post-formation (T. Das, 2005). Mechanisms can successfully introduce into alliances using the firm's routines, for example, steering committees that help communication and monitoring between the partners (Zollo et al., 2002). Schreiner et al. (2009) highlighted that the bonding, communication, and coordination with the cooperation partner are significant at this stage.

### **2.3.3 Dimensions of AMC**

This part offers the main routines that include the alliance management capabilities. The routines are used to represent sub-components of alliance management capabilities as representative dimensions. The previous literature conceptualised the alliance management capabilities by building on the different basic types of routines, such as alliance coordination, alliance transformation, alliance learning, alliance proactiveness, alliance communication, and alliance bonding.

The most critical challenges in a given inter-firms alliance are the uncertainties associated with the motivation of collaboration (S. H. Chan, Kensinger, Keown, & Martin, 1997; Tushar Kanti Das & Bing-Sheng Teng, 2000; Khanna, Gulati, & Nohria, 1998b). Moreover, of importance is the management of task interdependence among them (Borys & Jemison, 1989; Gulati & Singh, 1998; Schreiner et al., 2009). They are sometimes mentioned to as ‘cooperation problems...’ and... ‘Problems of coordination’ (Gulati, Lawrence, and Puranam (2005) or as ‘risk of performance and risk of relational’(Tushar Kanti Das & Teng, 2001). Through choosing suitable partners, these challenges can be addressed at the stage of alliance formation as recommended by earlier studies (Emden, Calantone, and Droge (2006), or through negotiating a suitable contract (Argyres & Mayer, 2007; Reuer & Arino, 2007). Undoubtedly that some of the ways to address the relationship between partners is the appropriately forming and designing the alliance. Managers of the alliance need to have suitable interaction processes to be able to the alliance in the stage of post-formation, for the reason that the problems of collaboration cannot be fully resolved at the start of the alliance but persist throughout the entire relationship (Rajesh Kumar & Nti, 1998; Schreiner et al., 2009). In the stage of post-formation, a well-conceived structure of the alliance an agreement delivers a possible frame for generating benefits. Thus, in conceptualising AMC, this research builds on earlier studies that efforts on implementation skills to address the key dimensions related to managing an alliance.

### **2.3.3.1 Alliance Proactiveness**

By ‘alliance proactiveness’ one mentions to a company's “efforts to identify potentially valuable partnering opportunities” (Sarkar, Echambadi, & Harrison, 2001, p. 702). This is because an alliance proactiveness sensing routine allows firms to classify new opportunities to gain resources and market requirements (Schilke & Goerzen, 2010). By taking pre-emptive action and scanning the environment, firms are seizing new opportunities (Lumpkin & Dess, 1996); enabling firms to adapt to changing conditions and gain potential partnering opportunities (Jenkins (2009), to reconfigure assets and senses the environment to seize opportunities (David J Teece (2007), and as resources become available, to gain a competitive advantage (Hite & Hesterly, 2001). For the alliance context, one of the alliance proactiveness concepts is organisational sensing routines (Sarkar, Echambadi, & Harrison, 2001; Schilke & Goerzen, 2010). High

alertness environmental information is reflected by sensing routines (Leischnig, Geigenmueller, & Lohmann, 2014). For gaining resources, sensing routines enable the organisation to enjoy new opportunities, to identify market requirements and understand the environment. Thus, there is the motivation to adopt that sensing routines serve a significant part of AMC. By the opportunities, one refers to the identification to enter into strategic alliances sensing routines, considered chiefly the critical for alliance performance (S. H. Park, Chen, & Gallagher, 2002; Schilke & Goerzen, 2010). It is important also to identify suitable alliance partners that have the competencies and resources which the firm needs (Zahra & George, 2002). Companies that are capable of sensing opportunities of alliance tend to enjoy initial first-mover advantages on the market to find partners, and that might translate into higher alliance performance (Schilke & Goerzen, 2010). Karol, Loeser, and Tait (2002), for example, find that higher performance might ascribe to routine procedures of evaluating and identifying partners.

A large literature stream has highlighted the significance of certain elements, such as trust as being of significance stage of partner selection criteria (Kale et al. (2000a), the financial payoff (William G Dyer and Dyer (2013), complementarity (M. Harrison (1997), and commitment (T. Das and Kumar (2009) when choosing an alliance partner. The alliance failure might happen through a misfit in any of these characteristics (Bucklin & Sengupta, 1993; Chatterjee, 2004). Moreover, alliance scanning enables accessing and finding inter-organisational alliance opportunities in the first place (Gulati, 1999). Alliance scanning of partnering opportunities might let the partners' identification with strategic compatibility, complementary knowledge, and resources such as skills to integrate the capabilities of partners in the company's routines (Kandemir et al., 2006).

By active proactiveness, the firms can develop new advantages or maintenance of competitive advantage; the firm also can be in the first place in the market for a strategic partner (Sarkar, Echambadi, & Harrison, 2001). The company can provide valuable opportunities and reduce search cost in the proactiveness stage, accordingly, it can be valuable to the companies in any other alliance (Leischnig et al., 2014). For instance, some studies recommend that firms with proactiveness ability are better able to recognise partners with strategic compatibilities and complementary resources and scan

the potential opportunities of the alliance in an effective way (Kandemir et al., 2006). Furthermore, unique resource configurations which consequence from the alliance sensing ability might be hard to imitate, leading to potential distinction in the alliance portfolio value in which companies are embedded (M. B. Sarkar et al., 2009). Thus, the firms are viewed as a favoured partner who is actively seeking to develop its proactiveness routines.

### **2.3.3.2 Alliance Transformation**

In response to the changing the environment, the alliance transformation is reflected in the partner's ability to adopt the process of knowledge transfer (Leischnig et al., 2014; Zollo et al., 2002). While alliances between firms, might seek to seamless interaction and perfect fit, such outcomes rarely show from the beginning. Modifications (e.g., changes in alliance-related governance mechanism and contract amendments) can finally lead to an effective alliance (Zollo et al., 2002). Although some preceding studies have interpreted organisational changes in alliances such as a sign of failure, these changes are now considered to be a normal phenomenon; changed conditions of the market are supposed to make the restructuring of alliances needed (Schilke & Goerzen, 2010; Zollo et al., 2002). Accordingly, the expectation that a perfect fit among partners can be recognised from the starting is proven to be unrealistic. Rather, to establish such a fit, the adaptation and interaction among partners are essential (Doz & Hamel, 1998). Furthermore, one of its largest advantages of the organisational form of alliance is the flexibility that transformations in all strategic alliances are about 40% (Zollo et al. (2002); examples of which are changes in the alliance-related governance mechanisms, fluctuations in alliance-related personnel or contract modifications. In order to deal with shared principles that should be adhered, it is frequently hard, if not impossible, to routinise change beyond recognising it (David J Teece, 2012).

### **2.3.3.3 Alliance Coordination**

Alliance coordination describes the routines to coordinate resources and activities with partners (Gulati et al. (2005). It aims to “identify and build consensus about task requirements in a given alliance, the nature of the associated interdependence between partners, and the specification of working procedures for task execution.” (Schreiner et al. (2009, p. 1401). Leischnig et al. (2014, p. 1051) are of the view that “alliance

coordination ensures efficient alliance governance and greater transaction legitimacy among partners”. Alliance coordination related to the governance of alliance management deals and individual alliances, with the development of all of the strategic alliances of organisation (Goerzen, 2007). The legitimacy of the transaction among the firms and single alliance governed efficiently, and are ensured by alliance coordination (Rajesh Kumar & Nti, 1998). Three opinions support the need for alliance coordination routines; (i), in the alliance cooperation context, the presence of dependencies among partners lead to needing for coordination, by alliance coordination, resources dispersed over different individuals in organisations need to be harmonized; (ii) the firms need to reconcile the interests of all parties, due to the partners rarely pursue a common the objective of alliance autonomously, and this will be through coordination mechanisms (Todeva and Knoke (2005). (iii) the need for alliance coordination to achieve alliance objectives because alliance partners also do not automatically have all of the essential information to bring into line their counterparts with the activities of their actions (Schilke & Goerzen, 2010). Accordingly, alliance coordination is a significant task of AMC (Goerzen & Beamish, 2005). The alliance coordination routines consist of the practices directing the company’s sequential activities timely information, and the capacity to search for adaptation to achieve the objective of the alliance (Gulati, Wohlgezogen, & Zhelyazkov, 2012a; Zollo & Singh, 2004a). Accordingly, complex tasks are accomplished by mutual adaptation between the partners (Dekker, 2004).

#### **2.3.3.4 Alliance Learning**

The likelihood of alliance learning that is transferring knowledge through organisational boundaries is considered to be the main benefit of strategic alliances (Todeva & Knoke, 2005). At the same time, the ability to successfully transfer the knowledge from the partner plays an essential role in the success (Sampson, 2007). Firms frequently vary in their routines for learning from their partner (Koen H Heimeriks & Duysters, 2007). under the strategic alliances, the alliance learning has a positive effect on the resources gained and when companies interact by the strategic alliances, they might learn more than others (Muthusamy & White, 2005).

A number of authors tend to be lenient towards the absorptive capacity theory when defining the alliance learning concept (Lane & Lubatkin, 1998). Absorptive capacity can be defined as to a capability of companies to identify external knowledge, apply to

the business of firms and to assimilate it (Lane, Koka, & Pathak, 2006). As stated by Lane and Lubatkin (1998), the steps involved in the process of alliance learning are captured by the absorptive capacity. Inversely some researchers observed inter-organisational learning and absorptive capacity as two different concepts where former is referred to the capability to utilise and acquire internal also external knowledge and the latter related to development in learning activities (Buongiorno et al., 2009). However, such contradictory views are primarily due to common conceptual affinity, the interchangeable use of organisational learning and absorptive capacity and organisational learning (Sun & Anderson, 2010). Organisational learning defined by Fiol and Lyles (1985, p. 80) as “the process of improving actions through better knowledge and understanding”. The significance of applying and acquiring new knowledge to developed firms' actions are within the definition of organisational learning. This overlap recommends that notions, inter-organisational learning, and absorptive capacity be mutually interlinked.

Two processes of learning have been theorised in the literature of organisational learning: intra-organisational and inter-organisational learning. Both themes are deeply interlaced as has been emphasised by previous studies, suggesting that the need for cross-fertilisation these processes of organisational learning (J. Liu et al., 2014). In the same context, the development of AMC needs not only to be intra-organisational but also a process of learning between firms, i.e. joint learning (Feller, Parhankangas, Smeds, and Jaatinen (2013). According to P. Chan, Cooper, and Tzortzopoulos (2005) and Feller et al. (2013), through such intra-organisational learning often one can achieve the learning from integrated formal organisations experience. Easterby-Smith, Lyles, and Tsang (2008) suggested that the learning between firms can be done by producing sets of alliances rules that are partly separate from the rules individually of its memberships. This research excludes intra-organisational learning from the AMC conceptual, due to the fact that its emphasis is on how companies govern partnerships rather than the operations of the company's internal.

Often, studies refer to races of learning to reference the need for companies to learn and outperform their competitors in alliances in order to stay in competitive marketplaces (Hamel, Girard, & Atkinson, 1989; Ireland et al., 2002). Usually, the ability of businesses to learn and transfer knowledge from and among their partners, the alliance's

experience in the firm, is the dominant theme in this kind of research (Kale & Singh, 1999; Bernard L Simonin, 1997). In order to develop and enhance the AMC, several authors suggest that companies need to participate in mechanisms of learning (Kale & Singh, 2007a; Thomaz & Swaminathan, 2015; Zollo & Singh, 2004a). Companies in the alliance have the capability to improve invest and contracting in the mechanisms of learning so that by negotiation with the partner they might learn more about them (Ozkaya, Hult, Calantone, and Droge (2015). According to Koen H. Heimeriks, Klijn, and Reuer (2009) when share learning in the joint plan of business sessions, the partners will know more about the alliance's future direction,, that will support in defining their collective the goals at an initial period when the partners enter into repeat alliances.

In short, to build on previous studies, alliance management capabilities are considered as encompassing routines namely, alliance proactiveness, alliance coordination, and alliance learning (Kandemir et al., 2006; Leischnig et al., 2014). Each of these routines has a deep role in achieving the alliances, empirical studies have not thoroughly addressed this issue, especially in the family business context. Thus, this research has considered these dimensions of alliance management capability as theoretically related and uniformly directed toward the same objective.

Borrowing from previous research, in this study AMC consists of three dimensions: alliance proactiveness, alliance coordinate, and alliance learning (Kandemir et al., 2006).

- (i) Alliance reactiveness leads to the greater alliance, acting as a competitive advantage for the family business and a thriving resource for them (Bicen & Hunt, 2012; Kang, Hur, & Kim, 2014a). The companies that are more capable in alliance scanning might choose the greatest appropriate alliance partners. Additionally, effective alliance scanning growths the likelihood of securing the partner with complementary resources (Kang et al., 2014a; Lambe, Spekman, & Hunt, 2002; Wittmann, Hunt, & Arnett, 2009).
- (ii) A company's capability to acquire, leverage, and interpret know-how around developing relations of the alliance is characterised by the alliance learning (Kandemir et al., 2006; Kang et al., 2014a). In this state, through leveraging and accumulating know-how companies past alliance experience the companies must learn, as argued in Bharat N Anand and Tarun Khanna (2000), that could

act as alliance capability, such as in the skills form to perform the particular tasks essential in an alliance, confidence in role fulfilment in the relationship of alliance and inter-firm capabilities, (Gammoh & Voss, 2013). Thus, alliance learning lets the firms to augment alliance knowledge through distributing, gaining, and exchanging; information gleaned from earlier unsuccessful and effective experiences with the partner.

- (iii) Alliance coordination involves expanding knowledge of alliance relations and its operations in a reliable direction, and the capability and effort of firms to join its business strategy (Kandemir et al., 2006). To benefit from the network environment of the alliance, as Lorenzoni and Lipparini (1999) have suggested that the coordination among partners is a primary technique by creating new abilities and unifying necessary resources. Furthermore, alliance coordination grows a company's ability to maintain relationships between partners (Jap, 1999; Kang et al., 2014a). Without the appropriate the motivation level learns from the partner and to improve their knowledge stores, the alliance coordination is not viable, that be able to collateral learning through the strategic integration (Kang et al., 2014b).

Through a review of previous studies, AMC is an essential factor, which gives firms the chance to form successful alliances to reduce risks. However, there are antecedents to develop AMC as is to be discussed next.

#### **2.4 Antecedents of AMC**

Regarding the full concept of AMC, the earlier studies propose a diversity of antecedents reflecting the business market nature. In relation to antecedents of AMC, different aspects of top management team R. B. Johnson and Onwuegbuzie (2004); Sluyts et al. (2011), environmental turbulence J. L. Johnson, Sohi, and Grewal (2004), company offerings (Kohtamäki, Partanen, Parida, and Wincent (2013), alliance experience (Rothaermel and Deeds (2006), and strategic orientation (Smirnova, Naudé, Henneberg, Mouzas, & Kouchtch, 2011) have been examined.

### **2.4.1 Alliance Experience**

Over the course of the last decade, a number of researchers have attempted to find answers to the question of how companies can develop such AMC by primarily assessing its antecedents. According to Kale and Singh (2007b) and Rungsithong (2014), the experiences and functions of alliances are the antecedents of intellectual capabilities in the alliance portfolio context. Following the argument presented by scholars, the purpose of corporate development units being to assess the alliances experiences and alliance department as antecedents of AMC within the alliances context that are standard (Kale, Singh, & Perlmutter, 2000b; Rungsithong, 2014). As defined by Koen H Heimeriks and Duysters (2007), the alliance experience of a firm constitutes the learned lessons, in addition to the savoir-faire enabled from the organisation's previous alliances. Alliance experience is the important element in building the alliance management capabilities and cooperative know-how (Castaldi, Turi, Mazzoni, & Paoli, 2014; Ha Hoang & Frank T. Rothaermel, 2005; Luvison & de Man, 2015). Several researchers have shown that a company's performance engaging in different alliances with time varies with the alliance experience amount (Bharat N. Anand & Tarun Khanna, 2000; Gonand, Joumard, & Price, 2007). According to Ha Hoang and Frank T. Rothaermel (2005) Within the organisation routines, and structures, processes, and contracts, partner-specific are storing the knowledge, especially in repetitive alliances. These processes and structures include joint business planning sessions, partner-specific interfaces, joint teams, and joint alliance evaluation sessions (Koen H. Heimeriks, 2010).

According to De Massis, Kotlar, Chua, and Chrisman (2014) repeat alliances will improve procedures and routines structures to assist learning, and these routines and structures will allow the firm's partners to get their alliances objective. Thus, when the partners are creating a new alliance with the same partner, they spend less time and take advantage of the saved time, that enables the partners to transform these benefits more quickly and to create a common advantage (Al-Laham, Amburgey, & Bates, 2008). The alliance management between firms and learning experience is considered more complicated than other operation, for example, marketing and production where the significance of experience and its effect on performance is recognised and widely known (Zollo et al., 2002). Several researchers show that company-level alliance

management capabilities are not shaped through simply accumulating more alliance experience through participating in additional alliances (Koen H Heimeriks & Duysters, 2007); however rather, to some extent, through labours to influence specific know-how and past alliance experience across alliances to help the lessons learned (Kale & Singh, 2009b; Wassmer, 2010). Previous alliance experience can act as development of the internal capabilities as companies might store and improve a practices stock, strategies and outcomes repertory which might be used in cases of unpredictable interactions unexpected emergency between partners (Castaldi, Turi, Mazzoni, & Delli Paoli, 2015; Love, Roper, & Vahter, 2014). In their proposed organisational learning model, Powell, Koput, and Smith-Doerr (1996) suppose that additional experience at organisation alliances of R&D might lead to a more different alliance portfolio and hereafter assistances to grow the companies capability to become more centrally connected.

According to Gulati, Gulati, Lavie, and Singh (2009), when firms form a new alliance, their experience addresses the firms capability to translate partner-specific experience in alliance management skills that used in alliances. Alliance experience positively moderates the relationship between AMC and alliance performance (Duysters, Heimeriks, Lokshin, Meijer, & Sabidussi, 2012). An establishment with substantial experience of external collaboration in previous periods has a positive effect on the relationship between current linkage breadth and innovation (Love et al., 2014). Feller et al. (2013) studied how partners may learn how to better manage their R&D alliances and found that there is a significant positive relationship among the improved capability to manage R&D alliances and knowledge complementarities: previous alliance experience, inter-organisational trust, knowledge and similarities.

According to Gulati, Lavie, and Singh (2009), the alliance experience with new partners enables the capability of companies to translate partner-specific experience in AMC which are used in alliances. Alliance experience positively moderates the link among AMC and alliance performance (Duysters et al., 2012). An establishment with substantial experience of external collaboration in earlier periods has a positive influence on the relationship among present linkage breadth and innovation (Love et al., 2014). Feller et al. (2013) attempted to find out how partners might learn to better organise their dyadic R&D alliances and conclude that there is a significant positive

relationship among the developed capability to organise the inter-organisational trust, previous alliance experience, knowledge similarities, alliances of R&D motivation to learn, and knowledge complementarities.

#### **2.4.2 Department of Alliance**

Alliance department, which is specialised units of organisational and personnel, is dedicated to the management of strategic alliances (Schilke & Goerzen, 2010). In order to coordinate all alliance-related the company activities, the function of the dedicated alliance which has an essential role in progressing the AMC in various ways (Heimeriks et al., 2009; Hoffmann, 2005; Kale et al., 2002). First, by the alliance infrastructure department the companies can enhance the process and support the management of alliances (Sluyts et al., 2011). Secondly, the managers of the alliance might act as “sponsors” for alliances, raising awareness within the company and making sure that enough resources are dedicated to the alliance (Rungsithong, 2014). Separate function references the importance of alliances between companies and it creates both legitimacy and visibility within the firm and with external parties. Thirdly, the manager of the department of the alliance can focus on developing the strategy of the alliance for the firm and concentrate on how alliances must support the strategic direction of the firm. Fourthly, accumulate alliance experience more easily, and that is through a centralised function of the company. Lessons might be drawn from the diversity of alliances in diverse areas or businesses that might increase knowledge transfer and formation over different business units. Throughout the firm, the alliance department codifies essential alliance know-how that is then spread, and that is through the formation of guidelines and manuals. Normally the alliance departments establish knowledge of participation programs, such as sending managers to externally organised seminars or improve training programs and meetings. The function of a dedicated alliance is an organisational unit which coordinates alliance activities and accumulates alliance knowledge (Kale & Singh, 2009b). Studies of alliance management capabilities found that the alliance function improves AMC through sharing and synthesising alliance knowledge, externally and internally, as well as enabling the evaluation and monitoring of alliance performance on a continuing basis (Schilke & Goerzen, 2010).

Following the argument presented by Kale et al, the purpose of corporate development units being to assess the experiences and alliance department of the alliances are antecedents of AMC within the context of alliances that are standard (Kale et al., 2000b; Rungsithong, 2014). In addition to this view, Chaharbaghi et al. (2005) found that, as a factor, the alliances department is important to the AMC enhancement of an organisation. The department of the alliance is defined as ‘a position to coordinate and manage all firms’ alliance activity (Kale & Singh, 2009a). A department of the alliance can play an essential role when companies improve AMC (Kale et al., 2002). A dedicated alliance department has the ability to improve AMC through supporting the alliance management routines of sensing, transformation, learning, and coordination (Faems, De Visser, Andries, & Van Looy, 2010). According to Kale et al. (2002) the alliance department’s assistance can be used to coordinate alliance knowledge between partners. The department of alliance includes team management that is responsible for managing alliance activity and coordination within firms, and firms are often entering alliances to enter into new businesses, the geographical product-market segment (Sroka & Hittmar, 2013).

Prior literature found that department of alliance and alliance experiences is antecedents of AMC (Kale et al., 2000; Hong and Rothermel, 2005; Dyer and Kale, 2007). The function of a dedicated alliance offers several forms of assistance to companies (Dyer et al., 2001; Kale et al., 2002). **First**, in order to identify possible trouble spots in the alliance before they become an issue, the department of alliance can act as a mechanism to monitor the of the alliance's performance **Second**, the department of alliance offers a function to develop the awareness and visibility of a company's alliances with external stakeholders (government, investors, and customers), and hence supports in enlisting their buy-in. **Third**, it is an important point for storing and capturing alliance management lessons and best practices from the company's own current and previous alliance experiences in addition to leveraging that information through the company as occasion warrant and time. The managers in the department of the alliance, with their repeated participation in the different alliances of the company, can become alliance management know-how repositories. **Fourth**, researchers have found that the department of alliance offers more relative significant than previous experience in building AMC. Companies can be set up this function in several various ways, and they can establish it around main partners, locations, functions, businesses, or some

combination of the same factors depending on the order of priority given to different dimensions. **Furthermore**, it offers support and legitimacy for a company's alliances, and assistances garner internal resources essential for alliance performance. In order to resolve or escalate those conflicts, the department of the alliance can then take necessary action promptly. Empirical studies have indicated a positive relation between the existence of the department of alliance and AMC and alliance performance (Hoang & Rothaermel, 2005; Kale et al., 2002). Organisations that have the department of alliance tend to coordinate activities of their alliance better, hence increasing alliance performance by 70%, than organisations without the department of alliance with a mere 40%.

### **2.4.3 Alliance Orientation**

In order for companies to adapt to the environment, they need the top management to establish strategies that assist them. David J Teece (2007), Hoffman (2007), and Simon (1957) have argued that one of the strategies that assist companies to adopt the environment is the alliance. The companies face uncertainty in the environment which lead them to depend on resources (Jifri, 2016). To reduce the uncertainty, managers of the companies are compelled to involve in partnerships for numerous probable strategic reasons including (i) gaining access to valuable resources (ii) increasing legitimacy, and (iii) reducing interdependencies (Thompson, 1967). Through the influence of the decisions on the improvement of dynamic capabilities, the decision-making of top management affects the approach in which companies adapt to environmental change (Adner & Helfat, 2003; Helfat & Peteraf, 2015). For alliance reconfiguration that supports responding to the environment the alliance's configuration process is offered by and through the managers of the alliance the in alliance departments. AMC has hindered due to the alliances being long-term, a variety of industries, and not simply reconfigured.

In order to enter relational agreements with other companies, the alliance orientation is the strategic optimal. Alliance orientation has been defined as a strategic decision set forth by the department of the alliance in top management to pursue involvements with the partners (Adner & Helfat, 2003). In the literature, numerous instances of strategic orientations have been discussed; including long term orientation for the companies

(Miller and Breton-Miller (2006) and orientation (Covin & Slevin, 1988), dominant entrepreneurial logic (Kor and Mesko (2013).

Alliance orientation contains the decision-making to generate an AMC and to shadow through after the capability has been established and running. David J Teece (2007) highlighted the role of top management in shaping opportunities by gaining loyalty and commitment, and implementing structures and guidelines. Therefore, alliance orientation assistances do build up and nurture AMC, which consist of deploying and configuring resources and processes linked to alliances by decisions of the top management (Kandemir et al., 2006). The top management in the firms may use the competence for the shaping market and adapt to the capabilities after it is established. Decision-making of top management in the firms affects the approach in which firms adapt in the environments change through the effect of the decisions on the dynamic capabilities development, from the perspective of dynamic capability (Helfat & Peteraf, 2015). For reconfiguring alliance that helps in responding to the environment, the shape of alliances gives alliance managers the “choices”. For example, in asset-intensive industries, as has been elaborated in Sluyts et al. (2011), it has been found that AMC is improved by alliance strategy making. Regarding alliances, to have the alliance strategy effectively is the key aim for the managerial decisions. When the emphasis and attention on top management go towards alliances, then the firms become more proactive in seizing and sensing of alliance opportunities more. By the diversity and extensiveness of the company’s alliance portfolio, the alliance proactiveness positively affects on alliance complexity represented (Kreiser, Marino, Kuratko, & Weaver, 2013).

#### **2.4.4 Environmental Turbulence**

Environmental turbulence has been defined as “general conditions of uncertainty” and it is emerging from three main sources (Mendelson, 2000). First, the rate of change in the customer's composition and their preferences or market demand leads to uncertainty in the market, hence turbulence (Jaworski & Kohli, 1993). The environmental turbulence influences performance of company, capabilities, and strategies, and that it is a significant variable. Secondly, the competition between companies in the market arena can cause turbulence (Schilling and Steensma (2001). Thirdly, technological change can significantly lead to market turbulence (Glazer & Weiss, 1993; Jaworski &

Kohli, 1993). Moreover, such an environment might lead to the obsolescence of the company capabilities and affect its performance (Burt, 2000; Rowley, Behrens, & Krackhardt, 2000). Lastly, this turbulence of the environment can adversely impact the capabilities and strategies of the companies to manage relationships.

Environmental turbulence is one side of the organisational environment which could be related to the company's choice for the alliance. In the process of strategic decision-making, the multiple changes and frequent shifts in markets pose a heavy request on the cognitive capacity of senior managers to integrate and process information. Environmental turbulence might have a direct influence on AMC. Under the turbulent environments, researchers in the strategic management have studied the capabilities that allow companies to leverage their resources and engage in a competitive environment. These researchers note that companies need the capability to reconfigure resources and the flexibility of companies to respond to volatile demand and technological change (Englehardt & Simmons, 2002; David J. Teece, Pisano, & Shuen, 1997). The studies in the competitive dynamics have recommended that the ability of companies in making changes quickly and implementing changes effectively contribute to their market share and profitability in the environment turbulent (Sirmon, Hitt, & Ireland, 2007). The main argument of these studies is that the benefits to companies are through competitiveness in being able to manage the contradiction between exploring opportunities through making changes and taking advantage of opportunities through the effectively taking advantage of opportunities.

Managers of firms in turbulence environments would prefer the form of an alliance of exchange to arm's length relations as close ties and trust, as these are conducive to higher volume and the exchange of quality of information (Alexiev, Volberda, & Van den Bosch, 2016; Collins & Clark, 2003). Manufacturers and suppliers can learn on the foundation of the expectations developing and the relational norms in these firms, and the environmental turbulence can have a positive influence on the firms between partners (Joshi & Campbell, 2003). Engaging in the alliance aimed at innovation needs mutual trust that allows both sides to exchange elaborate and sensitive strategic information. In the troubled environments, managers of firms need to be more able to adjust deviations and make more consistent decisions, indicating their reliability and

increasing their chances of being selected as the alliance partner (Alexiev et al., 2016; Robert Mitchell, Shepherd, & Sharfman, 2011).

## **2.5 Outcomes of AMC**

The empirical evidence which proposes that the alliance management capabilities impact the relevant outcome is the subject of the discussion in this part. Alliance management capabilities are often related to two types of outcomes as the vast literature shows: (i) overall firm performance, and (ii) alliance performance. Performance of the company is the overall firm performance regarding growth, sales, and so on. The alliance performance relates to the attainment of strategic objectives in a given relationship "either collective or independent objectives". The next section discusses the implications of the alliance management capabilities for each performance outcome.

### **2.5.1 AMC and Alliance Performance**

AMC is a significant antecedent of alliance performance as discussed by the recent literature (Feller et al., 2013). The AMC can improve the alliance performance in a theoretical assumption, the recent improvement occurs as a result of the dynamic environment provided to the partners to adopt the attribute of the alliance (Koen H Heimeriks & Melanie Schreiner, 2010b). Most of the studies have tested the direct relationship between AMC and performance (Schilke & Goerzen, 2010). AMC, in particular, provides the skills in making alliance decisions, which have a positive impact on alliance performance. (Walter, Lechner, & Kellermanns, 2008).

Given the potential benefits arising from the alliance management capabilities, there is an existing relationship between alliance management capabilities and alliance performance as has been posited by the strategy literature (Kale et al., 2002). Generally, to know the influence of alliance management capabilities on the alliance performance one needs to gain knowledge of the logic of value capture/appropriation and value creation (Antonio Lerro et al., 2014; Lavie, 2007). Through the alliance between partners, the firms derive the value creation because they collectively aim to extend the value chain activities range or the shared objectives (Lavie, 2007; Ritala & Hurmelinna-Laukkanen, 2009). Gulati and Olivia Wang (2003) define appropriation of value as the

individual share of the value that the company can appropriate from the alliance. In order to improve the appropriated relational rents, the partners competitively pursue the self-interested objectives as recommended by value appropriation (Lavie, 2007). According to Ritala and Tidström (2014), the corresponding to the divergence between private and common goals is the divergence between value appropriation and value creation. By simultaneously considering value creation and value appropriation, prior to looking at the value appropriation and value creation, two dominant alliance outcomes are affected by AMC: joint actions and alliance success (Castellaneta & Zollo, 2014). The core argument of value seizure assistance best clarifies how companies can create collaboration success through organising alliance management capabilities (Dyer, Singh, & Kale, 2008). On the other hand, common benefits are shared by all partners in an alliance with the creation of value supports the interlink between joint actions and alliance management capabilities (Mitrega, Forkmann, Ramos, & Henneberg, 2012).

### **2.5.2 AMC and Firms Performance**

The increasing attention in the ability to manage alliances encourages the authors to explore the possible alliance management capabilities value for the firm's performance. From this point of view, Bharat N Anand and Tarun Khanna (2000, p. 296) observe that “if the ambiguities involved with managing alliances were perfectly specifiable, it is unlikely that interfirm differences in the ability to create value through alliances would persist.” Therefore, it can be argued that the alliance management capabilities is a basis for competitive advantage. The ability to form and manage alliances with competitors can serve as a source of competitive advantage (Ireland et al., 2002). In this aspect, researchers argue that the alliance management capabilities influence on competitive advantage and might be contingent on factors of environmental. For example, the value-creation potential of AMC can be reduced by the high level of environmental dynamism (Schilke, 2014b). This is because the nature of alliances varies from one alliance to the other especially when an environment is changing rapidly (Koen H Heimeriks, 2010). Given that the high novel degree of in alliances through the dynamic market, companies face challenges to match the alliance management capabilities with the novel settings of the alliance because companies with alliance management capabilities favour to stick to the recognised partner chosen

procedures and involve in social bonding with the current partners. In a highly dynamic market, when the choice of partner is limited, then it might be more appropriate for companies to search for better access to more applicable resources than partners (Kandemir et al., 2006). Consequently, a balance exists between competitive advantage and alliance management capabilities of companies at the average level of market dynamism (Schilke, 2014b). Some researchers nowadays have suggested searching for the indirect relationship between alliance management capabilities and firm performance as strategic actions. In this regard, by the strategic actions, it has been proposed that alliance management capabilities affect the company's growth and financial performance (Kauppila, 2015). From this point of view, it has been supposed that as long as firms do not undertake joint actions, the potential value of AMC remains unrealized (Schreiner et al., 2009). Thus, in order to leverage the AMC for firm performance value, the companies need to undertake joint actions and strengthen their position in the changing environment.

In order to create value and enhancing firm's performance, the accessing, acquiring, and identifying externally held knowledge is critical as indicated by the knowledge-based view (Zhang, Baden-Fuller, & Mangematin, 2007). In general, gaining knowledge from others is the main component of coordinating capability for partner company determining whether they can exploit such knowledge to product development projects or invest in cooperative R&DP. E. Eriksson (2013). Gaining knowledge therefore is paramount to develop alliance-driven innovation activities (Jiang, Li, Gao, Bao, & Jiang, 2013). Moreover, the perspective of organisational learning posits that partner company should learn from each other and bring this learning to new situations and encounters, hence providing necessary information and knowledge for innovation (Nielsen & Nielsen, 2009). Furthermore, as knowledge-based view predicts, it is possible to decrease operation and production costs, raise resource utilisation, and improve customer service, through acquiring knowledge from partners to affecting innovation, hence benefiting partner firms' financial performance (Jiang, Yang, Pei, and Wang (2016).

Perceived goal fulfilment and the firm's performance satisfaction are related to alliance success that is on the firm level (Kale & Singh, 2007b). The partnering businesses exhibit the mechanism of value seizure, which results in the inconsistency. The value

seizure mechanism allows the facility of shared benefits to partners individually, furthermore, unilateral extraction of goal fulfilment/ private performance (Kivleniece & Quelin, 2012; Weber, Weidner, Kroeger, & Wallace, 2017). In documenting the kind of private goals of firms, the prior strategy literature argues that perceived goals vary depending on the type of firms goals (Kotlar & De Massis, 2013). In such a situation, the perceived goals differ based on the relationship and industry, for instance, a company in services sector can do alliance with a manufacturing company (Schreiner et al., 2009). This means that the service provider would like to raise own profitability and sales, because of a relationship with a specific seller (Schreiner et al., 2009). That offers insights about opportunities which partners of business might realise through sharing work, the vendor needs a better insight into the seller's customer base (Windahl & Lakemond, 2006).

A number of studies demonstrated the influence of AMC on both the of partner companies performance and on the alliances themselves, and even on a alliances portfolio (Wassmer, 2010). However, Rothaermel and Deeds (2006) argue that measuring AMC is a complex task due to the concept being difficult to operationalise. They recommend that one must emphasis on tangible or determinants effects. Accordingly, in this study, alliance performance is considered as dependent variable measured as perceived goal and performance satisfaction fulfilment of the Libyan family business.

## **2.6 Social Capital**

Studies suggest that the relationships between firms create opportunities for exploitation and knowledge acquisition (Howard, Steensma, Lyles, & Dhanaraj, 2015; Yli-Renko, Autio, & Tontti, 2002). Companies get access to foreign knowledge and combine this with current knowledge through interactions with others. Additionally, these relationships make a context in which newly created knowledge could be exploited and applied. How firms pursue the opportunities of learning from their partner in knowledge settings, depends on the examination of the relationships between seller and buyer Urban and Von Hippel (1988), and customer and supplier relationships of entrepreneurial companies Darbi and Knott (2016) and Uzzi (1997), as a vital information source essential to sustaining a competitive advantage, and stress that alliances could help in the absorption and development of technology.

Furthermore, the significance of networks lies in helping the firms to improve profitability, reduce transaction costs and react to environmental changes (Davies, 2009). The relations, expressed through individual contacts and social networks, that individuals develop throughout their life, allowing them to finally access benefits and advantages in their professional activities, is known as Social Capital (Davies, Doherty, & Knox, 2010). Drawing on the social capital literature, Bartsch, Ebers, and Maurer (2013) found that social capital facilitates organisational learning between team members of firms because it affects their ability, opportunities and motivation to share knowledge between them. This results in relieving barriers to learning from the alliances. Social capital offers a chance to gain access to the resources embedded in and derived from actors' social network ties supporting the achievement of the aims of firms (Adler & Kwon, 2002; M. H. Anderson & Sun, 2015).

### **Social Capital and Alliance Management**

Social capital involves relationships between organisations or individual-based relationships, while human capital focuses on individual attributes (Burt, 1997). Tsai and Ghoshal (1998, p. 243) defined social capital as the “sum of the actual and potential resources embedded within, available through and derived from the network”. Some important firm activities can be influenced by social capital, an example being, interfirm and interunit resource exchange, the creation of entrepreneurship, product innovation, intellectual capital, supplier interactions, and interfirm learning (Adler & Kwon, 2002). Social capital can provide access to markets, information, technological knowledge, and to complementary resources as suggested by (Hitt, Ireland, Camp, & Sexton, 2002). In this way, social capital is a highly significant resource. Social capital consists of three dimensions: structural, cognitive, and relational (Coleman, 1988b; Nahapiet & Ghoshal, 2000). The relational dimension is based on obligations, trust, and norms (Nooteboom, Berger, & Noorderhaven, 1997). The cognitive dimension, on the other hand, is based on a shared narrative and language. Each of these dimensions is embedded within the ties and the family unit; the family firm has with external stakeholders (Arregle, Hitt, Sirmon, & Very, 2007). By connecting these diverse social structures, and as the family's social capital increases the firm can build more effective relationships with partners (Lounsbury & Glynn, 2001). In so doing, family businesses garner resources from their networks and constituencies (Arregle et al., 2007; Austin,

Stevenson, & Wei-Skillern, 2006). Moreover, they can more simply communicate the value of the company's services and goods to potential customers.

The firm draws its value from their people and through a capability to positively harness, categorise, and apply that knowledge for commercial purposes, so the firm is considered here as a social institution (Ireland et al., 2002). One of the few resources that might be an enduring source of competitive advantage is the knowledge developed in firms through the mutually beneficial (Birkinshaw, 2001). Firms tend to become repositories of competitively valuable knowledge through long-term mutually relationships and benefits (Tsai, 2001). To gain sustainable earnings, this type of knowledge is as or more significant than financial capital (Earl, 2001). Consequently, the success of the alliance is mostly a function of how efficiently and effectively evolving partners, integrate, transfer, and apply knowledge. "The alliance managerial tasks are evolving systems to codify new and existing knowledge to support future alliance activities, sharing their knowledge in the process of doing so, and encouraging alliance partners to work together" (Niesten & Jolink, 2015, p. 1). Knowledge transfers enable partner cooperation and mutual learning that stimulates the new knowledge development. To do so, it is essential for the partners to have the ability to absorb inputs by which is created new knowledge. Furthermore, the new knowledge toward commercial ends is related to the high absorptive capacity more effective (Tsai, 2001).

According to Prahalad and Bettis (1986) the AMC demonstrate the essence of what call a dominant logic. The AMC reveal a managerial logic that governs alliance regarding the processes of decision-making throughout the company (Lampel, Lant, & Shamsie, 2000). These routines characterise a shared belief about how activities, for example choosing and controlling the alliance portfolio, must be accomplished. According to Lubatkin, Calori, Very, and Veiga (1998), across time, AMC frequently become part of the company's administrative heritage. These routines should be focused on main alliances dimensions for example ensuring accountability, knowledge management, and establishing cooperation ((Jeffrey H Dyer, Kale, & Singh, 2001).

Social capital has been defined as the resources embedded in the relations between persons (Hoffman, Hoelscher, & Sorenson, 2006). According to Argote and Miron-Spektor (2011), social capital facilitates learning from partners because it positively impacts the three essential mechanisms of knowledge management in firms – ability,

opportunity, and motivation. Social capital improves over long-term communication among strategic alliances and is positively connected to the extent of resource exchange among firms (Kohtamäki, Partanen, & Möller, 2013). Trust is an especially significant part of the quality of relational alliances because of its uncertainty, reduces transaction costs, increases transparency, and facilitates social interaction (Dekker, 2004). Trust and shared norms are the basic building blocks of a mutual culture in the alliance that can be the foundation for the partnership between partners. Tagiuri and Davis (1996) found that one of the key competitive advantages of family businesses is the use of a distinctive language of the family that enables their members to communicate extra competently and share more information. According to De Massis, Frattini, and Lichtenthaler (2012), the values characterising the shared goals of a family business usually result in a higher degree of cohesiveness and commitment in the workforce, which adds to creating possible advantages over non-family businesses. When firms develop social capital, which leads to making another alliance with the partner (Goerzen, 2007). According to Gulati and Gargiulo (1999), prior indirect partner relationships induce relationship among the focal firm and possible new alliance, hence providing a basis to add new alliances

## **2.7 Organisational Culture**

When partners estimate each other's unique practices, business philosophies, and values they will be more likely to leverage their respective strengths. Those differences in the culture of the firm's orientation contributing in a network could have a significant effect on the ease with which knowledge is shared and within firms (S. Wang & Noe, 2010). The researchers contend that culture affects the type of knowledge people prefer and the pattern in which that knowledge is to be processed (Bhatt, 2001). The culture of organisations reflects their behaviour patterns, values and beliefs or what several have loosely indicated how we do things (Ortega-Parra & Ángel Sastre-Castillo, 2013). Initial literature observing that firms are characterised through common, observable basics, and the study of organisational culture has emerged from an anthropological tradition, say, vocabulary, stories and myths (Awadh & Alyahya, 2013; Luvison & de Man, 2015). Furthermore, organisational culture depicts unique practices and tendencies which position firms to the best deal with their market environments (Martins & Naidoo, 2014). Through a number of specific effects, the organisational

cultures emerge (Schuman, Stutz, & Ward, 2010), and more significantly through the shared accumulated experiences of all members (Luvison & de Man, 2015; S. G. Park, 2013). Alliance management capabilities help to develop the particular underlying assumptions and the values cultural that support alliances (Luvison & de Man, 2015). Cultures of family firms develop through time and reflect the dynamic interplay among the owners' values, the competitive conditions of the organisation's central industry, and national cultures, organisational history, and accomplishments (Abodher & Hardaker, 2010). These cultures reflect the ethnic heritage of the family that runs and owns the family business (V. Gupta, Levenburg, Moore, Motwani, & Schwarz, 2009; Pistrui, Huang, Oksoy, Jing, & Welsch, 2001). Culture is shaped by historical experiences and a society's regional culture (Zahra, Hayton, & Salvato, 2004). According to Sharma, Chrisman, and Chua (2012), these cultures of the organisation reflect a wide range of psychological, economic, experiential, sociological, and ideological values. In the family firm context, scholars have observed that regional and national cultures exert a unique impact on significant family firms operations, such as, succession (Garcia-Castro & Aguilera, 2014). The participation of various members of the family specifies that these family members are significantly dedicated to the success of firms. According to Dawson, Sharma, Irving, Marcus, and Chirico (2015), members of a family frequently share intelligence of commitment to their family business, a characteristic that is hard to find between non-family employees. Due to problems often present in family businesses, such as, the significance of control and insularity are probably mitigated, members of the family are participatory in management. According to Dawson and Mussolino (2014), family ties that are strong might create systemic synergies, give family businesses distinctive character and unique and organisational culture. On the other hand, Sciascia, Mazzola, and Chirico (2013) found that struggles between ideas and opinions, expressed in informal and formal knowledge exchanges, apparently have more potential in family firms through a higher percentage of family participation, to the advantage of these constructive interchanges.

## **2.8 Summary**

This review was a purpose of viewing the alliance performance and the emergence of the alliance management capabilities. This chapter has comprehensively reviewed the relevant literature regarding the alliance management capabilities concept, and the

alliance management capabilities dimensions (alliance proactiveness, alliance coordination, alliance learning, and alliance transformation). In this chapter, attention has also been given to the relevance of prior studies of the relationship between alliance management capabilities and performance. In particular, the chapter has exhaustively reviewed and examined the relationship between AMC and firm performance and the relationship between the alliance management capabilities and alliance performance. Finally, the relevant prior studies have been examined in consideration of the proposed antecedents of the alliance management capabilities such as alliance experience, organisational culture, environmental turbulence, environmental turbulence, department of the alliance, and social capital.

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## CHAPTER THREE

### STUDY CONTEXT

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#### 3.1 Introduction

This chapter sets the scene for this study and is divided into three sections. The first section discusses the development of studies in the family business. Following on this, the second section justifies the choice of the family business in the Libyan economy. The knowledge gaps in the present literature are discussed in the final section and provide the reasons as to why this research should address these gaps.

#### 3.2 Family Business

The family business is dissimilar from a firms with no family ownership or participation because of the influence that the family can have on business (Astrachan, 2010; Kellermanns, Eddleston, Sarathy, & Murphy, 2012). Significantly, in the family business, family transmitted implicit knowledge is acknowledged as a latent advantage of the strategic (Craig, Dibrell, & Garrett, 2014). In this way, the effect the family brings about to the uniqueness of the company is located at a pivotal intangible and hard to imitate resource (Othman, 2014). Therefore, the effect of the family enables a distinctiveness that, if leveraged, can add to building competencies that positively impact the functioning of both the business and the family (Frank, Lueger, Nosé, & Suchy, 2010; Pearson, Carr, & Shaw, 2008); (Craig et al., 2014). The influence of family help reinforces and shape a set of culture-rooted beliefs that drive values and aims and how diverse business, and family might offer sustainable competitive advantages (Schuman, Stutz, & Ward, 2010; Sorenson, Goodpaster, Hedberg, & Yu, 2009b).

As proposed by Astrachan, Klein, and Smyrnios (2002) for measuring the level of the influence of family in a family firm the three-dimensional method influence on power, experience, and culture (FPEC). The operational definition of the FPEC scale takes into account numerous aspects of family influences and views as a whole rather than separated non-overlapping issues (Debicki, 2012). Size of the firm is one of those determinants of family firms (Litz, 1995). For instance, while Daily and Dollinger

(1993) expected the family firms to be as SMEs, Litz (1995) listed several firms that are more or less of the world's biggest and yet controlled by the family. Family firms also defined as a one in which a single family leads the business and controls the ownership (Braun & Latham, 2009). Family business also defined by Romano, Tanewski, and Smyrniotis (2001) as a company where a family maintains members of the family occupy control and at least 50 per cent ownership and significant positions of management. For definitions of the family business list from the previous studies, see Table 3-1 below:

Table 3-1 Definition of family businesses (Alwafi, 2013, p. 11)

Reference	Definition
(P. Davis, 1983, p. 47)	“Those whose policy and directions are subject to significant influence by one or more family units. This influence is exercised through ownership and sometimes through the participation of family members in management.”
(J. Davis & Tagiuri, 1985)	“Organisation where two or more extended family members influence the direction of the business.”
(P. Davis, 1983, p. 226)	“Are economic enterprises that happen to be controlled by one or more families” (that have) “a degree of influence in organisational governance sufficient to substantially influence or compel actions.”
(Handler, 1989)	“An organisation whose major operating decisions and plans for leadership succession are influenced by family members serving in a management or on the board.”
(Holland & Oliver, 1992)	“Any business in which decisions regarding its ownership or management are influenced by a relationship with a family or families.”
(Pratt and Davis, 1986, pp.2, Ch. 3)	“one in which two or more extended family members influence the direction of the business through the exercise of kinship ties, management roles, or ownership rights.”

Family business categorised by Kreiser, Ojala, Lamberg, and Melander (2006) to two primary attributes: (i) it is controlled by a group of families or a family; and (ii) they wish to maintain control. Family firms as a business are managed with the intention to

pursue and form the vision of the business held by the small number of families in a manner that is possibly supportable across the family generations (Chrisman, Chua, & Sharma, 2005).

### **3.2.1 Family Business Culture**

The proposition that underlies the organisation is included the culture of the organisation, many of which are "deeply embedded to be unconscious, hidden, and taken for granted" (Barbera, 2014, p. 216). It is a source of competitive advantage "as a set of shared norms and values held by employees, which guide their interactions with clients, peers, and management" (Craig et al., 2014). In the context of the family business, culture is introduced as "a personal support and belief of the business's aims and visions, a willingness to add to the administration, and a desire for a link with the organisation" (Astrachan et al., 2002, p. 51). According to (Fletcher, Melin, & Gimeno, 2012) the culture of the family business is a significant family firms endowment that determines how values and assumptions shared by the systems of business and family. The culture of the family business is in which higher level motivates the key personnel, and family members need to work for the collective good (Craig et al., 2014).

By the influence of the family, the foundation for the culture of the family business is provided. Arregle et al. (2007) argued that what the family wants to achieve and how it wants to achieve it through the family influence mission. According to (Verbeke & Kano, 2012), in so doing, that limit what it is that the family needs and the family mission establish heuristics and biases. For instance, (Cruz, Hamilton, & Jack, 2012) state that the influence of family over strategic decisions assistances to limiting perhaps risky opportunities, define what opportunities are acceptable, or moving the family business away from opportunities that are potentially scandalous or pushing the family business to be more proactive. In addition, the family influence help defines what activities within the family business are acceptable due to the influence top management too (Athanassiou, Crittenden, Kelly, & Marquez, 2002; Othman, 2014). The family influence also shapes what outcomes are highest significant. For instance, profit growth or stable employment or vice versa, the family might favour. Given the influence of the family and its unique mission, In the key decisions of a family business, the family can impose some of its core values, in these decisions, as well as, determine

which is socially acceptable, consequently, the effect of family moulds the culture of family business across generations (Miller & Le Breton-Miller, 2005).

In the family business, there is a strong belief that the junior generation requests diversity, breadth, experiences and ever-increasing management responsibilities (Vassolo et al., 2004). This includes contacts with main customers, other suppliers, and lenders. Experience in the family firms allows the successor to improve relations with the firm to understand the business intricacies and the culture (Brockhaus, 2004). The significance of the junior family generation member's skills is based on the overall capability to do the job (Lansberg, 1988). Indeed, the high level of interdependence between family and business would indicate that ethnicity and culture are fundamental to family firms' motivations and operation (Cabrera-Suarez, 2005; Howorth & Assaraf Ali, 2001).

Studies which show the family business' possibility of failure have formed the question of succession to the one of greatest importance (Lucky, Minai, & Adebayo, 2011), and the impact of family firms' discontinuation being highly critical and destructive, since it might result in the loss of relationships between family members, and hence the possibility of losing the family's assets. A number of researchers have argued that succession is a process that covers an extended period of business or service (Chrisman, Chua, Sharma, & Yoder, 2009; Joseph, 2014). For example, Griffeth, Allen, and Barrett (2006) found that during childhood, adult years and adolescence, the training of successors receive experience about how to manage their firms and transfer knowledge through this period, which will help them to receive experience and also trust between family members and the partners outside of the family firms, their essential suggestion is to pursue this and childcare, parent-child succession and proper them to the family leadership a planned business including a long-term diachronic operation of socialization. Successors of the family are regularly prepared for leadership over a generation of the learning experience. The training of the future leaders of the family firms are a critical activity that entails the process of succession (Daspit, Holt, Chrisman, & Long, 2015; Fiegenger, Brown, Prince, & File, 1996; Joseph, 2014) which ensures that in the future the successor will be experienced and sufficiently skilful in managing family firms through the period of business.

In businesses where the relationship among performance and effort is hard to judge, the family successors are frequently preferable (Daspit et al., 2015). The family relations offer the proximity, time, and frequency of interaction essential for efficiently monitoring behaviour (O'Boyle, Pollack, & Rutherford, 2012). Likewise, such interactions provide trust and stability in the context of uncertain environments where legal protections are weak, and the generalised exchanges between the members of family are serious in part (Daspit et al., 2015; Verbeke & Kano, 2012). Therefore, the value lies in understanding that generalised family relations differ and are not essentially transferable to other contexts. However, when heirs are better prepared and trusted the family business unsurprisingly seems to be more successful (Chrisman, Kellermanns, Chan, & Liano, 2009). The exchange system recursively strengthens individual contributions improving by the presence of such preconditions (Welsh, Memili, Rosplock, Roure, & Segurado, 2013). Furthermore, successors more likely to behave entrepreneurially are those cultivate a generalised exchange of relations with mentors and upper-level managers of the family (Daspit et al., 2015). Despite developing social capital in the family is a significant for the successors, increasing both the skills and the character is crucial (Daspit et al., 2015; Sciascia, Mazzola, Astrachan, & Pieper, 2012). Participating in family work business is essential, however, it is not enough for success; the relation with family managers and mentors are needed to illustrate the successor to rich and developing experiences (Letonja & Duh, 2015; Sardeshmukh & Corbett, 2011).

In the family businesses an efficient transfer of knowledge between the generations is vital through the significance of the relationship between the predecessor and successor is also of importance (Sharma, 2004). Several scholars found positives among the success of the process of succession and their relationship quality (Sharma, 2004). Relationships based on respect and mutual understanding are said to make individuals feel trusted, create a virtuous circle of reaction, recognised, and supported. Learning could then develop by a procedure of evolution, which starts at the beginning of human life at home and continues in the business relationship. According to De Massis et al. (2012) losing significant strategic resources through succession might negatively affect the development prospects of the family business after succession, since innovation and market capabilities could disappear. Kadis and McClendon (2006) note that the quality

of this business relationship between sons and fathers differs such as a role of family business life-cycle stages.

Some studies have shown that pre-planning the stage of succession and resources assist in the transfer of succession, and also contributes to the transfer of knowledge from the owner of the succession, and obtained through early experience (Hoang & Gimeno, 2010). Pavel (2013) found that the significance of the capability of a successor to gain the capabilities and key skills of their predecessor improves and maintains organisational performance. On the other hand, Chrisman, Chua, Pearson, and Barnett (2012) propose that a successor's commitment and integrity are looking to be developed for pre-succession, whereas successors' gender and birth order are of less significance. Furthermore, Henry, Erwee, and Kong (2013) state that is focusing on succession in family businesses running through women highlight the significance of the quality of interpersonal trust and communication in the family for an efficient succession. Suppliers or customers of a family business are often accustomed to interacting with the owner with whom they improve a trusting and personal relationship through time (Bracci & Vagnoni, 2011). However owners of family businesses are interested in inheriting their children, and they are responsible from a young age for work through training them on how to manage these institutions DeMassis, Kotlar, Frattini, Petruzelli, and Wright (2016). With time, it will be for the heirs of the experience for this institution, and how to deal with partners, such as the partner's knowledge and trust of them, as well as for searching and selection of partners. Additionally, the partners will be more confident in dealing with their heirs simply because this is extended confidence of the company's owners.

### **3.2.2 The Family Business in Arabic Countries**

Many studies have discussed the impact of culture on the delicate process of management practices (Glaister et al., 2009). Such studies have confirmed differentiations in management practices between the UK, Japanese, and American firms (Child, Faulkner, & Pitkethly, 2000). There is no culture-free theory of management as an agreement between management scholars (Ali, 1995). Each country has something named management, however its meaning might differ considerably. Hofstede (1993). These differentiations root in culture and history. As defined by Hofstede, the culture as the collective programming of the mind that differentiate the

category of people (a nation, for instance) or one group, from another. He further argued that culture at the organisational level is superficial and acquired at a later stage, and diverse from the culture at the national level because of its fundamentally acquired at childhood.

The employees and managers of the family businesses in the Arab countries (of which Libya is part of) act in ways alike to those in developed countries, yet, there are disagreements, primarily linked to characteristics of the cultural (Welsh & Raven, 2006). Ownership of family business tends to vary between Western countries and developing countries, as in the former family businesses are not 100% owned by the family while in the latter most of the family firms are fully owned by the family (Alwafi, 2013). In several aspects the cultures in the Arab countries are distinctive (Welsh & Raven, 2006). The family firms in the Arab countries are there to enhance the family's social standing rather than being as a wealth-generating, and market-driven activity (AlFahim, 2011). In the aspects of cultural, for example as argued by Ali (1995), there are several factors that appear to be important in affecting management in the Arab countries such as: (i) family and tribal traditions, (ii) rising current contact with developed nations, (iii) Islamic influence, (iv) the legacy of colonial bureaucracies and Ottoman Empire, and (v) political constraints and government intervention.

### **3.2.3 Alliances in the Family Business**

According to Molly, Laveren, and Deloof (2010), the managerial succession in family business firms depends on similarly negative results. The reason for the poor post-succession performance of micro firms concerns ill-prepared family management and interfamily conflicts (Sharma, Chrisman, & Chua, 2003). Also, lack of interaction and infrequent diversity among non-family and family employees as well could be difficult for the family business (Eddleston & Kellermanns, 2007). J. V. Hofmann (2009). It can also be argued that even when family businesses employ a large number of professional managers, instead of focusing on technical or professional capabilities, strategic decision-making might be limited to a narrow circle of insiders selected on particularistic standards. Family insularity and their failure to trust or value others could also impede knowledge sharing with non-family chief executives (Miller, Wright, Breton-Miller, & Scholes, 2015).

Frequently, when senior executives in family businesses grow older, they tend to reduce their eagerness to implement or change modern techniques, due to raising the level of risk aversion (Ogbonna & Harris, 2005). Due to the rapid change in a typical high growth industry, family businesses in this area need to continuously update to stay competitive as business partners (Gassmann & Keupp, 2007). Strategic alliances between family SMEs and large firms can take several forms, for example, locating the family SME's ability to proximity with a buyer's ability to allow just-in-time delivery of raw material, inputs and components; cooperating on product design and R&D to structure organisational capabilities and competencies; cooperating on supply chain activities to manage costs and enhance effectiveness of operations, or through delivering subcontracted human resource activities (Chaharbaghi et al., 2005; Doz & Hamel, 1998). According to Sardenberg (2013) family firms are likely to be less active in global markets and are more internally directed. Additionally, their strategic behaviour is likely to be somewhat conservative. According to Fernández and Nieto (2005), the international nature of a family's advantages and experience and their ability to take characteristics of them were key factors that had an impact on the extent of internationalisation. The family's long-term vision of the family and the presence of the managers of non-family noticeable out family firms with a propensity to internationalise Westhead and Cowling (1997). Donckels and Fröhlich (1991) as well as propose that the family firms participate less in cooperative activities and social and economic networks with other firms. BarNir and Smith (2002) examined the social networks role on between SMEs alliances with their results being supportive of the view that the networking properties of the senior executives of SMEs are positively related to the number of between companies alliances that their companies have entered into (Díaz, Rietdorf, & Dornberger, 2010; F. Zhao, 2014). The family SMEs depend on the interpersonal relationships to build and sustain the strategic alliances through both social constraints and trust. Studies have stated that the family SMEs rather than formal control to exclude opportunistic behaviour (Chaharbaghi et al., 2005).

Extant literature has investigated the propensity behaviour of family firms towards to the alliance (Pittino & Visintin, 2011). Among others, the work by De Massis, Frattini, and Lichtenthaler (2013) emphasise the need to understand further the alliance of family firms coalition on the propensity to engage in collaboration with other firms.

A companies' level of strategy is the executive manager's responsibility that has the control to affect the whole strategic direction of the business, involving its strategy of the alliance (Rungsithong et al., 2017). The owner or executive managers of family business play a vital part in the development of new alliances strategic because they are strategic decision-makers than those geared towards innovation (Pansiri & Courvisanos, 2011). Teams of the management represent the potential partners that involve in the negotiations prior to entering the relationship of cooperative (Mellat-Parast & Digman, 2008; Rungsithong, 2014). They as well as frame their company's strategic aims with deference to the cooperation Singh and Rao (2016) and Salk and Simonin (2003), and play a significant role in purpose and manipulating its contexts of structural, such as the alliances parameters and the border conditions (Janowicz-Panjaitan & Noorderhaven, 2009; Oxley & Sampson, 2004; Ring & Van de Ven, 1994; Rungsithong, 2014). Understanding the strategic alliance performance antecedents allows a manager of the family business to try to progress the performance of alliance and to be sensitive to the influent factors of the alliance. This means that the manager of the alliance is able to be proactive in dealing with problems and misunderstanding that arise naturally during the period of the alliance, how to solve these problems at the early stages (Halepota, 2011). The lesson for the managers of the alliance is clear: they need to work actively at selecting appropriate (compatible and complement) partners, evolving the mechanisms and routines to facilitate the extent company's alliance capabilities and capabilities of alliance know-how between partners.

In family business as compared to the rest, the level of communication and coordination is higher, and transfer of information is more efficient since there is more critical trust, loyalty and motivation which makes it learning and coordinating within the firm easier (M. K. Cabrera-Suárez & Martín-Santana, 2012). Similarly, Zellweger, Zellweger, Eddleston, and Kellermanns (2010) if the view that family businesses often perform better than non-family business, largely because of the success of the business characteristic of "familiness" which encompasses succession planning, shared experiences, greater interactions, trust and loyalty, language, norms and values (Sorenson et al., 2009b). Family businesses have unique advantages that distinguish them from others, such as succession and ownership. These qualities play an essential role in the process of learning (Chirico & Salvato, 2008). Reputation is also a unique feature of family businesses, especially in developing countries (Chrisman et al., 2005).

The name and reputation of the family are associated with the name and reputation of the company, which helps the search for the partner (Miller et al., 2015). It also helps in coordination between partners when they are reliable and trust-worthy.

The most common form of organisation when it comes to family business provides the specific organisational background needed for strategic research resulting from fruitful interactions between business and family members (Eddleston & Kellermanns, 2007; Westhead & Howorth, 2007). Family businesses also have in common specific characteristics that make them different from others regarding ownership, succession and governance, leading to distribution, institutionalisation and interpretation of knowledge (Chrisman, Chua, & Sharma, 2005). The family qualities typically play a vital role in the learning and change processes of the firm. They have a substantial impact on the company's attitude and the organisation's learning activity towards change (Chirico & Salvato, 2008). Since family businesses are relatively smaller in strategic size, options for operating in the international market are also limited to them (Irava & Moores, 2010). Moreover, family businesses lack rigid and formal systems and procedures, having flexible structures to integrate knowledge at an organisational level (Chirico & Salvato, 2008).

In developing countries, most family businesses are run by a few persons, with the major the group of single employment is the working owner (Abor & Quartey, 2010; J. J. Mohr & Sarin, 2009). Approximately family firms appreciate a number of unique advantages in building a reputation which makes partners are more confident to do alliance and manage it. (i), a family is a perfect unit in the social environment in that to improve values and ethics (Le Breton-Miller and Miller (2015)). (ii), the relationship among the family members is sensitive, and this will sustenance building the reputation of business's, and avoid dishonouring the name of the family through behaving unethically (Breton-Miller & Miller, 2015; Pearson et al., 2008). (iii), for members of the firm who bear its name, it will be the lasting cachet for them (Miller, Breton-Miller, Minichilli, Corbetta, & Pittino, 2014). (vi), family business intention to bequeathing the firms to offspring or siblings encourages them to avoid any unethical behaviour in the market to keep their firms strong and trustworthy (Arregle et al., 2007; Parada Balderrama, 2015). Cultural values, behavioural principles and standards are especially significant in family businesses alliances because the significance of social networks

between cooperative inter-partner behaviour promotes trust in decision makers of SMEs, which as well as contributes to the success of alliances (BarNir & Smith, 2002; Ireland et al., 2002).

Cooperative and alliances arrangements may as well offer an effective means of internationalisation for SMEs in general and family business in particular (Fernández & Nieto, 2005; Piva, Rossi-Lamastra, & De Massis, 2013). Family SMEs will be able to share some of the fixed costs involving external markets through the alliances system, which would otherwise be too high for them to face on their own (Fernández & Nieto, 2005). This results in the creation of export consortia or distribution contracts with local firms. In addition, joint ventures with local partners offer capital, distribution networks or technology (Ferreira, Santos, & Serra, 2010; Freeman & Reid, 2006). Furthermore, cooperative agreements might as well as be a way to increase the family businesses performance, as they come in beneficial when gathering information or covering the uncertainty of the internationalisation process. Stable alliance with other firms, being either vendors or customers in the local market, offers useful information about characteristics of the foreign market, opportunities of the business, problems or obstacles involved in the process, and the perceived risk is lowered as a result (Fernández & Nieto, 2005; Schreiner et al., 2009). Therefore, as reinforced by Westhead, Wright, and Ucbasaran (2001), the firms which significantly more likely to export, tend to be managed by founders with more far-reaching information and contact networks

Alliance as a strategic option is also becoming popular in the family SMEs sector (Van de Vrande, De Jong, Vanhaverbeke, & De Rochemont, 2009). In the conditions of changing environmental, and in the giant firms presence, these small businesses have started looking for ways to survive in the marketplace (Abosedo, Obasan, & Alese, 2016). This is because small family business have restricted access to capabilities and assets when compared with larger businesses; henceforth they are severely threatened through competition (Lu & Beamish, 2001). During the financial crisis of 2007, SMEs were among those firms that suffered the consequences of economic hardship (Williams & Schaefer, 2013). Thus, scholars propose that family SMEs should be able to compete more effectively with large firms if they adopt the strategy of creating an alliance (Gnyawali & Park, 2009; Sirmon & Hitt, 2003). By collaborating and sharing

resources between firms, family SMEs can decrease the costs and risk in areas for instance relationships with dealers and the improvement of new technologies and products (Schreiner et al., 2009; Wehinger, 2014). Partnerships and strategic alliances have become a common practice in markets that experience quick changes that are particularly price based, and technological, and as such require changes such as the development of competitive conditions and industry (Kale & Singh, 2009a). As such, research shows an important growth in alliance use among family SMEs (Dickson & Weaver, 2011; Lohrke, Kreiser, & Weaver, 2006; Zahra, 2005), where alliance has become an important strategy to secure a competitive advantage (F. Zhao, 2014). However, these alliances are not without challenges, for example, asymmetry of collaborators' motives, the uncertainty of outcomes, the unpredictability of partner behaviour, and opportunism (Gulati, Wohlgezogen, & Zhelyazkov, 2012b), which can adversely affect the alliance success.

### **3.3 Libyan Contacts**

#### **3.3.1 Libyan Overview**

Libya is an Arab country located in the heart of the North African region. It is also known as the gateway between Africa and Europe (Armes, 2006; Fage, 2013). It plays an important part in connecting the eastern region of the Arab countries to the Arab Maghreb Countries sharing similarities in culture, history and religion. A country full of natural resources and a workforce being Libya's key strengths. It occupies closely 1,774,440 square Kilometres (SQ KMs), covering the long Mediterranean coast of around 2,000 km, and hence being the fourth largest country in Africa (M. Sarkar et al., 2009). From the south and east Libya shares borders with Egypt; and Sudan, Niger, and Chad and Tunisia and Algeria surround the country from the west. Libya is ranked 59th out of 162 developing and developed countries, rendering to the world economic ranking (Abogsesa & Kaushik, 2017). It is covered by the desert of approximately 90percent of the country; most population and cities remain along the coast in the north of Libya.

### **3.3.2 Libyan Culture**

Culture forms people's attitudes and awareness; whereas in the last decade the culture of Libyan people has only changed slightly (Al-Werfalli, 2011). Libya being a part of the Arab world, and a part of North Africa, it shares the Arab culture, which characterises the common beliefs, religion, behaviours, language, and values along with the developing fast in the economic. As in the North African region, Libya is placed in a unique location, and the Libyan history is the major feature of the changing of economic and cultural (Beaumont, Blake, & Wagstaff, 2016). Islam is the religion that connects the culture of the Arab world, Libya, and North African, and strongly links all stages of life between Muslims (Campana & Jourde, 2017). An important role played by Islam is in covering social features, politics and cultural values (Saad, 2015; Twati, 2006). Arabic is the language of Libya, brought to Libya through the Arabs throughout the Middle Ages (Younes, 2013). The second language is English, in addition other languages, for instance, French, and Italian are often used in the main Libya cities (Baer, 2016).

Maintaining excellent communication and relationships, particularly with strangers is one of the main characteristics of the Arab culture, and Libya alike (Leat & El-Kot, 2007; Younes, 2013). Collectivism or community maintains the tradition of joint and extensive family systems, for example, the individual, family, and tribes, which play a key role in the cultural and social life in Islam (Abdussalam & Ryan, 2011). Those are considered the highest inspiration in the Arab world and Libyan culture. J. M. Twati and J. G. Gammack (2006) pointed out that Libyan society by its nature is an intensely family-oriented with a strong family, social and tribal bonds. However, there is the awareness that the Libyan culture, North African, and the Arab world, might have some differences among them because of economics, history and socialisation factors (Erumban & De Jong, 2006). Thus, the Libyan society is beginning to understand and acknowledge the significance of other cultures with the Libyan culture has nowadays become very widespread (Younes, 2013).

The Arab world and North African show advanced levels of passivity or acceptance, uncertainty avoidance, paternalism, power-distance, femininity or masculinity, and loyalty in regards to collectivism (Hofstede, c2005). The combined consequence of community or collectivism and power distance is comprehensible as a paternalistic

approach in people control. The paternalism can be defined as supporting others, for example in Libya parents consider protecting and supporting anyone under their care as their duty (Gooden, 2012; Younes, 2013).

According to Hofstede, Libyan culture is differentiated through small individualism, high power distance, and high uncertainty avoidance. In the corporate decision-making process, this description meant that all these dimensions negatively affected communication among employees (Abdussalam, 2014; Abdussalam & Ryan, 2011). J. Twati and J. G. Gammack (2006) found that the Libyan culture tends to be biased towards uncertainty avoidance, retains strong power distance, and masculinity. Abubaker (2007) THE distinguishes Libyan culture as one with high uncertainty avoidance, high power distance, and low individualism.

Furthermore, Hofstede recommends that the merging among national culture and economic liberty is the one that creates a positive influence on the firms in particular and business environment in general. Herciu (2006) studies internationalism of business and the impact of culture on the economic freedom, the study findings were that there is no imaginable combination of Hofstede's cultural dimensions which when used might assure the development country. Furthermore, Hofstede proposes that the convergence between national culture and economic liberty can create positive effects for the companies in particular and business environment in general (Abdussalam & Ryan, 2011).

Furthermore, social capital needs to be factored (Adler & Kwon, 2002). This can organise business on a additional group-oriented basis and flexible, in the society with a high level of trust. However, the business must be constrained by a series of bureaucratic rules in the society of low trust (Abdussalam, 2014). Furthermore, firms necessity capable to raise efficiency through minor costs depending upon development from a culture of fear to one of trust, in order to survive in the global market (Abdussalam & Ryan, 2011; Mühlbacher, Leih, & Dahringer, 2006).

### **3.3.3 Business Environment in Libya**

Between 1969 and 2011, President Muammar Gaddafi as a Jamahiriya ruled Libya. In 2011, the Arab Spring protests escalated into a full- scale conflict and eventually led to

the overthrow of the government (Darendeli & Hill, 2016). The first free elections took place in 2012, giving way to a wave of optimism and hope. However, events developed in a negative direction. In 2014, violence erupted again, and the country gradually sank into civil war (OECD, 2016a). A weak legal framework, domestic insecurity, and political uncertainty, the Libyan business environment continued to suffer from them (Khodr & Ruble, 2013). Violence between rival armed militias, the civil war in Libya in 2011 and high crime rates over the period 2012-2014 meant that running a business in the country was severely constrained under such uncertainty and conflicts (Mansour, 2015).

Before the civil war in Libya, concrete efforts were made to restore the confidence of foreign and domestic investors in the Libyan market. Family SMEs in Libya received their highest level of attention from the government and institutional centres (Hosen, Hui, Suliman, & Rahman, 2011). As a direct result of this attention, the government established new open market policies and privatisations. This resulted in the transition to newly needed economic policies, regulations and support. In order to enhance and regulate the private sector activities in the country, the government passed Act Number 9 of 1992 (Masoud, 2016). The government also established Act Number 5 of 1997 to improve the private sector by encouraging foreign investments in the Libyan market (Buferna, Bangassa, & Hodgkinson, 2005). Libyan Prime Minister in 2010, issued the so-called the Trading Activity Law No. 23 to provide fiscal incentives regarding foreign domestic investment; followed by Law No. 9 regarding investment promotion, and investors in particular sectors (Mansour, 2015). Additionally a resolution was passed to establish the “Investment Authority and Privatisation Agency No.23 (2009), to be known as the Privatisation and Investment Board (PIB), for regulating FDI activities in the industrial sector” (Elmahjub, 2016; OECD, 2014).

In the Libyan market, the business systems are noticeably diverse from those established in the markets in developed countries (G. Hofstede & McCrae, 2004). One of the main differences is that the Libyan economic system is mostly based on the market but based on relations. The personal connectedness of business relations between local traders and companies (based on friendship and kinship) reflect close relations among traders/individuals; often the examples consist of regional loyalties, strong extended families, and tribal bonds (Enderwick, 2012). Consequently, loyalty

goes beyond most the rules of business and social and regulations; this often happens in a collective culture such as Libyan society (Enderwick, 2012; G. Hofstede & McCrae, 2004). On 31/07/2009 in an interview with the U.S and Foreign Commercial Services' senior commercial officer in Tripoli, Libya, declared, "Business in Libya is all about relationships deals happen on the strength of personal contacts" (NFTC, 2009, p. 11).

In establishing strong local relationships with trusted local partners, the companies have to seize resources time and effort (J. J. Li, Poppo, & Zhou, 2010). This is because a strong local relationship with a trusted local partner can lead to gathering vital information on how to build the requisite joint venture undertakings and on the protocol of business. Furthermore, the local Libyan partner has the local knowledge, a network of operational support and contacts which play an important role in developing and creating successful new businesses in Libya (Mansour, 2015).

### **3.3.4 Private Firms in Libya**

1,830,000 Libyan workers in various sectors are estimated to be involved in the Libyan labour market (Younes (2013). Nearly 700,000 employees work in the public sector, with about 17% being engaged in agriculture and the rest work in the Libyan family businesses in various sectors. Of family businesses, nearly 54% work in the service sectors and 29% in the industrial sector, including manufacturing, mining, and construction (Abdulla, 2010). International relationships and evolving alliance with local and foreign companies will offer growth opportunities to improve labour skills in Libyan family business and will growth the Libyan nationals' participation in the labour market. Since 2010, the government has been able to reduce the number of public sector employees, paving the way for opening the industrial sectors to investors, and by encouraging them to work in family businesses in Libya (Abdulla, 2010).

In order to ensure employment for Libyan national citizens, some authors have defined labialisation as a positive part-driven employment policy and strategy (Abdulla, 2010; Agnaia, 1997). Witkins (2001) has identified that "it is a policy that aims to reduction the nation's dependence on effort of international and rise the involvement of local workers in the labour market". In this regard, the Libyan government is supporting and encouraging family business to collaborate with local and foreign firms, to reach the

highest levels of general growth with more significant access to global markets, and in the hope of raising living standards (Blanchard, 2010). The Libyan government have taken steps in order to enhance the investment in the private sector, which will help create more occupations and also to increase minimum wages, safety standards of labours, Hartungi (2006), In order to reduce the official unemployment rate, which is running in excess of 30% Khodr and Ruble (2013) and Yearbook (2009), and to create labour safety standards, more jobs and to increase minimum wages, and to promote investment in the private sector, steps have been taken by the Libyan government (Hartungi, 2006; Younes, 2013).

Furthermore, within ten years Libya has been able to shift half of the country's economy to the private sector, that is creating opportunities for an increase in the number of family business in Libya, as was the statement of the head of strategic projects in the Privatization and Investment Council in an interview with Reuters news agency (Mansour, 2015). He added, "We prefer that the state withdraw from all economic activities and focuses on the formulation of Law and Regulations." The reason for the government doing this is to reduce the country's dependence on oil and gas, create jobs, attract private sector expertise and improve the opportunities for Libyan workers (Younes, Stewart, & Kyriakidou, 2013, p. 19).

Since 2003 Libya has adopted economic changes that include moving to the market-based economy rather than a socialist-oriented economy. Libya implemented a privatisation strategy in 2004, as it started a plan of privatisation of 360 state-owned companies, including a bus assembly, steel mills and truck, state farms, food factories, and cement plants (Mansour, 2015; Otman & Karlberg, 2007). Libya did apply for membership of the World Trade Organisation (WTO) (García-Álvarez-Coque, Torres-Lapasió, & Baeza-Baeza, 2006). To support the public companies privatisation in Libya, a new stock market was established (O. P. John, Naumann, & Soto, 2008).

The family business is the main drivers of economy and growth in most developing countries including Libya. As stated earlier, the family business is characterised by the ability to develop and create, flexibility, and ability to adapt to rapid changes. The Libyan family business is considered as key resources of labour and real drivers of investment as well as producers of quality products, and they provide competition to bigger firms (National Council for Economic Development, 2008). The family

businesses are considered as one of the solutions for improving and diversifying industries, reducing the level of dependence on oil and gas and overcoming unemployment (General People's Committee, 2008).

In 2007, the Libyan government of the time launched the Libyan National Program for family SMEs. This project was to be the national strategy for the development of the Libyan's family SMEs (National Council for Economic Development, 2008). The objectives of this initiative comprised supporting and enhancing family SMEs to be more efficient in the local market and to facilitate the following: to break down most of the barriers associated with family SMEs, to improve entrepreneurship in the community, to sustain the ambitious idea of business owners in running of development projects and to build a national strategy for family SMEs (National Council for Economic Development, 2008).

Various ways are used to define the SMEs in the Libyan industry. Specifically, SMEs have been classified regarding the firm's activity, the amount of capital invested and the number of workers employed. Lately, the criteria used are based on the governing regulation, No. (109) of 2006 in accordance to the Secretariat of the Economy and Commerce (2009). This law uses the number of employees in classifying firms, with the medium companies having 50 employees or less and small companies having 25 workers or less. The same law classifies SMEs according to the capital invested, with the required capital of medium companies being Libyan Dinar 5 million and that of the small firms as Libyan Dinar 2.5 million (Secretariat of the Economy and Commerce, 2009).

### **3.4 Gaps and Study Motivations**

A large number of scholars have made contributions to the development of AMC from different points of view: alliance experience (Bharat N. Anand & Tarun Khanna, 2000; Draulans & Volberda, 2003; Hoang & Gimeno, 2010; Luvison & de Man, 2015; Bernard L Simonin, 1997); the institutionalization of related know-how (Koen H. Heimeriks et al., 2009); and specialized processes (Heimeriks et al., 2007). Notably, most studies on AMC have been associated with large companies (Gulati et al., 2009; Hohberger, Almeida, & Parada, 2015; Konsti-Laakso, Pihkala, & Kraus, 2012; Love et al., 2014; Useem, 2014). Only a handful of such studies have dealt with small and

medium sized enterprises (Sala et al., 2016; Van Gils & Zwart, 2004; F. Zhao, 2014). However, to the best of researcher knowledge, AMC concept has never been investigated within the family business. This represents a significant research gap because measuring and assessing the family businesses SMEs will help the researcher to identify the family business dynamism within the Libyan context. Typically, family businesses, characterised by the overlap between family and firm spheres, possess a unique set of characteristics that can provide advantages over non-family firms (Stewart & Hitt, 2012). For instance, the members of family have other advantages because of being introduced to the family business when they were young, and learn the business nature, partners, competitors and its customers, and in the daily routine they have received training from the leaders of family, who have the experience and the capabilities for managing the business (Reay, Pearson, & Dyer, 2013). For alliances, this preparatory process is particularly relevant as it generates well-prepared managers who have experience with partners in the past and facilitate for them to build alliances in the future. Furthermore, in the presence of a potentially high level of participative decision-making, disputes are controlled due to a good level of communication and involvement (Kellermanns et al., 2012). However, Trish Reay, Allison W. Pearson, and W. Gibb Dyer (2013) argue that the majority of first generation family businesses tend to possess a management culture of “paternalistic”, through the hierarchy of relationships, close supervision, top management power monitoring, authority, and distrust of outsiders, this culture and management style tend to have a negative impact on the collaboration processes with other firms. At the same time, Miller et al. (2014) found that family businesses goals tend to be dependent on a long vision, in which the firm is not perceived only as profit-centric, but also as a platform for forming a strong relationship with all stakeholders.

Focusing on the alliance perspective, family relationships tend to generate trust (Strike, 2012; Yongzhi Wang & Rajagopalan, 2015a). The reputation of a family business is typically associated with the reputation of the owner or manager, which is critical in forging links with other firms (Deephouse & Jaskiewicz, 2013). Building trust requires a stable social context (i.e., maintaining the family business management system and structure) which forms an essential means of continuous communication and interaction (Jeffrey H. Dyer, 1997; Ouchi, 1980). Moreover, the understanding and clarity of mutual obligations are enhanced by the stability of the family business which

allows for a level of continuity in social structure (Arregle et al., 2007). Given that the reputation being associated with trust, this stability gives the family business reputation, consequently encourages other companies to establish an alliance with this company. (Arregle et al., 2007; Parada Balderrama, 2015).

Drawing on the previous discussion, the first research gap in AMC literature can be realized. First, there has been limited understanding regarding the nature and antecedent of AMC in the setting of the family business. These organisations are typically different to mainstream businesses due to their unique structural, social, and cultural attributes. Second, on the other hand, previous studies on AMC have been conducted in developed countries like the USA (S. C. Hofmann & Yeo, 2014; Hohberger et al., 2015; Konsti-Laakso et al., 2012; Weerawardena, Mort, Salunke, Knight, & Liesch, 2014), the UK (Barbosa, 2009) and Australia (Agarwal, Selen, Sajib, & Scerri, 2014; Konsti-Laakso et al., 2012; Salunke, Weerawardena, & McColl-Kennedy, 2011; Weerawardena & Mavondo, 2011; Weerawardena et al., 2014), hence there is little knowledge about the nature and function of AMC in developing economies (Weerawardena & Mavondo, 2011). For instance, Feller et al. (2013) suggest that future study can explore the emergence of collaborative routines in alliances outside the geographical scope of developed countries. Importantly, it would not be appropriate to generalise the results of western countries to those for developing countries (Feller et al., 2013). The stage of economic development could be an important factor that affects AMC practices. For example, in developing countries the social environment as well as the nature of the organisational decision-making process is different (Zarook, Rahman, & Khanam, 2013). There are also differences regarding the culture, consumer patterns, traditions, customs, laws and legislation regulating the economic activities. Culture is part of the external influences that affect consumer patterns. Nowadays managers focus on fulfilling consumers' needs and wishes, trying developing their managerial processes including initiating or new alliances or enhancing their current alliances by these consumer needs (Yakup, Mücahit, & Reyhan, 2011). Culture also involves society's thoughts, words, their traditions, language, attitudes and feelings which leads to foreign partners facing problems understanding their local partner culture. Also, different traditional beliefs, preferences, habits, customs are needed to be understood (Nayeem, 2012).

Accordingly, the previous discussion reveals the second research gap for this study. There is a need to examine and evaluate the interaction between alliance experiences, AMC, and performance constructs within the less developing economies. In addressing this gap, the current study focuses on the Libyan context.

Third, the role of social capital has only been examined as a mediator between AMC and alliance performance (G. Liu, Ko, & Chapleo, 2016). Following Koen H Heimeriks (2010) examination of the relationships between relational capability, alliance capability, and alliance performance, it has been found that the relational quality mediates among AMC and alliance performance. Social capital indicates the quality of interaction among alliance partners, and has a positive influence on performance and social capital investment in AMC. The need to study the AMC and social capital also have been recommended by other researchers (Al-Tabbaa & Ankrah, 2016a). Accordingly, there is a need to examine the role of social capital as moderating the relationship between AMC and performance.

Generally, in Libya, the family business consists of a small number of members, most of them from the same family, who own the business and the managers most are in the same time the owner and the decision-maker of the family firms (KH & KA, 2012). The relationships of the family tend to generate and cement loyalties, increased trust and exceptional motivation (Strike, 2012; Yongzhi Wang & Rajagopalan, 2015a). The reputation of the owner or manager is related with the family business reputation, and that will lead to more chances to do and organise alliances with other companies. According to (Deephouse & Jaskiewicz, 2013) the companies looking for build trust with suppliers and customers through these processes tend to grow the family business reputation, the relationships with customers, suppliers, and family's reputation, and other external stakeholders. Building trust needs generating a social context, which procedures a vital means of maintaining the alliance, and creating a trust (Jeffrey H. Dyer, 1997; Ouchi, 1980). Arregle et al. (2007) argued that the family firms characterised by stability allow for a level of continuity in social structure, which improves the clarity and understanding of mutual obligations. This stability gives the family firms reputation, as the reputation associated with trust, hence encouraging other companies to make the alliance with this company (Arregle et al., 2007; Parada Balderrama, 2015).

Family firms might have several benefits of improved social capital also among stakeholders and the family. Payne et al. (2011) state that this characteristically generates the capability to nurture and foster long-standing relationships through the firms' stakeholders.

Social capital can affect alliance proactiveness as trust being essential to reduce negotiation and conflict costs between partners (McEvily, Perrone, & Zaheer, 2003). Furthermore, shared vision between partners assists and accelerates the negotiations. Consequently, this leads to achieving common goals efficiently and effectively (Blagescu & Young, 2005). Partners can also increase alliance performance in preformation stage by having the same language the negotiation, and this leads to easier communication in the post-formation stage (Al-Tabbaa & Ankrah, 2016b).

Although the importance of the trust aspects between firms for example dependence on the relationships between companies, however, there is a lack of empirical studies to investigate its effect on relationships between firms. The existing studies are ambiguous about the role of trust and dependence in affecting the sustainability of the relationships between firms. Generally, trust is essential for the sustained continuation of the relationship between firms (Madhok, 1995). For example, as proposed by Öberg, Henneberg, and Mouzas (2007) that cognitive, in particular, is a sufficient necessary condition, indicating that for reliance the evolution of sustainable relationships between firms is a central factor.

### **The Rationale for Selecting the Libyan Family Businesses Setting**

Over the last two decades the Libyan public sector has been witnessing a remarkable change reflected in the process of involving and changing the public sector into a private sector (Sehib, 2013). As stated earlier, over a short period more than 196 public companies were privatised, and 7,483 new SMEs and family businesses emerged (Aboujdirya, 2011). In such cases, the new owners have severely lacked necessary knowledge and experience; hence have had no choice but to form alliances with more experienced partners, local or foreign. In most cases, following the privatisation, the role of government has changed from owner to partner offering support to family businesses through organisations such as Development Bank, the Agricultural Bank, Countryside Bank, and the Centre of Export Development (OECD, 2014).

Moreover, Libya has recently begun the transition from a socialist system to a free market system which required a change in the laws and regulations such as partnership law (e.g. Haeussler & Higgins, 2014). Therefore, due to differences in size of the market, competition, the market structure and producer-consumer relationship, it is fair to argue that the western models of AMC may need some adjustments to fit in the Libya context (Çetindamar, Wasti, Ansal, & Beyhan, 2009; G. H. Hofstede & Hofstede, 2001).

In addition, there is a severe lack of modern technologies in the Libyan family businesses as a result of weakness of the internet infrastructure and communications, which has adversely affected the use and transfer of information between partners, knowledge storing and speed of work, such as video conferencing and training sessions (e.g. Koen H. Heimeriks & Melanie Schreiner, 2010). In order to maintain stability in the governance structure and similar technological domains. Zollo et al. (2002) “found that technological experience increases the firm’s ability to manage subsequent alliances in similar technological domains and maintain stability in the governance structure”. Therefore, the Libyan context in an interesting setting to examine and evaluate the above relationships and thus contributing to the overall theory of AMC, as it will bring new evidence from a developing country context.

Furthermore, due to the political and institutional instability, Libya has witnessed massive changes over the last few years, where the study of AMC in such condition can provide unique insights that are different from those experienced in the west (Dinnie, 2011). Importantly, current uncertainty and turbulence in the Libyan environment have driven family businesses to gain experience in crisis management (OECD, 2016b). The uncertainty increased for Libyan family business after 2011 (Abdesamed, 2014). Thus, as highlighted by (Brenner & Keat, 2010), firms have to cope with constant and significant risks of social capital and political instability in situations such as the Arab Spring where there is a partial or complete breakdown of state authority. After 2011, Libya became politically divided into a power struggle divided between three governments seeking and demanding legitimacy, the Government of National Reconciliation, the Salvation Government, and the parliament government (Lacher, 2016; Report, 2016). Moreover, to manage non-stability of Libyan dinar exchange rate (that increased prices of input supply) has proven

challenging particularly in collaborating with domestic and overseas suppliers (Herald, 2016). This study, therefore, will examine how the family business develops AMC within the Libyan context.

Accordingly, the previous discussion reveals the research gap for this study by highlighting the fact that there is a need to examine and evaluate the interaction between political instability in Libyan context, AMC, and performance constructs within the less developing economies.

### **3.5 Summary**

Having reviewed the relevant prior literature of AMC, the context of the study (Libyan context and family business), and alliance performance and firms' performance, this chapter has provided the research gaps in the existing literature. Especially, the chapter has attempted to bring to surface issues relating to the development of AMC by the antecedents (such as, alliances' experiences, the culture of family business and political instability), its impact on alliance performance, and the role of social capital in the determination of the relationship between AMC and alliance performance. The next chapter presents a detailed description of the conceptual model and assumption for this study.

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## CHAPTER FOUR

### RESEARCH MODEL AND HYPOTHESES DEVELOPMENT (CONCEPTUAL FRAMEWORK)

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#### 4.1 Introduction

The principal objective of this chapter is to develop a theoretical basis for the hypotheses regarding the role of AMC in family businesses in Libya. It is organised into four sections starting with the relationship between alliance experience and AMC; then culture of family businesses as moderator variable; the third section is the AMC as mediator, the relationship between alliance experience and alliance performance; and the last section deals with the social capital as verbal mediator in the relationship between AMC and alliance performance.

#### 4.2 Linking Resources and Performance: Evaluation Using Resource-Based View

This section narrates the theoretical foundation that has been developed on the theoretical basis of the resource-based view (RBV). Through deploying capabilities and resources, RBV asserts that companies can gain a competitive advantage (Peteraf, 1993; Wernerfelt, 1995). When firms possess bundles of resources, which are valuable, rare, non-substitutable and non-imitable, they can then gain a competitive advantage as predicted by the RBV (J. Barney, 1991; Wernerfelt, 1984).

RBV supports the view that there is a strong relationship between performance and resources (Zahra et al., 2004). As discussed in the previous chapters, the literature of strategy includes the analysis of the relation between AMC and alliance performance (Schilke & Goerzen, 2010; Schreiner et al., 2009). For instance, in different environments, as stated in Miller and Shamsie (1996), the diverse kinds of resources explain the performance. Human capital has direct and indirect (interaction with strategy) influence on organisations performance (Hitt, Bierman, Shimizu, & Kochhar, 2001). Brush and Artz (1999) found that in a given industry the performance helps protect a competitive advantage which in turn can be used the capabilities and firm-specific resources required. Most academic findings tend to emphasise the consistent

association between RBV and performance. The outcomes of 166 empirical studies that assess the Resource Based View in one form or another has been reviewed by J. B. Barney and Arikan (2001). They recommend that the influence of resources on performance have proportionate results with the Resource Based View.

In the strategic alliances, setting RBV has been frequently applied to understand their inter-organisational relationship (Tushar K Das & Bing-Sheng Teng, 2000; Jeffrey H Dyer & Singh, 1998; Eisenhardt & Schoonhoven, 1996; J. S. Harrison et al., 2001; Lavie, 2007; Mowery, Oxley, & Silverman, 1996; Steiner, Lan, Unterschultz, & Boxall, 2017). RBV researchers believe that organisations mostly form alliances, because of alliances but not because of cost reductions to allow them to gain access to unique resources needed to establish their competitiveness (Tushar K Das & Bing-Sheng Teng, 2000). More specifically, regarding the RBV, strategic alliances allow firms to exchange, co-develop or share resources, capabilities or products (Tushar K Das & Bing-Sheng Teng, 2000; Eisenhardt & Schoonhoven, 1996). According to (Eisenhardt & Schoonhoven, 1996), companies are most likely to form alliances when they want to exchange their valuable resources for other resources and have a strong bargaining position or in need of specific resources.

Generally, the companies that are able to successfully cope with the market uncertainty and ambiguity in the competitive environment through strategic alliances will raise the chance to gain competitive advantages (Ireland et al., 2002). AMC is a complex process and hence ill-defined (Callahan & MacKenzie, 1999). Furthermore, the ability to effectively coordinate alliances remains asymmetrically distributed across the firms. As noted by Bharat N. Anand and Tarun Khanna (2000, p. 269), “if the ambiguities involved with managing alliances were perfectly specifiable, it is unlikely that interfirm differences in the ability to create value through alliances would persist”. Consequently, the asymmetric distribution of the skills of alliance managerial encourages companies to exploit them as the competitive advantage source. According to Dyer et al. (2001) one of the significant sources of competitive advantage is the ability to manage and form alliances more effectively than competitors. For managers of the individual alliance, “this occurs when they learn how to advisor alliance relationships such that partners transfer and develop knowledge that enables the pursuit of profitable opportunities” (Dess & Shaw, 2001).

The approach of AMC draws upon the Resource-Based View concept of capabilities and organisational routines to explain the strategic alliance. The ability to manage alliances efficiently between companies is considered the competitive advantage source ((Jeffrey H Dyer & Singh, 1998) (Ireland et al., 2002). The alliance management capability of the firm has the possibility to create a competitive advantage if the capability to manage alliances is heterogeneously distributed across firms and difficult to imitate (Ireland et al., 2002; Rungsithong et al., 2017). Rendering to RBV, AMC is processing to realise the resources value (Newbert, 2007). Capabilities or resources are tangible such as assets of physical and financial and intangible such as assets of patents, human capital, and know-how (Amit and Schoemaker (1993); Grant and Baden-Fuller (2004). Define the actions that a business's needs to undertake to influence its assets that is distinct AMC (Rungsithong, 2014).

Alliance is an essential strategic area that allows organisations to change or adjust their resource base. Due to uncertainties and the complexities inherent in managing projects across organisational boundaries the alliance's management represents a challenging organisational activity. Thus, it is not surprising that more than 50% of alliances either fail completely or do not achieve their expected targets (Helfat et al., 2009; Rungsithong et al., 2017). However, according to David J Teece (2012), the capability to organise alliances successfully is recommended as being the company-level dynamic capability that allows companies to integrate, reconfigure and build external and internal capabilities to address environments change to develop competitive advantage. In recent years the strategic researchers have become concerned about how to achieve superior AMC, and consequently contribute to firm-level competitive advantage (Ireland et al., 2002; Rungsithong et al., 2017). Developing on the core notion of evolutionary economics, that capabilities of the company are developed on the basis of incremental learning and fine-tuning of relevant day-to-day activities in the firm (Kale and Singh (2009b).

In family firms, efficient knowledge management is one of the most significant resources for achieving a sustainable competitive advantage. Researchers from the school of RBV are in no doubt about the influence of family involvement as a capability is able to lead to a sustainable competitive advantage (R. C. Anderson, Mansi, & Reeb, 2004; Sirmon & Hitt, 2003). Just through exploiting and harnessing the knowledge and

collective wisdom of employees might allow family businesses to develop and adopt innovative operations, strategies, tactics and products (Zahra, Neubaum, & Larrañeta, 2007). The essential management mission is to maintain above-average profits through continually finding out, new solutions or new knowledge which forms a unique set of the present knowledge (Ireland et al., 2002; Kogut & Zander, 1992). Furthermore, RBV posits that the involvement of the family can interact synergistically (O'Boyle et al. (2012). The involvement of the family offers intangible resources regarding reciprocal altruism for building a culture of stewardship whereby members of an organisation improve the responsibility to each other and the family business to ensure the business succeeds, and, being public offers the more obvious and tangible resource advantage of increased access to capital.

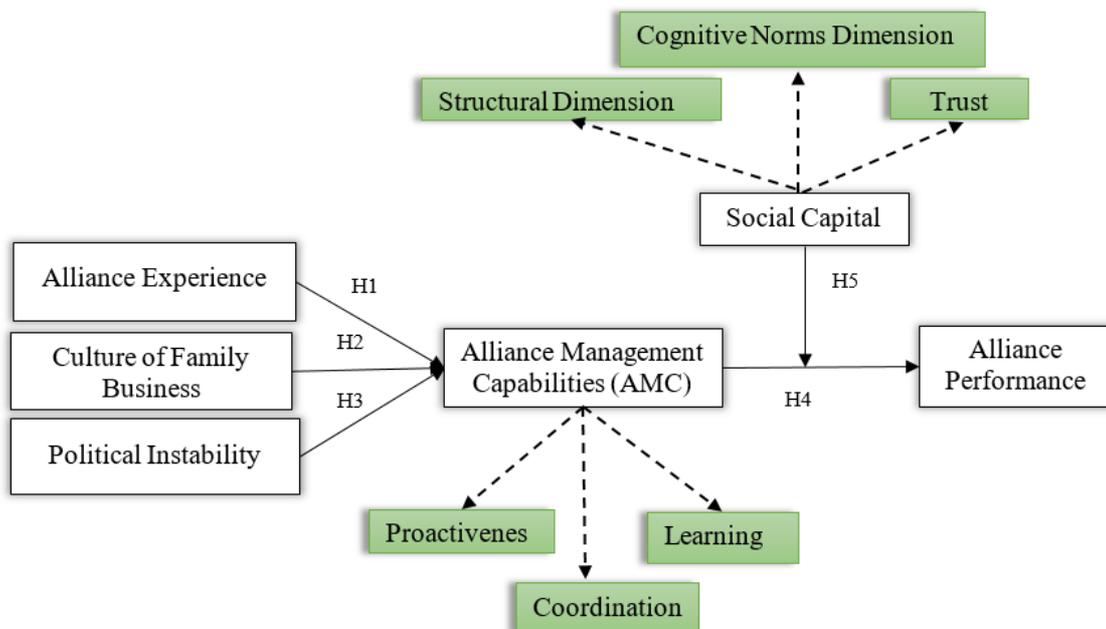


Figure 4-1 the conceptual model of this study

### 4.3 Alliance Experience and AMC

Various theories have been utilised to comprehend the role of experience as an antecedent to AMC (Kale et al., 2000b; Rungsithong, 2014). Specifically, according to RBV, prior alliances' experience can generate AMC that allows firms to shape new alliances (Campo, Pardo, & Perlines, 2014; Gulati et al., 2009), thereby creating higher relational rents (Bharat N. Anand & Tarun Khanna, 2000; Jeffrey H Dyer & Singh, 1998). Applying this theory, different scholars have researched level of experience and

learning, as accomplished in AMC (Cho & Arthurs, 2018; Kale, Dyer, & Singh, 2001; Schilke & Goerzen, 2010).

Alliance experience can be defined as the number of alliances the companies have been involved in through a period (Sluyts, Martens, & Matthyssens, 2010b). Lack of experience is contributing to alliance failure, as coordination and communication between partner become more difficult (S. H. Park & Ungson, 2001). Furthermore, as firms with lack of experience, tend to be unable to afford to solve a particular problem between partner regarding alliance (Koen H Heimeriks & Duysters, 2007). “Gaining experience allows companies to become additional competent at organisation specific processes than a smaller amount experienced companies” (Tushar K Das & Teng, 2002). As firms grow in experience, they enhance their abilities to solve problems and create natural, standardised solutions (Bereiter & Scardamalia, 1993; T. K. Das & Kumar, 2011; Koka & Prescott, 2002). As companies gain experience, company’s managers of alliances learn to identify those unique kinds of knowledge that can be simply transferred to, and efficiently used in, another context (Kavusan, Noorderhaven, & Duysters, 2016).

In relation to the direct and indirect relationship among alliance experience and alliance performance, several studies have conducted interesting research outputs but with mixed results. Shan, Walker, and Kogut (1994) have highlighted a strictly positive relationship between alliance experience and performance. Experience appears to play a major role in joint venturing, particularly in Research and development joint ventures, where companies with additional experience are found to make additional value than companies without (Bharat N. Anand & Tarun Khanna, 2000). On the other hand, Rothaermel and Deeds (2006) and Draulans and Volberda (2003) have reported that the alliance-outcome do not increase continuously by the increase of the in alliance experience.

Therefore, to explain this inconsistency, research suggests that the relationship between experience and performance is not direct, rather mediated by AMC (Schilke & Goerzen, 2010). Specifically, scholars have examined the role of alliance experience to developed AMC (Sluyts, Martens, & Matthyssens, 2010a), and most of the result was positive for contributing alliance expertise to develop AMC (Duysters et al., 2012; Gulati et al., 2009). This is because alliance experience will help the development of

AMC, for example, alliances experience enhances learning (i.e., learning from partners) and coordination skills that are central components of the AMC (Schilke & Goerzen, 2010; Bernard L. Simonin, 1997). Learning from direct experience is perhaps the most critical factor in improving the firm's alliance routine, and something all firms should emulate (Levitt & March, 1988; Maskell & Malmberg, 2007). In this respect, Allen, Strathern, and Baldwin (2007, p. 150) state "the seeds of today's capabilities are sewn in yesterday's experience, underlining the importance of learning from experience".

Alliance management capabilities have a significant influence on the alliance performance of the firms; therefore, firms should pay greater attention to the institutionalisation of their experiences (Nordqvist, 2012). Institutionalisation is reached by the learning process where individual learning is first joint over immediate members of the working group with experience and coordination from various activities of the organisation (Luvison & de Man, 2015; Trish Reay, Allison W Pearson, & W Gibb Dyer, 2013). Koen H. Heimeriks et al. (2009) write that this process initiates from experience accumulation, and then the production knowledge is articulated and lastly codified (Crossan & Apaydin, 2010; Zollo & Winter, 2002). While learning is achieved in the individual alliances process, it can have potentially positive effects on the alliance performance (Durmaz, 2003; Hoffmann, 2007; F. Zhao, 2014). SMEs are more likely to rely on both formal written contracts and unwritten social contracts to manage and enter alliances

Improving communication between family members can be through emotional sharing, shared history and lifelong use of unique language in family businesses (Tagiuri & Davis, 1996). Often, the trust comes as a product of prior alliance experiences that have been successful and positive (Ireland et al., 2002). Alliance needs effort and time on behalf of both participants and requires perfect interpersonal expertise, including trust, open communication and reciprocal support (Holmgren et al., 1993). It is fair to argue that firms that have alliance experience already are much more capable to transfer and share know-how and information regarding the alliance's products, technologies and activities (Grunwald & Kieser, 2007).

Accordingly, experience cumulated from previous alliances is likely to affect how family businesses evolve their AMC. In family firms it is assumed that the members are even better integrated and information more freely shared than in non-family firms

(Carlock & Ward, 2001). However, in family businesses setting, experience accumulation and transfer through learning and training for success can be achieved by meeting with business partners, for example, discussion at home in addition to meeting in the office by day, since meetings are the most relevant collaborative activities (Duh & Letonja, 2013). The practice of alliances, or acquisitions of other firms might be mainly beneficial to family businesses for gaining access and learning new skills of resource configuration (Chirico, Sirmon, Sciascia, & Mazzola, 2011). Knowledge in family firms is defined as tacit and explicit knowledge that members of the family have improved and gained over experience and education from growing up in such a professional environment (Chirico & Nordqvist, 2010).

Furthermore, the culture of succession in developing countries, the owner of family business keen on to learn their children how to do a good relationship with the partner, which leads to increased experience for members and will facilitate develop AMC (Santiago, 2000). According to Bhat, Shah, and Baba (2013), succession is the critical issue facing family businesses. Moreover, since tacit knowledge is a non-codifiable, experience must be acquired, and its evolution could enable through the family members' capability to be participatory in the firm and cooperate with and learn from who maker decisions in the family (K. Cabrera-Suárez, De Saá-Pérez, & García-Almeida, 2001b; Higginson, 2010; Lane & Lubatkin, 1998). Therefore, they have to have experience about AMC to make a successful alliance with the same partner or with others in future (Zollo & Singh, 2004b).

*Hypothesis 1: Alliance experience that has been accumulated from previous alliances is related positively to the development of AMC in Libyan family businesses.*

#### **4.4 The Role of Family Business Culture**

The previous literature was noting that a common culture characterises the firms, observable elements, for example, stories, vocabulary, and myths (Awadh & Alyahya, 2013; Luvison & de Man, 2015). Moreover, these unique practices and tendencies have positioned them to best deal with their market environments (Martins & Naidoo, 2014). Cultures develop over a number of specific effects, for example, the values of founders, although more importantly through the shared accumulated experience of all member

(Luvison and de Man (2015). Organisational culture embraces ideas and behaviour that "contribute to the unique social and psychological environment of an organisation."(Guru, Raghavendra, Raghavendra, & Kumar, 2016). Needle (2010) argues that organisational culture symbolises the joint ideals, beliefs and rules of organisational units and is a result of such components as history, outcome, market, technology, scheme, kind of employees, management style, and national culture; culture considers the organisation 's vision, belief, standards, structures, signals, language, premises and habits

The culture of organisation indicates that the values and beliefs which clarify acceptable solutions to main problems of the organisational (Kong, 2003; Schein, 2010). The culture of an organisation can be a strategic resource that makes a sustainable competitive advantage, that according to the Resource-Based View is maintained through innovation, promoting learning, and risk-taking (David & Fahey, 2000; Zahra et al., 2004). The culture of the family business is as well as tricky for rivals to imitate due to the ambiguity about their embeddedness and their origins in family history and dynamics (Dierickx & Cool, 1989; Gersick, 1997). There are also views that since culture cannot be changed swiftly, then substantial diseconomies are expected to increase (Hashai, Kafouros, & Buckley, 2015). The culture of the organisation is a tightly connected artefacts system, underlying assumptions, and espoused values (Schein, 2010). The inter-connectedness of the family business' assets of tangible and intangible inhibits the imitation of their cultures (Kontinen & Ojala, 2010).

Several characteristics are unique to the family business which grew the significance of the firm culture as a strategic resource (Chirico, Sirmon, et al., 2011). Owners and managers are frequently the to mitigate the problem of alignment of the aim of the principal or agent (Daily & Dollinger, 1991). This alleviates concerns about opportunistic behaviour by partner reduces the need for increasing and monitoring reliance and contractual controls, on social controls as trust (Achleitner, Herman, Lerner, & Lutz, 2010; Chrisman, Chua, & Litz, 2004). Reduction in reliance on formal coordination also increases and controls the value of organisational culture as a primary determinant of its behaviours (Zahra et al., 2004).

In both empirical and theoretical grounds, it is well-established that the cultural distances between countries tend to alter over time (McSweeney, 2002). C. Yang and

Chen (2007) state that deviations in the cultural predilection of the firms involved in a network can have a serious outcome on the ease with which knowledge is distributed both among and within companies. They say that the culture affects the type of information people are more inclined to and the manner in which that information is dealt with (Rungsithong, 2014). From previous literature, M. A. Farrell, Oczkowski, and Kharabsheh (2011) state that firms which incorporate learning within their culture are observed to gain from more advanced levels of learning attainment (Starbuck, 1992). Of the relationship between organisational culture and AMC, not much has been discovered as the research on the relationship is relatively new (Mujeeb, Masood, & Ahmad, 2011). The studies of alliance provide many perceptions on the significance of an “open” outlook toward cooperation and its influence on learning among the companies (Sluyts et al., 2011). There has been less research performed on the outcome of culture on internal learning and additional specifically on development of alliance capability (Rungsithong, 2014). The alliance capability development is connected with particular cultural attributes, more specifically with an unrestricted organisation culture (Chaharbaghi et al., 2005; Rungsithong, 2014).

Family firms form a particular kind of organisational culture. As alliance arrangements between companies with similar cultures evolve more efficiently, this facilitates alliance with other family firms (Clash, 2011). T. Ritter (1999, p. 472) set forth the openness of corporate culture as “emphasizing flexibility, spontaneity, and individuality (as characteristics that are typical of the culture of adhocracy) in contrast to regulation, stability, and control (as characteristics common to a hierarchy-based culture)”. The firms are able to achieve their objectives through organisational cultures, as have found by various studies (Armstrong & Taylor, 2014; Carayannis, Sindakis, & Walter, 2015). Furthermore, several of these studies show how organisational cultures significantly affect the types of alliances (Cao, Huo, Li, & Zhao, 2015). For example, organisational cultures influence individual-level behaviours, for example, commitment (Ortega-Parra and Ángel Sastre-Castillo (2013), cooperativeness (Murphy et al., 2013), the skills of relationship (Beugelsdijk, Koen, and Noorderhaven (2006) and leadership that are instrumental in the cooperative interactions wanted in alliances (Amagoh (2009). Moreover, researchers have found that organisational culture has a significant influence on areas of learning (Di Pietro and Di Virgilio (2013); (Luvison & de Man, 2015).

Shaping the factors of organisational culture is a key to the ability of the firm to manage to learn effectively, this is according to the positive relationship between organisational culture and the mechanism of learning (Ajmal & Koskinen, 2008; C. L.-h. Chang & Lin, 2015). Knowledge management needs a commitment and a key shift in organisational culture at all a company levels to make it work (Alisa, 2017; Norman, 2004). Furthermore, Ajmal and Koskinen (2008) argued that while developing knowledge management systems, building a supportive culture the learning success is achieved. Thus, by the leveraging assets of knowledge, the organisational culture is a vital element of the ability of the company to create value (Ajmal & Koskinen, 2008; Kankanhalli, Tan, & Wei, 2005). Therefore, according to (Kankanhalli et al., 2005), learning between firms, and the organisational culture being of paramount significance for it. “Learning produces an environment in which the gaining of knowledge and skills is not only watched as a main each employee responsibility however as well as through partners is supported” (C. L.-h. Chang & Lin, 2015; Rodgers, Mubako, & Hall, 2017). Additionally, in order to assist the knowledge creation, storage, transfer, and application, the organisational culture is critically significant (Janz & Prasarnphanich, 2003; Leidner & Kayworth, 2006). Together, the eventual purpose of knowledge storage, as many authors believe that, is to embed employees’ knowledge into the process and culture of the organisation, thereby developing the organisational performance (Massey & Montoya-Weiss, 2006; Ranasinghe & Dharmadasa, 2013). In order to share knowledge with others, shared organisational values influence the knowledge ownership and the individual’s perception of subsequent tendencies (Lin & Dalkir, 2010; Ling, San, & Hock, 2009; Yiu & Law, 2012). Furthermore, knowledge participation needs the members of the firm to be willing to contribute their knowledge to the company (Eskerod & Skriver, 2007).

The culture of the organisation embodies the shared beliefs of the deeply-held organisation, and hence any change over time is slow to develop (Schein, 2010). The firm’s culture impacts its capability of decisions making, share information, and learn as posited ((Janz & Prasarnphanich, 2003). The climate of an organisation is another feature which is frequently used as a measure of the shared beliefs of the company (James & Jones, 1974). The culture of an organisation is believed to be the most important input to effective organisational learning and knowledge management, whereas the organisational culture defines work systems, values, and beliefs, which

could impede or encourage learning also knowledge sharing (Alavi & Leidner, 2001a; Gillis et al., 2018; Nonaka, Toyama, & Konno, 2000). Thus, through creating environments for the accessibility of and exchange knowledge, an organisation's culture must offer incentives and support encourage knowledge-related activities. Recently, some studies have discussed that culture has a positive influence on the decision-maker and this which in turn affects the coordination between partners (Danish, Munir, & Butt, 2012; Kargas & Varoutas, 2015).

Family businesses have observed the impact of organisational culture as either being a constraint on or promoting activities of the entrepreneurial organisation, including the causes that force compliance with family businesses to remain in the boundaries of their existing strategy, despite drastic environmental changes (Salvato, Chirico, & Sharma, 2010). Hemerijck (2012) argues that some family businesses tend to improve cultures that make their firms resistant to change, inflexible, and inclined to stick to a path dependent on traditions; for that reason, they are less suitable to new proactive entrepreneurial strategies and organisational culture, which has been defined by Alvesson (2012), as a learned and shared world of experiences, values, meanings and understandings that inform people and which are reproduced, expressed, and transfer to some extent into symbolic form. The culture of family firms stems from the mix of various behavioural types, customs and traditions that have consequences for the family business's history, as well as the values and social relations within it, and beliefs are an integral part of the family (Brockhaus, 2004; Schein, 1983). Another thing that distinguishes family businesses from non-family businesses is associated with organisation culture inertia, such as control of paternalism. Paternalism has been defined by W Gibb Dyer and Dyer (2009) as excessive practice care for others that interferes with their autonomy and decisions. Paternalistic managers or owners in family firms tend to protect their employees, despite denying them the freedom to express their ideas, responsibility, and changes, make autonomous choices, and therefore enhance the family inertia. According to Schein (1983), the effects of paternalism culture in family businesses are due to making decisions in the realm of family, rather than in the realm of business, by focusing strongly on the customs and cultures of the family.

In order to shed or improve alliance performance in changing markets, the family firms need to develop AMC over time. Accordingly, the family business needs to proceed with resource-recombination processes (Chirico & Salvato, 2008). In the family business, the capabilities are idiosyncratic since they result from the strong interaction among the family; it is the business and individual members. Indeed, allow the family members to participate in the decision regarding alliance such as partner selection, in case of the interaction of the two interrelated social systems such as the family and the business. The culture of family businesses is essential, particularly for the companies that operate in a similar environment, where share similar cultural features (Gibb and Dyer, 1988). Thus, family businesses can share common values and contribute to learning and coordination among partners (Morschett, Schramm-Klein, & Zentes, 2015). The shared culture of family businesses also helps in the process of integrating new information between partners (Kargas & Varoutas, 2015).

The culture of family firms stems from the set of various behavioural designs that result from the family history of business, the social relationship and value the beliefs between them embedded in the family (Schein, 1983; Dyer, 1986). These patterns of behavioural promoted resource-recombination, are leading to affirmative coordination among partners (Chirico & Nordqvist, 2010). Social relations play an important role especially in Libyan society, which helps the managers of family business to find the right partner. The socially intense interactions fuelled through trust among the family members and high level of their emotional involvement and their partners can develop learning between the family businesses (Cabrera-Suarez et al., 2001; Chirico, 2008). Mutual trust between family members also helps and accelerates the negotiation process between family businesses. In family businesses emotional involvement, use of a private language and common history facilitates the coordination and learning between the family business (Tagiuri and Davis (1996). This leads them to exchange learning more efficiently compared to nonfamily business, and evolve specific dynamic capabilities and to knowledge for resource-recombination, which remains in the business and the family across generations (Chirico & Salvato, 2008; Salvato & Melin, 2008). The culture of the family business is a critically important aspect of facilitating sharing, learning creation (B. Gupta, Iyer, & Aronson, 2000).

Moreover, the entrepreneur communication abilities should be well developed because business-related issues have to be discussed within the family (Roessl, 2005). Family

firms depend heavily on personal commitment and relationships to partners, which leads to interpersonal trust and a higher propensity for the alliance (Vaidya, 2012). In the alliance between firms, the personal trust between them is a prerequisite for the successful start of an alliance arrangement, due to the focus on personal relationships is linked to the desire to trust people. (Koot, 1988; Roessl, 2005). In the family business a family team is involved in the arrangement of the alliance decision, which can also make the alliance more difficult because of the increased emphasis on personal relationships (López-Cózar-Navarro, Benito-Hernández, & Platero-Jaime, 2017).

With its population of just over 6 million, mostly living in three major cities, Libya is dominated by the strength of social cohesion and family ties (Calleya, 2012). Being a small closed and tribally orientated society, family business and reputation do play important roles in forming business alliances. The fact that Libyan society, like other Arab countries, in general, is known to maintain the tradition of extended family (Almhdie & Nyambegera, 2004). G. H. Hofstede and Hofstede (2001) note that Libya as an Arab country, in general, is a collectivistic country where individuals have a strong commitment to their families and tribes. Additionally, people tend to maintain strong social relationships with each other. In such an environment it would be easy to gather information about the trustworthiness of families and their businesses. Hence alliances can be primarily built on trust and reputation (Galgani et al., 2013). Therefore, the trust and reputation part of Libyan culture has reflected the culture of family businesses, where alliance-specific studies found that the company's cultural orientation might affect its capability to cooperate with other organizations (Graca, Barry, & Doney, 2015; J. J. Mohr & Sarin, 2009). Instituting an effective relationship between firms is usually a difficult operation (Ellegaard & Andersen, 2015; Omar, Leach, & March, 2014). This is further exacerbated when firms are situated in different locations, and, say, differ in terms of culture, policies, language, customs and traditions (Al-Tabbaa, Leach, & March, 2015; Nayeem, 2012).

A handful of researchers have shown the influence of culture on management, and more specifically on the development of AMC. Sluyts et al. (2011) examined the role of orientation culture in building AMC to secure alliances' performance. However, as mentioned above, family business culture is different from non-family business culture.

However, this current research attempts to focus its attention on the relationship between family business culture and alliance experience in the development of AMC.

*Hypothesis 2: Culture of the family business has a positive impact on the development of AMC in Libyan family businesses.*

#### **4.5 Political Instability and AMC**

Political instability is “the likelihood of having demonstrations, forms of violence, workers going on strike or the possibility of a coup” (Alesina, Özler, Roubini, & Swagel, 1996; Matta, Appleton, & Bleaney, 2017). Political instability also has been defined by Gyimah-Brempong and Traynor (1999, p. 54) as: “A situation, activity or pattern of behaviour that threatens to change or changes the political system of a country in a non-constitutional way”. It is also measured regarding whether the government may collapse or not (Alesina et al., 1996). It can significantly affect the business environment and another form of economics (Alesina et al., 1996). Most importantly, political instability can lead to the hyper-competitive environment (Yongzhi Wang & Rajagopalan, 2015a). In contrast, politically unstable countries tend to be less predictable and, therefore lead the family business to need capabilities (Globerman & Shapiro, 2003). Typically, in a stable environment where resources are easy to obtain, companies can implement former strategies and deploy resources freely to match changing environmental so that relatively weak dynamic capabilities could gain long-term competitive advantages (Ali Basah, 2012). Consequently, current “make a living” operating capabilities are enough to meet customer demand, maintain competitive advantages and gain higher profits, in the relatively stable environment, making capabilities not so essential (Drnevich & Kriauciunas, 2011). However, in PI setting, resources are hard to obtain, hence, efficiently sensing, making timely essential adjustments is the only way for companies to achieve their goals (D'Aveni, Dagnino, & Smith, 2010).

While firms suffered from political instability and its consequences and impact on them in several different states (Kieh, 2009), over the last three and a half or more centuries and a half, this trend has been continued. For example, the United States shook various demonstrations about political instability and riots in the 1960s (Omi & Winant, 2014).

Shook the volatility of political instability in various Asian countries (Cordesman & Yarosh, 2012). In Europe, for instance, the Balkans imploded in the 1990s, as evidenced by, among other things, the genocide civil war in Bosnia-Herzegovina (Meardi, 2007; C. D. Thomas et al., 2004). Some Middle Eastern countries are still suffering from political instability (Nir & Sharma Kafle, 2013). In the African case, it has and continues to experience political instability. There are three major causal derivatives of political instability in developing countries, especially in Africa: regime performance, ethnic polarisation and political factionalism (Kieh, 2009). During the Arab Spring in 2011, political systems in some Arab countries have been changed (Libya, Egypt, Tunisia and Syria) which led to changing of institutions and affect all types of firms including the family businesses (Abdelzaher, Latheef, & Abdelzaher, 2017; Bekaert, Harvey, Lundblad, & Siegel, 2014; Darendeli & Hill, 2016). For instance, the Global Competitiveness Report 2014-2015 identified the top six most problematic factors for business in Libya as inefficient government bureaucracy, access to financing, corruption, government instability, an inadequately educated workforce, and policy instability (Almutairi, 2014). These factors reflect the challenges to private sector enterprises in general and are likely to be even more severe for family businesses (D. J. Storey, 2016). Family businesses' perceptions of the most significant severe constraints to their development changed considerably from 2011 to 2016. In 2011, the principal challenges were access to finance access to land, and regulatory policy uncertainty (Baranyi, Beaudet, & Locher, 2011; OECD, 2016b). Through 2014, corruption, macroeconomic uncertainty and political instability, had become the top three most severe obstacles to increasing their businesses (Browne, 2015). Not surprisingly, family businesses in Libya were experiencing more difficulty with more significant growth and operating challenges in 2016 than in 2011. The volatility and unpredictability of oil prices, overvalued exchange rates, and political instability discourage investment in non-resource traded goods, which hinders the development of the Libyan Family businesses (Baranyi et al., 2011).

Alliance proactiveness, as one dimension of AMC, is defined as the organisational routine in identifying potentially valuable partnering opportunities (Schilke & Goerzen, 2010). In political instability setting transaction costs associated with negotiation will be high (Tuman & Emmert, 2004). Due to chances for negotiation there is limited time and sometimes the chances for choosing partners are limited too, which leads firms to

develop their skills in identifying and negotiating partner (Todeva & Knoke, 2005). Under these conditions, companies must have negotiating capabilities to strengthen their competitive position in the market (J. B. Barney, 1999). According to McCarthy, Lawrence, Wixted, and Gordon (2010) selecting partners under uncertainty is based on heuristics by having contact to external information to allow firms to discourse more or less of the complexities of decision-making. So there is a need for more capabilities such as scanning the market for appropriate new alliance opportunities for assisting firms to select partners (Sluyts et al., 2011). Robert Mitchell et al. (2011) report that managers need to tune out distractions more make and readily additional consistent and less erratic decisions, in the turbulent environments, which signals to their trustworthiness therefore increasing their chance of being selected as a partner in collaboration (Alexiev et al., 2016; Sluyts et al., 2011).

In the political instability, “there is obviously value in the ability to sense the need to reconfigure the firm’s asset structure, and to accomplish the necessary internal and external transformation, this requires effective coordination between partners”(Schilke & Goerzen, 2010, p. 1195). Therefore, due to the quick change in the environment, organisations need to strengthen their position through alliance and need to coordinate it effectively. The more complex the environment, the more organisations need to be able to coordinate their alliances (Achrol, R. S. (1991). Under the political instability, the degree of risk is increased in the market, which signals to need for high capabilities of alliance coordination between partners (Culpepper, 2005a). Communication also is essential in political instability more than in the case of the stable environment.

Considering the learning dimension, during periods of high environmental change (similar to political instability), companies can get information about new products and trends in the market through alliances, and to reduce the uncertainty surrounding the environment, companies need access to knowledge from the outside environment (Alegre, Pla-Barber, Chiva, & Villar, 2012). Learning per se is taken into account as an unique dynamic process that strengthens a company's external and internal effectiveness in turbulent environments of the market (T. Park and Ryu (2015). The environmental change gives the opportunity to learn from partners more than in the case of institutional stability (Hitt, Ahlstrom, Dacin, Levitas, & Svobodina, 2004). In the changing environment such as political instability one could create more

appropriate learning opportunities and influence knowledge improvement between partners (Bell, Crick, & Young, 2004). Organisations that learn from their partner in environmental change are able to improve their sources of competitive advantage because mistakes are translated into valuable alliance experiences (McGill, Slocum Jr, & Lei, 1992; Ying Liu & Pheng Low, 2009). In this case, the risk is high, so the partners will be more interested into being a successful alliance as well as the preservation of maximising profits and avoid losses (Todeva & Knoke, 2005). This works as lessons that partners can learn from, and these lessons create knowledge transfer between firms. For instance, people in business consider that institutional change is the critical source to learn from others (North, 1990). The main factors that affect the stem formed are either external changes in the environment or the acquirement of learning and skills and their integration in the actor's mental construction. (North, 1993).

As it has been documented by political science scholarship, the ethnic-based conflicts can affect on a country's polity and the destabilising effects of autocratic regimes (Jaggers and Gurr (1995); (Allard, Martinez, & Williams, 2012). The general term for political instability refers to the potential impact of political events on a company's performance in a country (A. John & Lawton, 2017; Kobrin, 1979). According to the effects of political instability or risk, private enterprise has been the focus of attention in the management literature. Focusing on small businesses, research shows that they are more sensitive to instability (Jekanyika Matanda, 2012; Maasdorp, 2016). So, small businesses must adapt appropriate means in order to survive against competitors that are more prominent. For example, the cost of acquiring market information is high for SMEs, hence have difficulty in securing or using the most developed technologies in their businesses, which makes them less competitive with larger enterprises (OECD, 2016b). The smaller the enterprise, the harder it is to withstand demand shocks in the political instability (Năstase & Kajanus, 2009). Therefore the firms that have limited resources, such as family businesses, have to find ways to survive in the marketplace (Lu & Beamish, 2001). In rapidly changing environmental conditions outside the organisation, management teams interpret these changes more quickly, accurately and respond more decisively than in stable conditions. In turbulent environments, and the absence of complete information, organisations that have mastered the ability to make rapid and efficient decisions are those that survive and thrive (Barrows & Neely, 2011). As for the small firms operating in a turbulent and highly dynamic environment may

prove challenging (Barrows & Neely, 2011; Cocca & Alberti, 2010; Pekkola, 2013). Hence, family SMEs should share their resources with other firms and use this to obtain information and resources from their partners to survive in the dynamic market (Yazici, Köseoglu, & Okumus, 2016). Understanding of small firms characteristics that influence the implementation and design of performance measurement is necessarily required to managing within the small firm's context (Ates, Garengo, Cocca, & Bititci, 2013; Taylor & Taylor, 2014). Although the size of SMEs leads to adaptability, flexibility and speed in responding to the changing environment, however, it also has some weaknesses (Pekkola, Saunila, & Rantanen, 2016).

Under the political instability conditions, many family businesses might seek alliances to strengthen their positions in the market, hence improving their chances of avoiding threats and maintaining their competitive position (Chaharbaghi et al., 2005). Among the changes that are occurring, one could consider factors like relative prices and neighbouring groups as well as changes in character and identity of leaders, internal disputes and feuds, which frequently involve societies to modify their institutional environments and to find solutions of the innovative such as do alliance with another firm (Schirmer, 2017; Tamijani & Hanieh, 2007).

Because of problems in gaining, verifying, interpreting, and analysing information about together the institutional environments and task, and easefully in the microbusiness environment which works in the markets operate under political instability setting are frequently related with irregular uncertainties (Daspit, Holt, Chrisman, & Long, 2016; Nielsen, 2007). Firms additional probable to incur extra transactional and information processing costs because of uncertainties surrounding the alliance, because firms are operating under these types of circumstances, alliances failure is likely to take place (Luo, 2007). Furthermore, when legal ordering is absent, and market information is unverifiable the propensity to performance opportunistic growths (Delios & Henisz, 2003). Moreover, environmental volatility hampers interpreter collaborations, attachment building, resource sharing and collective commitments, causing alliance performance to deteriorate (Daspit et al., 2016; Luo, 2002).

Not surprisingly, to avoid entering into contexts with weak firms, many political instability studies advise companies on this (Darendeli & Hill, 2016; Meyer, Estrin,

Bhaumik, & Peng, 2009). At the same time, companies that can manage uncertainties and unexpected changes, the temptation of returns are high on investment (Oetzel and Oh (2013). So, facing the pressing question of how to cope with a measure of unpredictability concerning political instability represents the main rules of the game (Makhija & Stewart, 2002). Doh, Rodrigues, Saka-Helmhout, and Makhija (2017) have elaborated this issue in extreme cases such as the risk of revolution or violent conflict. Given both the likelihood and unpredictability of such events, how can family business operating in politically and institutionally unpredictable contexts hedge against the risk and changing of political which they can expect, to stay in the market? This leads to the need for more capabilities such as AMC to achieve family business target such alliance performance (Darendeli & Hill, 2016).

The uncertainty has been increasing for Libyan family business since the uprising of 2011 (Abdesamed, 2014). Thus, as highlighted by Brenner and Keat (2010), firms have to cope with constant and significant risks of social instability and political instability in situations such as the Arab Spring where there has been a partial or complete breakdown of state authority. After 2011, Libya became politically divided into a power struggle with tension rising between three separate governments seeking and demanding legitimacy: the Government of National Reconciliation, the Salvation Government, and the parliament government (Lacher, 2016; Report, 2016). On 17 February 2011, the first sparks of a revolution occurred in the form of protests and demonstrations against the regime of Gaddafi. On 27 February 2011 Libya witnessed the establishment of the National Transitional Council (NTC), which became the revolutionary government (Darendeli & Hill, 2016). This led to the election of members of the GNC (200 members) in July 2012 (Boduszyński & Pickard, 2013). The handover of the power of the NCT to the General National Congress (GNC) took place in August 2012. The interim government emerged from the parliament in September 2014 (Office, 2018).

Libyan businesses surveyed for the Report of Global Competitiveness in 2014-2015 identified the highest six maximum difficult factors for doing business in Libya as contact to financing, an inadequately educated staff, instability of the government, policy instability and corruption, and inefficient government bureaucracy, (OECD, 2016a; Schwab & Sala-i-Martin, 2015). These factors reflect the challenges to private

sector enterprises in general and are likely to be even more severe for the family business.

Libyan family business' perceptions of the most severe constraints to their growth changed considerably from 2011 to 2014 (Figure 2.4). In 2011, the central challenges were access to land, regulatory policy uncertainty and access to finance (Bank, 2011). By 2014, political instability, macroeconomic uncertainty and corruption had become the top three most severe obstacles to developing their businesses (Calice, 2015). Not surprisingly, Libyan businesses were experiencing more difficulty operating and more significant growth challenges in 2014 than in 2011.

Accordingly, this study proposes that family businesses would evolve AMC to increase the chance of their alliance success. AMC, including the proactiveness, coordination, and learning dimensions, are most beneficial under turbulent environment, whereas benefits from such capabilities outweigh the costs when the environments are steady and stable (Schilke, 2014a). However, through reviewing the literature of AMC, most of such studies examine internal environment as an antecedent to develop AMC such as experience, department of alliance and top management team (Niesten and Jolink (2015); Schilke and Goerzen (2010); (Sluyts et al., 2011).

Based on the arguments made in this section about political instability, firms share their resource and capabilities with another partner (Alexiev et al., 2016). This implies that political instability will have a positive influence on the AMC of Libyan family firms. This therefore leads to the following hypothesis:

*Hypothesis 3: Political instability has a positive effect on the development of AMC in Libyan family businesses.*

#### **4.6 AMC and Alliances Performance**

The structure of this section may appear to be confusing. However, the best way to eliminate confusion is to develop the argument by discussing how the different AMC skills affect performance. Therefore, one needs to start right from the outset to identify the view on what the AMC skills are.

When referring to and analysing firms from the RBV, AMC is viewed as a resource that is fixed, heterogeneous and under the control of the company; hence serving as a base for higher performance (J. Barney, 1991; Wernerfelt, 1984). Kale and Singh (2007) find AMC to be particularly valuable as it increases the overall collaboration success, while in the view of Ireland et al. (2002) and Rothaermel and Deeds (2006) it helps realise partnership benefits. However, these components are heterogeneously distributed and often rare (Bharat N. Anand & Tarun Khanna, 2000; Rothaermel & Deeds, 2006). For instance, since a firm can build and improve AMC by utilising repeated business experiences in the organisation, it is difficult for other firms to suplicate these abilities (J. Barney, 1991; Kale & Singh, 2009a). Non-imitability suggests that AMC is not a trait that can be substituted; as a substitution is a form of imitation (Barney, 1995 and Crook et al., 2008). This implies that AMC can become a primary source of competitive advantage (Habbershon & Williams, 1999).

Contrasting views on the explanations of AMC as provided by some researchers (Rothaermel & Deeds, 2006; Singh & Rao, 2016). For instance, AMC has been defined as a company's capability to manage several alliances successfully. Schilke and Goerzen (2010) on the other hand view AMC as a second-order construct that captures the extent to which firms possess appropriate management routines that enable them to manage their strategic alliance portfolios effectively. The concept of 'cooperative competency' has been proposed by some authors, where this concept depends on the degree of coordination, trust and communication in a specific relationship between numerous structural components (Singh & Rao, 2016; Sivadas & Dwyer, 2000). Previously researchers referred to these principles as 'combinative capabilities' of the firm or its 'architectural competence' (Henderson & Cockburn, 1994; Kogut & Zander, 1992). In essence, AMC consist of an organisation's skills that integrate and coordinate activities and knowledge among the various subunits and employees in the firms. Such mechanisms form the critical locus of learning within the firm, by generating and facilitating feedback regarding both on-going and prior experiments as well as the experiences in different departments of the firm (Pisano & Shih, 2009).

Kandemir et al. (2006) propose that both alliance learning and coordination are to be studied as AMC's dimensions, especially when trying to improve a firm's capability to accomplish its objectives of cooperation performance. Other researchers perceive AMC

as a set of skills including communication, coordination and bonding (Schilke and Goerzen (2010). Typically, centralised alliances coordination enhances the firm's ability to capitalise and build new capabilities and build on its experience (Kale & Singh, 2009a). Coordination is aim at allocating resources and assigning tasks and synchronise functions to avoid overlap tasks between partners(Schilke & Goerzen, 2010).

Communication between partners is also critical in building alliance management capabilities and cooperative know-how (Castaldi et al., 2014; Luvison & de Man, 2015). This is due to even from the early stages, the parties operating in the alliance by default, share information around all of the firm's input into the alliance negotiation (Sluyts et al., 2010b). Therefore, they need communication because communication facilitates the possibility of sharing accurate knowledge and coordination between partners, communication also is a significant precursor of trust, and the accumulation of trust leads to better communication in various relationships between firms(Cheng, Yeh, & Tu, 2008).

There is a potential for alliance learning, which is considered one of the primary driver of alliances (Lipparini, Lorenzoni, & Ferriani, 2014; Schilke & Goerzen, 2010). Companies differ considerably in their routines for inter-organisational learning where some firms have the ability to learn more when they interact through alliances where different learning might occur (Martin & Salomon, 2003). The concept of AMC refers to a company's deliberate and evolving learning processes about AMC, which is translated into the firm's routine activities (Wassmer, 2010). Returning to the work of Sluyts et al. (2011) in the fields of subcontracting and innovation, organisations that are proficient at managing their portfolio between firms' relations could equally decrease the costs of projected mistakes in partner selection, for instance, as well as raise the benefits (such as having been able to benefit through retaining external) related with alliances.

Analysing the significance of learning in alliances delivers empirical evidence that the ability of inter-organisational learning of the firm has a positive influence to the extent of gaining resources through strategic alliances (Muthusamy & White, 2005). To increase knowledge regarding the alliance management process, firms must strengthen and internalise the knowledge held by individuals in the organisation (Nonaka &

Toyama, 2015). Numerous studies have already emphasised the advantages of intra-firm knowledge and competence transfer (Argote & Ingram, 2000; Song, 2014). Zollo and Winter (2002) investigated how performance can be affected by the firms' routines, and concluded that these routines could and might contribute to the alliance's performance by enabling the gathering of information, decision making, conflict resolution, communication, and governing the overall process.

Given the significance of coordination in AMC entails a firm having the capability to manage the interdependence and coordination between partners (Schreiner et al., 2009). It includes the ability to build and recognise agreement around the requirements of the task in a given alliance, and it contains specifying the responsibilities and roles of every participant in task implementation and how to adapt them in the configuration of changing situations (Schreiner et al., 2009). This proposes that the ability of coordination includes the capabilities and knowledge to match the nature of the interrelationship between the two entities with suitable coordination strategies, selected from enough repositories available for firms, to manage them. Additional complex forms of interdependence need superior mutual adaptation among agents (C. A. Thompson, Beauvais, & Lyness, 1999). According to Kale et al. (2002) routine alliances coordination enhances the ability of firms to build new capabilities and capitalise and build on its experience. This aspect as well as joins the position of the firm in the network of different partnerships, as it represents the central position receiving benefits extra (Hargadon & Sutton, 1997).

Generally, coordination points to the joint efforts to perform a task or joint work between firms (Yong Wang, Poutziouris, & Graves, 2015). In alliances, coordination includes implementation of the joint work through manufacturing, design, and mutual exchange of ideas between partners (Sander de Leeuw, Professor René de Koster, Ateş, Van den Ende, & Ianniello, 2015; Vandaie & Zaheer, 2014a; Zahoor, 2017). Most scholars are of the view that a dedicated function of the alliance can work as an effective system for the operational monitoring and all alliances coordination (Bamford & Ernst, 2002; Wassmer & Dussauge, 2011). According to Schilke and Goerzen (2010), alliances capabilities visualisation consist of communication, coordination and bonding skills. As a result of the inter-dependencies between firms, there is a great need for coordinating the alliance primarily, coordination of alliance aims to these inter-

dependencies to avoid repeat produce synergies, and actions in all alliances aspects (Bamford & Ernst, 2002; Hoffmann, 2007; Zahoor, 2017).

Accordingly, AMC is a significant antecedent of performance (Feller et al. 2013). The theoretical conjecture is that AMC improves alliance performance because it allows partners to adjust the attributes of the alliance to changes in the environment (Heimeriks and Schreiner 2010; Schilke and Goerzen 2010). Most of the studies in this area have examined the direct relationship between AMC and performance, and that being a strong positive relationship (Schilke and Goerzen, 2010).

Schilke and Goerzen (2010) found that AMC has a positive influence on the alliance performance. These findings further support the idea of Sluyts et al. (2011), who state that alliance outcome has a significant positive affected by the alliance codification and sharing processes. Regarding AMC, studies have found multiple outcomes, including a positive impact on the above-normal stock market returns (Kale et al. (2002), and alliance success (Draulans & Volberda, 2003; Kohtamäki et al., 2018). Moreover, AMC has found to develop joint action, firm status and customer knowledge (Kohtamäki et al., 2018; Schreiner et al., 2009). Additionally, customer relationship management (CRM) capability found to growth the satisfaction of the customer (H.-S. Kim and Kim (2009), market effectiveness (Lisboa, Skarmeas, and Lages (2011), suppliers' organisational performance (H.-S. Kim and Kim (2009), and profit margin growth (B. Morgan, Makepeace, & Foreman-Peck, 2006).

Extending the previous literature to the family business setting, this study contends that AMC will affect the performance of the alliance. Resources and skills which often define family firms result from the unity and participation within families (Habbershon & Williams, 1999). Applying RBV, researchers have identified a number of exclusive resources in family firms that provide family business with a competitive advantage. Timothy Habbershon and Williams (1999) were one of the earliest research to apply RBV to the family business and devised the term "familiness." In family business as compared to the rest, the level of communication and coordination is higher, and transfer of information is more efficient since there is greater trust, loyalty and motivation which makes it learning and coordinating within the firm easier (M. K. Cabrera-Suárez & Martín-Santana, 2012). Similarly, Zellweger et al. (2010) argue that if the view that family businesses often perform better than non-family business, this is

largely because of the success of the business characteristic of “familiness” which encompasses succession planning, shared experiences, greater interactions, trust and loyalty, language, norms and values (Sorenson, Goodpaster, Hedberg, & Yu, 2009a).

The unique features of the family business (commitment, trust, shared values, and reputation) provide certain strategic competencies that may aid its long-term success and are factors that may impact the environment created to enhance and facilitate the transfer of knowledge between family businesses (M. K. Cabrera-Suárez, Déniz-Déniz, & Martín-Santana, 2014). Alliances increase prospects of knowledge transfer; however, the amount of knowledge being transferred is dependent on the level of trust. The trust increases self-confidence which simplifies coordination concerns and improves the flow of information (Cesinger et al., 2016; Edelenbos & Klijn, 2007). The concept of “learning races”, referring to the efforts made by a firm to outearn their partners, is a typical example of this focus (Sluyts, Martens, & Matthyssens, 2008; Zaheer, Gulati, & Nohria, 2000).

Earlier literature on AMC has assumed the view that firms tend to become additional adept in alliances management. Therefore companies who have a high level of AMC might install various learning mechanisms types. According to Draulans and Volberda (2003), and Koen H. Heimeriks et al. (2009), alliance learning mechanisms allow the companies to improve a superior knowledge on AMC through, creating, gathering and spreading knowledge on the AMC. The employees are encouraged to exchange information of alliance, know-how, and best-practices by sharing mechanisms, for instance seminars, task forces or job rotation (Kale & Singh, 2007b; Sluyts et al., 2011). According to the finding of Bharat N Anand and Tarun Khanna (2000), companies frequently learn to manage the alliance that consequence on the value R&D alliances formation.

Furthermore, F. Wu and Cavusgil (2006) extend that the organisational learning conceptualises and enquires the valuable skills required in the stage of alliance development, and hence conclude that the alliance formation skills can strengthen the partnership between partners. Based on the work of Cousins, Lawson, and Squire (2008), share knowledge among partners at the personal and the levels of organisational increases volume of the information, therefore allowing for goal setting, better planning, adjustments and problem-solving that, in order, increase alliance

performance. Furthermore, according to Mesquita, Anand, and Brush (2008), when unforeseeable changes arise, the companies' relational capabilities end up developing an effective relational resource with suppliers' production in the operational performance that can solve problems successfully. According to Kale et al. (2002) routine alliances coordination enhances the ability of firms to build and generalise new capabilities and build on its experience. This aspect incorporates the position of the firm in the network of different partnerships, with the central position receiving additional benefits (Hargadon & Sutton, 1997). In the alliances, coordination involves the application of the joint work through the exchange of notions of design and manufacturing among partners (Sander de Leeuw et al., 2015; Vandaie & Zaheer, 2014b). Mostly, the coordination points to the combined efforts to perform a joint task work among companies (Yong Wang et al., 2015). One of the essential dimension of AMC is coordination (Schilke & Goerzen, 2010). Consequently, there is a strong need for coordinating the alliance primarily, alliance coordination purposes to these interdependencies in order to avoid the repetition of produce synergies, in all aspects of alliances (Bamford & Ernst, 2002; Hoffmann, 2007). It seems that companies that are capable of utilising factors for the formation of alliance management capabilities can achieve alliance performance.

Based on the arguments that are presented in this section, it is fair to argue that AMC produces some benefits for alliance performance in the family business setting. Some of these advantages are the facilitation of knowledge transfer, alliance strategy execution, signalling a firm's confidence in the alliance strategy, promoting and developing new practices and ensuring that the alliance operation is successfully executed (van Bömmel et al., 2010). Because firms benefit from these advantages at many levels, high levels of alliance capability are said to have improved entire alliance performances (Schilke & Goerzen, 2010). This implies that AMC will have a positive influence on the alliance performance of family firms, leading to the following hypothesis:

*Hypothesis 4: AMC is related positively to the alliance performance in Libyan family businesses.*

Through the previous discussions, which include the alliances experience, culture of family businesses, and political instability as antecedents for AMC, and the discussion of AMC as the antecedent for performance, the following sub-hypotheses is formulated:

*Hypothesis 4a: AMC mediates the relationship between (alliance experience, the culture of family business, and Political instability) and alliance performance in Libyan family business.*

#### **4.7 The Moderating Role of Social Capital**

According to Hoffman et al. (2006), social capital has been defined as the resources embedded in the relations between persons. It includes relationships between individuals working in the business (e.g. internal social capital) and among external parties and organisations (e.g. external social capital) (Adler & Kwon, 2002; Y. Li, Chen, Liu, & Peng, 2014). In these firms, social capital can facilitate information flows, accumulation, knowledge creation, as well as improve creativity (Perry-Smith & Shalley, 2014) and transaction costs (McFadyen & Cannella, 2004; Nahapiet & Ghoshal, 1998). Tagiuri and Davis (1996) found that one of the key competitive advantages of family businesses is the use of a distinctive language of the family that enables their members to communicate extra competently and share more information. According to Cassia, De Massis, and Pizzurno (2012), the values characterising the shared goals of a family business usually result in a higher degree of cohesiveness and commitment in the workforce, which adds to creating possible advantages over non-family businesses. Outside these firms, social capital increases a partnership's success and alliance (Koka & Prescott, 2002; Payne, Moore, Griffis, & Autry, 2011).

Social capital as “the features of social organisations, such as networks, norms, and social trust that facilitate coordination and cooperation for mutual benefit” (Nahapiet & Ghoshal, 1998, p. 243). Based on the relations among persons in social capital, a social network is a hidden glue that holds communities together, and that motivates persons to work towards a shared aim (Coleman, 1988a). In essence, as highlighted in Lin (2010), the social capital comprises three dimensions: (i) social interaction, referring to structural interactions or links among partners in social relations; (ii) shared norms, referring to expectations and rules of behaviours among partners in a network

that define how a society or community will perform; and (iii) trust, referring to the strength of social relations developed among partners in a network, which are prepared over a history of previous interactions between these persons, and which further affect their consequent behaviours in the network. Importantly, trust and shared norms are the basic building blocks of a mutual culture in an alliance that can be the foundation for the partnership between partners. Through a variety of factors, a mutual culture can develop, such as respect, and a common understanding for each partner; also each partner's cultural assets could help enhance alliance performance, including each partner's heritage, achievement, contributions processes, and history (Marks & Mirvis, 2010).

The notion of social capital is often used in both firm and community to clarify the role of interpersonal resources included in a network or dyadic relations linking resource exchange and activities of knowledge management (Hau, Kim, Lee, & Kim, 2013). Current knowledge management studies address social capital as the primary facilitator of knowledge of organisational sharing and creation (Akhavan, Hosseini, Abbasi, & Manteghi, 2015; H. H. Chang & Chuang, 2011). Al-Tabbaa and Ankrah (2016b) have examined the dynamics of social capital dimensions during the pre-formation and post-formation stages of university-industry alliances. They found that the dimensions of social capital are not static and vary over time. With a few exceptions, the vast majority of studies indicate that social capital entails constructive connotations (Bartsch et al., 2013). Batjargal (2007) have examined how Russian entrepreneurs' social capital improved the performance of firms.

Additionally, Zahra (2010) examined how social capital allows family businesses to collect resources (particularly knowledge) that are necessary for effective adaptation. Furr, Christensen, and Dyer (2014) suggest that it is easy for organisations to change partners with unspecific investments in initiating a relations network towards gaining specific relationship social capital when they have created a competitive advantage. Social capital allows connections to foreign performers who can assist with moveable resources through the organisations' boundaries (Avey, Luthans, & Youssef, 2010). According to Bhagavatula, Elfring, Van Tilburg, and Van De Bunt (2010), with the aim of gaining a competitive advantage, firms need to utilise external resources successfully through their relationships with the partners. Nieves and Osorio (2013) have stated that

personal relationships are essential in numerous ways, for example, in providing access to external resources to obtain a competitive advantage. In the dynamic market, through social networks, managers of family businesses possess opportunities to establish relations with partners as well as to discover future developments (Sirmon & Hitt, 2003). It is clear that social capital needs both the ability to mobilise resources and the social structure through that structure. It is simultaneously possessed through the parties in the relationship, and cannot be allocated through any single person (Burt, Kilduff, & Tasselli, 2013). Relationships that are long term are advantageous to many firms' interactions, in spite of the obvious difficulties in building such a relational exchange early in the start-up phase (Lander & Kooning, 2013). The critical resources of firms might span organisations' boundaries and could be embedded between the processes of organisations (DeWitt & Smith, 1995).

To capture the social capital role in the organisational involvement environment, Chow and Chan (2008) analysed the influences of the factors of social capital on knowledge participation intentions of employees. Social capital employed perspectives to investigate employees' tacit knowledge of participation behaviour in a workgroup (S.-C. Yang & Farn, 2009). Wei, Zheng, and Zhang (2011) examined the influence of the various levels of the nature of social capital on knowledge transfer. They recommended the development of those employees' network positions, for example, structural and distance equivalence, and the impacts on the transfer of their knowledge. By improving innovation efficiency, social capital might contribute to the performance of a firm (Roden & Lawson, 2014). Theoretical and empirical studies have argued that social capital enables the combination and exchange of resources, particularly knowledge resources, between organisational units among firms (Kwon & Adler, 2014; Tsai & Ghoshal, 1998). According to Argote and Miron-Spektor (2011), social capital facilitates learning from partners because it positively impacts the three essential mechanisms of knowledge management in firms – ability, opportunity, and motivation.

This study proposes that social capital can influence the effectiveness of AMC in enhancing the alliance's performance. As such, the study discusses the impact of social capital facets (structural, relational, and cognitive) on the various dimensions of AMC. For inter-organisation learning (as one dimension) of AMC, social capital has a positive impact as in general it can enhance organisational learning. Social capital facilitates

organisational learning between team members of firms because it affects their ability, opportunities and motivation to share knowledge between them Bartsch et al. (2013). Social capital offers a chance to gain access to the resources embedded in and derived from actors' social network ties supporting the achievement of the aims of firms (Adler & Kwon, 2002; M. H. Anderson & Sun, 2015). On the importance of social interaction, it has been stated "the social process of developing shared understanding through interaction is the natural way for people to learn" (Pelc, 1996, p. 1996). Social interaction is the main component of group learning is shared by several individual partners (Kreijns, Kirschner, & Jochems, 2003). The level of mutual understanding among partners can be increased with shared norms, the latter acts as a resource affect the anticipation of the value achieved through alliance and also the motive to associate and share knowledge (Nahapiet, 2009a, 2009b). Shared values and understandings among partners assist in meaningful communication that is vital for building knowledge (Burt, 2009). Trust provides partners with the self-confidence that the transfer of knowledge not be misused or appropriated (McEvily et al., 2003; Willem & Buelens, 2007). Trust influences the knowledge process transfer by rising openness in knowledge sharing, and assisting joint solving problems (Krylova et al., 2016). In order to improve learning among partner, one needs to be developing certain degrees of trust (Chaharbaghi et al., 2005). Trust can further enhance the firm's core capabilities and sustain their competitive advantages through mutual learning and co-evolution (Frawley, Piatetsky-Shapiro, & Matheus, 1992).

Learning between firms improves by establishing shared languages, norms, and codes, that provide the normative background for communication (B. George, Hirschheim, Jayatilaka, & Das, 2014). Social capital improves over long-term communication among strategic alliances and is positively connected to the extent of resource exchange among firms (Kohtamäki, Partanen, & Möller, 2013). When firms develop social capital, it leads to making another alliance with the partner (Goerzen, 2007). Partner relationships induce relationship among the focal firm and possible new alliance, hence providing a basis to add new alliances to the portfolio (Gulati & Gargiulo, 1999). Communication supports trust and vice versa. Partners can share information voluntarily, and as a significance of effective communication and confidence, partners are willing to share information and ideas (Stähle & Grönroos, 2000). Trust increases loyalty, commitment, and

communication between partners and open communication which are vital for the building of high-performing business (Hakanen & Soudunsaari, 2012).

Social capital also can affect the coordination skills of the organisation because trust is a valuable social capital which assists coordination in both economic and social interactions. “Features of social organisations, such as networks trust, and norms which can increase the effectiveness of society through assisting coordinated actions” (Putnam, 1993, p. 167). Trust also brings significant value to the firms (Williamson, 2006). Trust is seen to exhibit a positive relationship with formalisation, in that advanced degrees of trust allow higher levels of formal coordination (Van Peppen et al., 2004). Trust is the effect on coordination and control effect of a firm's performance (Poppo, Zhou, & Li, 2015). Growing relational norms encourages trans-actors to closely coordinate their activities as their futures become gradually intertwined (Artz & Brush, 2000).

Social capital can affect alliance proactiveness as trust is essential to reduce negotiation and conflict costs between partners (McEvily et al., 2003). Furthermore, shared vision between partners assists and accelerated the negotiations. Consequently, this leads to achieving common goals efficiently and effectively (Blagescu & Young, 2005). Partners can also increase alliance performance in preformation stage by having the same language in negotiations, and this leads to easier communication in the post-formation stage (Al-Tabbaa & Ankrah, 2016b).

In order to lubricate the enabling effect of relationship structures, the role of relational capital is vital (Kohtamäki, 2010). Therefore, from this perspective, relational capital is suggested as an exogenous notion. The relational capital is probable to rise involvement of the knowledge within the relationship between partner, as well as assistance to improve the commitment and motivation between firms (Panfilii, 2009). First, the relational capital might facilitate further the positive influence of enabling alliance management capabilities on alliance performance, as relational capital assists knowledge sharing that takings place in the alliance management capabilities. For instance, in a family business, higher levels of mutual capital are enabled from interactive patterns and alliance performance in the steering groups, development meetings or between partners. Second, the relational capital is probably to improve the development of motivation and commitment towards fostering the relationship between partners, enabling actors to share and create knowledge in better the performance of alliance (R. M. Morgan & Hunt, 1994; Nyaga, Whipple, & Lynch, 2010). This mechanism

is based on the notion, which the relationship creates a social space or a shared platform, which facilitates the creation and sharing of the knowledge. This social space might be either virtual or physical. However, it needs relational capital among the actors to have a positive influence on the improvement of alliance performance.

Furthermore, the previous literature recommends that the influence of alliance management on relationship improvement of the performance be improved by relational capital (K.-H. Chang & Gotcher, 2007). The development of unique resources and resources are significant per se (J. B. Barney and Arian (2001). However, it is the processes of alliances that deploy such resources which lead to value creation (K.-H. Chang & Gotcher, 2007). This deployment is accelerating by relational capital (Kohtamäki, Vesalainen, Henneberg, Naudé, & Ventresca, 2012; Tsai & Ghoshal, 1998). In such operation, the relational capital is necessary to support learning between the family business to achieve alliance aim and to improve alliance performance (Fadol & Sandhu, 2013; McDermott et al., 2009). This is so to ensure that resources and capacities are used to the maximum extent and appropriate for all parties (Joshi & Stump, 1999).

Studying the relationship between AMC and alliance performances in the family business provides a unique context (Sirmon & Hitt, 2003). Through the alliances, the effective management of relationships opens up new avenues for the family business (Street & Cameron, 2007; Torkkeli, Puumalainen, Saarenketo, & Kuivalainen, 2012; Ward, 2016). Family business' culture also is a significant strategic resource (Barney, 1986). RBV perspective can give family firms a distinct advantage over their rivals (J. Barney, 1991; Priem & Butler, 2001). Moreover, social capital in the family business provides a unique context, whereas social capital is composed of three dimensions: relational structural, and cognitive. The factors that comprise the structural component are configuration and network ties. The relationship breadth relies on different aspects such as norms, trust and obligations. In contrast, the cognitive dimension depends on a shared narrative and language. Each one of these breadths and dimension is embedded within in ties and the family unit; the family business has with external stakeholders. The family social capital increase with connecting these structures of diverse social, more effective relationships of the organisation with customers, partners and suppliers can be built, following this procedure family business gather resources from their constituencies and network, for instance knowledge, financial capital and so forth (Arregle et al., 2007).

Furthermore, they can establish a more simple means of communication the value of the firm's services and goods to potential customers (Sirmon & Hitt, 2003). Despite the examination of the relationship between AMC and alliance performance, there is a need to do further research in the family business (Kuivalainen, Saarenketo, & Puumalainen, 2012). This case reveals the need to find or suggest how the family business can leverage AMC effectively that may lead to alliance performance. This research has, thus, evolved from this conceptual framework to clarify how AMC is leading to alliance performance.

“The family is a source, builder, and use of social capital” (Bubolz, 2001, p. 130). Indeed, the relations between the members of the family make an ideal environment in that to build social capital (Arregle et al., 2007). Through trust, the family businesses provide the foundation of moral behaviour on that its guidelines for coordination and alliances also principles of exchange and reciprocity are developed (Bubolz, 2001; Herrero, Hughes, & Larrañeta, 2016). Increased exchange and reciprocity reinforce the use and creation of social capital, which stems from the interactions, dynamic factors of stability, closure common in families, and interdependence. In addition, a continuation of family relationships, and increasing interactions and interdependence produce more significant the trust levels (based on shared values and norms), principles of reciprocity (obligations) and exchange between members of the family (Pena-López, Sánchez-Santos, & Novo, 2013). For example, grants (inform of support with no refund plan) from the parents to their children are often exchanged with love and satisfaction (Arregle et al., 2007; Bubolz, 2001), the unspoken promise is that the children will in the end care for their businesses. The human capital is affected by the social capital through following generations Coleman (1988). Strong relationships and physical presence and are needed for social capital to facilitate learning family members about how working in family businesses. Consequently, in developing the human capital of the next generation, the family business with strong social capital might be unusually effective.

The characteristics of external and internal social capital of a family business might affect the discrimination of their alliances. The ease of inter-individual communication might simplify the managerial principles and organisational solutions used to coordinate the various actors involved in encouraging alliance. Moreover, trust is a key component in the development of social capital (Achelhi & Truchot, 2016; Dess & Shaw, 2001). Social exchange theorists have posited transaction cost theory whereby trust is mediated by both

previous experience and the dynamics of current communication. Thus, open and well-used channels of communication are vital to developing cooperation and trusting relationships (Ireland et al., 2002). Trust should be a key factor that all alliance managers should aim for in order to develop cooperative working relationships and something that should grow and continue to be maintained at every stage of the process. Establishing trust as a basis for a relationship on either side is key to enabling partners to work together (Cullen et al., 2001). What is more, ensuring both sides having integrity provides essential grounds for building a relationship in the first place (Hutt, Stafford, Walker, & Reingen, 2000). Therefore, firms that have sought to build strong social capital are likely to find partnerships with firms they have already had relationships with before commencing an alliance, hence why the social aspect of family business could be favoured in alliances.

Family firms, , might have several benefits of improved social capital among stakeholders and the family given that they characteristically (i) have the capability to nurture and foster long-standing relationships through the firms' stakeholders, (ii) future generations might be additionally likely to improve individual attachments to the family that manages and/or owns the firms, instead of to unfamiliar, impersonal companies (Essen, Carney, Gedajlovic, & Heugens, 2015), and (iii), they may pay specific attention to increasing relationships with primary stakeholders to increase their family reputation and visibility in the external community (Campopiano, De Massis, & Cassia, 2012). Even if the above is rarely recognised, social capital would appear to be the source of competitive advantage of family firms over non-family firms with, for example, dysfunctional relationships because of paralysis of action, and business complexity (Arregle et al., 2015; Pearson et al., 2008).

In theory, social capital relationships through alliances are one of the prerequisites for effective learning and communication, and in this research, this is expected to hold for family businesses (Johanson & Vahlne, 2009). Social capital is capable of increasing an alliance's performance through AMC intensity, as it has been tested as a mediating factor in previous research (G. Liu et al., 2016). However, in this study it is assumed that social capital forms a moderator of the relationship between AMC and alliance performance, hen leading to the following final hypothesis:

*Hypothesis 5: Social Capital will positively moderate the relation between AMC and alliance performance in Libyan Family business.*

#### **4.8 Summary**

This chapter presented a framework to develop AMC in the Libyan family business. This study has shifted the focus from the role of AMC in delivering value to both society and family business in a market changing the environment. It is clear that alliances are the most important strategic decisions for family businesses in changing environments. However, for effective capabilities being essential to organising alliance efficiently between partners, this research assumes that the AMC is the antecedent of alliance performance by trying to answer the following question: what are the determinants of AMC effectiveness in the family business domain? In addition, it assumes that the alliance experience, culture of family business and political instability as antecedence of AMC and will increase it effectively. Since an alliance needs a strong relationship, mutual trust between the partners it is therefore assumed that social capital can act as a moderating factor between the relationship of AMC and alliance performance through strong relationship and mutual relationship, facilitating coordination and learning and hence making the relationship between AMC and alliance performance stronger.

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## CHAPTER FIVE

### RESEARCH METHODOLOGY

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#### 5.1 Introduction

This chapter examines and justifies the methodology and methods of research, applied for undertaking this study. The first section starts with an overview of the study aim and objectives, where section two discusses the research methodology and philosophy. Section three presents the quantitative approach adopted in this study including the process of questionnaire design. In section four, a detailed description of the methods of data collection and scenarios, population and response rate is provided. Finally, section five provides discussions surrounding the variables and measures used in the following empirical chapters.

#### 5.2 Aim and Objectives

As highlighted earlier in chapter one, this study investigates the application of the AMC concept in Libyan family business context. In specific term, it aims to identify the role of AMC on alliances experience, Culture of Family Business and Political Instability and alliance performance and explore the potential moderating effect of social capital on Libyan family business.

To achieve this overall aim, the following research objectives were set:

- To examine the effect of alliance experience, political instability, and culture of the family business as an antecedence on the development of AMC in Libyan family business.
- To examine the impact of AMC on alliance performance in Libyan family business.
- To study the moderating effect of social capital on the relationships of AMC and alliance performance in Libyan family business.

#### 5.3 The Philosophical Assumptions

After identifying the problem of research or an interest area, the researcher has to identify suitable technique(s) to approach the problem. John W Creswell (2013) divided research philosophy into four assumptions: ontological, epistemological, axiological and methodological. P. Eriksson and Kovalainen (2008) state that for many researchers,

ontology, methodology, epistemology, methods and paradigm are the philosophical assumptions. In order to give direction to this study, the research onion has been adopted ((P. Lewis, Thornhill, & Saunders, 2003). This onion shows the range of selections, strategies, paradigms, and steps followed by the researchers through the process of research, shown as Figure 5-1 Research philosophies in the research ‘onion’ Source (M. N. Saunders, 2011). Thus, the researcher in the current study will attempt to cover these layers of the onion and hence arrive at the appropriate method to consider for the research.

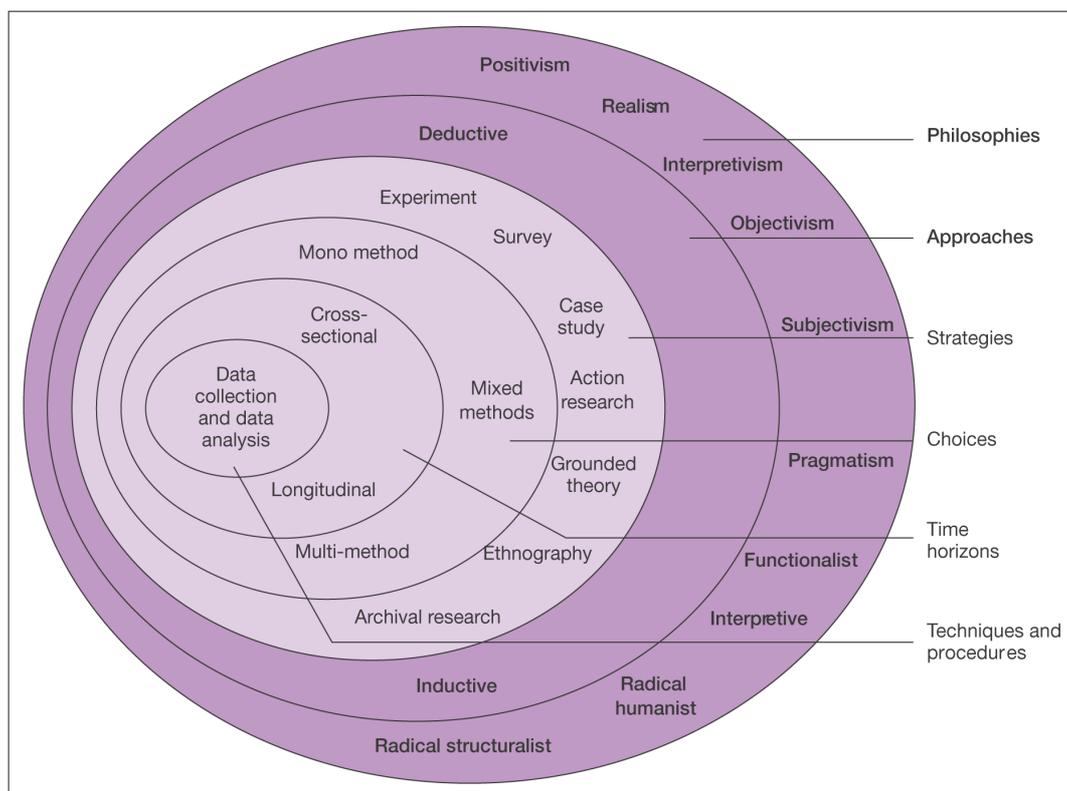


Figure 5-1 Research philosophies in the research ‘onion’ Source (M. N. Saunders, 2011)

#### 5.4 Paradigm

One of the terms often used in social sciences is the paradigm. One of the best definitions of the paradigm is “a way of examining social phenomena from which particular understandings of these phenomena can be gained and clarifications attempted” (M. Saunders, Lewis, & Thornhill, 2012, p. 140). Paradigm attempts to question “what are the particular ways of data describe a scientific discipline through a specific period? P. Eriksson and Kovalainen (2008, p. 13). In other words, the research

paradigm affects the design of research with the intention of providing the quality of research outcomes (John W. Creswell & Plano Clark, 2007).

The philosophy of research can be used to show the theories, ideologies myths, official actions and perspectives that govern their activity and thinking (Gummesson, 2000). Also, several studies classified that philosophy as being used in social science into two main philosophical paradigms in the research: interpretive (Subjectivism) and Positivism (Objectivism) (Bryman, 2012; John W Creswell, 2013; Easterby-Smith, Thorpe, & Lowe, 2012).

#### **5.4.1 Interpretive Paradigm**

The interpretive paradigm is to “explain, understand, and demystify social reality through the eyes of various members”(L. Cohen, Manion, & Morrison, 2013, p. 19). This approach is all about trying to realise social phenomena by the meanings that people attach to them, such as, shared experiences, tools, language, publications, consciousness (Walsham, 2006). Data is subjective, and therefore its explanation is essential. As such, qualitative research is used by the interpretive researchers to offer an understanding of the organisational and social settings, based on building a holistic picture, complicated, shaped with words, reporting detailed views of members, and conducted in a natural environment (John W. Creswell & Plano Clark, 2007). M. Saunders et al. (2012) pointed out that there are some writers would argue that the interpretive is highly suitable in the situation of management and business research, mainly in fields such as human resource management and behaviour of organisational.

#### **5.4.2 Positivism (Objectivism)**

The fundamental idea of positivism is that “the social world exists externally and that its properties should be measured through objective methods, rather than being inferred subjectively through sensation, reflection or intuition” (Easterby-Smith, Thorpe, & Jackson, 2012, p. 22). The French philosopher, Auguste Comte (1853) was the first person to encapsulate this view of objectivism in research. He has been quoted as saying ‘Since Bacon’s time, that there can be no real knowledge however that which is based on observed facts as all good intellects have repeated (Pearce, 2015). This statement covers two assumptions. (i), an ontological assumption, that reality is objective and

external. (ii), an epistemological assumption, that is the knowledge only importance if it is based on notes of this external reality (Crotty, 1998b; Easterby-Smith, Thorpe, & Jackson, 2008; Roessl, 2005).

Table 5-1 Summaries the distinction between positivist and Interpretivist (Decrop, 2006; M Easterby-Smith, R Thorpe, & A Lowe, 2002; P. Lewis et al., 2003).

Factor	Positivism	Interpretive
Research purpose	Discovering natural laws to predict and control events	Understanding and describing social situations
Ontological stance	Reality is already in existence and stable, ready to be discovered. The objective of human cognition	Relativism: no single point of view or value position is better than others; subjective to human cognition
Epistemological stance (researcher's position)	Objectivism: the researcher is objective by viewing reality through a "one-way mirror". Dualism: the researcher and the object are independent entities	Transactional and subjectivism: the researcher is a "passionate participant" or interactively linked to the world being studied
Sampling requires	The Large number selected randomly	Small numbers of cases chosen for a particular reason
Research logic	Deductive	Inductive
Nature of knowledge	Verified hypotheses established as facts or laws	Individual reconstructions coalescing around a consensus
Values	Value free	Values are integral part of social life
Methods	Purely quantitative, statistics, content analysis Hypothetical-deductive approach (experimental design)	Mainly qualitative, Holistic-inductive approach (naturalistic inquiry)
Findings	Findings are true	Finding are created
Generalisation	Statistical probability	Theoretical abstraction

### **The justification for choosing the positivist philosophy**

The design of research for this study is based on the positivist approach which has eight suggestions: value-freedom, reductionism, operationalisation, causality, generalisation, independence, cross-sectional analysis hypothesis and deduction (M Easterby-Smith et al., 2002; Singh & Rao, 2016). Significantly, under the positivist, may that there is a possibility of biases being involved and it is accepted that theories, background knowledge and the values of the researcher as well as can impact what is observed (Ponterotto, 2005; Rungsithong, 2014). As a method to the conduct of social research the quantitative methodology is routinely offered, which applies the techniques from the sciences, and in specific naturally, chooses a positivist method to consider understanding the social phenomena (Bryman, 1984; Rungsithong, 2014).

Based on the above with social reality the positivism is an allowable paradigm. Accordingly, the positivist paradigm has adopted in this research. Regardless of the researcher's observation, the positivist believes that there is a single objective reality and the world is external (Nygaard & Russo, 2008). It lets the researcher take control and choose an appropriate research methodology and a structured path to identifying an obvious research subject. This study, from the epistemological view, emphasises on causal and regularities relationship among its constituent elements (Kale & Singh, 2007b). Thus, the prime concentration is on the abstraction and generalisation on the stated theories and hypotheses. The positivism encourages the use of the deductive reasoning and the quantitative method. This research attempts to find to incorporate real-world data of research through empirical research that is in keeping with the popular of empirical research that is conducted in the behavioural and managerial science fields (Flynn, 1996; Rungsithong, 2014). The positivist paradigm is adopted in this research also because empirical studies can be used to either build theory or to verify it, with the latter referring to the documentation of relationships among variables (Singh & Rao, 2016; Snow & Thomas, 1994). The theory-building study is built on structures or moulds about a perceived problem. This method is tested using the collected data, and it is based on a systematic method whereby expectations that are made in advance (Rungsithong, 2014). The primary objective of this research investigation is to identify the role of AMC on alliances experience, Culture of Family Business and Political Instability, and alliance performance and explore the potential moderating effect of social capital on Libyan family business.

Due to the use of a highly structured methodology, the positivism paradigm assists the study replication (Gill & Johnson, 2010). In this research, by a formal survey, the data is collected from the Libyan family business, so this philosophy conforms to the design of this study. The integration of experience, capabilities, and performance needs the generation of causality, which requires generalizable findings (Chetty & Stangl, 2010). Quantitative data is suitable in the sense that it assists in measuring a wide diversity of notions (Bryman, 2012). It prefers to use existing theory to evolve hypotheses which will be examined and refuted or confirmed that is leading to moreover the theory development (Haig, 2018; Harpending & Rogers, 2000). This conforms to the field of this research, because of the conceptual framework, based on assumptions and the existence of the theory. In the literature of management it is a widely accepted opinion

that environment and organisation are material, real, but different in nature (De Wit & Meyer, 2010). The organisation is seen to be adapting to its ambient environment because it is perceived as a biological organism (Gräslund & Bengtsson, 2001). This statement is a reference to the fact that the business and strategy lie in positivism.

## **5.5 Research Approach**

The distinction between method and Methodology indicates a substantially different meaning because they have been occasionally used interchangeably. Although according to Collis and Hussey (2009, p. 73) the methodology points to “overall approach to the research process, from the theoretical underpinning to the collection and analysis of the data”, method refers to the various means by which data can be collected or /and analysed”. Crotty (1998a, p. 3) as well as defined the two terms: approaches are “the techniques or procedures used to gather and analyse data linked to research questions or some proposition”, while methodology refers to “the strategy, plan of action, design/process lying behind the choice and use of particular methods and linking the selection and use of methods to the desired outcomes”. On the whole, the methodology is concerned with quite a few issues such as: how and when researcher collected it, and how it will be analysed, why one collected particular data, from where has researcher collected these data and what data (Collis & Hussey, 2009). Ethnography, grounded theory, and Experimental study are several instances of the choices of research methodology.

Data can be collected and analysed by employing various approaches including observations, surveys, and interviews. The optimal method among them depends on the aims of the study and the questions of research or the philosophy of research. In the context of social science, there are mainly two philosophies of research, which facilitate the possibilities, assistances to delineate the selections to be complete and hence characterising research substantially in practice (John W. Creswell, 2009). Terms, such as, empirical positivistic, experimental objectivist, quantitative, and scientific, are used to define the primary philosophy (Ponterotto, 2005). The second philosophy relates to post-positivistic, subjectivist, radical, phenomenological, qualitative, and interpretative (Chen, Shek, & Bu, 2011). The differences between the two methods can be observed regarding the two primary methods of inductive theory building, deductive theory testing and theory development (Eisenhardt & Graebner, 2007). The inductive method

represents the phenomenological method, and the deductive method describes the positivistic approach (Perry, 1998).

### **The justification for choosing the quantitative approach**

A quantitative research strategy is adopted in this study, so providing a quantitative method of linking the empirical research with concepts or theoretical categories and for testing the theory (Bryman & Bell, 2007b). To investigate the phenomenon of pertinent theoretical and examine questions of the research in this study, the researcher is used a survey-based study. The research design of this study is quantitatively based because it aims to gain data from the business and understand reality with practical confirmation that sheds light on the income and outcome of AMC in Libyan family business. In the area of strategic management, one of the outcomes of taking the approach of positivist is the potential that the researchers can identify laws, which govern the ways in that are organisations operate (Singh & Rao, 2016). These causal relationships enable managers to become more effective in controlling and predicting their environments (P. Johnson & Duberley, 2000).

### **5.6 Research Strategy**

The strategy of research is defined as the systematic and organised method of collecting and analysing data so that data might be obtained to understand the study problem (Jankowicz, 2013) fully. In order to answer the research questions by research strategy is the general planning requirement (Mark Saunders, Philip Lewis, & Adrian Thornhill, 2007). Subsequent to this, the choice of the philosophical optic is justified regarding the research methodology adopted and the nature of the problem (Bowling, 2014). From the research nature point of view, the research strategy can be classified as a quantitative, qualitative or mixed method (Bryman & Bell, 2007b; Mertens, 2014). Qualitative research stresses words rather than views and the quantification of social reality as an emergent property of particular formation (Bryman & Bell, 2007a). The quantitative research approach is regarded as a strategy of research that gives importance to quantification in the analysis and collection of data (Bryman, 2012). According to Erickson and Kaplan (2000) an effective combination of qualitative and quantitative approaches can produce much greater and beneficial outcomes.

### **The justification for choosing the survey strategy**

The choice of a quantitative research study based on a questionnaire can provide the possibility of examining a large sample of respondents to produce a more reliable and consistent result (Maes and Sels (2014). The survey questionnaire has been chosen in this study due to its ability to provide an efficient, inexpensive, accurate, and quick tool to assess the information about a population (W. Zikmund, Babin, Carr, & Griffin, 2012). This study used a Likert scale for measuring the respondents' answers. The 5-point Likert scale is commonly used as a useful tool to measure attitudes, beliefs, and opinions. The response options shall be in words with approximate equal intervals with respect to agreements (Sekaran, 2006). The selected data collection tool which is frequently deployed for gaining information in extant empirical research can offer valuable insights about individual attitudes and perceptions, also shed light on practices and policies in firms (Baruch & Holtom, 2008; Bowling, 2014). By the items of the survey and by ensuring the distance among the observed and the observers, concepts can be operationalised, and objectivity is maintained, with the possibility of external checks being made on the research survey through an independent third party (Singh & Rao, 2016).

Furthermore, it must be noted that the researcher is independent of his sample group and does not have any specific interests in these firms. Moreover, deductions are made from the empirical observations to examine hypotheses regarding the causal relations between inter-organisational factors, including alliance experience, the culture of family businesses and political instability, AMC and alliance performance (Singh & Rao, 2016). Furthermore, the concept of social capital is measured quantitatively as moderating on the relationship between AMC and alliance performance. Finally, Maes and Sels (2014) further mentioned that for a large population number the questionnaire is one of the best methods, and the researcher ensured the prerequisite of a sufficiently large sample so those valid comparisons might be made across the various firm's categories.

### **5.7 Survey Design**

A survey can be defined as a list of accurately structured questions to collect data, and it is the most popular method in the field of research (Collis & Hussey, 2009;

Oppenheim, 2003; Sekaran, 2003). The survey is particularly useful when individuals' accounts of their behaviour and regarding a particular population and attitudes are suitable such as a source of information (Bryman, 2015; Hussey & Hussey, 2003). In this study, the questionnaire has been used online, because of its many advantages: First, the period span which needed to collect data using an online questionnaire is on average 60% shorter than that of traditional research methods (Wright (2005). Second, using an online questionnaire reduces research cost significantly. Three, most of the participants that have access to internet prefer to respond to questionnaires online, which make it easy to use for the participants and easy to use for researchers. Four, online questionnaire allows participants to enter their responses directly into the system; hence reducing the margin of error. Five, researchers found that participants often prefer to complete online questionnaires rather than take part in telephone interviews or written questionnaires and usually provide more and longer and detailed answers. Finally, the online questionnaires results are ready to be analysed at any time, which helps reduce time significantly.

### **5.7.1 Construct Measurement**

In the questionnaire, all measurement items were formulated as Likert-type statements anchored by a 5-point scale, ranging from 1 (strongly disagree) to 5 (strongly agree) except for alliance experience and control variables. The survey pre-tested with a small group of academic and practitioner experts before sending out the final version.

#### **5.7.1.1 Independent Variables**

##### **a) Alliance Experience**

Alliance experience, as one antecedent to AMC, has been measured by a single item which is in line with previous AMC studies (Zollo et al., 2002). Alliance experience was measured by asking the respondents about the number of alliances the firm has been involved in during last five years (Draulans & Volberda, 2003; Koen H Heimeriks & Duysters, 2007; Sampson, 2005).

##### **b) Political Instability**

To measure the political instability, as an antecedent to AMC, four items used to measure this variable using five Likert scales, and this scale was adapted from (Brunetti, Kisunko, & Weder, 1998). The items were designed to gauge the political instability, yielding the average numbers of violent political events (e.g. riots or political assassinations), the number of or the estimated probability of government change and the volatility of macroeconomic variables. Perceptions are measured about how the family businesses are affected when destabilised or overthrown by the government by possibly unconstitutional or violent means, including acts of terrorism.

### **c) The Culture of the Family Business**

Family business culture refers to the Family Influence on Power, and Culture (Barros, Hernangómez, & Martin-Cruz, 2016; Klein, Astrachan, & Smyrnios, 2005). The variable of family business culture has been measured through the influence and control of family culture on family businesses (Astrachan et al., 2002). As a family scale, it integrates the involvement and essence approach involvement of family members in ownership also management boards and governance, and principle for the companies, represented in the values of companies (Alsomali, 2013; Chua, Chrisman, Steier, & Rau, 2012; Sharma & Nordqvist, 2007). Experiential validation of the model of this study will also provide testing family involvement and characteristics of the family's values and culture (Barros et al., 2016; Chrisman et al., 2005; Litz, 1995; Sharma & Nordqvist, 2007).

#### **5.7.1.2 Moderator (Social Capital)**

In this study, the social capital construct has been adopted as a moderator on the relationship between AMC and alliance performance. Three dimensions measure the social capital: the structural dimension, cognitive dimension, and relational capital (trust). Three items have been adapted from Villena, Villena, Revilla, and Choi (2011) to measure these three dimensions. For the cognitive dimension, three scales were adapted from, (Jap, 1999; Kale et al., 2000a; Sarkar, Echambadi, Cavusgil, & Aulakh, 2001). These items are mostly concerned with congruence in organisational culture, a shared vision between parties, and business philosophies, goals. Three items have been adapted to measure the structural dimension, from Villena et al. (2011), and the author adopted this scale from (Inkpen & Tsang, 2005; Tsai & Ghoshal, 1998). These items

measured the frequency of interaction, functions between the partners and the multiple connections across diverse hierarchical levels. Four items adapted from Villena et al. (2011) to measure the relational dimension, this scale was adapted from, Kale et al. (2000a) that to examine close interpersonal interactions, reciprocity, friendship, trust, and respect.

### 5.7.1.3 Alliance Management Capability (AMC)

AMC is regarded as a holistic concept that comprises a number of highly correlated, reinforcing dimensions. The reflective second-order construct attracts the complementarities between different first-order dimensions through their covariations and interactions (Jarvis, MacKenzie, & Podsakoff, 2003). In this study, AMC is modelled as a three-dimensional reflective second-order construct, that comprises alliance proactiveness, coordination, and learning (Schilke & Goerzen, 2010; Schreiner et al., 2009).

Table 5-2 AMC dimensions and their items

<b>Proactive</b>	
1	We actively monitor our environment to identify partnering opportunities.
2	We are alert to market developments that create potential alliance opportunities.
3	We often take the initiative to approach companies that have proposals similar to the business of our company
4	We are proactive and responsive in finding and “going after” Interorganisational technology transfer partnerships.
<b>Coordination</b>	
1	Our activities across different alliances are well coordinated.
2	We have processes to transfer knowledge across alliance partners systematically.
3	We ensure appropriate coordination among the activities of our different alliances.
4	There is a great deal of interaction with our partners on most decisions.
<b>Learning</b>	
1	We have the capability to learn from our partners.
2	We have the managerial competence to absorb new knowledge from our partners.
3	We have adequate routines to analyse the information obtained from our partners.
4	We can successfully integrate our existing knowledge with new information acquired from our partners.

*Alliance proactiveness* has been defined as the ability of the firm to identify potentially valuable partnering opportunities, and it is considered as the first dimension of AMC.

The alliance proactiveness dimension measured by four items, as adapted from Schilke and Goerzen (2010) and (Sarkar, Echambadi, & Harrison, 2001). The second dimension, *alliance coordination*, is defined as the ability of the firm to effectively manage resources and activities between partners (Gulati et al., 2005; Schilke & Goerzen, 2010). Here, four items were used and adapted from, Schilke and Goerzen (2010) to measure the dimension of coordination, they developed it from (J. Mohr & Spekman, 1994; Pavlou & El Sawy, 2006). The third dimension of AMC, *alliance learning*, is defined as the firm's ability to facilitate the transfer of knowledge between partners (Jeffrey H Dyer & Nobeoka, 2000). To measure this dimension was four items the absorptive capacity scales of Schilke and Goerzen (2010), they developed it from (Matusik & Heeley, 2005; Pavlou & El Sawy, 2006) served as a basis for measuring this dimension as shown in Table 5-2.

#### **5.7.1.4 Dependent Variable (Alliance Performance)**

Different levels and measures of alliance performance have been used in various studies (Kohtamäki et al., 2018). For instance, alliance performance has been measured by financial performance (Bernard L Simonin (1997), alliance success rate organisational learning Kale and Singh (2007b), alliance satisfaction (Lui & Ngo, 2004), and operational performance. This study focuses on measuring the alliance performance at the firm level in the Libyan family business context. Collaborations between firms in the family business sector aim to improve efficiency on a daily routine basis and for the long-term benefits of the company.

The respondents were very well informed about their firms' alliances because they are either managers or owners of the family business, accordingly makes managerial confident to evaluate the alliance performance. Thus, in this study dependent variable "alliance performance" measured regarding performance satisfaction and perceived goal fulfilment of the Libyan family business. Alliance performance is measured as the dependent variable in this study regarding performance satisfaction, perceived goal fulfilment and the alliances significantly enhance their competitive position in the Libyan family business. This scale was adapted from Schilke and Goerzen (2010), they developed it from (J. Mohr & Spekman, 1994; Pavlou & El Sawy, 2006).

### **5.7.1.5 Control Variables**

Regarding the first variable, company sizes, research suggests that alliance performances may be influenced by the size of the company (N. K. Park and Mezias (2005), and the large companies being able to assign more resources to manage their alliance (Kale et al., 2002). Large companies can compete more efficiently than small firms because the larger companies have greater access to resources than small firms (Kotabe & Zhao, 2002). Therefore, in the conceptual model the size of firm is considered as the control variable. It was measured using an open-ended category where respondents were asked to specify the number of employees: Less than 4, 5 - 9, 10-49, 50-99, 100 and over. Age of company is a second critical control variable in this study. It is measured as the number of years since the founding of the firm (Al-Laham, Amburgey, & Baden-Fuller, 2010). All family businesses in this sample are fully owned firms by Libyan family (Sørensen & Stuart, 2000).

Type of business is third control variable in AMC and impact on alliance performance (White & Siu-Yun Lui, 2005)). Subsequently the more complex joint tasks will require managers or owner to spend excellent time and effort working with the alliance partner. This study included eight dummy variables for Libyan family business activities, manufacturing, construction, service, retail trade, agricultural, transportation, tourism, with 'other' representing the eighth.

### **5.7.2 A pilot Study (Survey Pretesting)**

A pilot study is always recommended using a small number of respondents before collecting the entire data. The pilot study practically results in significant developments to the survey and an over-all growth query effectiveness (Mark Easterby-Smith, Richard Thorpe, & Andy Lowe, 2002; Moser & Kalton, 1971). Also, the piloting of the questionnaire can increase the clarity of the questions by using the feedback to remove any confusion in the measurement wording (Gratton & Jones, 2010, p. 91).

In this survey, two samples were targeted to be surveyed, practitioners from Libyan family businesses and postgraduate researchers who are familiar with the thesis topic. In total, nine postgraduate researchers in various UK and Libyan universities were involved (including the University of Huddersfield, University of Leeds, University of

Glasgow, University of Almeria Zliten, University of Salford, and University of Leicester). Also, three questionnaires were sent by email to managers in various Libyan family businesses.

After getting, the surveys back from all the groups, their recommendations and observations were considered. Several suggestions and helpful comments regarding format, wording, and presentation were taken as shown in Table 5-3 and Table 5-4.

Table 5-3 Responses from practitioners

Expertise area and University name	Feedback	Company name
PhD student in engendering, at University of Huddersfield, and has experience about family business in Libya	We agree with the plans and policies goals of our family business. (Reabetation).	Al-Joud international for meat & livestock
PhD student in engendering, at University of Leeds, and has experience about family business in Libya	No Feedback	Directions Company

Table 5-4 Responses from academics

Expertise area and University name	Feedback
PhD student in Strategic management, at University of Glasgow	<ul style="list-style-type: none"> <li>• A1 (Please indicate your opinion regarding each statement by ticking the appropriate box)</li> <li>• B1 it is preferred to change it to:(Strongly Agree, Agree, Undecided, Disagree or Strongly Disagree)</li> </ul>
A doctor at University of Huddersfield	<ul style="list-style-type: none"> <li>• Clarify the purpose of the study.</li> <li>• It is not necessary to mention the question of 5-point scales at the beginning of each section.</li> <li>• Style the table of the questionnaire to be enlarged.</li> </ul>
PhD student in Strategic management, at University of Huddersfield	<ul style="list-style-type: none"> <li>• Some dimension includes a large number of items.</li> <li>• Subheadings are not necessary.</li> <li>• Standardisation of some terms.</li> </ul>
PhD student in HR, at University of Huddersfield	<ul style="list-style-type: none"> <li>• The colour makes it not clear</li> <li>• Regarding section D, page 3, in the VALUES questions, you mentioned, "Please rate the extent to which you agree with the following statements". So it will be better to use strongly agree to disagree scale strongly.</li> <li>• Regarding section E, you wrote the questions 1 and two as (Do you), It is better to start the questions with (to what extent you have to cope with unexpected...)</li> </ul>

A doctor at University of Huddersfield	<ul style="list-style-type: none"> <li>Section A: About yourself and your company?</li> </ul>
A doctor at Al Asmarya University	<ul style="list-style-type: none"> <li>Please indicate, using the 5-point scale below, to what extent do you agree or disagree with each listed item. (1 = strongly disagree, 5 = strongly agree).</li> <li>Modify some items (e.g. clarification questions at the beginning of each dimension).</li> </ul>
PhD student in HR, at University of Salford	<ul style="list-style-type: none"> <li>Clarify the definition of alliance</li> <li>Standardisation of some terms.</li> </ul>
PhD student in account and finance, at University of Huddersfield	<ul style="list-style-type: none"> <li>Section D: MAC (you need to insert the full name of the term)</li> <li>Section E1 Using the 5-point scales below; please indicate to what degree do you agree with the following statements?</li> </ul>

Table 5-5 Overview of modifications based on expert judgement

Section	Preliminary items	Modified items
A	General information about your self your company	About yourself and your company
A1	For questions below, please tick [✓] all relevant answers	For questions below, please choose the ONE most appropriate answer to indicate:
D	please rate the extent to which you agree with the following statements	1= Strongly agree to 5= Strongly disagree scale
F1	To what degree do you agree or disagree with the following statements about your market environment? 1= Not at all to 5= To a considerable extent	1=Strongly agree to 5=Strongly disagree scale
D2	We agree with the plans and policies goals of our family business. (Repetition)	Delete the Repetition
E2	We agree with the family business goals, plans and policies.	We agree with the goals, plans and policies of our family business.
G	Similar corporate Culture, values and management style.	Culture, values and management style are similar to our partners.
G	please indicate the extent to which your company and partners share the following statements	Please indicate the extent to which your company and partners share the following statements

### 5.7.3 Translation of the Questionnaire

As the survey would be distributed in the Libyan context, it was translated into the Arabic language. This was necessary to maximise respondents' understanding of the questions included.

The researcher translated the questionnaire with the help of his supervisor, who both are native Arabic speakers. Then the translated version was sent to two other translators to check for the accuracy of translating the Arabic version. All their feedback was incorporated in refining the Arabic version of the questionnaire.

### 5.8 Population

A population has been defined as all supporters of any defined category of people (Hartl, Clark, & Clark, 1997). The population also covers the whole group of people, actions or things of interest that the scholar needs to examine (Sekaran, 2006). Consequently, the population is the total number of units from which the sample is collected, as “it consists of all units such as individuals, households, or organisations to which one desires to generalise survey results” (Spitz, Niles, & Adler, 2006, p. 50). The population of this survey comprises all Libyan family businesses as shown in Figure 5-2 and Figure 5-3, located in Libya.

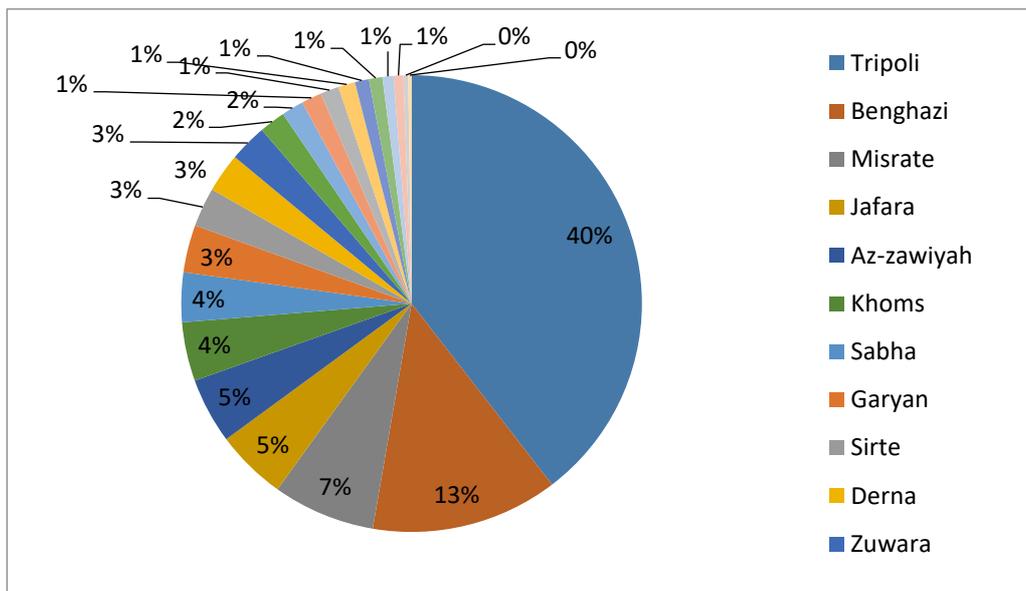


Figure 5-2 Shows the geographical distribution of family businesses SMEs in Libya (Economy, 2017):

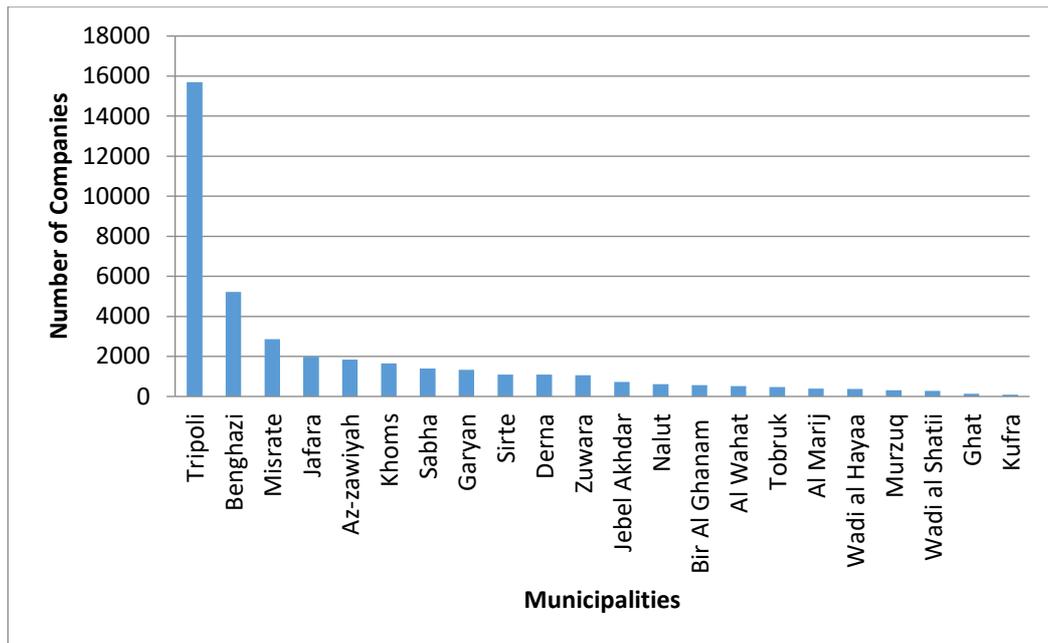


Figure 5-3 shows the geographic distribution of family businesses SMEs in Libya. (Economy, 2017)

### 5.9 Sampling

Sampling is the procedure for choosing an adequate number of essentials from the population (Cochran, 2007). Through studying the samples and understanding the characteristics or the properties of the sample themes, it would be possible to generalise the characteristics or properties of the population essentials (Sekaran & Bougie, 2016). A sample signifies the population and is more controllable to work with than the full population (Bernard & Bernard, 2012). A sampling frame refers to the sample of units in which information is to be achieved (Reynolds, Simintiras, and Diamantopoulos (2003). Furthermore, it refers to the entire number of units in the population from which a sample can be generated (Bryman, 2015). However, a right sampling frame is characterized by its ability to attend to a number of conditions such as (1) being up-to-date and complete, (2) providing a list of members of the defined, (3) not including multiple listings of population members, and (4) population containing information about individually unit that would be used to stratify the sample (Särndal, Swensson, & Wretman, 2003).

In this research, as stated earlier, the aim is to explore the functioning of AMC in Libyan family business. While most of the private firms in Libya were created before 2011

(General Planning Council of Libya, 2006; OECD, 2016), the start of civil unrest in 2011 meant very few SMEs were created, due to the fragile situation in the country which has further impeded implementation of the necessary reforms (OECD, 2016b). Consequently, most family firms have alliance experience, due to the long years of working experience they have acquired.

Based on an earlier study in this area, several researchers have identified the rate of normal response for similar mail questionnaire studies as from 5% to 39% (Alreck & Settle, 1985; Kotey & Meredith, 1997; Watson, Hogarth-Scott, & Wilson, 1998). In this study it was therefore decided to send 1000 questionnaire which with an average predictable return of around 25%, which was hoped to produce 250 responses (Gulati et al., 2009; Kauppila, 2015; Kohtamäki, Partanen, & Möller, 2013; Swoboda, Meierer, Foscht, & Morschett, 2011). According to previous studies which have been examined AMC in SMEs, the sample size in this research sought to collect 250 to 300 valid response from the Libyan family businesses, which is deemed to be suitable for quantitative research analysis (Gulati et al., 2009; Kauppila, 2015; Kohtamäki, Partanen, & Möller, 2013; Swoboda et al., 2011).

In order to identify the targeted sample, the researcher had access to a database of Libyan companies from the Libyan Enterprise of the Ministry of Economy and Centre of Export Development. ( See Figures 1 and 2) (Economy, 2017; Enterprise, 2017). According to the Libyan Ministry of Economy and Trade, there are currently 10,233 family businesses (Alafi & Bruijn, 2010; libyan export promotion centre, 2015). The best way to reach Libyan family business was via the Libyan Ministry of Economy and Trade and its website (L. B. Directory, 2017; M. B. Directory, 2017; Group, 2017; Market, 2017; Technology, 2017) to identify the current statistics of Libyan family businesses still in operation. In particular, the sample included Libyan family businesses in different sectors, mainly targeting companies with alliances. The confidence level tells the researchers how sure sample can be. It is expressed as a percentage and signifies how often the true the population percentage who would pick an answer lies in the confidence interval. Most researchers use the 95% confidence level (R. L. Smith, 2013)see Table (6). Confidence level corresponds to a “Z-score. This is a constant value needed for this equation. Here are the z-scores for the most common confidence levels: 90% – Z Score = 1.645, 95% – Z Score = 1.96, and 99% – Z Score = 2.326” (Smith, 2006, p. 2).

## 5.10 Data collection

The researcher collected data during the period from May to June 2017 using the Bristol online surveys (BOS). The 1000 survey was sent by various means of communication through email, text messages, Viber, messenger, and WhatsApp. A total of 1000 random sample from Libyan family businesses was selected by using SPSS so that each population unit has an equal and independent chance of being chosen and involved in the sample, taking into consideration the limitation of resources available for research of this kind because of support available time, effort and money (D. R. Anderson, Sweeney, Williams, Camm, & Cochran, 2016). Specifically, the sample contains Libyan family businesses in different sectors, targeting particularly those firms that have alliances.

In total, 167 usable surveys were returned, thus generating a 16.7% response rate. As mentioned above the rate of response among 5% and 39% might be expected from a mail questionnaire of this kind. Hence, to ensure sufficient data collected to allow subsequent in-depth analysis, it was essential to send follow up reminder emails to the targeted population. Through this stage, another 135 usable surveys were responded, thus making a 13.5% response rate. Overall, 302 appropriate surveys have been gathered for analysis, consequently acquiring a 30.2% response rate as shown below in Table 5-6 (AlFahim, 2011; Karlsen, Andersen, Birkely, & Odegard, 2006).

Table 5-6 Data collection procedure to increase response

Questionnaires emailed	2017	
	May	June
	1000	
Questionnaires response	1st follow up email	2nd follow up email
	167	135
Total questionnaires usable response	302	

As shown in Table 5-8 the questionnaires not returned from the respondents were 455 (57 per cent). Received surveys were 345, which constituted 34.5 per cent of the questionnaires distributed. Of the total, 19 questionnaires were incomplete and 24 had reported not an alliance; and hence unacceptable for the purpose of the research. The usable questionnaires amounted to 302 (30.2%).

Table 5-7 the Questionnaire Distribution and Response Rate.

The Number Of Family Businesses	Distributed Questionnaires	Not Received Questionnaires	Received Questionnaires	Excluded Questionnaires	Usable Questionnaires	Response Rate (%)
10,233	1000	455	345	43	302	30.2%

### 5.11 Normality Assessment

Normality is one of the most fundamental assumptions in multivariate analysis. This assumption mentions the shape of data distribution for each variable and its correspondence to the normal distribution (Barbara, 2001). The data is expected to be normally distributed if the Skewness standard value is  $\pm 1.96$  and the standard Kurtosis value is in  $\pm 3$  (Haniffa & Hudaib, 2006). Table 5-8 shows that the data collected has skewness ranging from -0.046 to -1 and kurtosis ranging from -1.198 to 1.227, implying that the data is normally distributed.

Table 5-8 Normality assessment based on Skewness and Kurtosis

Variable name	Skewness	Kurtosis
AMC	.562	-.813
PRT	-.242	-.972
COD	-.103	-1.198
LRN	-.110	-1.136
CFB	-.046	-1.116
PI	-.213	-.979
SC	-.159	-1.106
CD	-.600	-.616
Tr	-.675	-.288
SD	-1.00	1.227
AP	-.594	-.291

Notes: Alliance management capabilities (AMC), Alliance Proactiveness (PRT), Alliance Coordination (COD), Alliance Learning (LRN), Culture of Family Business (CFB), Political Instability (PI), Alliance experience (AE), Structural Dimension (SD), Cognitive Dimension (CD), Trust (Tr) and Alliance performance (AP).

## 5.12 Reliability

Reliability refers to the range to which the instrument is consistent and unbiased over time (Bryman & Bell, 2015; Sekaran & Bougie, 2016). In other words, reliability is indicated to the consistency of a method in measuring concepts that it is designed to measure, and it is mostly concerned with the measurements stability and the results of the research (Amhalhal, 2013). Reliability is present when other researchers can get the same results by repeating the study (Easterby-Smith, Thorpe, & Jackson, 2012; P. N. Ghauri & Grønhaug, 2005). When selecting scales to include in the study, it is significant to find scales that are reliable (J. Pallant, 2007). Cronbach's alpha coefficient is the most commonly used indicator of internal consistency (Amhalhal, 2013; Dunn, Baguley, & Brunsten, 2014)items.

Table 5-9 shows the test result for each item and variable; all the items were tested using SPSS 22. Cronbach's Alpha value is more than the recommended value of 0.70. These are led to support the result of the internal reliability and consistency of all the items.

Table 5-9 Reliability results for the pilot study

Construct	Item	Cronbach's alpha if item deleted	Cronbach's alpha
Proactiveness	PRT1	0.886	0.769
	PRT2	0.886	
	PRT3	0.888	
	PRT4	0.889	
Coordination	COD1	0.893	0.769
	COD2	0.894	
	COD3	0.893	
	COD4	0.888	
Learning	LRN1	0.885	0.711
	LRN2	0.887	
	LRN3	0.890	
	LRN4	0.887	
	LRN5	0.885	
	LRN6	0.888	
The culture of the family business	CFB1	0.891	0.805
	CFB2	0.887	
	CFB3	0.887	
	CFB4	0.887	
political instability	PI1	0.886	0.726
	PI2	0.891	

	PI3	0.887	
	PI4	0.888	
Structural dimension	SD1	0.888	0.714
	SD2	0.886	
	SD3	0.887	
Cognitive dimension	CD1	0.887	.0776
	CD2	0.890	
	CD3	0.889	
	CD4	0.890	
Trust	Tr1	0.884	0.789
	Tr2	0.886	
	Tr3	0.887	
	Tr4	0.887	
Alliances performance	AP1	0.886	0.742
	AP2	0.887	
	AP3	0.885	
	AP4	0.885	

### 5.13 Validity

Validity is the most critical criteria of research (Bryman & Bell, 2007a). It mentions to the degree of significance of the statistics measured (Bryman & Cramer, 2005). It suggests that the validity question draws attention to whether the researchers measure the right concept or not (Cooper & Emory, 1995; Latip, 2012; Zahoor, 2017). Consequently, the validity concept is concerned with the representativeness of the actual situation of the research findings, and its accurateness (Collis & Hussey, 2009).

Second, since it is concerned with the extent to which measurement scale reflects which is thought to be measured, it is seen as the most significant kind of validity (Sekaran & Bougie, 2016). Through the items included in the measurement scale and a careful meaning of the research subject, content validity can be achieved (Emory & Cooper, 1991). It can also help in judging how well the instrument meets the standard by using a group of experts or individuals (Litwin & Fink, 1995). It has been apparently hard to improve measures that have agreed to the validity because there is a disagreement between researchers of social science regarding the content of many ideas (De Vaus & de Vaus, 2001).

Third, validity displays how well the results derived from employing the measure that fits the theoretical and theories assumptions about which the test is designed (Sekaran, 2006). By tracking the instrument scale performance through the years in various

populations and settings, it is usually evaluated (Latip, 2012; Litwin & Fink, 1995). It has been recommended to use measurement scales or established constructs and consider the expert's opinion (De Vaus & de Vaus, 2001).

To ensure questionnaire validity, various efforts were made. First, the literature review was extensively conducted to define the purpose and the topic of the research (Amhalhal, 2013). Second, scales, questions, and items applied to various populations and in various settings such AMC, political instability and family business were adopted in this research, therefore establishing construct validity as shown in Table 5-10. According to Sekaran and Bougie (2016), drawing upon valid literature survey involves by the development of a valid questionnaire instrument, to make sure that any questions collected from the literature are built on the instruments of validated questionnaire. Third, the survey was also passed to experts, several doctoral students and friends, and a pilot study were conducted.

Table 5-10 Scales Used in prior studies.

Questions	References
Q1	(Rungsithong, 2014)
Q2	(Koen H Heimeriks, Duysters, & Vanhaverbeke, 2005; Rungsithong, 2014)
Q3	(K. Heimeriks, 2008; Kauppila, 2015; Rungsithong, 2014; Schilke & Goerzen, 2010; Shakeri & Radfar, 2016)
Q5	(K. Heimeriks, 2008)
Q6	(Shakeri & Radfar, 2016; Sluyts et al., 2011)
Q7 to Q21	(Kandemir et al., 2006; Kauppila, 2015; Schilke & Goerzen, 2010)
Q22	(Draulans & Volberda, 2003; K. Heimeriks, 2008; Koen H Heimeriks & Duysters, 2007; Schilke & Goerzen, 2010; Sluyts et al., 2011).
Q28 to Q40	(Luvison & de Man, 2015) (Craig et al., 2014; Luvison & de Man, 2015)
Q41 to Q49	(Brunetti et al., 1998; Seddighi, Nuttall, & Theocharous, 2001)
Q50to Q53	(Calantone, Garcia, & Dröge, 2003; Jaworski & Kohli, 1993; Lee & Cavusgil, 2006)
Q59 to Q80	(Calantone et al., 2003; Jaworski & Kohli, 1993; Lee & Cavusgil, 2006)
Q81 to Q86	(Kale & Singh, 2007a; Schilke & Goerzen, 2010; Shakeri & Radfar, 2016)

#### 5.14 Method of Data Analysis

The assumptions of this study require various regression, mediation and moderator effects to analyse whether alliance experience, political instability and culture of the

family business are antecedents of AMC in improving alliance performance. SPSS 22 and AMOS 22 were used for the data analysis (Bowling, 2014). The SPSS is used to analyse descriptive statistics, linear regression and simultaneous equation model, and for statistical analysis of social data, the SPSS is one of the best-known and widely employed software packages. Confirmatory factor analysis (CFA) was tested by the software referred to as AMOS (Rungsithong et al., 2017). Through AMOS test for the hypotheses of research, regression path, the multiple medications, and the multiple moderation relationships were conducted.

#### 5.14.1 Mediation Effect and Indirect Mediation Analysis

A mediator is a variable that can significantly account for the link among the variables “independent and dependent” (Baron & Kenny, 1986; Rungsithong, 2014). Based on Figure 5-4 when a mediator transmits the causal effect of an independent (X) on a dependent (Y), (M), and often said that to occur effect are used interchangeably because (M) is affected by (X), and (M), in turn, influence (Y), consequent that (Y) will be affected by (X) (Preacher, Rucker, & Hayes, 2007). The total effect, indirect and direct effect effects in the case of an independent variable (X), mediating variable (M) and the dependent variable (Y) where a total of X effect on (Y) is mentioned to as (c) (Rungsithong, 2014). This total effect is understood as the predictable quantity through which two cases that differ through one unit on (X) are predictable to differ on (Y), and this direct effect can be a grouping of the other indirect effects (M. H. Hayes, 2009). However, the mediation effect suffers a drawback owing to the hypothesis that the ‘total effect’ from (X) to (Y) needs to be present (Rungsithong, 2014). Baron and Kenny (1986) proposed that the causal steps approach is one of the most widely used methods for testing hypotheses about intervening variables effects. For example, in the evaluation of indirect effects, even when there is no evidence for a significant total effect, it is quite potential to find that one is significant (Preacher et al., 2007).

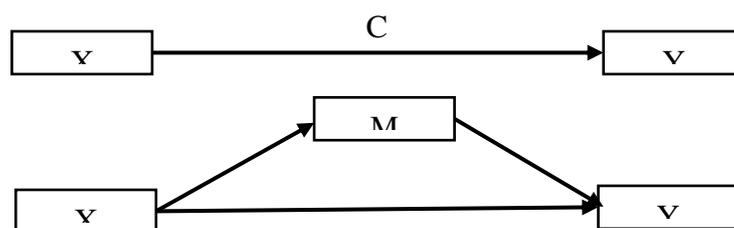


Figure 5-4 direct and indirect effect

### **5.14.2 Bootstrapping**

Bootstrapping is a modern approach in nonparametric resampling process being an additional method advocated for testing the indirect effect that does not impose the assumption of normality of the sampling distribution (Preacher & Hayes, 2008). A nonparametric method based on resampling with replacement is undertaken many times, e.g. 5000 times (Lockwood & MacKinnon, 1998). Through this approach, one is to build confidence intervals for the mediation and an empirical approximation of the sampling distribution by repeating this procedure thousands of times (Bollen & Stine, 1990; Lockwood & MacKinnon, 1998; MacKinnon, Lockwood, & Williams, 2004; Preacher & Hayes, 2008; Shrout & Bolger, 2002). In extensive sets of simulations, bootstrapping appears to be more robust than the Sobel test, and the causal steps method for testing is intervening variable effects (MacKinnon et al., 2004). Although it is a widely used method, the strategy of causal steps cannot be suggested except in large samples (MacKinnon, Lockwood, Hoffman, West, & Sheets, 2002; Preacher & Hayes, 2004). In this current study bootstrapping is used to assess the hypothesised mediation effects of AMC on the relationship between the dependent (alliance experience, the culture of family business and political instability) and independent (alliance performance) variables.

### **5.15 Ethical Consideration**

Research ethics is all about the “norms or standards of behaviour that guide moral choices about our behaviour and our relationships with others” (Cooper & Schindler, 2008, p. 34). Research ethics, therefore, relate to questions about how the problem of the study is formulated how data is analysed, processed and stored, what is the study design, how data is collected, and how to write the information responsibly. It indicates the design of the research in satisfying both morally defensible and methodologically sound for those who are involved (Diener & Crandall, 1978). This is because it ensures that a participant does not receive a loss of privacy, pain, suffer physical harm, discomfort, or embarrassment (Blumberg, Cooper, & Schindler, 2011; Bryman, 2015). The unavailability of the single ethnic method due to the difficulties that a researcher needs to follow a set of laws. However, some researchers have found a set of identified values that provide the basis to carry out management research (P. Ghauri & Grønhaug, 2002).

The supervisory team has received a set of guidelines that illustrate the objectives, aim, method and techniques of the research before actually starting the real study. The guidelines were approved as an appropriate investigation. The set of the rules and guidelines (see Appendixes 1 and 2) were approved internally and externally, whereas, the Business School Ethics Committee at the University of Huddersfield approved the rules. While managers of Libyan family business and decision makers within business were guaranteed that their identity would not be revealed by any mean whether in seminars or any future publication, they have been told that the study was conducted for the completion of a researcher's PhD and that results of the study might be published in conferences or scientific journals.

### **5.16 Summary**

The research methodology that is adopted in this study has been discussed, evaluated and justified in this chapter. Firstly, research philosophy was clarified and the choice of the positivism paradigm showed to be defensible for this study. Furthermore, the research approach was discussed and the justification for choosing the quantitative approach in the study. Following this, the issue of research strategy was discussed, and the choice of the survey was justified for the study's questionnaire. In addition, the design of the questionnaire with information about scale properties and measurements of study's variables and translated to the Arabic language, along with the description of sampling and data collection, the data collected from Libyan family business, were fully explored and explained. As the next step, the pilot study was conducted, and the results of the pilot study confirmed the reliability and validity of measurement scales. The explanation for the response rate of the study also was discoursed. Finally, the operationalisation of the variables relating to the theoretical model obtainable in the prior chapter was explained and justified along with the selected analytical techniques, counting regression analysis and bootstrapping.

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## CHAPTER SIX

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### DATA ANALYSIS AND FINDINGS

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#### 6.1 Introduction

As has been discussed earlier in previous chapters, this study aims to examine the role of AMC (alliances experience, Culture of Family Business and political Instability) in alliance performance and explore the potential moderating effect of social capital on Libyan family business. Following the theoretical development and methodological discussion, this chapter presents the results of the data analyses and the research findings. This also includes the hypotheses testing. In principle, exploratory factor analysis was performed for each item. Then, it was followed by confirmatory analysis to test the hypothesised model using structural equation models. The goodness of fit, reliability and validity of the measurement model were used. For the test, the hypothesis of research, regression path analysis using structural equation models was performed. In addition, the multiple mediation tests of the second-order variable of three first-order factors (proactiveness, coordination and learning) dimensions on the relation between alliance experience, (direct and indirect effect) and alliance performance was performed as well social capital also has measured by three dimensions (cognitive, structural, and trust dimensions) was tested as moderator effect on the relationship between AMC and alliance performance. Finally, a summary of the key findings is highlighted in the last section.

#### 6.2 Descriptive Statistics

The nine latent constructs were measured by some items as shown in Table 6-1. Descriptive statistics for items of contracts (alliance proactiveness, alliance coordination, alliance learning, culture of family business, political instability, alliance experience, structural dimension, cognitive dimension, trust, and alliance performance), which they rated on a Likert scale (1=strongly disagree, 2=disagree, 3=Uncertain, 4=agree, 5=strongly). The respondents were owners and managers of Libyan family business, and they were asked about information of AMC, alliances experience, the culture of family business, political instability, and alliance performance. The descriptive statistics in this study include mean, range, minimum and

maximum, standard deviation, skewness (Kurtosis is a measure of whether the data are light-tailed or heavy-tailed relative to a normal distribution. Skewness is a measure of symmetry, or more precisely, the symmetry lack) for all variables of the study and dataset or a distribution, is symmetric if it looks the same to the left and right of the centre point). As shown in Table 1, the mean value ranges from 3.03 to 4.02; suggesting that most respondents agree with the items posted in the questionnaire.

Regarding criteria related to normality, data is considered to be normal if skewness is between -1 and +1 and kurtosis is between -2 and +2 (Bulmer, 1979; D. George & Mallery, 2010; Shiel & Cartwright, 2015). The ranges of standard deviation skewness value were from -1.039 to -.255, and the kurtosis values were ranging from -.821 to 068. The results of the study showed that all of the items were considered to be normally distributed.

Table 6-1 Descriptive Statistics for items of constructs

	Per cent (%)					Min	Max	Mean	Std. D	Skewness	Kurtosis
	1	2	3	4	5						
PRT 1	7.3	18.5	22.5	42.1	9.6	1	5	3.28	1.098	-.470	-.621
PRT 2	6.6	18.5	24.5	39.7	10.6	1	5	3.29	1.091	-.414	-.614
PRT 3	5.3	19.5	24.2	42.4	8.6	1	5	3.29	1.045	-.438	-.583
PRT 4	7.3	17.5	21.9	42.4	10.9	1	5	3.32	1.108	-.499	-.583
COD 1	8.9	18.9	21.9	38.7	11.6	1	5	3.25	1.157	-.399	-.764
COD 2	6.3	13.9	22.5	44.4	12.9	1	5	3.44	1.079	-.619	-.283
COD 3	8.3	14.9	20.9	41.4	14.6	1	5	3.39	1.153	-.556	-.536
COD 4	6.0	15.6	20.5	42.4	15.6	1	5	3.46	1.110	-.559	-.463
LRN 2	7.9	17.2	27.8	38.1	8.9	1	5	3.23	1.086	-.418	-.555
LRN 3	8.6	20.2	23.8	34.8	12.6	1	5	3.23	1.162	-.294	-.821
LRN 4	7.9	16.9	25.5	33.8	15.9	1	5	3.33	1.165	-.358	-.712
LRN 5	6.6	14.6	26.2	33.1	19.5	1	5	3.44	1.154	-.417	-.613
CFB1	6	19.2	22.8	40.4	11.6	1	5	3.32	1.094	-.411	-.649
CFB2	7.9	18.9	24.8	37.7	10.6	1	5	3.24	1.120	-.374	-.690
CFB3	8.3	20.5	23.2	39.7	8.3	1	5	3.19	1.110	-.386	-.751
CFB4	8.3	17.2	21.5	40.4	12.6	1	5	3.32	1.146	-.473	-.655
PI2	6	17.9	21.5	45	9.6	1	5	3.34	1.066	-.540	-.502

PI3	3.6	14.2	19.9	47.7	14.6	1	5	3.55	1.022	-.651	-.172	
PI4	5.3	16.9	20.9	45.4	11.6	1	5	3.41	1.065	-.563	-.433	
CD1	3.6	10.6	20.2	43	22.5	1	5	3.70	1.046	-.713	-.016	
CD3	5.3	8.9	17.9	39.7	28.1	1	5	3.76	1.115	-.842	.068	
CD4	6.3	9.9	17.2	39.4	27.2	1	5	3.71	1.153	-.808	-.102	
Tr1	4	12.3	17.5	45.4	20.9	1	5	3.67	1.061	-.735	-.073	
Tr2	3	12.6	19.2	43.7	21.5	1	5	3.68	1.040	-.654	-.190	
Tr3	1.7	13.2	17.5	48.3	19.2	1	5	3.70	.980	-.652	-.163	
Tr4	2.3	13.6	17.2	48.7	18.2	1	5	3.67	1.000	-.683	-.120	
SD1	4.6	9.3	19.2	38.7	28.1	1	5	3.76	1.100	-.789	-.004	
SD2	2	8.3	13.9	51.3	24.5	1	5	3.88	.970	-.945	.743	
SD3	2	10.6	13.2	46.7	27.5	1	5	3.87	.998	-.868	.238	
AP1	2.3	10.3	18.2	39.1	30.1	1	5	3.84	1.040	-.736	-.114	
AP2	2	9.3	10.6	41.1	37.1	1	5	4.02	1.015	-1.039	.497	
AP3	2	10.6	15.2	46.7	25.5	1	5	3.83	.992	-.806	.154	
AE	Less than 2	2 to 4	5 to 10	More than 10	1	4	Less than 2 alliances	More than 10 alliances	3.03	.995	-.255	-.261

Notes: Alliance Proactiveness (PRT), Alliance Coordination (COD), Alliance Learning (LRN), Culture of Family Business (CFB), Political Instability (PI), Alliance experience (AE), Structural Dimension (SD), Cognitive Dimension (CD), Trust (Tr) and Alliance performance (AP).

### 6.3 Exploratory Factor Analysis

Exploratory Factor Analysis (EFA) is a statistical technique that is used widely to reduce data to a smaller set of summary variables and explore; known as a data reduction method (E. Hair, Halle, Terry-Humen, Lavelle, & Calkins, 2006). EFA is performed to investigate how many factors are needed to represent the data best. This procedure is used at an early stage of the research, and it issued to give information about the interdependence (link) between a set of variables (Uffen, Guhr, & Breitner, 2012). The analysis aimed to investigate the interrelationships among latent study

variables and to confirm if the extracted factors match their original and theoretical forms. In simple terms, the purpose of EFA is to reduce many individual items into a fewer number of dimensions (J. Pallant, 2001; Tabachnick & Fidell, 2007a). Those variables that are measuring aspects of the same fundamental dimensions have been suggested by the existence of a group of massive correlation coefficients amongst couples of variables (Karver, Handelsman, Fields, & Bickman, 2006).

In order to “conduct an EFA, “two main issues need to be considered in determining whether a particular data set is suitable for factor analysis: sample size and the strength of the relationship among the variables” (Pallant, 2010, p.182). Regarding the first aspect, Karver et al. (2006) conclude that “it is comforting to have at least 300 cases for factor analysis” (Tabachnick & Fidell, 2007b, p. 640). However, they concede that smaller sample size (e.g., 150 cases) should be sufficient (above 0.80). For instance, Hastings, Horne, and Mitchell (2004) and Gorsuch (1990) recommended sampling at least 100 subjects. Another provided the following scale of sample size adequacy: 50 – very poor, 100 – poor, 200 – fair, 300 – good, 500 – very good, and 1,000 or more – excellent (P. Kline, 2014). In this research, the sample size is not a problem as it is higher than 300 (n=302). Nevertheless, according to a study conducted by Hair et al., 2010, P102. The main assumptions factors for analysis are that some fundamental structure not exists in the selected set of variables, samples observations must be more than variables, 50 observations should be the minimum absolute sample size and finally 5:1 ratio for observations to variables (Othman, 2014).

According to Floyd and Widaman (1995), According to the previous study by Floyd and Widaman (1995) items are considered significant when loading is  $> 0.40$ . Likewise, Hair et al (2010) have proposed that important factors are those with loading score of  $\geq 0.50$ . Therefore, in this study, the items with factor loading less than 0.50 were discarded, Joseph F Hair, Celsi, Ortinau, and Bush (2008), which means that the items had little or no relationship with each other (see Table 6.2). Accordingly, five items discarded from various variables because they were lower than 0.50. They were two from Learning variable (LRN1) and (LRN6), one from political instability variable, one from the variable of alliance performance (AP4), and one from cognitive domination variable (CD2).

Moreover, the sample necessity have more observations than variables, and a minimum absolute sample size should be 50 observations; and the desired ratio of five observations per variable, that when some underlying structure does exist in the set of chosen variables, according to the basic expectations underlying factor analysis (J. Hair, Black, Babin, & Anderson, 2010; Othman, 2014). For the inter-correlation strength between items Tabachnick and Fidell (2007a) suggested that a correlation matrix should be inspected for any evidence of coefficient value > 0.3. Two statistical measure was generated and identified to measure the factorability of the data: The first test is Bartlett's test of Sphericity; the second is the Kaiser Meyer-Olkin (KMO) measure of sample suitability (Kaiser, 1974). The Barlett's Examination of Sphericity should be significant ( $p < 0.05$ ) to be appropriate for factor analysis (J. Hair et al., 2010). The KMO directory ranges from Zero to One, with 0.50 recommended a minimum value for factor analysis and 0.80 recommended as the brilliant value (Hair et al., 2010). For this research, the sample was first measured for its appropriateness for factor examination. Bartlett's Examination of Sphericity was highly significant ( $p < 0.001$ ), and the KMO measure of sampling adequacy had a value of (0.785), exceeding the recommended value of 0.6 Kaiser (1974), supporting the factorability of the matrix (Othman, 2014).

Table 6-2 Factor loading

<b>Component</b>									
No:	1	2	3	4	5	6	7	8	9
<b>Alliance Proactiveness</b>									
PRT3	.910	.102	.248	.192	.112	.185		.286	.278
PRT1	.881		.189	.243		.181		.261	.288
PRT2	.849		.304	.232	.131	.196	-.110	.255	.269
PRT4	.844		.296	.152		.187		.348	.281
<b>Trust</b>									
Tr3		.890				.223	.219		.130
Tr1		.848				.198	.249		
Tr2		.830				.258	.276		
Tr4		.803				.163	.109		
<b>Alliance Coordination</b>									
COD3	.255		.825	.266	.168				.202
COD2	.167		.822	.222					.229
COD4	.232		.817	.253	.142				.268
COD1	.330		.799	.266	.223				.293
<b>Alliance Learning</b>									

LRN3	.241		.291	.837	.223	.148			
LRN5	.179		.282	.825	.168	.113			.190
LRN4	.176		.181	.809	.175				
LRN2	.211		.274	.809	.127	.237			.159
<b>The culture of Family Business</b>									
CFB2			.173	.148	.792				
CFB3				.199	.792				
CFB4			.158	.155	.779		-.112		
CFB1	.220		.127	.142	.730			-.198	
<b>Structural Dimension</b>									
SD3	.208	.226		.123		.867	.172	.116	
SD2	.114	.101		.182	.101	.858			
SD1	.226	.337		.101		.767	.175		
<b>Cognitive Dimension</b>									
CD3	-.102	.193					.835		
CD4		.201				.105	.814	.139	.114
CD1		.216				.161	.797	.133	
<b>Alliance Performance</b>									
AP3	.241							.856	.312
AP1	.330		.149					.825	.229
AP2	.331					.176	.244	.755	.270
<b>Political Instability</b>									
PI4	.131	.165	.254				.116	.271	.836
PI3	.301		.238		-.102	.135		.179	.787
PI2	.376		.235	.146			.110	.332	.766
KMO=0.785									
p-value(Chi-Square)<.001									
total variance explained= 69%									

The principle component analysis (PCA) was used, the research conducted an orthogonal varimax rotation as the factors affecting the performance of alliance in the context of the present research were presumed not to be correlated with one another (in contradict to oblique rotation). In order to evaluate the suitability of the extraction and number of factors, Hair, et al. (2010, p.109) recommended that “three criteria were commonly used: latent root criterion, the percentage of variance criterion and screen test criterion”. Nevertheless a solution that accounts for 60 per cent of the total variance satisfies the variance criterion percentage and an eigenvalue greater than one satisfies the latent root criterion. It is vital to calculate the variability in scores (the variance) for any given measures or variables, (Othman, 2014); Field, 2009). Rendering to Hair, et al. (2010, p.105), “commonality is the total amount of variance an original variable

share with all other variables included in the analysis”. “A variable that had no specific variance (or random variance) would have a commonality of one, while a variable that shared nothing with other variables would have a commonality of zero” (Field, 2009, p. 637). However, there is no particular large or small specification parameter for communalities measurement for practical consideration 0.50 score is often considered significant (Joe F Hair, Ringle, & Sarstedt, 2011). An additional criterion used is Cattell’s screen test (Cattell, 1966; Othman, 2014). In order to find a point at which the shape of the curve changes direction and becomes horizontal, this involves plotting each of the eigenvalues of inspecting the plot and the factors (Devos, 2013; Othman, 2014). Retaining all the factors above the ‘elbow’, or break in the plot, as these factors contribute the most to the explanation of the variance in the dataset (Cattell, 1966).

In this study, as shown in Table 6.3, the researcher has taken all variable items having commonality score above .50 as a threshold point. The factor analysis in Table 6.4 shows that nine factors had eigenvalue greater than 1 (latent root criterion) with an eigenvalue of 5.501, 3.631, 3.031, 2.241, 2.112, 1.877, 1.483, 1.389, 1.121, respectively. These nine components explained 69.951% of the variance (variance criterion). Cattell's scree plot (Figure 5.1) showed that the shape of the curve after factor nine-changed direction and became approximately horizontal indicated that there were nine-factor solutions.

Table 6-3Total Variance Explained

Total Variance Explained							
Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total
1	5.501	17.191	17.191	5.501	17.191	17.191	4.198
2	3.631	11.346	28.537	3.631	11.346	28.537	3.231
3	3.031	9.471	38.008	3.031	9.471	38.008	3.499
4	2.241	7.002	45.010	2.241	7.002	45.010	3.341
5	2.112	6.600	51.610	2.112	6.600	51.610	2.726
6	1.877	5.865	57.475	1.877	5.865	57.475	2.628
7	1.483	4.634	62.110	1.483	4.634	62.110	2.411

8	1.389	4.339	66.449	1.389	4.339	66.449	2.683
9	1.121	3.502	69.951	1.121	3.502	69.951	2.812
10	.723	2.258	72.210				
11	.682	2.131	74.341				
12	.659	2.060	76.401				
13	.609	1.903	78.304				
14	.585	1.829	80.134				
15	.549	1.716	81.849				
16	.529	1.654	83.503				
17	.470	1.469	84.973				
18	.457	1.427	86.399				
19	.429	1.340	87.739				
20	.416	1.301	89.041				
21	.396	1.238	90.278				
22	.379	1.185	91.463				
23	.372	1.161	92.625				
24	.347	1.083	93.708				
25	.334	1.042	94.750				
26	.318	.993	95.743				
27	.289	.902	96.644				
28	.263	.822	97.466				
29	.225	.702	98.168				
30	.212	.662	98.829				
31	.195	.609	99.438				
32	.180	.562	100.000				

#### 6.4 Structural Equation Modelling

This study applies the Structural Equation Modelling (SEM) approach as a common multivariate method used in social science to analysis multiple indicators of latent variables. SEM is defined as “*multivariate technique combining aspects of factor analysis and multiple regression that enables the researcher to simultaneously examine a series of interrelated dependence relationships among the measured variables and latent constructs (variates) as well as between several latent constructs*” (E. Hair et al., 2006, p. 634). In order to examine the relationships between underlying factors

(constructs), and to test different types of theoretical models, SEM is a statistical method can apply (Schumacker & Lomax, 2004). There are three types of SEM; Measurement Model, Structural Model, (Byrne & Van de Vijver, 2010) and Path Analysis (Awang, 2015; J. Hair et al., 2010). Most commonly cited types of SEM in the field of social sciences are (i) measurement models such as confirmatory factor analysis, and (ii) structural model that is related to the independent and dependent variable was linked to test the hypotheses (Othman, 2014; Richter, Sinkovics, Ringle, & Schlaegel, 2016).

The measurement model defined as "a Sub-model in SEM that (1) specifies the indicators for each construct, and (2) assesses the reliability of each construct for estimating the causal relationships" (Hair et al. 1998, p. 581). Due to the latent variables are a theoretical construct, consequent they cannot be measured directly. Thus, the indicators or observed variables must be identified (Zulu, 2007). Following this procedure, measuring latent variable can be conducted and then examining the importance of each indicator in the measuring of the construct. The Confirmatory Factor Analysis (CFA) (Byrne, 2010) represents the measurement model.

The justifications for applying SEM for this research are as follows. First, using SEM, it is possible to test the whole model fit in one go. Second, for modifying and measuring the models, SEM offers complete statistical indicators (Joseph F Hair, Black, Babin, Anderson, & Tatham, 1998b; R. B. Kline, 2015). Third, SEM is not limited to test the relationships between concepts in models however is capable of examination the relationships between latent factors and observed variables (Purpura, 1997). Finally, the relationships between the observed variables and corresponding factor (construct) are used to identify the variables that are not related to the construct significantly (Y.-S. Wang, Wang, & Shee, 2007).

For this research, SEM will be used to test the observed variables ability (items) to contribute the latent construct significantly. As defined by Hankins, French, and Horne (2000), "the advantages of SEM over multiple regression. First, multiple regression can be used to examine the effects of one or several independent factors on one dependent factor". SEM can test complex models which might include numerous independent and dependent factors (Y.-S. Wang et al., 2007).

In this study SEM is used to examination the hypotheses, since it enables the researcher to experiment all the proposed hypotheses at the same time through simultaneously estimating multiple, dependent relationships between the variables of this study (Kale & Singh, 2007b). Moreover, the SEM approach allows estimating the measurement and structural sub-models simultaneously (Connor, Pries-Heje, & Messnarz, 2011). The measurement model used to evaluate the validity and the reliability of the scale, which has been used for construct measurement. Moreover, the structural model is used for the estimation of strength and direction of relationships among these factors (J. C. Anderson & Gerbing, 1988; Baumgarth, 2009).. The section consists of four main stages including testing the assumption underpinning the SEM technique, testing the structural hypothesis relationship, assessing the structural fit and Post doc analysis.

#### **6.4.1 Confirmatory Factor Analysis**

In the advanced stage of the process of research when a theory is to be tested on its underlying processes, confirmatory factor analysis (CFA) is a much more sophisticated technique applied by modelling of the structural equation (Brown, 2014). “CFA is employed to confirm the relationship between a set of measurement items and the already established hypothesis and their respective factors” (Netemeyer, Bearden, & Sharma, 2003, p. 148). The researcher uses measurement theory to specify a previous number of factors also is there any variable load on those factors (Fabrigar, Wegener, MacCallum, & Strahan, 1999). In order to ascertain that pre-applied linkages by theory exist in the data, this analysis has been applied in the study (Hair et al., 2006; Halepota, 2011). In the field of social sciences, the concern of construct reliability with the level specific measure is related to other measures, consistently with the theoretically derived hypothesis concerning the principle (constructs) that are being measured (Carmines & Zeller, 1979; Halepota, 2011). Therefore, depending on the principle discussed, the CFA is used for example a strict measurement for construct validity, Furthermore, to confirm that the theoretical implication of the construct is empirically taken in an actual sense through its indicators (Bagozzi, Yi, & Phillips, 1991).

There are several advantages delivered by the CFA approach. First, in any specific application, the appropriate measures of the overall degree are provided under CFA (Halepota, 2011). Second, the application of CFA provides helpful information as to if and how discriminant validity is achieved and how well the convergent validity is

achieved. Third, CFA makes available the explicit results for separating variance into error components, a trait, and method (Bagozzi et al., 1991; Steenkamp & Van Trijp, 1991).

Because of the importance attached to calculate coefficient alpha, this approach is used to test the uni-dimensionality of scale (an indicator of reliability) and calculation of composite scores (Ponterotto & Ruckdeschel, 2007). 'Measures that satisfy this definition of uni-dimensionality have been referred to as "congeneric" measurements Jöreskog (1971) or "point" variables (Burt et al., 2013). The importance of unidimensionality has been stated succinctly by Hattie (1985 p. 49): "That a set of items forming an instrument all measure just one thing in common is a most critical and basic assumption of measurement theory." Composite scores in statistics and research design refer to composite measures of variables, i.e. measurements based on multiple data items (Babbie, 2015). Therefore, CFA was performed to validate the measurement model (outer model) by examining the association between items/indicators and their respective underlying constructs. AMOS 24 assesses measurement model by confirmatory factor approach.

#### **6.4.2 Assessing model fit**

Goodness-of-fit (GOF) indices are used to assess the degree to which the model has a good or poor model fit across using the goodness of fit indices (Joseph F. Hair, 2010). There are a number of indices have been used in order to assess goodness-of-fit such as absolute fit indices. Five indices were used in the current study:  $\chi^2/df$ , RMSEA, and PCLOSE, SRMR and CFI see Table 6-4. Five items were dropped to improve the model. They were two from Learning (LRN1 and LRN6), one from alliance performance (AP4), one from political instability variable, and one from cognitive domination variable (CD2). After dropping these, items the model indices were improved and reached the acceptable level. The values of resulting indices were above the acceptable level, meaning that the data set is appropriate for the AMC measurement model see Table 6-5.

Table 6-4 Fitness indices and corresponding thresholds

<b>Index</b>	<b>Abbreviation</b>	<b>Acceptable level</b>
Normed Chi-Square	$\chi^2/df$	1-3 (Joseph F. Hair, 2010).
Root Mean Square Error of Approximation	RMSEA	$\leq 0.08$ (R. B. Kline, 2005)
P of Close Fit	PCLOSE	$\geq 0.05$ (Byrne, 2010)
Standardised Root Mean Square Residual	SRMR	$< 0.08$ (Joseph F. Hair, 2010)
Comparative fit index	CFI	$> 0.90$ (Joseph F. Hair, 2010)

Table 6-5 Fit indices of AMC measurement model

<b>Index</b>	$\chi^2/df$	<b>RMSEA</b>	<b>PCLOSE</b>	<b>CFI</b>	<b>SRMR</b>
<b>Initial iteration</b>	3.008	.082	.000	.813	.1041
<b>Final iteration</b>	1.92	.055	.133	.92	.0719

### 6.4.3 Validity and Reliability

Reliability and validity are recognised as major and essential parts of any rigorous research methodology (Riege, 2003). This then requires that the tool for the collection of data be valid and reliable. The examination of validity and reliability are essential to measure the items ability in assessing the latent constructs (G. Cohen et al., 1984). Also, validity and reliability will enable the researcher to evaluate the quality of data collected (C. Pallant, 2011). This section explains the meaning of these two concepts.

### 6.4.4 Validity

In social research, the measurement validity is considered to be a serious concern. Validity is defined as “The accuracy of a measure or the extent to which a score truthfully represents a concept” (W. G. Zikmund, Babin, Carr, & Griffin, 2013, p. 303). In order to assure that the indicators used to measure the constructs are valid before testing the structural model the testing validity should be conducted (Latip, 2012). Reflective measurement models are evaluated by their internal consistency, the unidimensionality of the constructs, the convergent validity of the measures associated with the constructs, and their discriminant validity (Schumacker & Lomax, 2004).

*Construct Validity: convergent Validity and Discriminant Validity.* In addition, an indicator's loadings should be higher than all of its cross-loadings.

**a. Convergent Validity**

The convergent validity can be defined as the extent to which many items measuring the same concept agree. (Ramayah, Yeap, & Ignatius, 2013). Based on the classical test theory, the convergent validity has its basis on the relationship between responses taken using different methods of measuring a certain construct (Peter, 1981). Hair et al. (2010) stated that scholars using the factor loading in addition to the average variance extracted (AVE) to assess and evaluate the convergence validity. On a final note, the AVE measures the variance encapsulated by the indicators relative to measurement error, and this should be higher than 0.50 in order to justify the use of the construct (FERNANDES, 2012; Joe F Hair et al., 2011). The resulting loading is used to assess the convergent validity, and this type of validity can be the achieved if item loading for each construct exceed 0.50 in order to achieve convergent validity (Aggelidis and Chatzoglou, 2012; Gefen and Straub, 2005; Hair et al., 2010; Holmes-Smith, 2011; Sun and Teng, 2012). In this study, ta he AVEs ranged from 0.50 to 0.70, which were all within the recommended range, seeTable 6-6. Therefore, the entire latent variables satisfied the threshold value and were considered to have met the standard recommended for convergent validity. In addition, all standardised loading were above 0.50, see Table 6-6.

Table 6-6 Results of Convergent Validity for AMC Measurements Model

Items	Proacti vnasses	Coordination	Learning	Business The culture of Family	Political Instability	Structural Dimension	Cognitive Dimension	Trust	Alliance Performance
AVE	0.70	0.558	0.569	0.50	0.50	0.562	0.512	0.626	0.527

Notes: Average Variance Extracted (AVE)

Table 6-7 Standardised loading for AMC measurement model

Item	Construct	Loading	Item	Construct	Loading
Pro1	PROAC	0.842	Tr1	Tr	0.798
Pro2	PROAC	0.814	Tr2	Tr	0.771
Pro3	PROAC	0.899	Tr3	Tr	0.882
Pro4	PROAC	0.788	Tr4	Tr	0.703
Coo1	Coor	0.764	PI1	PI	0.724
Coo2	Coor	0.719	PI2	PI	0.625
Coo3	Coor	0.751	PI3	PI	0.699
Coo4	Coor	0.754	CD1	CD	0.699
Lea1	Le	0.741	CD2	CD	0.729
Lea2	Le	0.800	CD3	CD	0.720
Lea3	Le	0.708	SD1	SD	0.648
Lea4	Le	0.764	SD2	SD	0.734
CFB1	CFB	0.610	SD3	SD	0.852
CFB2	CFB	0.726	AIP1	AP	0.703
CFB3	CFB	0.695	AIP2	AP	0.708
CFB4	CFB	0.707	AIP3	AP	0.764

Notes: Proactiveness (PROAC), Coordination (Coor), Learning (Le), Structural Dimension (SD), Cognitive Dimension (CD), Trust (Tr), Culture of Family Business (CFB).

### b. Discriminant Validity

The important measure to assess the instrument is the discriminant validity for the reason that “without it, researchers cannot be certain whether results confirming hypothesised structural paths are real or whether they are a result of statistical discrepancies”(A. M. Farrell, 2010, p. 324). The discriminant validity can be measured using two ways: (i) comparing the AVE, maximum shared variance (MSV) and average shared variance (ASV) Raman Kumar, Singh, and Chandel (2018), and (ii) the square root of the AVE for each construct is used (Fornell & Larcker, 1981; Manimala & Thomas, 2017). The squared AVE should be higher than the squared correlation estimates to provide good evidence of discriminant validity (Joseph F. Hair, 2010). Additionally, to establish acceptable discriminant validity, the elements or

diagonal coefficients essential be more than the elements or off-diagonal coefficients in the columns and corresponding rows. The results in Table shows that all the square 8 6 roots of AVE for the constructs are bigger than the elements or off-diagonal coefficients in the columns and corresponding rows, thus, establishing evidence of discriminant validity.

Table 6-8 Discriminant Validity

	SD	Proac	Co	Le	CFB	Tr	PI	CD	AP
SD	<b>0.749</b>								
PRT	0.241	<b>0.835</b>							
COD	0.040	0.343	<b>0.747</b>						
LRN	0.204	0.282	0.387	<b>0.754</b>					
CFB	0.113	0.117	0.232	0.264	<b>0.686</b>				
Tr	0.306	0.111	0.024	-0.058	0.082	<b>0.791</b>			
PI	0.073	0.411	0.403	0.152	-0.037	0.109	<b>0.684</b>		
CD	0.201	-0.090	0.004	-0.074	-0.088	0.317	0.105	<b>0.716</b>	
AP	0.155	0.442	0.072	-0.059	0.051	0.051	0.473	0.155	<b>0.726</b>

Notes: Proactiveness (PRT), Coordination (COD), Learning (Le), Structural Dimension (SD), Cognitive Dimension (CD), Trust (Tr), Culture of Family Business (CFB).

#### 6.4.5 Reliability

Reliability refers to the degree to which the instrument is consistent and unbiased over time (Bryman & Bell, 2015; Sekaran & Bougie, 2016). Reliability is also mainly concerned with the measurements stability and the research results and relates to the method of consistency for measuring concepts, which are designed to measure. When other researchers get the same results because they are repeating the same study, the reliability Apophis is said to be present (Easterby-Smith, Thorpe, & Jackson, 2012; P. N. Ghauri & Grønhaug, 2005). Cronbach's alpha is a very popular coefficient to test reliability (Ghadi, Alwi, Bakar, & Talib, 2012; Jöreskog, 1993). The level of composite reliability is another guideline to review convergent validity (Ghadi et al., 2012). According to J. Pallant (2007), when selecting scales to include in the study, it is significant to find scales that are reliable.

For this study, two indicators of reliability were considered: Cronbach's alpha (known as Cronbach's  $\alpha$ ) and Construct Reliability (composite reliability, CR). Theoretically, Cronbach's  $\alpha$  is concerned with "the degree of interrelatedness among a set of items designed to measure a single construct" (Netemeyer et al., 2003, p. 49). Nunnally and Bernstein (1978) recommend a minimum level of Cronbach's alpha be 0.7. The composite reliability is connected to the reliability assessment of a latent construct or a variable (J. Hair et al., 2010). It is defined as the proportion of item variance attributable to the true score of the latent construct (Glaus, 2012). Construct reliability is a measurement of the reliability for all the items representing the corresponding construct. Cronbach's alpha coefficient, which is the most, used internal consistency indicators.

#### **a. Cronbach's Alpha**

Cronbach's alpha is the most used internal consistency indicators, and it is known as an internal consistency estimate of the reliability of test scores, (Cronbach, 1951). Widely believed that the Cronbach's alpha is to indirectly indicate the degree to which a set of items measures a single unidimensional latent construct, Because interrelationships between examine items are maximised when all items measure the same construct (Cortina, 1993). Even when the set of items measures several unrelated latent constructs, alpha can take on quite high values, as have presented that by numerous investigators (N. L. Ritter, 2010). The threshold value of Cronbach's alpha coefficient was interpreted with the following guidelines: excellent;  $\geq 0.90$ , very good;  $\geq 0.80$ , adequate;  $\geq 0.70$  and questionable;  $\geq 0.60$  (D. George & Mallery, 2003). For Cronbach's alpha, the acceptable reliability level is 0.70 or more (Joseph F Hair et al., 1998b; Numally, 1978; J. Pallant, 2007). While J. Pallant (2007) and Numally (1978) recommended that the minimum required for the property of psychometric is 0.60. In this study, Table 6 10 provides the results of scale reliability analysis, and all scales exceeded the cut-off point of 0.70.

#### **b. Composite Reliability**

The composite reliability (CR) is defined as the item quantity variance attributable to the real the latent construct score (DeVellis, 1991). It is linked to the testing of a latent variable or the construct reliability (Hair et al., 2010; (Wainer & Thissen, 1993).

Construct reliability is the measurement of the reliability for all the items representing the corresponding construct (Gerbing & Anderson, 1988; J. Hair et al., 2010). While the average variance extracted is the amount of common variance among latent construct indicators, the CR estimates the extent to which a set of latent construct indicators share in their measurement of a construct (Hair et al., 1998). Composite reliability for constructs should be over the recommended value of 0.70 (Joseph F Hair, 2015; Joe F Hair et al., 2011). While J. Pallant (2007) and Numally (1978) recommended that the minimum required for the property of psychometric is 0.60. In this study, Table 6-9 provides the results of scale reliability analysis, and all scales exceeded the cut-off point of 0.70.

Table 6-9 Reliability Results for AMC measurement model

Items	N of Items	Reliability CR	Cronbach's alpha
Proactevness	4	0.902	0.90
Coordination	4	0.835	0.835
Learning	4	0.840	0.840
Culture Of Family Business	4	0.780	0.779
Political Instability	3	0.724	0.724
Structural Dimension	3	0.791	0.781
Cognitive Norms Dimension	3	0.759	0.759
Trust	4	0.869	0.869
Alliance Performance	3	0.769	0.767

Notes: Composite Reliability (CR).

## 6.5 Hypothesis Testing and Study's Results

The model of the study is designed to achieve the aim of measuring the relationship between AMC and alliance performance in Libyan family business. To test the hypotheses, Schilke and Goerzen (2010) approach are followed, and a reflective higher-order analysis is performed by the approach of the SEM, wherein three AMC constructs (proactiveness, coordination and learning) were set as first-order indicators of a second-order construct named as 'AMC'. Three constructs alliance experience, the culture of the family business and political instability were selected to examine the effect there on the AMC to develop alliance performance in Libyan family business. In addition, the

relationships among constructs are not limited to the direct effects; however similarly include the mediation role of some constructs.

AMC is tested if it mediated the relationship between (alliance experience, the culture of the family business and political instability) and alliance performance in Libyan family business (Baron & Kenny, 1986). In addition, the study examines the moderating effect of social capital on the relationships of AMC and alliance performance in Libyan family business. Three control variables, which were the position, company size and company age, are added to AMC model to see if they adjust the effect of AMC on alliance performance, as explained in the methodology chapter (see section 3.5). Regression analysis is used to fit the relationship in order to test the research hypotheses. Estimated regression coefficient (written as  $\beta$ ) showed the effect of one variable on the other, so the sign of the coefficient is positive, and then the effect will be positive. If the sign of the coefficient is negative, then the effect will negative. P-value of less than .05 indicating the effect is positive

The relationships between the constructs of the model given in Figure 6.2 were examined, and the model fit indices were provided in General, the fitting indices recommended that the structural model offers a good representation of the relationship between variables in the model.

Table 6-10 Fit indices of AMC regression model, the model fit indicators of testing those eight constructs in AMC model, with and without control variables, is at an acceptable level, this result could be model with/without control variables General, the fitting indices recommended that the structural model offers a good representation of the relationship between variables in the model.

Table 6-10 Fit indices of AMC regression model

<b>Index</b>	<b><math>\chi^2/df</math></b>	<b>RMSEA</b>	<b>PCLOSE</b>	<b>CFI</b>	<b>SRMR</b>
<b>Model without control variables</b>	1.92	.055	.133	.92	0719
<b>Model with all control variable</b>	1.88	.056	.157	0.90	.0808
<b>Position as control variable</b>	1.87	.054	.190	.92	0.0754

<b>Company age as control variable</b>	1.85	.053	.234	.92	0.0811
<b>Company size as control variable</b>	1.90	.055	.147	.92	0.0761

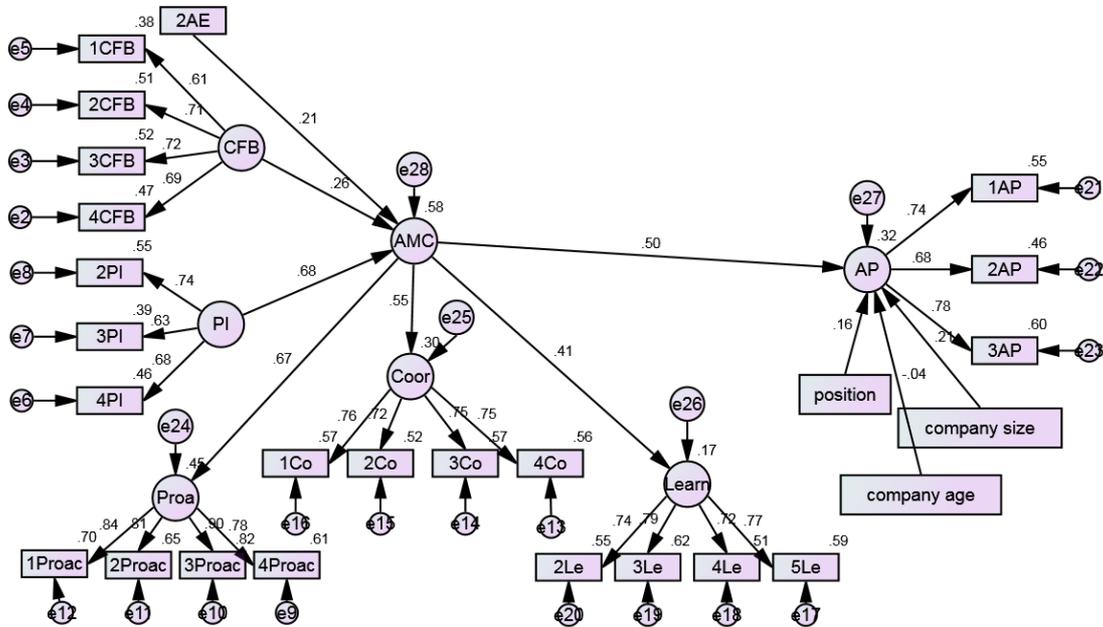


Figure 6-1 Path regression is showing the relationship between CFB, AE and PI with AMC, and between AMC and PA.

### 6.5.1 Antecedent Effect and Direct Relationships

To test the direct relationship four hypotheses were analysed H1: *prior alliance experience has a positive impact on the development of AMC in Libyan family businesses*, H2: *culture of the family business has a positive impact on the development of AMC in Libyan family businesses*, H3: *political instability has a positive effect on the development of AMC in Libyan family businesses*, and H4: *AMC has a positive effect on the alliance performance in Libyan family firms* (see Figure 6.2.) Regarding this, as shown above in Figure 6-1 three control variables were examined in the model which are the age of firm, firm size, and position of in Libyan family business, with the results being shown in Table 6.10.

### 6.5.2 Testing the Control Variable Effect

The findings suggest that only two control variables would appear to have a significant effect on alliance performance, and the results are the position impact the alliance performance, and the regression coefficient ( $\beta$ ) is 0.106 with the critical ratio (t-value) 2.633 at significance level 0.008 (highly significant). Company size is positively impacted alliance performance, with regression coefficient<sup>1</sup> ( $\beta$ ) is 0.135 and the critical ratio (t-value) 3.439 at significance level 0.000 (very highly significant). No significant impact is found for company age on alliance performance. However, the estimated values of all model slightly changed such when AMC tested as independent variables and alliance performance tested as dependent variables, the result slightly changed from 0.665 to 0.539, but the significant effect is the same either control variables were in the model or not. Hence, the influence of independent variables is not adjusted by control variables (see Table 6-11)

### 6.5.3 Testing the Direct Effects of Hypothesised Relationships

Table 6-11 presents the estimates obtained from AMOS analysis. As shown in Figure 6-1 Path regression is showing the relationship between CFB, AE and PI with AMC, and between AMC and PA. The alliance experience-AMC link, the culture of the family business-AMC link, political instability-AMC link and the AMC-alliance performance link is significant, offering evidence for H1, H2, H3 and H4.

**Hypothesis 1:** Alliance experience positively correlates with the AMC, and the regression coefficient ( $\beta$ ) is 0.117 with the critical ratio (t-value) = 3.157 at significance level 0.002 (very highly significant) hence the hypothesis is supported. Thus, alliance experience is a suitable construction to explain why some family business has a higher AMC than others.

**Hypothesis 2:** the culture of family business positively impacted the AMC, and the regression coefficient ( $\beta$ ) is 0.193 with the critical ratio (t-value) = 3.362 at significance level 0.001 (very highly significant) hence the hypothesis is supported. Therefore, some family business has a higher alliance management capability than others and can

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<sup>1</sup> Regression coefficient ( $\beta$ ) is amount of change in dependent variable due to change in independent variable.

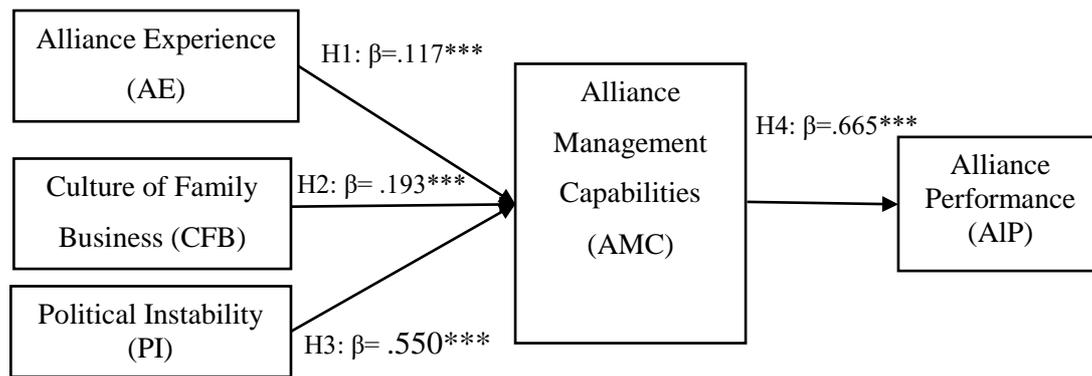
be explained by the culture of the family business, and it is an appropriate construct. **Hypothesis 3:** Political Instability positively, impacted AMC, with regression coefficient ( $\beta$ ) is 0.550 and the critical ratio (t-value) 6.334 at significance level 0.001 (very highly significant) therefore the hypothesis is supported. Consequently, political instability is a suitable construction to explain why some family business has a higher AMC than others.

**Hypothesis 4:** Alliance performance positively affected by AMC and the standardised regression coefficient is 0.665 with the critical ratio (t-value) =5.271 at significance level 0.001 (very highly significant) subsequently the hypothesis is supported.

Table 6-11 Regression model of direct relationships

Independent variables	Dependent variables	Model with control variables			Model without control variables		
		Estimate ( $\beta$ )	t-value	p-value	Estimate	t-value	p-value
AE	AMC	0.117	3.157	0.002	0.128	3.450	***
CFB	AMC	0.193	3.362	***	0.208	3.632	***
PI	AMC	0.550	6.334	***	0.505	6.036	***
AMC	AP	0.665	5.271	***	0.539	4.283	***
Control variables	AP						
Position	AP	0.106	2.633	0.008			
Company size	AP	0.135	3.439	***			
Company age	AP	-0.031	-0.662	0.508			

Notes: Alliance management capacities (AMC), Culture of Family Business (CFB), Political Instability (PI) and Alliance performance (AP) \*\*\*p < 0.001.



\*\*\*p < 0.001

Figure 6-2 Structural modes

### 6.5.4 Mediating Effect

The mediating influence has been considered an important method in investigating the relationship and applied research (MacKinnon, Fritz, Williams, & Lockwood, 2007). As mentioned in research aims, in the proposed model construct the AMC is a central. This concept is theorised to be in the model are a mediation variable. Consequently, the technique to analyse the mediation influence of alliance management capabilities is examined in this section (Y.-S. Wang et al., 2007). The mediating influence defined as the “Effect of a third variable/construct intervening between two other related constructs” Joseph F Hair, Black, and Babin (2010, p. 690). This refers to the methodology chapter for more clarification about mediating effect. The mediated effect was tested using Baron and Kenny’s that is a widely used methodology to examine the mediation effect (Baron & Kenny, 1986); MacKinnon, Fairchild, & Fritz, 2007; Zhao, Lynch, & Chen, 2010). The percentile bootstrap also tests taking the bootstrap estimates of the indirect effect. In addition, the percentiles of the bootstrap sample distribution were used to form a confidence interval so that if this confidence interval does not contain zero, mediation is considered present (Rodríguez & Nieto, 2016). Sobel’s test is also used to test mediation. Rendering to Sobel’s test, “if Sobel test z-value is not significant (<1.96) that mean there is no significant mediation relationship; the indirect relationship is partial if the Sobel test z-value is significant (>1.96) and the efficiency ratio is lower than 0.8. If the Sobel test z-value is significant (>1.96) and the efficiency ratio is over 0.8” the mediation relationship is full (Ndofor, Sirmon, & He, 2011). (see the methodology chapter for more clarification about these techniques).

Regarding Baron and Kenny (1986), there are necessary conditions to test the mediation: the independent variables must significantly influence the mediator variable, and the mediator variable must significantly affect the dependent variable only?. Indirect influence and mediation influence are often used interchangeably and are said to occur when a mediator transmits the causal effect of an independent variable on a dependent variable. In other words, the independent variable affects the dependent variable because the independent variable that affects the mediator, and the mediator, in turn, affects the independent variable (Preacher et al., 2007). For the underlying data, the relationship between the culture of family business, political instability and alliance experience, with AMC is significant, as well as between AMC and alliance performance. The model of the study is based on two types of relationships: direct effects and mediation Whereas, AMC is considered as a mediation factor between the dependent alliance performance and independent constructs (alliance experience, the culture of family business and political instability)(Y.-S. Wang et al., 2007). Accordingly, employing AMC as a mediation variable is useful in understanding and explaining the relationships influence among other constructs.

Based on the results given in Table 6-12, there is significant mediation between alliances experiences on alliance performance by AMC ( $\beta=-0.078$ ,  $p\text{-value}= 0.004$ ). As well as, there is the significant direct effect on alliance experience and alliance performance ( $\beta=0.145$ ,  $p\text{-value}=0.005$ ), indicating that there is partial significant mediation effect. The culture of the family business has a significant positive effect on alliance performance ( $\beta=0.129$ ,  $p\text{-value}=.001$ ) mediated by the AMC. There is an insignificant direct effect on the culture of family business and alliance performance ( $\beta=0.108$ ,  $p\text{-value}=.034$ ). The AMC does mediate the positive effect of political instability on alliance performance ( $\beta=0.365$ ,  $p\text{-value}=0.003$ ). However, political instability has a significant direct effect on alliance performance ( $\beta=.363$ ,  $p\text{-value}=0.004$ ). The direct effect seemed to higher than indirect effect. For the three independent variables (political instability, alliances experiences and family business) showed a significant positive effect on the mediator variable (AMC).

The literature offers some flaws in Baron and Kenny's logic, although its popularity continues to increase. (i) A. F. Hayes (2009) argued that there need not be an essential impact between independent and dependent variables for mediation. (ii) The notion of

full and partial mediation in Baron and Kenny's procedure is disputed with the argument that the impact of mediation should be measured by the in the presence of an indirect effect, but it is not in the absence of direct impact (X. Zhao, Lynch Jr, & Chen, 2010). The strength of the relationship should be measured through the size of the mediation impact (which has  $a \times b$  been significant), not through the reduction or lack of direct effect. The previous studies used the bootstrapped, To accommodate the criticism against Baron and Kenny's test (X. Zhao et al., 2010). Sobel test in combination with bootstrapped confidence interval (Ethiraj, Ramasubbu, & Krishnan, 2012; Rodríguez & Nieto, 2016). The Sobel test accepts that the indirect effect of independent variables on the dependent variables is a normal distribution. (Sobel, 1982), According to MacKinnon et al. (2004), bootstrapped confidence interval avoids power problems introduced through non-normal and asymmetric sampling distribution of the mediation impact. Therefore, the Sobel test has estimated the indirect impact and to confirm and support the previous result by using a bootstrapping confidence interval.

The Bootstrapping is used to assess the path coefficients' significance. This is a nonparametric technique built on resampling with replacement, which is undertaken several times, e.g. 500 times (Joe F Hair et al., 2011; Lockwood & MacKinnon, 1998). In order to obtain the significant indirect effect, resulting bootstrapped confidence interval should not contain the value (Rodríguez & Nieto, 2016). The results of bootstrapped as shown in Table 6-12, for Hypothesis 4a: (bias-corrected CI= .033, .151) AMC is to mediate the relationship between alliances experiences and alliance performance, Hypothesis 4b: (bias-corrected CI= .056, .256) AMC is mediate the relationship between culture of family business and alliance performance, and hypothesis 4c: (bias-corrected CI= .013, .660) ) AMC is mediate the relationship between political instability and alliance performance. Consequently, the findings offered supports for the indirect effect of (alliance experience, the culture of family business and political instability) on alliance performance through AMC.

According to Sobel's test, as shown in Table 6.13, for the mediator AMC between Alliance experience and alliance performance, the z score s 3.183 and ( $p = 0.007$ ), providing support for the presence of the indirect effect. Thus, the result is sufficient to conclude that AMC has a full mediating effect between alliance experience and alliance performance; hence providing support for the H4a. As for the mediator of AMC

between the culture of family business and alliance performance, the Z score was 2.958 ( $p = 0.002$ ), which is far below the standard value of 1.96. Thus, the result is sufficient to conclude that AMC has full mediating effect between the culture of family business and alliance performance, providing support for the H4a. As for the mediator of AMC between political instability and alliance performance, the Z score was 3.705 and ( $p = 0.001$ ), which is above the standard value of 1.96. Thus, the result is sufficient to conclude that AMC has a full mediating effect between political instability and alliance performance, providing support for the H4a.

The results provide evidence also for the hypothesised mediating role of the AMC between alliance experience, the culture of the family business, and political instability and alliance performance, and this supported H4a.

Table 6-12 The AMC model without mediation and AMC model with mediation

Independent variable	Effect	Mediator variable	Dependent	Estimate ( $\beta$ )	p-value	Bootstrapping method		Sobel test	
						95% confidence interval (CI)		Z	p-value
						Lower bound	Upper bound		
CFB	Indirect	AMC		0.129	0.001	0.056	0.259	2.17 2.958	0.002
PI			AP	0.365	0.003	0.013	0.660	.608 <b>3.705</b>	0.001
AE				0.078	0.004	0.033	0.151	0.270 <b>3.183</b>	0.007
CFB	Direct effect			0.058	0.469				
PI		AP	0.363	0.004					
AE			0.145	0.005					

Notes: Alliance management capacities (AMC), Culture of Family Business (CFB), Political Instability (PI), Alliance experience (AE), Alliance performance (AP) \*\*\* $p < 0.001$ .

### 6.5.5 Moderating Effect

A moderator is a variable that plays a significant role in effect strength of the relationship between the dependent and independent variable (J. Cohen, Cohen, West, & Aiken, 2013). In this study, social capital consists of the relational, cognitive and structural dimensions are considered perceived value as a moderating factor on the relationship between AMC and alliance performance. H. H. Chang, Wang, and Yang

(2009) state that the most significant result is that the relationship among loyalty and satisfaction is stronger when the perceived value is high; and tends to be less when the perceived value is low. For this study, mean social capital is used as the cut-off between low (less than the mean) and high (more than/ equal median) social capital (Koufteros and Marcoulides, 2006; Marsh and Hocevar, 1985; Wong, et al. 2009). Therefore, moderation will be that the relationship between the independent and dependent variable differs across the two groups (low and high) of the moderator variable.

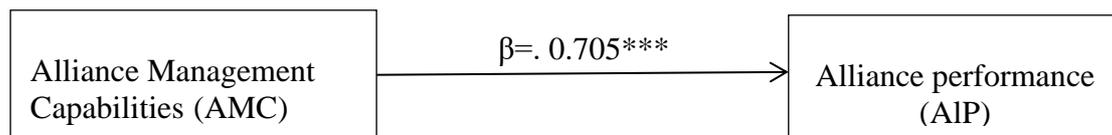


Figure 6-3 High social capital group

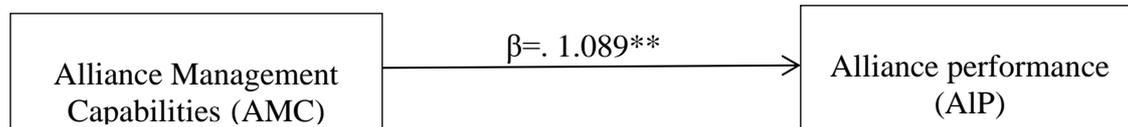


Figure 5.5: Low social capital group

Subsequent the method of Koufteros and Marcoulides (2006) and Marsh et al. (1985), this study used two social capital groups: low social capital and high social capital. As demonstrated in Figure 5.4 and Figure 5.5 the AMC showed a significant positive impact on alliance performance in case of low and high social capital. However, the estimates were found to vary between high and low social capital groups. The standardised estimate for high social capital (0.603) seemed to be higher than low social capital (0.461), and hence that social capital is considered as a moderator variable. The path assessments it varied among low and high the groups of social capital. This delivered support for proposition 5. This implies that the link among AMC and alliance performance demands a various level of social capital

Table 6-13 Decisions of study hypotheses

	<b>Hypothesis</b>	<b>Decision</b>
1	Hypothesis 1: Prior alliance experience has a positive impact on the development of AMC in Libyan family businesses.	<i>Accepted</i>
2	Hypothesis 2: Culture of the family business has a positive impact on the development of AMC in Libyan family businesses.	<i>Accepted</i>
3	Hypothesis 3: Political instability has a positive effect on the development of AMC in Libyan family businesses.	<i>Accepted</i>

4	Hypothesis 4: AMC has a positive effect on the alliance performance in Libyan family firms.	<i>Accepted</i>
4	<i>Hypothesis 4a: AMC mediates the relationship between (alliance experience, the culture of family business, and Political instability) and alliance performance in Libyan family business.</i>	<i>Accepted</i>
5	Hypothesis 5: Social Capital will positively moderate the relation between AMC and alliance performance in Libyan family business.	<i>Accepted</i>

## 6.6 Summary

The statistical analysis of the collected data is presented in this chapter. Primarily, data were subjected to a amount of initial analyses to test the hypotheses linked to the suggested testing of the statistical using both exploratory factor analysis (EFA) and confirmatory factor analysis (CFA). EFA was assessing the current structure of dimensions; whilst CFA was conducted to the validated theoretical framework, using fit indices, validity and reliability measurements.

In the chapter 3 the assumptions put forward were then thoroughly explored. Regression path analysis based various mediation analysis was used to test the several mediation effects of AMC as a second-order variable of three first-order factors (proactiveness, coordination and learning), on the relationship between (the alliance experience, the culture of the family business and political instability), and alliance performance. In addition, social capital measured by three dimensions (cognitive, structural, and trust dimensions) and each dimension was tested as a moderator effect on the relationship between each dimension of AMC and alliance performance. The empirical findings involving to AMC the antecedents and supported assumptions 1, 2, 3 and 4, see Table (6.15). Moreover, the practical outcomes of the indirect effect of the alliance experience, the culture of the family business and political instability, on alliance performance through AMC support the hypotheses 4a, 4b, and 4c. Also, the fifth hypothesis concerning the effectiveness of social capital as a moderator on the relationship between AMC and alliance performance is supported. A summary of the results of the assumptions otheses has been presented in Table 6.20.

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## CHAPTER SEVEN

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### DISCUSSION and CONCLUSION

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#### 7.1 Introduction

This chapter aims to discuss the study's key findings. Specifically, it elaborates the study's theoretical, methodological and empirical contributions to the family business literature, focusing on the developing countries context, as well as managerial implications on practising. Moreover, the chapter discusses the research key limitations and offers suggestions for future research directions.

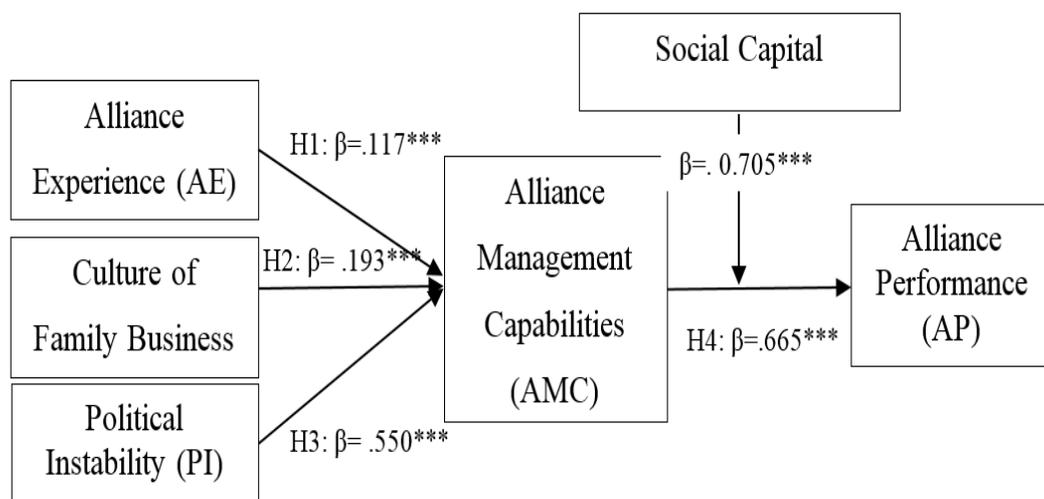
#### 7.2 Research Overview

By reviewing the previous literature in this study, it has become evident that with the increasing environmental change, alliances between companies are increasing to maintain their competitiveness in the market (Cai, Chen, Chen, & Bruton, 2017; Madhok, Keyhani, & Bossink, 2015). However, the success rate of these alliances is low and does not meet the goals for which they were created (Lhuillery & Pfister, 2009; Lokshin et al., 2011; S. H. Park & Ungson, 2001). The problem surrounding failed alliances has raised the interest of many researchers in the field of strategic management, who found that one of the most critical factors of successful alliances is the ability to manage alliances AMC defined as a company's ability to search, negotiate, manage, and terminate alliance (Kale & Singh, 2009b; Lavie, 2007). In terms of the stages in the life cycle of an alliance, the components are “partner search, negotiation, coordination, communication, bonding, intrafirm learning, and exciting” (Yongzhi Wang & Rajagopalan, 2015b, p. 6). This corresponds to The Resource-Based View, which proposes that ownership of resources contribute to performance, whereas posts that valuable, rare, and inimitable resources reside within an individual firm (Barney, 1991). This complements the RBV through arguing that valuable resources as well as reside in the relationship among partnering companies (J. Barney, 1991).

Schreiner et al. (2009) define AMC as cognitive, behavioural, or firm's skills that can deliver the foundation to efficiently manage any given alliance. In fact, AMC can enhance firm competitiveness because of their value, rarity, inimitability and non-

substitutability, and thus constitute a source of competitive advantage (J. Barney, 1991; Kauppila, 2015). Moreover, the recognised role of AMC is in creating value and competitive advantage (Nielsen & Jolink, 2015). Therefore, the action that companies take to exploit resources makes an important change to the performance of companies (Sirmon, Hitt, Ireland, & Gilbert, 2011). Notwithstanding the mounting research on alliance management capabilities and strategic alliance in general, significant gaps remain. According to Kraaijenbrink et al. (2010), companies need capabilities to make use of the resources

The research to date has not empirically related alliance management capabilities to alliance performance in the family business. This represents an important research inquiry. Therefore, empirical results of the present research are indicative of the fact that an AMC exists and it is significant for the alliance performance. The question surrounding the process through which AMC improve alliance performance remains unresolved and underexplored in the family business. This study is the first to test this relationship in the family companies, especially in Libyan context. To address the gap, this study posits this central question: What are the determinants of AMC effectiveness in Libyan family business domain? In answering this question, this study examined the antecedents that contribute to the construction of AMC such as the alliances experience, culture of family business and political instability in Libyan family business. Social capital was also tested as a moderator variable between the AMC and the alliance performance.



\*\*\*p < 0.001

Figure 7-1 Structural mode.

### **7.3 AMC and Alliance Performance in Family Business**

In this study, based on the research by Schilke and Goerzen (2010) and Kohtamäki et al. (2018), building on the AMC literature, the construct of AMC was developed, encompassing the alliance proactiveness, coordination, and learning, relevant to alliance management (Figure 7-1). More specifically, conceptualised AMC constructs (proactiveness, coordination and learning) were set as first-order indicators of a second-order construct named as 'AMC'. While the previous studies examined the relationship between AMC and alliance performance (Feller et al. (2013), this study tested this relationship in Libyan family business context. This study expected that the family business requires AMC to achieve alliance performance in Libyan family business. To be additional precise, for instance performance is realised through evolving a set of capabilities (proactiveness, coordination, and learning) that collectively allow achieving the target of alliance performance. Previous empirical researchers have demonstrated that AMC contributes to partner satisfaction, which leads to achieving alliance performance (Corsten & Kumar, 2005; Ling-yee & Ogunmokun, 2001; Paulraj, Lado, & Chen, 2008; Rungsithong, 2014; Schreiner et al., 2009). The superior management practices embodied in these capabilities allow companies to understand the relational rents potential in strategic alliances. This study found through H4 that AMC has a positive effect on alliance performance in Libyan family business. This result is in line with Koen H Heimeriks and Melanie Schreiner (2010a), and Schilke and Goerzen (2010). AMC improves alliance success because such capabilities enable partners to adjust the attributes of the alliance relationship based on environmental change. Companies tend to use alliances to increase their performance when the environment is uncertain (Pfeffer, Salancik, & Leblebici, 1976).

This finding is indicative of the fact that family businesses need to enhance capabilities to succeed alliances. alliance management capabilities have been supported to be a level of business structural competence that can contribute to the level of business competitive benefit (Ireland et al., 2002). In latest years, researchers conceptualised alliance management capabilities as a second-order construct with five first-order routines. The present finding also supports Kandemir et al. (2006) study, which concluded that both alliance learning and coordination are to be studied as AMC's dimensions, especially when trying to improve a firm's capability to accomplish its

objectives of alliance performance. If family businesses have the ability to choose the right partner, this leads to the success of alliances because of the failure of alliances between companies stemming from the wrong choice of partner. Prior to forming alliances, family businesses need to be able to negotiate with selected partners. Manage alliance is also one of the main capabilities that help family businesses to meet alliance goals, where the division of tasks between alliance departments or individuals increases the ability to succeed alliances.

Typically, centralised alliances coordination enhances the firm's ability to capitalise and build new capabilities and build on its experience (Kale & Singh, 2009a). The finding is consistent with those of the past studies by Schilke and Goerzen (2010) which recommend that the coordination is aimed at allocating resources and assigning tasks and synchronise functions to avoid overlap tasks between partners. Family businesses need to increase the alliance's ability to learn from partners and the ability to codify and store the knowledge which they have learned from their partners so that it can be used as a future alliance experience, making it easier for family businesses to coalesce later (Russo & Vurro, 2018). According to Heimeriks et al. (2009) and Koen H. Heimeriks et al. (2009), some of the available learning mechanisms are beneficial for alliance performance. Zollo and Winter (2002) investigated how performance is affected by the firms' routines and concluded that these routines could and might contribute to the alliance's performance by enabling the gathering of information, decision-making, conflict resolution, and communication. Consequently, empirical results of this study support the proposed dimensional structure of the construct and provide evidence that AMC is a crucial driver of alliance performance. Accordingly, the result supports the hypothesis four, that propose a significant positive link between AMC and alliance performance. Therefore understanding the AMC as antecedents of alliance performance allows a manager of the family business to be sensitive to the influent factors to develop the alliance performance. It means that it let the manager be proactive about dealing with misunderstandings and problems that naturally arise during the period of the alliance (Shakeri & Radfar, 2017). The lesson for the managers of the family firms is clear: they need to work actively at choosing fit partners, facilitate the articulation, manage alliance between partners, to increase the mechanisms and routines to sharing, codification, and internalisation of alliance know-how among partners.

Accordingly, in the light of the above, the level of communication, coordination and transfer of information between family businesses is higher than that of non-family businesses due to the presence of a great deal of trust and loyalty within and outside family businesses (M. K. Cabrera-Suárez & Martín-Santana, 2012). Based on this, the family business achieves more alliance performance than the non-family business because of their advantages from others such as language and shared values among them (Sorenson et al., 2009a). This therefore suggests that the family business must develop alliance management capabilities to make the alliance effective.

#### **7.4 The Effect of the Alliance Experience on AMC**

The idea that AMC of firms is built through repeated alliance experiences over time is vital to the theory of alliance management capabilities. The construct of alliance experience is analogous to the extent to which a company had earlier been participating in the strategic alliances. One of the objectives of this study is to add to current knowledge about the relationship among alliance experience and AMC that contributes to the strategy literature through delivering empirical evidence that examines this relationship in Libyan family business. The prior research mostly has studied alliance experience in large firms and nonfamily business SMEs (Gulati et al., 2009; Hohberger et al., 2015; Konsti-Laakso et al., 2012; Love et al., 2014; Useem, 2014). However, to the best of author's knowledge, no report has been found so far to examine how alliance experience is developing AMC in the field of family business. According to ReuerZollo et al. (2002), by a single item was measured the alliance experience: The question was about the number of the alliance of business units with another partner in last five years.

To address this gap, this study has proposed, among many, hypothesis (H1) testing whether alliance experience is related positively to the development of AMC in family businesses. The result is in the lines of earlier literature (Bharat N Anand & Tarun Khanna, 2000; Duysters et al., 2012; Feller et al., 2013; Gulati et al., 2009; Love et al., 2014) that found the experience is indeed an essential antecedent of AMC. This is because alliance experience will help the development of AMC, such as, alliances experience enhances learning from partners and coordination skills that are central components of the AMC (Schilke & Goerzen, 2010; Bernard L. Simonin, 1997). This finding corroborates the ideas of (Levitt & March, 1988; Maskell & Malmberg, 2007), who suggested that the learning from direct experience is perhaps the most critical factor in

improving the firm's alliance routine, and something all firms should emulate. In this respect, Allen et al. (2007, p. 150) suggest that "the seeds of today's capabilities are sewn in yesterday's experience", underlining the importance of learning from experience". The results of this study are also consistent with Hoang & Rothaermel (2005) where they found that through the alliances experience, organisational routines are developed to facilitate coordination among partners as well as selecting the right partner in future alliances. On the other hand, (S. Das, Sen, & Sengupta, 1998) and Anand, Oriani, and Vassolo (2010) found that the relationship between alliance experiences and AMC varies according to different types of alliances, for example in R&D more effect than marketing and production research, and this also supports the results of this study because experience improves capacity. Consequently, alliance experience is a suitable construct to clarify why some companies have a better AMC than others.

While the experience is previous learning that has been stored and written for future use, in the family business, the members get the alliance experience through time. The implicit knowledge that they have learned from their parents since childhood helps them to contribute to the learning from the partners and how to coordinate, in new alliances, as well as the skill of negotiation to learn about them since they become young. Thus, this study's results confirm the Jeffrey H Dyer and Nobeoka (2000) that learning and training for success can be achieved by meeting with the family membership, for example, discussion at home in addition to meeting in the office by day, since meetings are the most relevant collaborative activities. In addition, the capabilities such as learning and coordinating and transfer of the knowledge may be passed on by generations, in this case, the managers of family businesses could have characters advantage such as their personal relationships to grow as a close-knit family unit (Kellermanns & Eddleston, 2006). Members of family businesses acquiring alliance experience through the succession of generations, thus, gaining the experience and knowledge of coalition partners (Coutinho & Moutinho, 2012). Family bonding also helps managers or owners of family businesses experience talking and negotiating with partners (Gersick, 1997). Learning in the family by talking at home about partners and turning this information into the experience must be considered as highly significant for future generations.

## **7.5 The Effect of the Culture of the Family Business on AMC**

In general, understanding of culture is critical for the organisation as it affects strategic development, learning and productivity the management of these organisation s at all

levels (J. Twati & J. G. Gammack, 2006). In order to introduce alliance- culture relationship the organisational culture reflects the “values, beliefs and behaviour patterns” (Ortega-Parra and Ángel Sastre-Castillo (2013, p. 1072) that impact the alliances objectives success (Denison and Mishra, 1995). The culture plays an essential part in determining how AMC is enacted across the “several simultaneous strategic alliances with dissimilar partners” (Wassmer, 2010, p. 141), which better enable the family business to get its aims (Ortega-Parra & Ángel Sastre-Castillo, 2013). The bundle of capabilities and resources which are characteristic of a family firm as a result of family participation in the family firm, as well as communication between the members, because the language of a family is based on trust, motivation and loyalty (K. Cabrera-Suárez, De Saá-Pérez, & García-Almeida, 2001a; M. K. Cabrera-Suárez & Martín-Santana, 2012).

This present research makes a significant contribution to the literature by creating a platform for investigating the relationship between the culture of family business and alliance performance through the mediation effect of AMC. Two hypotheses have been created regarding this relationship in chapter four: H2 has assumed that the culture of the family business has a positive impact on the development of AMC in Libyan family businesses. The results have supported H2. That is, it has been elicited that culture of family business positively affects AMC. This finding is in agreement with B. Gupta, Iyer, and Aronson (2000) findings which showed that the capabilities as learning require a significant shift in organisational culture and a commitment at all levels of a firm to make it work.. Moreover, Janz and Prasarnphanich (2003) found that organisational culture is positively connected with higher levels of knowledge-related activities like coordination and learning. In turn, this leads to improvements in how family business learns from their partners and how to organise alliance. Furthermore, (C. L.-h. Chang & Lin, 2015) found that the job-oriented cultures have positive effects on employee intention in the KM process (application, creation, and transfer storage). This means that At the same time, this dimension has a significant positive effect on the intention of the individual employee to store, apply and transfer knowledge (Yongzhi Wang & Rajagopalan, 2015b). Consequently, these results assist the family business to achieve successful current and future alliances and how to communicate and coordinate alliances between partners.

## 7.6 The Effect of Political Instability on AMC

Impacts caused by political instability are the primary concern for the activity of the business, particularly those in emerging economies. In developing countries, political instability is the most common feature (Luo & Tung, 2007). Because of these constraints, a majority of family businesses, particularly those in the developing countries, are not realising enough opportunities in the markets (S. Zeng, Xie, Tam, & Wan, 2008). Political instability has been defined as: “A situation, activity or pattern of behaviour that threatens to change or changes the political system of a country in a non-constitutional way” (Gyimah-Brempong & Traynor, 1999, p. 54). Al-Hyari, Al-Weshah, and Alnsour (2012) found that political instability poses a negative effect on international business performance. Political instability might create competitively and increase the cost of business for family business. This study advances the literature by testing empirically the link between political instability and alliance performance through the mediation effect of AMC.

That is, it has been elicited that political instability has positive results for AMC, consequently, this result support hypothesis H3. Specifically, the findings show that AMC mediates the link between political instability and alliance performance, suggesting that the Libyan family firms face considerable difficulties in alliance performance in the political instability and when the markets are turbulence.

Chaharbaghi et al. (2005) found that under the political instability conditions, many family businesses might seek alliances to strengthen their positions in the market, thus maintaining their competitive position and improving their chances of avoiding threats, and this is in good agreement with the results of the present study. In changing environments, such as political instability and internal feuds and disputes, firms adjust their institutional environments and attempt to find innovative solutions such as make alliance with another firm (Joseph F Hair, Black, Babin, Anderson, & Tatham, 1998a). Under the political instability, most family businesses tend to look for an alliance with others, due to changes in the external environment. These family businesses need capabilities to succeed in their alliances. Negotiating with partners needs to be a way of avoiding problems resulting from the political instability that may happen during the alliance period. The contracts between partners also need the capabilities to be up to date. Through a change in the environment, new ideas and information are generated

for the family business, and partners would seize the opportunity to share and learn from their allies, and store the knowledge which they have acquired and use in the future alliance. In Libya, for example, the political instability resulted in the collapse of the Libyan currency, affecting the price of goods and services, which made the family business enter alliance with other firms. In this case, the family business should learn from their partners about how and when to seize opportunities in the market. Under these situations, the family business also needs to manage the alliances between partners, which leads to the need for greater coordination capabilities. Under the political instability, the laws on the external environment of companies change, which affects the alliance between partners. For example, some of the items agreed between the partners would be subject to changes, which requires the capacity to coordinate the alliance between the partners and modify the agreement in line with the success of the alliance.

### **7.7 The Role of Mediation Effect of AMC**

Due to the diversity across organisations in their capability to create value from alliances, some family businesses are found to be more successful with their alliances than others. This researcher expected that alliance experience, the culture of family business and political instability in a strategic alliance require AMC to achieve alliance performance in the family business. From this view, the alliance performance is not achieved mainly through alliance experience, or the culture of family business and political instability directly. To be additional precise, for instance through building a carefully chosen set of capabilities that collectively allow the alliance project to run smoothly, the performance will be achieved (Rungsithong, 2014). More specifically according to Schilke and Goerzen (2010), this study conceptualised AMC as a second-order construct, reflected by the organisational routines of alliance proactiveness, alliance coordination, and alliance learning. Prior empirical researchers have revealed that alliance capabilities contribute to both competitive advantages (Bowling, 2014; Luvison & de Man, 2015; Schreiner et al., 2009). According to Rungsithong et al. (2017) the superior management practices embodied in these capabilities allow the family business to achieve. This research has found that AMC is fully mediating the relationships between the culture of the family business, and alliance performance and partial mediating of the relationships between political instability, and alliance performance. AMC is also partially mediating of the relationships

between alliance experience and alliance performance. These relationships discussed in the following subsections.

### **7.7.1 Indirect Effects of Alliance Experience and Alliance Performance**

The second hypothesis, H4a, states that the alliance experience has an indirect effect on alliance performance through AMC in Libyan family business. The result was supportive of the hypothesis, which might be because of the nature of relationships in the family business, whereby partner companies have been found to exchange information on a continual basis (Paulraj et al., 2008; Prahinski & Benton, 2004). Furthermore, the results show that the AMC is a partially mediating variable in explaining the performance of the alliance. These results offer convincing support for the hypothesis 4b and confirm the significance of dispersing gained experience through the learning mechanisms to create firm-wide routines, therefore development the firm's AMC (Koen H Heimeriks & Duysters, 2007; Rungsithong, 2014). This is in line with previous studies Thornhill & Amit, 2003; Goncalves & Goncalves, (2008), Gonçalves and da Conceição (2008), West and Noel (2009); Welter et al., (2013) who find that routines and coordinating mechanisms develop performance by facilitating interaction between employees in the process of work. For instance, the alliance experience is considered as the antecedent of alliance management capabilities. Ha Hoang and Frank T. Rothaermel (2005) recommended that general alliance experience impact positively on the joint R & D project performance.

The attractiveness as a partner and pre-formation outcome have been found to be positively affected by an alliance experiences on managerial capabilities (Hitt et al., 2004; Hitt, Dacin, Levitas, Arregle, & Borza, 2000). Regarding the firm-specific antecedents, this study has produced results which corroborate the findings of a large number of the previous work in this field. For example, alliance function and alliance experience have been found to affect postformation financial outcomes positively, abnormal stock market returns (Kale et al. (2002) and post-acquisition performance (Zollo and Reuer (2010), changes in market reaction (Arikan and McGahan (2010), and valuations (Anand & Khanna, 2000). According to post-formation nonfinancial outcomes, prior literature has studied the alliance success, that is affected by alliance function, and experience influence (Kale et al. (2002). The possibility of alliance termination, that is reduced consequently of learning from negative termination

experiences (Pangarkar (2009), when a partner withdraws from an alliance, consequent that the dissolution of startups, which is affected by adverse termination experience (Mitchell and Singh (1996), and of innovation, that is influenced by alliance experience, though with different magnitudes of effects across types of alliance (Sampson, 2005).

Mainly, interactions at multiple levels tend to facilitate in communicating data between the alliance partners and as described by Jeffrey H Dyer and Nobeoka (2000), which leads to knowledge sharing routines, and operational improvement, that inferred in the information exchange construct (Rungsithong, 2014). The relationship between experience and performance is not direct, rather mediated by alliance management capabilities as recommended by authors such as (Schilke & Goerzen, 2010; Sluyts et al., 2011). Mainly, researchers have tested the role of alliance experience to developed alliance management capabilities, and most have reported positive contributing alliance expertise (Sluyts et al. (2010a).

### **7.7.2 Indirect Effects of the Culture of Family Business on Alliance Performance**

The second hypothesis, H4a, has assumed that AMC mediates the relationship between the culture of family business and alliance performance in Libyan family business. The result was that the AMC positively and significantly mediating the effect of the culture of family business on alliance performance; supporting the hypothesis (4b). However, the AMC does full mediation between the culture of family business and alliance performance. In contrast, many scholars have acknowledged the influence of organisational culture on alliance performance (Rajesh Kumar & Patriotta, 2011; Luvison & de Man, 2015; Vlaar, Van den Bosch, & Volberda, 2006). This contradiction may be due to what distinguishes the culture of family businesses from the culture of non-family businesses. According to Pearson et al. (2008, p. 948) “the identification and isolation of a concept *familiness* characteristic to the family business are together important and ground-breaking for research of family firm.” Rooted in the RBV, as defined by Habbershon, Williams, and MacMillan (2003), *familiness* is the bundle of characteristics and internal resources that are due to family participation in the family business. The family involvement leads to familiness, which examined as unique,

inseparable, and synergistic capabilities, and resources grow from family involvement and interactions.

On the other hand, the relationship between the culture of the family business and alliance performance is fully mediated by AMC; finding that highlights the crucial role played by firm's capability to assimilate internal environment of the family business. Further, there is a relationship between alliance management capability and culture of the family business. Capability represents the firm's ability to share knowledge and coordinate with partners in a way that better enable it to achieve its alliance objectives (Koen H. Heimeriks et al., 2009). More specifically, as stated by (Pearson et al., 2008; Sorenson et al., 2009a; Zellweger et al., 2010), family businesses outperform non-family owned firms, despite the quality of the success of the "familiness" (succession, shared stories, interactions, trust, language, values and norms) family businesses characteristic (Sorenson et al., 2009a). Family harmony assists in the alliance since it ensures mutual understanding, more knowledge and trust between the partners (Breton-Miller, Miller, & Steier, 2004; Pardo-del-Val, 2009).

According to Kraus, Harms, and Fink (2011) such harmony as well as assistance in the increase of a shared vision. Empirical findings confirm that family relationship quality is an additional dominant, successful predictor of a transition between either the preparation of succession and succession planning (Kraus et al., 2011). Chirico and Salvato (2008) and Duh and Letonja (2013), argue that family firms can develop and create knowledge, because the high level participation of emotions among family members, as well as being socially strong, which is fuelled through trust between family members and partners. This also helps in the alliance coordination between family businesses, which is in good agreement with the results of the present study. By emotional participation, the use of a particular language and the lifelong common history in family firms enhances communication among family members (Chirico & Nordqvist, 2010; Tagiuri & Davis, 1996). According to Salvato and Melin (2008) and Chirico, et al (2011), this gives them the chance to exchange knowledge with greater privacy and more efficiently when compared with non-family businesses and specific dynamic capabilities, and to improve idiosyncratic knowledge for resource recombination that stays in the family and the business across the generations. Certainly, family businesses face challenges for the development of AMC, which support firms' performance.

In Libya, being a small closed and tribally oriented society, family business and reputation do play important roles in forming business alliances. Hofstede and Hofstede (2001) note that Libya as an Arab country, in general, is a collectivistic country where individuals have a strong commitment to their families and tribes. In such an environment it would be easy to gather and share information depending on the trustworthiness of families and their businesses (Galgani et al., 2013). Therefore, the trust and reputation part of Libyan culture has reflected the culture of family businesses, where alliance-specific studies have found that a firm's cultural orientation can affect its ability to collaborate with other firms (Graca et al., 2015; J. J. Mohr & Sarin, 2009). Instituting an effective relationship between firms is usually a difficult operation (Ellegaard & Andersen, 2015; Omar et al., 2014). This is further exacerbated when firms are situated in different locations, and, for example, differ regarding culture, policies, language, customs and traditions (Al-Tabbaa et al., 2015; Nayeem, 2012). As alliance arrangements between companies with similar cultures evolve more easily, this facilitates alliance with other family firms (Clash, 2011).

### **7.7.3 Indirect Effects of Political Instability on Alliance Performance**

Strong support emerged for the hypothesis that AMC mediates the relationship between political instability and alliance performance in Libyan family business. This could be due to the nature of relationships in the family business. The present findings seem to be consistent with other research (Alexiev et al., 2016), which found the market heterogeneity and environmental turbulence have an indirect association with firm innovativeness through inter-organisational collaboration. This means that the political instability might have an effect on capabilities of alliances and the alliance performance

In line with the theoretical argument that as the extent of market dynamism increases so, the family business must the need for resource reconfiguration (Zahra, Sapienza & Davidson, 2006). Conversely, there will be less managerial-decision making regarding resource reconfiguration, especially in a low dynamic state of the market. Furthermore, political instability can lead to the hyper-competitive and unstable environment (Yongzhi Wang & Rajagopalan, 2015a). According to (MacKinnon et al., 2007), in political instability setting, resources are hard to obtain, hence, efficiently sensing, making timely essential adjustments is the only way for companies to achieve their goals. The managerial decision-making regarding resource reconfiguration increases as the environment becomes more dynamic. In this way, the need for resource planning

capability, acting as a dynamic capability, increases. This supports the family business to sustaining performance. This finding is in line with (Schilke & Goerzen, 2010) in the sense that in the turbulence environment the firms need more capabilities to get their alliance targets such as share knowledge and information (Felin et al. 2012). Considering the learning dimension, during periods of high environmental change (similar to political instability), the family business needs to access knowledge externally to decrease uncertainty about the environment, through alliances, the companies can obtain information about new trends and products in the market (Marsh & Hocevar, 1985).

The uncertainty increased for Libyan family business after 2011 (Abdesamed, 2014). Thus, as highlighted by (Brenner & Keat, 2010), firms have to cope with constant and significant risks of social instability and political instability in situations such as the Arab Spring where there is a partial or complete breakdown of state authority. After 2011, Libya became politically power struggle divided between three governments seeking and demanding legitimacy, the Government of National Reconciliation, the Salvation Government, and the parliament government (Lacher, 2016; Report, 2016). The findings showed that the political instability-positively affects the AMC, as well as AMC has positive effects on the alliance performance in Libyan family business. Similarly, the Libyan family business developed AMC to cope with the unstable environment through the civil war, to survive in the uncertain environment in the post-civil war period. Up to the present time, there has been no systematic study to study the AMC in the family business to survive and adapt through and post-war periods in emerging economies. Thus, this research advances the knowledge about the family business developing AMC during and the post-civil war in the emerging economies.

Family businesses that operate under political instability face uncertainty in the market as well as have difficulty obtaining and analysing market information. Firms face the pressing question of how to cope unpredictability such as political instability (Makhija & Stewart, 2002); (Doh et al., 2017), and the risk of violent conflict or revolution (Henisz, Mansfield, & Von Glinow, 2010). This leads to the need for more capabilities such as AMC to achieve family business target such alliance performance. So, family businesses can operate in institutional and political unpredictable contexts hedge against the political risk that they can expect, to stay in the market. Also when legal

ordering is absent, and market information is unverifiable, there will be difficulties obtaining and analysing market information to act opportunistic increments (Delios & Henisz, 2003). The implications of this are the uncertainties of the market, and the family businesses that operate in such environments try to increase the success rate of alliances (Luo & Tung, 2007). Moreover, environmental volatility hampers alliance between partners and resource sharing, causing alliance performance to deteriorate (Luo, 2002). Accordingly, family businesses would evolve AMC to increase the chance of their alliance success. Under these conditions, companies must have negotiating capabilities to strengthen its competitive position in the market (J. B. Barney, 1999). According to (Strauss, Sherman, & Spreen, 2006), choosing partners under uncertainty is based on heuristics by having access to external information to allow firms to address some of the complexities of decision-making. Hence there is much greater need for more capabilities such scanning the market for appropriate new alliance opportunities to assisting firms to select partners S. Smith (2013) reports that in turbulent environments, managers need to make more consistent and less erratic decisions and tune out distractions more readily and which signals their trustworthiness and as a partner in collaboration increases their chance of being selected. The present finding also supports Schilke and Goerzen (2010), which concluded that in the environmental change, "there is obviously value in the ability to sense the need to reconfigure the firm's asset structure, and to accomplish the necessary internal and external transformation, this requires effective coordination between partners". According to J. L. Johnson et al. (2004), the more complex the environment, the more organisations need to be able to coordinate their alliances. The family business needs high capabilities of alliance coordination between partners under political instability, due to the degree of risk is increased in the market (Culpepper, 2005b). According to (J. L. Johnson et al., 2004), during periods of high environmental change, family business needs to access knowledge externally in order to reduce uncertainty about the environment, through alliances, firms can learn how to acquire information from the market. Carmines and Zeller (1979) found that in the changing environment such as political instability one could create more appropriate learning opportunities and influence knowledge improvement between partners. The result is in line with the earlier literature (Pheng Low, Ying Liu, & Wu, 2009) that found in environmental change, organisations that learn from their partner are able to improve their sources of competitive advantage and mistakes are translated into valuable alliance experiences.

These results of the study offer convincing support for the propositions 4a, 4b and 4c and confirm the significance of dispersing gained experience through the mechanisms of learning in order to generate firm-wide routines; thus fostering the AMC in the family business (Koen H Heimeriks & Duysters, 2007). This is in line with earlier studies by Thornhill and Amit (2003), Thornhill and Amit (2003), and West and Noel (2009), which found that routines and coordinating increase performance through assisting interaction between employees in the work process. Moreover, literature found multiple outcomes of AMC, for example, positive influences on the overall firm's success and alliance performance (Kale et al., 2002). Furthermore, the process of alliance learning found to mediate the relationship between alliance function and rate of alliance performance (Kale & Singh, 2007b). Additionally, alliance experience found to raise the probability of using a mechanism of the alliance (Yongzhi Wang & Rajagopalan, 2015b). According to Al-Laham et al. (2008), the presence of AMC has been found to accelerate entry into research-based alliances. The alliance experience has been found as well as influenced on success to be non-linear: the influence decreases when the number of alliances improves (Draulans & Volberda, 2003; Kohtamäki et al., 2018). The evidence of the influence of the knowledge stores has been provided by J. L. Johnson et al. (2004). According to them, the stores of interactional knowledge positively influence link quality, while environmental turbulence moderates the influence of the stores of environmental knowledge on relationship quality. In the rapid environmental change, organisations need to strengthen their position through alliance and need to coordinate it effectively. The more complex the environment, the more organisations need to be able to coordinate their alliances (Achrol, 1991). Under political instability, the degree of risk is increased in the market, which needs high capabilities of alliance coordination between partners (Culpepper, 2005b).

### **7.8 The Moderation Effect of Social Capital on the Relationship between AMC And Alliance Performance**

This study assumed that social capital could increase the strength of the relationship between AMC and alliance performance. The density of organisational connections between persons and goal compatibility is a significant factor. The AMC is an acute concern in the strategic alliance each becomes enmeshed in the social networks of the

today because the partner firms are current or to other, such as there are overlaps in friendship net- potential competitors (Darbi & Knott, 2016; Uzzi, 1997). There is increasing acknowledgement that relationships between family members present a breeding ground for social capital (Coleman (1988a), and that ‘the family is a source, builder of social capital’ (Bubolz, 2001, p. 130). Through previous alliances experience, the family business with strong social capital is more likely to choose partners with whom they have a bond of trust before the alliance of firms (Chung, Singh, & Lee, 2000). Kellermanns and Eddleston (2006) found that the human capital in the family passed on through generations. Cuevas et al. (2015) provide experience and complementary knowledge with the possibility of supporting the alliance with other partners. This means that the managers of family businesses could, therefore, be at an advantage as their relationships grow as a close-knit family unit.

When the companies search and choose the right partner, this leads to the achievement of the objectives of the alliance. According to G. Hofstede (2003), the Arab community in general and the Libyan society, in particular, is characterized by the strength of family and personal relationship, and this which distinguishes the Libyan family business from other firms, as the personal relations between employees in the Libyan family business increase the strength of the relationship between AMC and alliance performance by facilitating access and chose the right partner as soon as possible, especially in changing environmental conditions such as the Libyan environment nowadays. Coordination is also considered a dimension of AMC, and the relationship between the members of the family business and the reinforcement of the strength of the relationship between AMC and alliance performance. This is so as it is especially in the Libyan society when the relations are strong between employees, facilitating coordination between them as the level of trust will increase and both of them know how to deal With the other until the process of coordination of alliances. The cognitive dimension, which is based on common narrative and language, also increases the strength of the relationship between coordination and alliance performance, and achieve the goal of the alliance. That is, the higher the level of trust between individuals of the family business, the stronger the relationship between the AMC and alliance performance. Also by coordinating roles, and defining rules, precedents and procedures between partners of family businesses, the relationship between AMC and alliance performance can be increased. Among the AMC elements is also the learning from

partners, as it leads to alliance performance, through strong interpersonal relationships can make the relationship between AMC and alliance performance, more stronger, as the employees in the company do not hide the information that can the benefit of their partner, as well as the is stored and the level of trust increase, this helps to increase performance through the learning mechanism.

Furthermore, the knowledge of external partners should be communicated to the company units who are participatory in the alliance (Van de Vrande et al., 2009). The values characterising the shared objectives of a family business usually result in a higher degree of cohesiveness and commitment in the workforce, which adds to creating possible advantages over non-family businesses, which increases a partnership's success and alliance (Koka & Prescott, 2002; Payne et al., 2011). The shared vision of partners also increases the strength of the relationship between AMC and alliance performance. When the senior management decides alliance, the first step is to find the right partner to achieve the alliance's goals. As has been established, there is a positive relationship between AMC and alliance performance through previous results (H4), where the search for partners is within the proactiveness before starting alliances and finding the right partner and his choice will have a positive impact on alliance performance. It can also be said that the shared vision will make this relationship more strength especially in the Libyan family businesses. One of the key competitive advantages of family businesses is the use of a distinctive language of the family with a partner that enables and facilitate negotiate, coordinate, communicate competently and share more information (Tagiuri and Davis (1996). These findings of this study further support the idea that alliance experience tends to develop AMC. The coordination between partners also impacts on the alliance performance. The shared vision among the partners increases the strength of this relationship as both will be interested in achieving the common goal. The shared vision of the partners also increases the strength of the relationship between learning and alliance performance in Libyan family businesses. The shared vision makes the ideas close to the partners, especially in the Libyan environment. As mentioned previously, among the elements of Libyan culture is the language among partners. The Libyan family has one language that facilitates the process of convergence of vision between them, which facilitates the learning from partner to achieve the goals of the alliance.

Trust is herein found as a specific type provided that the family businesses with coordination within the project since firms share their work to obtain the expected results which are to improve alliance performance (Walter, 2005). In other words, family business especially in a dynamic environment, yields the benefit from the trust between partners which is essential for coordination (Gulati, 1995). Through other actors involved in the similar project the partners might experience unexpected behaviours. Thus, the trust allows partners to develop their commitment to getting the objectives of alliance; between the partners, family businesses are more willing to participate with other firms actively, and when there is trust between them, accordingly they will share work with other parties involved (Nygaard & Russo, 2008). These considerations are additional critical seeing that the coordination and trust are herein discussed as related to the alliance management capabilities context in Libyan family business. In fact, the environment in Libya is an extremely uncertain context especially in last years, which is requiring a high trust by partners of the family business that aims to improve the alliance performance. Family firms depend heavily on personal commitment and relationships to partners, which leads to interpersonal trust and a higher propensity for the alliance (Vaidya, 2012). The willingness to grant interpersonal trust correlates with the orientation toward an emphasis on personal relationships. In order to the successful start of an alliance arrangement among partners in the collaborating businesses is considered the Interpersonal trust is a vital prerequisite (Roessl, 2005). The decision for a collaboration arrangement requires a combined the family team decision, so when the improved emphasis on the relationships between personals can as well as make collaboration additional hard(López-Cózar-Navarro et al., 2017).

When knowledge is transferred between partners, the process of learning will be as a sender and a future (Squire, Cousins, & Brown, 2009). When the sender company engages in the alliance activities, then the trust will act as a signal that the receiver company will not involve in the opportunistic misappropriation of knowledge. In this case, when the member of partner visits their partners' necessity be confident that any learning is linked to the original agreement and not aimed at acquiring capabilities that support their competitive advantage. Without trust companies might still involve in such activities, however, will seek to decrease the transparency of significant processes and products, thus reducing knowledge transfer. Trust in this case encapsulates both the

reliability and integrity of an exchange between partners (Squire et al., 2009). The source will be more willing to share knowledge when they believe in the integrity of a recipient (G. F. Thomas, Zolin, & Hartman, 2009; Zand, 1972). The source can be more open without having to shield itself from opportunistic behaviour when the recipient is perceived to be trustworthy (Inkpen, 2000; Squire et al., 2009). Similarly, when the receiver trusts in the source reliability, they must be additional keen to listen and absorb the knowledge (McEvily et al., 2003; Ratnasingam, 2003). Trust must raise the completeness and accuracy of the knowledge transferred, wherever source units are prepared to expend additional effort to ensure exactness and are keen to take the openness risk (Inkpen & Currall, 2004; Mahmoudi Khorassani, 2012). Therefore, effort and time in the receiver unit are reduced where the receiver is more likely to accept the knowledge without confirmation (Abrams, Cross, Lesser, & Levin, 2003; McEvily et al., 2003).

## **7.9 The Effects of Control Variables**

The study has considered certain profiling variables and strategic factors as a control variable in order to control the indigeneity (Omitted variable bias) and also to indicate further implications of Hypothesised relationships (Abbott & Klaiber, 2011; Eshima & Anderson, 2017). Therefore, some control variables were used in the analysis, including company age, company size and position. However, these were found not to be statistically significant with regards to their impact on AMC and alliance performance. However, this study confirms that the company age, company size and position do not affect the relationship between AMC and alliance performance. This may imply that due to the resource-constraints, family businesses need to leverage their counterparts' resource to leverage alliance, in line with the RBV (J. Barney, 1991; Gnyawali & Park, 2009).

Usually, the number of employees in the Libyan family business is small so might the impact of the size of the company is insignificant. Consequently, the size of the family business can affect the type of function of the response. As the decision-maker of the alliance is close to the operational level, so the type of position has little effect on the hypothesised relationships. The age of the Libyan family business also has little impact on the supposed relations, which could be due to the volatile environmental situation in Libya. Libya has been undergoing special circumstances such as revolution and civil

wars since 2011. Accordingly, the degree of risk will increase, resulting in opportunities and threats — opportunities such as entry into new markets and the creation of new alliances, which is sometimes the case for newly established family business share more than the old family business.

## **7.10 Study Contributions**

This part has been summarising the contributions of the study. These contributions are explained in detail below.

### **7.10.1 Theoretical Contribution**

First, AMC is regarded as resources for competitive advantage because it is valuable, rare, difficult to imitate and non-substitutable (Priem & Butler, 2001). For the creation of competitive advantage, firms need appropriate capabilities to exploit the resources and to realise the value potential of resources. In the RBV literature, the empirical representation of the path between resources and performance has been missing (Kraaijenbrink et al., 2010). Stating differently, how AMC lead to the alliance performance in family businesses also is still unclear. By extending the logic of RBV to explain the link between resources, capabilities, and performance, this research clarifies this ambiguity.

Second, the empirically testing of the dimensions of AMC construct are the contribution towards the extant literature of AMC (that are alliance proactiveness, alliance coordination, and alliance learning) in the context of the family business. Accordingly, there is a lack of literature to integrate the dimensions of AMC in one study, specifically in the context of family business. However, the apparent benefits of AMC for the alliance of the family businesses have been neglected area of research. Consequently, the research widened the scope of alliance management capabilities research and provided sufficient evidence for the appropriateness of alliance management capabilities for the family business.

Third, the findings of this study provide important guidance regarding the alliance relationships success that assists in deciding if the alliance is a success of the promising option for the firms. The AMC is shown to have an essential suggestion with strategic decisions regarding the alliance. Based on this knowledge, the managers of the family business will be able to manage alliance between partners alliance performance.

Alliance reactiveness can assist managers of the family business to identify the potential opportunities in the external environment. The family business should possess AMC to establish close ties with partners to achieve alliance performance.

Fourth, understanding the AMC antecedents in the family business context has been added in the current research. Earlier literature has recognised the role of the alliance experience for AMC (Nambisan & Baron, 2009). Because AMC in the family business depends on the alliance experience, it is surprising that it has been overlooked by researchers to achieve alliance targets. However, the results of this study suggest that the alliance experience has increased effect on AMC in Libyan family business.

Fifth, in this study, the culture of family businesses has been added as the antecedent to AMC whereas the culture of family business differs from non-family businesses (Zahra et al., 2004). The first empirical support was found for the positive significant full mediating effect of AMC on the relationship between the culture of family business and alliance performance.

Sixth, Libya is from the Arab Spring countries; the revolution broke out in February 2011, which led to civil wars and instability in the external environment, especially political instability. So far, however, there has been little discussion about the external environment. It is surprising that it has been overlooked by researchers Where did not study AMC in such changeful and hazardous environments.

Furthermore, the contribution of the current study is in incorporating the role of social capital into the main body of the literature of AMC. To the best of the author's knowledge, to date, there have been no empirical studies to investigate the moderating role of social capital on the relationship between AMC and alliance performance. The results deliver a unique contribution to current study regarding understanding the influence of high and low level of social capital on the relationship between AMC and alliance performance.

### **7.10.2 Methodological Contribution**

The present research offers some methodological contributions through developing, operationalising and empirically examination the scales to assess strategic alliances. In specific, the improvement of multi-item measures such as measuring the independent

variables, the dependent variables of AMC and the moderator variable in the Libyan family business, because most of the measurements of these variables were shown to have good reliability and validity in the non-family business and different context. The research has shown that developed scales deliver an excellent degree of generalizability as a result of examination these scales across a range of family business. Furthermore, through evolving, assessing and validating the measures, methodological opportunities are delivered for authoress in this field to develop the understanding of AMC in the family business. Thus, this study contributes to the methodological part by validating these measurements in a different context.

### **7.10.3 Empirical Contribution**

The main argument and finding of the research are that how the family business can capitalise leverage the potential value of alliance management capabilities for alliance performance. In specific, alliance management capabilities mediate the relationship between alliance experience, the culture of the family business, and political instability and alliances performance in the context of Libyan family business success. Also, social capital is recognised as moderators to influence the relationship between alliance management capabilities and alliance performance. According to that, a number of practical and managerial implications can be drawn from the research results.

First, the present research has implications for public sector policy-makers in developing countries like Arab countries. With the increasing competition in the dynamic market, as a result, there is a growing need to increase the alliance performance of the family business. The results suggest that the family business can enhance alliance performance by paying attention to the aspect of AMC to an exploitation of the company's resources. Thus, a significant implication for decision-makers in the family business seeking alliance performance is that there must be flexible public mechanisms for the efficient provision to improve AMC.

Second, the results of the current study also could be valuable to managers of the family business in developing AMC. Accordingly, the consequence of the research brought out some knowledge that could develop the practice of AMC in the family business. Based on the results of this study, the family business could consider exploring the obstacles to the success of alliances. This would increase the disclosure of market

information and will decrease uncertainty and will assist the family business to disclose the alliance's information.

Third, the current research adds to the literature by examining how the family business can capitalise the potential AMC for alliance performance. Consequently, the managers of family business functioning in developing countries contexts to better understand the difficulties and factors involved in the alliance, and they can use the findings of this study as a learning instrument. Particular the countries that are similar to Libya in culture such as Arabic countries. This part of the study contributes to the literature of alliance management capabilities, and family business.

### **7.11 Conclusion**

Recently, family firms have been important in market economies (Durnev, Morck, Yeung, & Zarowin, 2003). Due to the rapid change of the business environment, alliances have become significant strategic manoeuvres in businesses market (Eisenhardt & Schoonhoven, 1996). Despite the popularity of the alliance, however, it has the early termination and a high failure rate (Madhok, Keyhani, Bossink, & Vlaar, 2015). Lack of resource complementarity and capabilities are the causes of alliances failure as explanations by the literature as has been explained by a number of studies. Especially in the family SMEs context, many alliances fail because of the lack of coordination, learning mechanisms and insufficient absorptive capacity (Berends, Jelinek, Reymen, & Stultiëns, 2014).

To address these gaps, the current research extends AMC literature by identifying how AMC develops the alliance performance in the family business, and how AMC developed by alliance experience, the culture of family business and political instability. This research adds to the research of RBV, family business, AMC, and Libyan context and establishes a link between resources, capabilities, and alliance performance. This is an essential contribution to existing RBV research since the empirical representation of the path between resources and performance has been missing especially in the family business. Furthermore, social capital has examined as the moderator on the relationship between AMC and alliance performance. According to the previous literature, AMC has employed a straight-forward approach to link with firm performance (Schreiner et al. (2009) or alliance performance (Schilke & Goerzen,

2010). The study examined AMC and the antecedents, which can develop AMC such as alliance experience, the culture of family business and the political instability to gain the benefits of AMC. The result showed that AMC is relevant to gain the benefits of the alliance performance in Libyan family business. This research has also shed light on the moderating influence of social capital. The result also showed that social capital makes the relation between AMC and alliance performance much stronger.

The research adopts the quantitative method, having the collected data from the questionnaire from the Libyan family business. The questionnaire was launched using the Qualtrics platform where a unique link was sent to the participants. A total of 302 valid questionnaire responses were received, which represents an acceptable response rate (M. Saunders, P. Lewis, & A. Thornhill, 2007). The data is analysed using two-factor analysis techniques: exploratory factor analysis and confirmatory factor analysis. The results of both techniques recommend measurement of the scales reliability and validity. Furthermore, the results of confirmatory factor analysis recommend that the model be suitable for measurement.

The research findings provided support for all of propositions relationships; verifying a strong positive relationship among alliance experience and AMC. The relationship between the culture of family business and AMC and radical the link between political instability and AMC is supported. Moreover, the results recommend that alliance management capabilities have a significant positive influence on the alliance performance. Furthermore, AMC is partially mediate the relationship between (i) alliance experience and alliance performance, (ii) political instability and alliance performance. However, it is a full mediator between the culture of family business and alliance performance. Furthermore, social capital moderates the linkage between alliance management capabilities and alliance performance.

This study nevertheless has a number of limitations despite the findings and contributions described above. First, the use of Libya as a case to examine the AMC has its perspective, the unique insight into the North African countries especially in light of the recent political disruption in the region. On another hand, the finding of the research can be limited and not generalized for the other North African countries (Bryman & Bell, 2015). This is due to the research focuses only on the context of Libya, and therefore limits any comparison with other countries that do not share the language,

religion, economic systems, culture, and a similar governance structure. In this study, the impact of the culture of Libyan family businesses on AMC has been studied. The culture of Libyan society in particular and the Arab community, in general, is different from Western societies. The Libyan and Arab societies are a collectivist-society, while Western societies are individual societies. However, future research is needed to replicating this study in a different culture such as developed countries. This research is limited only to the sector of family SMEs, and the respondents were managers or owners. Therefore, replicating this study on different industries in Libya or other countries (developed or developing countries) would indeed increase the possibility of generalizing the findings and also enhanced as well as might be possible and valuable and develop the understanding of the research issues.

Second, this study examined an essential aspect of the external environment, which is the effect of the political instability on the AMC where this relationship was measured in the Libyan environment that is coupled with civil unrest and political instability and hence considered as a unique case. However, future research is needed to include another important element in the external environment - the technological turmoil in the market (Alexiev et al., 2016; Pratono, 2016).

Third, the Questionnaire is the primary tool for collecting data for both dependent and independent variables. To safeguard against the issue of common method bias, a number of procedural remedies were 302 incorporated when designing the survey (Podsakoff, 2003). For instance, separate scale formats were used for the dependent and independent variables. The respondents had sufficient knowledge about the variables of this research. Furthermore, the imaginable influence of common method bias was evaluated using a number of statistical tests were (Podsakoff, 2003; Wingate, Sng, & Loprinzi, 2018). The results of the present research recommended that the use of common method bias is not mattered to support single informant approach, previous studies have shown that single informant approach can produce a consistent and reliable data (Podsakoff, 2003). However, the main approach limitation is that one person's reality cannot represent neither the characteristics nor the quality of the business (N. Kumar, Stern, & Anderson, 1993; Van Bruggen, Lilien, & Kacker, 2002). Future research can consider the use of multiple informants approach over the single approach even through collecting the cross-sectional data.

Finally, the research variables involved were based on a thorough review of empirical and theoretical related literature; there is an opportunity that essential variables may have been missed. Therefore, there is a chance for future study to examine and identify the influence of any missing variables. For instance, succession in the family business could be a potential variable affecting the AMC. In the family SMEs, the manager and the owner have an important role in making decisions, especially regarding the alliance, so there is a need to study how to influence decision maker on AMC.

In conclusion, the current research has extended previous knowledge by providing valuable insights into the relationship between alliance management capabilities, and alliance performance of the family business. It is significant in paving the way for additional comprehensive research on the strategic alliance. The author encourages the family business to consider and use the results of the study to their alliance project management to realise superior alliance performance.

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## APPENDIX 1 INFORMATION SHEET

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You are being invited to take part in the study of '**The Requirements of Alliance Management Capabilities antecedents and impact: Evidence from the Libyan family business sector**'. Before you decide to take part it is important that you understand why the research is being done and what it will involve. Please take time to read the following information carefully and discuss it with me if you wish. Please do not hesitate to ask if there is anything that is not clear or if you would like more information.

The purpose of this study is to investigate the relationship between alliance experience and alliance performance, and the role of AMC in this relationship in Libyan family businesses.

You have been asked to participate because you are one of the main stakeholders responsible for providing, organising, and supervising accounting education programmes at Libyan universities.

It is your decision whether or not you take part. If you decide to take part you should be aware that your participation is voluntary. Also, you will be asked to sign a consent form, and you will be free to withdraw without obligations at any time and without giving a reason. Therefore, your views are essential to the success of this study and will be greatly appreciated. A decision to withdraw, or a decision not to take part, will not affect you.

All information disclosed within the questionnaire will be kept confidential, except where legal obligations would necessitate disclosure by the researchers to appropriate personnel.

All information collected from you during this research will be kept secure and any identifying material, such as names will be removed in order to ensure anonymity. It is anticipated that the research at some point, will be published in a journal or report. However, should this happen, anonymity will be ensured, although it may be necessary to use your words in the presentation of the findings and your permission for this is included in the consent form.

If you require any further information ab the research, please contact me (detailed contact attached below).

Thanking you in advance for your valuable assistance in this research.

Yours sincerely

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## APPENDIX 2 – QUESTIONNAIRE FOR FINAL STUDY

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### Alliance Management Capabilities in Libyan Family Business

Dear Sir/Madam,

I am a PhD student at the University of Huddersfield, UK. Currently, I am preparing my PhD. The purpose of this study is to delineate the role of alliance management capabilities on alliances performance and to explore the potential antecedents of alliance management capabilities (e.g. the culture of family business, alliance experience, political instability and market turbulence) and the moderating effect of social capital.

As part of my research, you are cordially invited to participate in a short questionnaire. The questionnaire covers general information and asks about your thoughts regarding your general alliance activity with other companies. This questionnaire would not take more than 15 minutes.

This questionnaire is entirely confidential. All responses will be aggregated and summarised into one report. Your answers and all information resulting from this survey will remain with me and be kept secure and just used for this research.

If you have further question or explanation about this study, please do not hesitate to contact my supervisor or me via the addresses below.

Thank you in advance for your valuable assistance in this research.

Yours sincerely

Abdalhamed Nasr  
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**SECTION A: GENERAL INFORMATION ABOUT YOURSELF AND YOUR COMPANY**

For section A questions below, please choose the one or add a most appropriate answer to indicate:

What is the name of your company? (optional)[.....]

What is your position in the company? Owner [ ] Executive Manager [ ]

How many employees are in your company? Less than 4 [ ] 5 -9 [ ] 10-49[ ] 50-99[ ] 100 and over [ ]

Type of business  
 Manufacturing [ ] Construction [ ] Service [ ] Retail trade [ ]  
 Agricultural [ ] Transportation [ ] Tourism [ ] Other [.....]

Age of company  
 Less than 5 years[ ] 5-Less than 10 year[ ] 10-Less than 20 years[ ] 20 years and over [ ]

**SECTION B: ALLIANCE MANAGEMENT CAPABILITIES**

**B1** Please circle the appropriate number on the 5-point scales below to indicate your view regarding the items listed under each factor

1 = strongly disagree, 5 = strongly agree.

**B1** Proactiveness (regarding your search for new partner)

We actively monitor our environment to identify partnering opportunities. 1 2 3 4 5

We are alert to market developments that create potential alliance opportunities. 1 2 3 4 5

We often take the initiative to approach companies that have proposals similar to the business of our company 1 2 3 4 5

We are proactive and responsive in finding and “going after” Interorganisational technology transfer partnerships. 1 2 3 4 5

**B2** Coordination (to keep your relationship with your partner smooth and stable)

Our activities across different alliances are well coordinated. 1 2 3 4 5

We have processes to transfer knowledge across alliance partners systematically. 1 2 3 4 5

We ensure an appropriate coordination among the activities of our different alliances. 1 2 3 4 5

There is a great deal of interaction with our partners on most decisions. 1 2 3 4 5

<b>B3</b>	<b>Learning (to increase your chance of learning from your partners)</b>								
<b>We have the capability to learn from our partners.</b>					1	2	3	4	5
<b>We have the managerial competence to absorb new knowledge from our partners.</b>					1	2	3	4	5
<b>We have adequate routines to analyse the information obtained from our partners.</b>					1	2	3	4	5
<b>We can successfully integrate our existing knowledge with new information acquired from our partners.</b>					1	2	3	4	5
<b>We have the capability to learn from our partners.</b>					1	2	3	4	5
<b>We modify our alliance related procedures as we learn from experience.</b>					1	2	3	4	5
<b>SECTION C: ANTECEDENT OF AMC- ALLIANCE EXPERIENCE</b>									
<b>C1</b>	Please indicate the number of prior agreements of your business units with alliance partners within the past five years.	Fewer than 2 [ ]	2-4 [ ]	5-10 [ ]	More than 10 [ ]				
<b>SECTION D: ANTECEDENT OF AMC- CULTURE OF FAMILY BUSINESS</b>									
<b>D1</b>	<b>Language</b>								
Using the 5-point scales below, please indicate the extent to which you believe the factors listed below influence alliance management capabilities									
1 = strongly disagree, 5 = strongly agree									
<b>We often speak about the importance of alliances to our company.</b>					1	2	3	4	5
<b>We always act in a timely manner toward our partners and their requirements.</b>					1	2	3	4	5
<b>We fully honour our commitments to our partners in a timely manner.</b>					1	2	3	4	5
<b>There is so much to be learned by participating with the family businesses on a long-term basis.</b>					1	2	3	4	5
<b>SECTION E: ANTECEDENT OF AMC- POLITICAL INSTABILITY</b>									
Using the 5-point scales below, please indicate to what extent do you agree with the following statement?									
1 = strongly disagree, 5 = strongly agree									

<b>Do you regularly have to cope with unexpected changes in rules, laws or policies which materially affect your business?</b>		1	2	3	4	5
<b>In the case of necessary changes in laws or policies affecting my business operation, the government takes into account concerns voiced either by our business association or by me.</b>		1	2	3	4	5
<b>We constantly fear unconstitutional government changes (i.e. coups) that are accompanied by far-reaching policy surprises with significant impact on our business.</b>		1	2	3	4	5
<b>We are not confident that the state authorities protect my person and my property from criminal actions.</b>		1	2	3	4	5
<b>Theft and crime are serious problems that can substantially increase the costs of doing business.</b>		1	2	3	4	5
<b>SECTION G: SOCIAL CAPITAL</b>						
<b>Please indicate, using the 5-point scale below, to what extent do you agree or disagree with each listed item.</b>						
<b>1 = strongly disagree, 5 = strongly agree</b>						
<b>G1</b>	<b>Structural dimension</b> <b>(regarding the degree of contact and accessibility of one with other people)</b>					
<b>To what extent do you engage in the following types of activities with your partners?</b>						
<b>A frequent and intensive interaction between the personnel.</b>		1	2	3	4	5
<b>We and Our partners have a socially common bond.</b>		1	2	3	4	5
<b>The relationship with our partners goes beyond business and often involves social activities together (e.g. entertainment, organised social events, competition).</b>		1	2	3	4	5
<b>G2</b>	<b>Cognitive norms dimension</b> <b>(The degree to which one has collective goals, missions and visions with other people)</b>					
<b>Culture, values and management style are similar with our partners.</b>		1	2	3	4	5
<b>The same vision of business in the relationship.</b>		1	2	3	4	5
<b>We share the same ambitions and vision.</b>		1	2	3	4	5
<b>Our partners and we both understand each other with business jargon.</b>		1	2	3	4	5
<b>Our partners and we both easily obtain a consensus after discussion.</b>		1	2	3	4	5



