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Why does alliance portfolio behavior differ?

A MNC international business strategy perspective

ABSTRACT

This paper extends Integration – Responsiveness framework (Prahalad and Doz, 1987; Bartlett and Ghoshal, 1989) of the international business strategies of multinational companies (MNCs) to explain the MNC's varying approaches to managing its strategic alliance portfolios. Our research shows that the alliance portfolios of MNCs differ significantly with respect to partner integration and the partner heterogeneity. We argue that the choice of alliance portfolio approach is dependent on the MNC's international business strategy. The empirical results reveal the impact of local responsiveness on the use of the different types of alliance partners, and the impact of global integration on the level of global partner integration respectively. Furthermore, this paper identifies a correlation between an MNC's transnationalisation and establishing global innovation constellations.

Key words: international strategy, strategic alliances, globalization, integration, responsiveness

1 INTRODUCTION

The increasing importance of multinational firms (MNC) and strategic alliances on global markets leads to the question of how the MNC's choice of international business strategy impacts its alliance portfolio management. This paper is concerned with extending the theory of international business strategy to explain why the global alliance portfolio management differs across MNCs. In particular, we extend the understanding of how the need for the local responsiveness and the global integration (Prahalad and Doz 1987; Ghoshal and Bartlett, 1993) lead the MNC to choose different types of partners and different levels of partner integration. The purpose of this paper is to propose a new theoretical approach linking a firm's international business strategy and its alliance portfolio strategy. The study is motivated by three lines of argument.

First, globalization is posing new management challenges by the geographic dispersion of the value chain. This has resulted in the rise of new organizational structures (Barkema et al. 2002), such as focused MNC's and global alliance constellations. Leading MNCs are increasingly using alliances and partnering on the globalizing markets to increase their competitive advantage (Harbison and Pekar, 1997; Dunning, 2004; Hoffmann, 2007) with different types of players such as customers, suppliers, competitors and complementors (Brandenburger & Nalebuff, 1996). Also the number of firms within alliance constellations has grown. For example, firms such as Nokia and Hewlett-Packard have alliance constellations exceeding four hundred members solely in the application development function (Vapola et al – forthcoming). Further, MNC's have been co-operating *more extensively* with foreign firms. Given the scale and technology costs associated with global competition, many MNC's have focused on fewer activities internally and outsourced more to their partners (Barkema et al., 2002). Contractor and Lorange (2002) forecast that alliances will play a major role in complex, interdependent and communicative globalizing markets. While alliances are increasingly central to MNC's strategy (Lorange and Roos, 1992), also new issues resulting from managing a large portfolio of alliances have arisen (Gulati, 1998). The alliance portfolio management become important strategic issue (Hoffmann, 2007). Therefore, the phenomenon merits some further academic attention also from the perspective of the international business strategy theory.

Second, while there is a wealth of literature within both research streams, the international business strategy (Stopford and Wells, 1972; Prahalad and Doz, 1987; Bartlett and Ghoshal, 1989; Doz et al., 2001; Kogut and Zander, 1993; Birkinshaw et al, 2006) and the strategic alliances (Harrigan 1988; Ohmae, 1989; Parkhe 1993; Gomes-Casseres, 1996; Gulati 1998; Eisenhardt and Schoonhoven 1996; Khanna et al. 1998; Contractor and Lorange, 2002), there is less research explicitly examining the link between the two. Thus, theory development that addresses this linkage warrants further attention due to the potential for incongruent objectives of the two levels of strategy.

Third, an MNC's approach to managing geographical and functional differences via strategic alliances affects firm competitiveness, so any decision to partner rather than managing the particular activity internally is potentially very important to the future success of the MNC (Dyer, 1996; Gulati, 1998) There are established studies on the impact of strategic alliances on an MNC's performance, and it is now accepted that co-specialization, complementary partnerships and access to knowledge spillovers provide important benefits to the MNC (Teece 1987; Harrigan 1988; Parkhe 1993; Hamel 1991; Dyer 1996; Stuart, 2000; Sarkar et al. 2001; Gimeno 2004; Vapola and Seppala, 2006). However, the focus of prior research in this area has been primarily on the activity-based motivations, and there has been little research that addresses the impact of a firm's internal strategic approaches on its management of a large number of external relationships. Rather than the individual alliance level, the MNC's overall performance from alliances is driven at the bundle of alliance portfolio level, which places the structure and strategic orientation of the alliance portfolio to the center of attention (Hoffmann, 2007).

In sum, the purpose of this paper is to propose a new theoretical approach linking a firm's international business strategy and its alliance portfolio management. The paper inductively develops three propositions and a framework based upon empirical data gathered from five in-depth case studies including extensive archival research. In this paper, the MNC is defined as a large multinational firm with significant tangible and intangible assets and hence the capacity to operate widely across the globe, with global learning as a critical source of competitive advantage (Bartlett and Ghoshal, 1989, Doz et al., 2001). We define alliances as all types of cooperative inter-organizational relationships that create and/or protect competitive advantage (Doz and Hamel 1998; Hagedoorn & Osborn, 1997). An alliance portfolio is the set of all alliances the focal MNC has with its external partners (Hoffmann, 2007). These alliances can range from joint ventures (defined as equity-based tightly integrated alliances with one or few partners) to alliance constellations (defined by Gomes-Casseres (1996) as a set of firms linked together through alliances that competes in a particular competitive domain).

The remainder of this article is organized as follows. First, we begin by expanding a theoretical framework for international business strategy to explain the MNC's alliance portfolio management approach. Second, we explain our data collection and methodology. Third, we analyze the empirical findings. Finally, conclusions are drawn and future research directions are offered.

2 GLOBAL STRATEGIC MANAGEMENT PERSPECTIVE TO ALLIANCE BEHAVIOUR

Next, the existing literature on the global strategic management research is reviewed. Based on this review, a new theoretical framework for conceptualizing the implication of the MNC's international business strategy to its alliance portfolio management is drawn.

GLOBAL STRATEGIC MANAGEMENT RESEARCH

Global strategic management scholars have sought to explain both why and how firms internationalize and thus differ in their structure. Extensive research has been conducted, stemming from distinct directions. The first literature stream builds upon the internalization model of foreign expansion (Buckley and Casson, 1976) that suggests that MNC's will establish foreign activities in the case of strong ownership, location and internalization advantages (Dunning, 1981). This economic theory model assumes that MNC's systematically engage in a cost-benefit calculus of different entry modes (Rugman and Verbeke, 2004). Growth is a core perspective in generating an understanding of why firms internationalize their activities (Dunning, 2004). An alternate approach to explaining MNC international strategy has emerged within the Nordic international business research tradition (Johanson & Vahlne, 1977; Luostarinen, 1979). While it is also stemming from the concept of growth of the firm (Penrose, 1959), the behavioral perspective (Cyert and March, 1963) has strongly influenced the theoretical approach underlying the perception of the firm (Johansson and Vahlne, 2001). Johanson and Mattson (1988) comment that the internationalization model of foreign expansion ”leaves out characteristics of the firm and the market which seem especially important in the case of ‘global competition’ and co-operation in industrial systems”.

A complementary research stream has focused particularly on the impact of MNC international strategy on firm structure (Chandler, 1966, 1975; Stopford and Wells, 1972; Franko, 1976; Daniels et al., 1984). Chandler showed that diversity (1966) and internationalization (1975) have an impact on a firm's organization. Stopford and Wells (1972) identify the firm's international strategy, in terms of diversity and foreign involvement, and the resulting division level configuration of the MNC. The model has been criticized on the validity of the divisional configuration (Bartlett, 1983), and its inability to integrate the global strategies and national responsiveness (Doz, 1980; Egelhoff, 1988).

Addressing these issues, international business strategy have resulted in a relatively simple strategic framework (Ricart et al., 2004). International business strategy research focuses on describing the complexity and opposite forces of global integration and local responsiveness, which are captured in the ‘I – R’ framework (Doz and Prahalad, 1987; Ghoshal and Bartlett, 1993; Hedlund 1993; Yip 2003). This framework is shown to be applicable for empirical testing (Harzing, 2000) and has been found to be parsimonious while accounting for significant variations across MNC's (Roth and Morrison, 1990). While a simplification of MNC international business strategy, the resulting firm typologies can be utilized as a framework against which to evaluate more fine grained elements of MNC strategy, such as strategic alliancing behavior.

EFFECT OF GLOBAL STRATEGIC MANAGEMENT ON STRATEGIC ALLIANCES OF THE MNC

Strategic alliances are a diverse and popular topic in strategic management and international business (Harrigan 1988; Hennart 1988; Hamel et al. 1989; Hagedoorn 1993; Parkhe 1993; Eisenhardt and Schoonhoven 1996; Nakamura, 2005; Anh et al., 2006; Dong and Glaister, 2006; Garcia-Canal and Sanchez-Lorda, 2007; Nielsen, 2007). As with internationalization, the research addressing strategic alliances has approached inter-firm cooperation from different perspectives. Strategic objectives for alliancing include achieving economies of scale and scope and limiting transaction costs (Hennart 1988), getting access to unique and valuable complementary resources (Eisenhardt and Schoonhoven 1996; Garcia-Canal and Sanchez-Lorda, 2007), learning (Hamel et al. 1989; Hagedoorn 1993; Khanna et al. 1998; Nakamura, 2005; Anh et at. 2006; Dong and Glaister, 2006), gaining market power (Hagedoorn 1993), gaining market access (Dong and Glaister, 2006), managing and sharing risk (Hennart 1988; Hamel et al. 1989; Ohmae 1989), creating options for future investment (Kogut 1991), and competitive responses (Gimeno 2004). The reasons for alliancing can be offensive or defensive (Spekman et al. 1998).

Strategic alliances have generally fallen outside the global strategic management strategy-structure discussion as they lie outside the firm boundary. However, Björkman and Forsgren (2004) suggest that long-term partnerships play a significant role in the MNC's international business strategy. Extending this thinking seems logical. Furthermore, the strategic management literature, such as Bartlett and Ghoshal (1989), emphasizes the need for strategic consistency within the MNC in order to accrue the benefits of the international strategy and arrive at a position of competitive advantage. According to Ghoshal and Bartlett (1990), the MNC's subsidiaries form a certain type of network. Extending this, the firm's network of alliance partners may also be configured according to the same logic in terms of the configuration of assets, roles of partners, diffusion of knowledge, management mentality, control and structure (Bartlett and Ghoshal, 1989). The strategic alliances may provide a remedy for deficiencies in the MNC's internal configuration (Prahalad and Doz, 1987). The international strategy may thus be important for explaining the formation and development of the particular MNC's strategic alliance portfolio management approach. As the key functions of the MNC are organized and distributed globally according to the choice of the international business strategy (Ricart et al., 2004), this might suggest that the overall partnering needs for the MNC's alliance portfolio vary according to the I – R framework.

Global and transnational strategies imply a high level of integration of the MNC's activities (Leong and Tan, 1993; Harzing, 2000). Driven by economies of scale global and transnational MNCs seek standardized solutions and processes (Harzing, 2000). A Global strategy leads to tight operational control and centralized decision-making, while the transnational strategy allows for more interdependent operations and decision-making. In both cases MNCs might wish to closely integrate not only at the subsidiary level but also includes the external partners within the value net. This leads to a proposition that a high level of MNC integration internally is expected to be reflected in the similar needs for its partner portfolio management. On the other hand, MNCs following multi-domestic and international strategies correspondingly do not seek high centralization leading to a lesser need to integrate their partners. Hence, the following:

> *Proposition 1. The higher the international business strategic need for global integration, the higher integration level with partners within the alliance portfolio.*

Conversely, when approaching the countries from local responsiveness perspective, multi-domestic and transnational strategies suggest that the markets are treated autonomously. Furthermore, as the local markets are served through differentiated policies and processes

(Harzing, 2000), the types of partners, and the scope of activities with each of them, can be rather different across the whole MNC. Hence, the MNC can maximize activities in each country on a case-by-case basis by choosing the optimal partner for that particular country. The decisions are made on the local level. Further, an MNC following a transnational strategy typically has inter-dependent subsidiaries serving as strategic centers for particular activities or product-markets (Leong and Tan, 1993; Harzing, 2000); which implies that each of these subsidiaries may have substantially different needs for partnerships. In both cases, the likelihood of needing multiple types of partners for the MNC as a whole is expected to be high. On the other hand, MNCs applying an international or a global strategy seek the added value from its partners through economies of scale on a global basis, and hence the expectation is that the number of different types of partners is kept to a minimum. Respectively, an international strategy exploits headquarter knowledge and capabilities through worldwide diffusion, where local heterogeneity is low.

Hence, the reasoning for the second proposition is straightforward: in order for the MNC to achieve a high level of local responsiveness implies high levels of customization of approaches in order to serve the local needs, which maximizes the need of accommodating different types of partners in the local level. Hence, the proposition:

> *Proposition 2: Higher the international business strategic need for local responsiveness, the higher the partner heterogeneity.*

Finally, the very definition of transnational strategy implies high levels of both integration and localization of the MNC's activities, which maximizes the interdependence of each activity on a global basis (Leong and Tan, 1993; Harzing, 2000). Therefore, the transnational strategy should yield to the highest requirements on both factors: the partner heterogeneity as well as the integration depth. Hence, the same MNC might have a few tightly integrated partners as well as a large number of loosely coupled different partners in its portfolio.

Proposition 3: The higher the international business strategic need for both local responsiveness and global integration, the higher both the partner heterogeneity and the integration level of partners within the alliance portfolio.

The following figure summarizes the extension of the 'I – R' framework by inclusion of the factors describing alliance portfolio management. The framework suggests that the partner heterogeneity and partner integration to the MNC's activities on a global basis are dependent on the MNC's choice of international business strategy.

Figure 1 Framework for alliance portfolio management

Partner integration

Global Strategy	**Transnational Strategy**
1* Centralized and globally scaled **2*** Partner implementing MNC strategies **3***: Knowledge developed and retained at the MNC **4*** Global mentality: partners are treated on a unified manner in all markets **5*** Operational control: tight central control of decisions, resources and information towards partners **6*** Centralized Hub: partners are integrated tightly into the MNC's centralized hub	**1*** Dispersed, interdependent, and specialized **2*** Differentiated contributions by partners to integrated worldwide operations of the MNC **3*** Knowledge developed jointly with partners and shared worldwide **4*** Complex process of coordination and cooperation in an environment of shared decision making between the MNC and its partners **5*** Large flows of components, products, resources, people, and information among interdependent MNC and its partners **6*** Distributed, specialized resources and capabilities between the MNC and its partners
International Strategy	**Multi-domestic Strategy**
1* Sources of core competencies are centralized within the MNC, others decentralized between partners **2*** Partners adapting and leveraging MNC competencies **3*** Knowledge developed at the MNC's center and transferred to partners **4*** International mentality: foreign partners are regarded as appendages to a central domestic corporation **5*** Administrative Control: Formal management planning and control systems allow tighter MNC-partner linkage **6*** Coordinated Federation: Many assets, resources, responsibilities and decision decentralized between the MNC and its partners, but controlled from the MNC	**1*** Decentralized and nationally self-sufficient partnerships **2*** Sensing and exploiting local opportunities with partners **3*** Knowledge developed and retained within a project or unit dealing with the partner **4*** Multinational mentality: management regards foreign partnerships as a portfolio of independent relationships managed locally **5*** Personal control: informal MNC-partner relationships overlaid with simple financial controls **6*** Decentralized federation: many key assets, responsibilities and decisions decentralized between the MNC and its partners

Partner heterogeneity

***Description:** *Organizational characteristics:* 1) Configuration of assets and capabilities, 2) Role of overseas operations, 3) Development and diffusion of knowledge; *Organizational model:* 4) Mentality, 5) Control 6) Structure

3 RESEARCH METHODOLOGY

METHOD

The objective of this study is to extend an existing theory by drawing on in-depth case studies (Eisenhardt & Graebner, 2007). The research question asks how an established theoretical position may be extended (Lee, Mitchell & Sabylinski, 1999) beyond the initial scope of the theory. While the I – R framework (Prahalad & Doz, 1987; Bartlett & Ghoshal, 1989) serves to explain the strategic management of the multinational corporation with respect to the conditions for integration and local responsiveness, the research is limited to within the boundaries of the MNC. We fill this research gap through by extending the theory to external relationships, namely the management of strategic alliance portfolio.

The research follows an inductive process building theory from insights developed from a multiple case study. The study utilized a theoretical sampling of cases in selecting the five case MNCs. The theoretical sample was based on two reasons. First, the replication and contrary replicaton logic, which reinforces the robustness and verification of findings through access to multiple case firms (Eisenhardt & Graebner, 2007) of different sizes within different industries. Second, RESPONSE research project focusing on the leading MNCs in Finland provided us an unusual opportunity for an open-access to the case firms (Yin, 1994). The theory building was based on pattern recognition with respect to the central theoretical I – R framework (Eisenhardt & Graebner, 2007).

The data was gathered from a variety of sources (Yin, 1994), including interviews and secondary data sources including case firm annual reports, corporate websites, and archives of business press articles. Multiple interviews were conducted within each case firm to limit the informant bias (Eisenhardt & Graebner, 2007). The longitudinal secondary data was collected from a period of over 10 years in order to gain an in-depth understanding of the case firms and to mitigate the interview respondents' sense-making and retrospectives on their management decisions (ibid.) and place responses in an extra-local and historical context (Burawoy, 1998).

Drawing upon Eisenhardt and Graebner (2007) this paper is structured around the development of existing theory. The argumentation supporting each proposed extension to the theory is supported by evidence from the cases. The empirical grounding of the argumentation is drawn directly from the collected data and is demonstrated by summary tables. The empirical support of each proposition emphasizes the methodological rigor and the depth of the study. The patterns that emerged through the inductive process of the data analysis were matched with the theoretical arguments of the framework providing a logic based link between constructs. Based on empirical analysis approach developed by Harzing (2000), the typology of the international business strategy was derived from in depth interviews of MNC managers responsible for the strategy creation. Second, the alliance strategy was derived from the full range of data sources. The raw data was subjected to the selected key word search (c.f. Appendix). Based on the word hits, a database of categorized quotations was created and verified following multiple iterations and cross-reviews. The strict abidance to multiple case study protocol and the utilization of replication logic further increases the rigor of the research findings (Eisenhardt, 1989; Yin, 1994).

Based on the collected data we analyze whether there is a pattern and a relationship, as suggested, between the MNC's international business strategies and the characteristics of the partner behavior in its alliances. The summary of the findings is presented in the alliance portfolio management framework, whch provides a basis for further empirical testing of this new theory.

DATA

The phenomenon of alliancing behavior was studied within the context of five leading Finnish MNC's in industries described to be high-tech and knowledge intensive. The wider setting of the study is Finland which, as a small open country characterized by internationalizing firms, provides an interesting setting for international business strategy research (Luostarinen and Gabrielsson 2004). The smallness and openness of the home market has contributed to the importance of international business (Luostarinen, 1979; Björkman and Forsgren, 2000). Furthermore, the alliance activity has significantly increased during the 2000s in the high-tech sector (Vapola, Tossavainen and Gabrielsson, forthcoming), which makes it relevant to our study. The international business strategy of the case MNC's are classified (c.f. Harzing, 2000 for the method) according to interviews with senior management in the table below.

Table 1 Classification of the case MNC's

Name of MNC	*Industry*	*Annual sales revenue (2005)*	*Percentage of international sales (2005)*	*Type of MNC international business strategy*
Honkarakenne	Log houses	78 M €	2/3 outside of Finland	Multi-domestic
Perlos	Telecommunications	667 M€	46% outside of Europe	Global
Wärtsilä	Marine engineering	2 639 M€	61% of sales are outside of Europe	Global
Nokia	Telecommunications	34 191 M€	Approx. half of the sales outside of Europe	Transnational
Kone	Elevators, escalators, automatic doors and autowalks	3 242 M€	approximately 40% outside of Europe	Transnational

The data gathering process was comprised of interviews with firm management and the collection of business media and firm communications archival data. The 34 interviewees at the case firms ranged from Director to Group Senior Vice President level. All these managers are directly involved in the strategy development of these MNCs. The interviews covered both a structured questionnaire as well as complementary semi-structured questions. The structured interview guide allowed the respondent to answer standardized questions, including quantitative questions on a Likert scale, further yielding data that facilitates cross-case comparisons. In addition to the interview guide further questions were posed relevant to the respondent's area of expertise allowing for a deeper understanding of the case. Each interview lasted for an average of two hours, and each was digitally recorded, transcribed and verified by the respondents for accuracy. Furthermore, a minimum of 2 persons were present at each interview and another 2 persons verified that the findings had been correctly interpreted.

A thorough review of the national Finnish business press was conducted including the leading business newspapers *Kauppalehti* and *Talous Sanomat* as well as the business magazine *Optio*. A keyword search from January 1997 to June 2007 was conducted revealing articles regarding at least one of the five case firms and a term describing inter-firm cooperation, strategic alliances, partnerships, etc. Further, archival data collection was also undertaken utilizing the case firm's annual reports from 1997 until present as well as corporate communications and press release archives available through company websites. These corporate communications and their appendices were analyzed with respect to mentions of strategic alliances, partnerships and other terms describing inter-firm cooperation and alliance behavior. The secondary data search yielded over 9.000 references which were subsequently analyzed as described in case study protocol.

4 EMPIRICAL FINDINGS

CROSS CASE ANALYSIS OF THE ALLIANCE STRATEGIES

The inductive process of analyzing the data began during the data collection, in order to make sense of the insights provided by the interviewees. At this stage we developed the framework shown in Figure 1. This was then complemented by the large scale secondary data. After the data collection it was possible to move forward to more rigorous pattern-matching. After the comprehensive analysis, we were in the position to concentrate on the details of each of the theoretical elements within the framework.

The summary of this more elaborate empirical findings are presented in the following Table. The Table 3 allows us to classify case MNCs based upon their alliance portfolio strategy. As can be seen from the table, there are clear cases representing alliance portfolios with a high level of integration, high heterogeneity, or the combination of the previous. Below we examine each of the strategic focus groups more in detail assessing each on the configuration of assets and capabilities, role of overseas operations, development and diffusion of knowledge, management mentality, control and structure of the alliance portfolio.

Highly integrated alliance portfolio management

The case firms that were identified to have a highly integrated portfolio strategy were Kone, Nokia, Wärtsilä, and Perlos, of which Wärtsilä was the purest, or most consistently integrating, example. All of the above firms' alliance portfolio management strategies shared the trait of integrating partner firms closely to the MNCs' operations on a worldwide basis.

The level of integration was manifested through the streamlined configuration of MNC and partner firm assets and capabilities through high integration level, with the aim of efficient operations of the MNC. The partners were tightly integrated and thus implemented the MNC strategies by fulfilling a specific pre-determined role in the MNC's value chain. The development of knowledge for the overall value chain remained at the MNC and partners were therefore each alliance partner was treated in a uniform manner independent of individual situation or market. Alliance partners were tightly controlled as decisions, resources and information were controlled by the MNC. The structure of the alliance portfolio thus reflected a tightly integrated alliance portfolio management from the MNC perspective.

An example of such a strategy can be illustrated in Kone's 2002 Annual Report addressing the management of a major alliance relationship: *"The strengthening of the alliance will also to promote the harmonization of product families. The standardization of products and the components and materials used in them will lead to savings in purchases."* The same theme of ever strengthening and closer collaboration with alliance partners was repeated on a yearly basis throughout the corporate communications. This was particularly evident in reference to their alliance with Toshiba.

In summary, the elements of global alliance portfolio strategy aim at a high degree of efficiency and scale seeking integration from the MNC perspective. The alliance management strategy can thus be seen as a replication of the MNC's internal management strategy extended on to its portfolio of partners. This was particularly present in the cases of exploitive value chain activities.

Local demand oriented heterogeneous alliance portfolio management

In contrast to the global strategy category, this alliance portfolio management approach aims at matching local needs locally, drawing on diverse partners best suited to a particular role or location. The purest example in the case firm sample was Honkarakenne. The resulting alliance strategy thus resulted in a range of different partners on a global scale, which were not closely integrated to the MNC operations on the aggregate level.

The configuration of assets and capabilities of the alliance were typically loose and decentralized, even to the degree of partners being nationally self-sufficient. The MNC's partners were sensing and exploiting opportunities as they arose on the local level, while applying knowledge developed at the MNC. The MNC management regards these foreign partners as a portfolio of independent relationships managed locally. Typically informal relationships with different kind partners were overlaid with simple financial controls. The overall MNC alliance portfolio structure thus reflected an aggregative collection of the various different individual alliance structures between the MNC and its differing partners. Referring to one single market the multi-domestic firm described its activities as consisting of, "*we have our own subsidiary there - and under this subsidiary we have dealers - two different types of dealers, the difference being their competence and related to competence, the obligations".* When describing the MNC's control of its downstream partners the same respondent stated, "*How … there are so many parties that are independent?"*

In summary the strategic alliance management that emphasizes a high degree of responsiveness and sensing of local opportunities through loose networks of different partners reflects a multi-domestic alliance portfolio management approach. The loose coupling of the MNC and its partners was particularly apparent in the cases of explorative market-oriented activities.

Dual-focused transnational alliance portfolio management

The above two alliance portfolio management approaches were found to co-exist in several cases, namely Nokia and Kone. The strategy was characterized by a simultaneous strategy of a high degree of integration and a high heterogeneity in terms of the management strategy of their alliance portfolio management.

In the cases the configuration of assets and capabilities of the MNC were typically dispersed and interdependent between itself and its partner firms. The differentiated contributions of partner firms were either engaged in sensing and exploiting opportunities as they arose on the local level, or contrastingly fulfilling their tightly scoped pre-determined role in the exploitation of the value chain. Knowledge was developed jointly with partners and shared across the MNC on a global level. The management of the alliance portfolio involved complex process of co-operation and coordination resulting in shared decision-making between the MNC and its different partners. This resulted in a large flow of information and assets across the interdependent network of partnering firms. The alliance portfolio thus reflected a structure in which distributed, specialized resources and capabilities between the MNC and its complementary partnering firms. The transnational alliance portfolio management suggests that the MNC aims at a balance between the efficient scalable integrated partnerships focusing on today's business and the emergent innovative partnerships focusing on seeking new ways of doing business tomorrow.

For example, the business newspaper Kauppalehti reported the following (15.10.2004, translated in English): *"The structure of new integrated and synergistic partnerships forces the mobile telecommunications vendors to re-positon themselves in new ways in the value chain. The example of this is partnership between telecommunications operators and mobile phone vendors […]."* This emphasizes the simultaneous need for integration and looser repositioning of the partnerships in the value chain.

In summary, the elements of the transnational alliance portfolio strategy aims at positioning partner firms in order for the MNC to achieve the benefits of tightly integrated exploitative relationships as well as leave the opportunity for explorative partnerships through loosely coupled alliances.

Summary analysis of the alliance portfolio strategies

When comparing across the groups, five key insights emerge. First, there is a clear pattern that the MNC's international business strategy is reflected in its portfolio management approach. There is clear evidence on the presence of a high degree of integration, high heterogeneity of partners or the combination of the two being primary facets of the MNC alliance portfolio management. The sample did not yield any cases of an MNC operating according to a pure international alliance portfolio management approach with low integration and a low heterogeneity of alliance partners. However, the patterns supporting the framework in terms of the international strategy can be explained through secondary findings indicated by the heterogeneity within the portfolios.

Second, the pattern indicating the link between the MNC's international business strategy and its respective portfolio management does not imply, however, that all of its alliances were managed in a similar fashion. The data indicates that there is some heterogeneity within the portfolio in terms of individual alliance strategies. Simply, the individual alliance strategy may depend on the specific alliance in question.

Third, a pattern was observed within the 'idiosyncratically' managed alliances with partnerships characterized by the exploitation, of production technology or sourcing for example, being integrated and managed through a global strategy, while alliances described as exploratory often were managed according to a transnational strategy.

Fourth, as the data analysis yielded patterns it was found that the clearest delineation in terms of MNC's alliance portfolio management consistency was found within the categories of control of alliances and diffusion of knowledge within alliances. The finding can be explained through the fact that control is the closest variable for the integration of alliance partners. In contrast, the diffusion of knowledge beyond the boundaries of the MNC is also a good measure of the management of the alliance portfolio. As such, the flow of knowledge within the network ranges from unilateral to bilateral information flows, the latter being an important characteristic of transnational strategy.

Fifth, we also found an inverse case for global alliance portfolio management. The existing I – R framework on a global business strategy explains this category as one where the MNC is putting forward its own agenda, where the need for global integration is the key, and the subsidiaries are in the implementor role. However, one of our cases suggest an existence – at least on the alliance portfolio level – of an inverse global strategy, where the high integration level with the MNC's partners is applied, but the focal MNC is in fact strongly implementing its partners' agenda rather than its own. This is an extension to the current I – R framework approach, where the direction of whose agenda is being implemented has limited explanatory power on this type of a case.

Taken as a whole, we therefore find a clear theoretical framework emerging from our case data. The emergent patterns suggest that the Intergration – Responsiveness axes are a powerful explanatory paradigm through which to explain the alliance portfolio management of the case MNCs. The summary table of empirical findings is presented in the following Table.

Table 2 Summary of empirical findings

Name of MNC	*1* Configuration of assets and capabilities*	*2* Roles of overseas partners*	*3* Development and diffusion of knowledge*	*4* Mentality*	*5* Control*	*6* Structure*	*Alliance Portfolio Management Orientation*
Nokia	**T1:** Dispersed, interdependent, and specialized in exploration (80%); **I1**: Sources of core competencies are centralized within the MNC, non-core complementary operations decentralized between partners (7%); **G1:** Centralized and globally scaled solutions with complementary partners in exploitation phase (3%)	**I2:** Partners adapting and leveraging complementary competencies with MNC in the exploitation phase (50%); **G2:** Partner implementing MNC strategies on core business operations (40%); **T2:** Differentiated contributions by partners to integrated worldwide operations of the MNC (according to MNC strategies) (10%)	**T3:** Knowledge developed jointly with partners and shared worldwide (80%); **I3:** Complementary knowledge developed at the MNC's and partners' center and transferred to partners (10%)	**T4:** Complex process of coordination and cooperation in an environment of shared decision making between the MNC and its partners in developing product with network effects (65%); **G4:** Partners implementing MNC strategies are treated on a unified manner in all markets (35%)	**T5:** Large flows of components, products, resources, people, and information among interdependent MNC and its partners creating standards for networked products (100%)	**G6:** Partners are integrated tightly into the MNC's centralized hub function (which can be spatially dispersed) (65%); **T6:** Distributed, specialized resources and capabilities between the MNC and its complementary and non-core partners (35%)	**Transnational**
Kone	**T1:** Dispersed, interdependent, and specialized in exploration (60%); **G1:** Centralized and globally scaled solutions with complementary partners in exploitation (40%)	**T2:** Differentiated contributions by partners to integrated worldwide operations of the MNC (according to MNC strategies) (70%); **I2:** Partners adapting and leveraging complementary competencies with MNC for Japanese market (20%); **M2:** Sensing and exploiting local opportunities with a partner in Japan (10%)	**T3:** Knowledge developed jointly with partners and shared worldwide (90%); **I3:** Knowledge developed and retained at the MNC with a Greek partner (10%)	**T4:** Complex process of coordination and cooperation in an environment of shared decision making between the MNC and its partners in developing product (100%)	**T5:** Large flows of components, products, resources, people, and information among interdependent MNC and its partners (80%); **G5:** Tight central control of decisions, resources and information towards tightly integrated partners or partners becoming aqcuired (20%)	**G6:** Partners are integrated tightly into the MNC's centralized hub function (80%); **T6:** Distributed, specialized resources and capabilities between the MNC and its complementary partners (more familiar with local conditions) (20%)	**Transnational**
Wärtsilä	**G1:** Centralized and globally scaled production operations (70%); **T1:** Dispersed, interdependent, and specialized (30%)	**G2:** The partner implementing MNC strategies (65%); **T2:** Differentiated contributions by partners to integrated worldwide operations of the MNC (according to the MNC strategy) (35%)	**G3:** Knowledge developed and retained at the MNC (100%)	**G4:** Partners are treated on a unified manner in all markets (75%); **T4:** In the case of exploratory R&D, the complex process of coordination and cooperation in an environment of shared decision making between the MNC and its institutional partners (25%)	**G5**: Tight central control of decisions, resources and information towards partners (90%); **T5:** Large flows of information among interdependent MNC and its supplier partners (10%)	**G6:** partners are integrated tightly into the MNC's centralized hub (100%)	**Global**
Perlos	**G1:** Centralized and globally scaled production operations (60%); **I1:** Sources of logistics and value system competencies are centralized within the MNC, technology competences decentralized between partners (20%); **T1:** Dispersed, interdependent and specialised configuration with customer partners (20%)	**G1 (inverse): :** MNC implementing partner customers' strategies	**G1:** Knowledge developed and retained at the MNC	**G4 (inverse):** Partners are treated on a unified manner in all markets.The customer is always right; I4: Foreign partners are regarded as appendages to a central domestic corporation	**M5:** Long-term MNC-partner relationships overlaid with financial controls	**M6:** Many key assets, responsibilities and decisions decentralized between the MNC and its partners	**Global with strong customer orientation**
Honkarakenne	**M1:** Decentralised and nationally self-sufficient partnerships (40%) **I2:** Core competences are centralized (40%) **G1:** Centralized global training (20%)	**M2:** Sensing and exploiting local opportunities with partners (100%)	**M3:** Development of knowledge at the MNC, diffusion of knowledge though partner training (100%)	**M4:** Management regards foreign partnerships as a portfolio of independent relationships managed locally; (75%) **I4:** Foreign partners are regarded as appendages to a central domestic corporation (25%)	**M5:** Informal MNC-partner relationships overlaid with simple financial controls (100%)	**M6:** Many key assets, responsibilities and decisions decentralized between the MNC and its partners (50%) ; I6: Many assets, resources, responsibilities and decision decentralized between the MNC and its partners, but controlled from the MNC (50%)	**Multi-domestic**

5 DISCUSSION AND CONCLUSIONS

The aim of this research was to answer the question why does MNC strategic alliance portfolio behavior differ? Following an inductive approach emergent patterns in the data pointed at the significance of the MNC's international business strategy strategy as a variable explaining for the different alliance portfolio management approaches. Drawing on the international business management literature the study sought to extend the theory through the development of the Integration - Responsiveness framework beyond the confines of the boundaries of the MNC. The study found that the I – R framework had explanatory power in describing the alliance portfolios of the MNC. The summary of the main theoretical propositions are presented in the following table.

Table 3 **Theoretical propositions**

Proposition	**Explanation**	**Supported?**
1: Higher the international business strategic need for local responsiveness, the higher the partner heterogeneity.	Need for partner integration leading to highly integrated alliance portfolio management	Supported
2: The higher the international business strategic need for global integration, the higher integration level with partners within the alliance portfolio.	Need for partner heterogeneity leading to local demand oriented heterogeneous alliance portfolio management	Supported
3: The higher the international business strategic need for both local responsiveness and global integration, the higher both the partner heterogeneity and the integration level of partners within the alliance portfolio.	Need for partner heterogeneity and partner integration leading to dual-focused transnational alliance portfolio management	Supported

The theory development put forward in this paper is in line with the earlier research on the I - R framework (Prahalad & Doz, 1987; Bartlett and Ghoshal, 1989). The development of six supporting constructs for the each of the alliance portfolio classification extends the I – R framework to cover the alliance portfolio management. A further contribution to the theory is inverse global portfolio management case, a type not explained by the previous framework (Bartlett and Ghoshall; 1989).

The high operationalization of the constructs allows managers to assess their managerial approach with regards to their alliance portfolios. While there are clear benefits in mastering a transnational alliance portfolio management, it is also more demanding in terms of management competences and might require further resourcing to manage it effectively. Subsequently the global and multi-domestic approaches can be weighed on their relevance to the specific MNC and its international business strategy.

The study was subject to certain limitations that may impact the findings. The theoretical sampling of case firms did not account for firm size or industry and focused solely on the case firm acting according to its stated international business strategy with regards to its alliance portfolio management. Thus the MNC's environment, and its position within it, can be put forward as further control variables in future research. The generalizability of the findings is subject to the constraints of multiple case based research. However, the overarching aim of the study is to build theory, a fact reflected by the selected methodology. The resulting framework is a new extension to the theory that bridges rich in-depth case evidence with mainstream research. Hence, with future research the framework's propositions can now be deductively tested.

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