International Research Journal of
BUSINESS STUDIES

ISSN: 2089-6271

Vol. 7 | No. 2

Alliance Instability among Indonesian Subsidiaries in The Nigerian Market

Harris Turino Kurniawan

Prasetiya Mulya Business School. Jl. RA. Kartini, Cilandak Barat, Jakarta Selatan 12430, Indonesia

ARTICLE INFO

Keywords:
alliance instability,
bargaining power,
conflict of expectations,
distribution systems,
subsidiaries

Corresponding author:
harristk@pmbs.ac.id

ABSTRACT

Alliance instability, which is defined as structural and/or ownership status change in a cooperation, is commonly seen in different parts of the world. This study investigates the main factor causing such phenomenon to occur between Indonesian subsidiaries and their local partners in Nigeria. The findings of the study show that an imbalance of bargaining power becomes a potential factor, which then triggers alliance instability due to conflict of expectations shared between the two sides. The conflict arises because local partners fail to respond to the demands of Indonesian subsidiaries related to the development of distribution systems meant for better dissemination of their products in the country.

INTRODUCTION

Strategic alliance is one the ways that is commonly used by multinational companies to enter and operate in a country (Culpan, 2008; Garcia-Canal et al, 2002). By forming an alliance, companies believe that they can gain a competitive advantage in the target country (Dyer & Singh, 1998) through, for instance, learning process (Pennings et al, 1994), or handling liability of foreignness (Zaheer, 1995). Nonetheless, strategic alliance is often seen as a temporary formation (Das & Teng, 2000), and many alliances experience instability in the end (Beamish, 1985; Park & Ungson, 1997).

Alliance instability may be in the form of reorganization, acquisition, or premature termination. From the perspective of the resource-based theory, such phenomenon is caused by a diminishing value of the alliance in the perception of any of the partners (Cui et al, 2011). An example here would be an increase of competition which triggers a foreign partner in a host country to change its strategy. If a local partner fails to provide the necessary support or competence to back a foreign partner, such condition will lessen the value of having a strategic alliance for the foreign partner. This may potentially trigger alliance instability. Previous studies have investigated other triggering factors of the diminishing value of an alliance, such as: institutional factor (Steensma et al, 2005), a shift in bargaining power (Inkpen & Beamish, 1997), and a conflict of orientations within an alliance (Das & Teng, 2000).

This study will examine the phenomenon of alliance instability among Indonesian companies operating in Nigeria. The presence of Indonesian companies in the country can be traced back to the 1990s. As the economy in Nigeria opened up, a number of leading companies entered and set up subsidiaries forming alliances with local partners. However, recent phenomenon gives an indication of alliances instability, in which Indonesian subsidiaries no longer exclusively maintain their alliances with local partners. Some of them have formed new alliances with new partners (both foreign and local partners), a few others have set up new subsidiaries to replace the role of local partners, and some even have executed permanent termination of alliance with their former partners.

The aim of this study is to investigate factors that have caused alliance instability among Indonesian subsidiaries in Nigeria. The importance of this study is to give insights and knowledge to other Indonesian companies that are about to enter the country. Considering the limited scope of study samples, this study is carried out by using qualitative methodology on country managers, all Indonesian nationals, as main respondents. Country managers are the ones who understand the business process and have the experience in terms of interacting with local partners the most, which make them suitable for and relevant sources to the study.

LITERATURE REVIEW

A strategic alliance is a cooperation between several parties that mutually commit to exchange and develop product, technology, information and/or capability for a certain period of time in order to reach a goal (Ellram, 1990; Gulati, 1998). Previous studies have looked at various motives that may underpin strategic alliance, such as: as a mode of entering a new market (Garcia-Canal et al, 2002), increasing market power (Eisenhardt & Schoonhoven, 1996), gaining new knowledge and capabilities (Mowey, Oxley & Silverman, 1996), achieving economies of scale and scope (Mohr & Spekman, 1994), reducing dependency on foreign parties (Mezias, 2002, Zaheer, 1995), building legitimacy (Baum & Oliver, 1991; Dacin, Oliver & Roy, 2007), risk distribution (Ring & Van de Ven, 1992) and a change in the organization (Borys & Jemison, 1989).

Yoshino and Rangan (2005) categorize strategic alliance based on the inclusion or exclusion of equity. Joint venture, joint marketing agreement and joint R&D are the most popular forms of alliance. In the context of this research, the focus is on multinational companies wholly-owned by Indonesia forming alliances with local partners in Nigeria, in the form of joint marketing agreement.
International strategic alliance has grown significantly, both from practical and academic point of views. Schifrin (2001) reports that there are more than ten thousand new alliances formed every year in the world. In the field of biotechnology, in the first decade of the 2000s, the number and value of alliances increased fivefold compared to in the 1990s (Sapienza & Stork, 2001). PricewaterhouseCoopers estimated around 25 to 50 percent of R&D investment in the pharmaceutical industry is executed in the form of alliance (The Economist, 13 Juli 2002, p. 51).

On the other hand, previous empirical studies have shown that an alliance is actually a formation deemed less successful and/or less stable as opposed to an independent company and a wholly-owned subsidiary (Bleeke & Ernst, 1991; Hennart et al, 1998; Pennings et al, 1994). Porter (1990) argues that an alliance implies high costs, for instance, for coordinating and reconciling goals, which makes an alliance look like a transitional arrangement. Consequently, it is hard to rely on alliances to create a sustainable competitive advantage. The findings of Bleeke and Ernst (1991) indicate that 24 out of 49 international alliances are considered unsuccessful by either one or both sides of the partners. Several other studies show that the level alliance instability ranges between 30 and 50 percent (Beamish, 1985; Park & Ungson, 1997). Due to its relatively high probability, alliance instability frequently draws the attention of researchers to be investigated (Yan, 1998; Yan & Zeng, 1999).

Alliance Instability

Alliance instability is a change in the structure, status and/or ownership of the partnership in an alliance, as perceived according to one or several of the partners (Inkpen & Beamish, 1997). On the basis of that definition, any termination of a cooperation having been agreed to before, for instance, after reaching a certain time lapse shall not be called as alliance instability. In general, alliance instability can be presented in the form of: 1) reorganization, or 2) premature termination (De Rond & Bouchiki, 2004). Reorganization is an acquisition or internalization of some portion of resources owned by one of the party, which is conducted by the other party. Meanwhile, premature termination is linked to a termination of a cooperation, both in the form of liquidation (halting operations), merger, or acquisition of all the resources owned by one of the party.

One of the most used theories to elaborate the cause of alliance instability is resource-dependence theory (RDT) (Pfeffer & Salancik, 1978). RDT views that organizations will depend on other parties that have more bargaining power because that party controls critical and scarce resources need by the organizations (Luo, 2003). Dependency upon other parties becomes a potential factor that causes uncertainty in the future. One of the ways to reduce dependency is to form a strategic alliance. In this formation, each party will reciprocally contribute to the resources needed by the other party thereby creating interdependency.

In the initiation of an alliance, foreign partner(s) and local partner(s) share roles and responsibilities for the business processes in the alliance. The role sharing reflects an equal level of bargaining power between both sides (Das & Teng, 2000), which is then followed by investments in the resources. The foreign partner contributes to firm-specific advantage that is available to them and can be exploited in the target country, such as technology, product, brand, and personnel competency (Rugman & Verbeke, 2001). In the meantime, the local partner contributes to the provision of resources which are more rooted to the local environment and difficult to be supplied by the foreign partner efficiently, such as local knowledge, connections with the local authorities, access to customers, distribution networks and infrastructures (Moran, 1985).

Local knowledge is one of the primary contributions expected by a foreign partner from its local partner(s) (Yan & Gray, 1994), because it would be a vital resource for succeeding and growing in the host country (Fletcher et al, 2013). Meanwhile, a local partner anticipates the specific and unique knowledge possessed by its foreign partner(s). Inkpen and Beamish (1997) argue that the bargaining power of each partner is influenced by the ability to absorb knowledge from the other partner(s). The partner able to absorb more knowledge will be able to reduce dependency thereby increasing its bargaining power. This imbalance of bargaining power holds the potential to trigger alliance instability, although it can still be kept in moderation due to factors such as: structural and/or emotional proximity between partners (Inkpen & Beamish, 1997), an occurrence or an absence of conflict (Steensma et al, 2008), and nonrational factors (Delios et al, 2004).

Alliance Failures

Alliance failures and instability are two different terms, yet they share close intertwinement. Alliance failures are failing to achieve the goals set beforehand by the partners. Alliance failures are related to performance, while alliance instability is related to structure and ownership (Inkpen & Beamish, 1997). In general, alliance failures have

Figure 1: The Relationship between Alliance Failures and Instability
(Delios et al, 2004)

the potential to trigger other factor (e.g. bargaining power), thus incurs alliance instability (Delios et al, 2004), as shown in Figure 1.

According to Mohr and Spekman (1994), the evaluation of alliance failures is influenced by objective and/or affective indicators. Objective indicators are related to the aspects that are relatively easy to measure such as financial performance, while affective indicators are related to the level of satisfaction of a partner with the other partner(s). Affective indicators may give impacts such as causing disbelief, low level of commitment, opportunistic attitude, and even conflict triggers.

Delios et al (2004), however, argues that the relationship as shown Figure 1 is not always the case, particularly if it is related to premature termination. In some cases, terminations tend not to occur even though negative evaluation or dissatisfaction of a partner exists. This phenomenon is pertinent to escalation of commitment, which is triggered by nonrational factors such as: a difficulty in evaluating the performance of an alliance objectively, alliance termination may incur high nonfinancial related costs (e.g. warnings from local authority, a difficulty in obtaining a permit in the future, unavailability of better partners as alternatives), alliance termination gives bad signals, major investments have been made.

METHODS

Research Context

The context of this research comprises a group of Indonesian subsidiaries operating in Nigeria. Nigeria is a country in West Africa with the largest population of around 170 million people and the highest GDP of around USD 520 billion in Africa (UNCTAD, 2014).

As the economy in the country started to open up, in terms of being more liberal and market-oriented, foreign investments have undergone a rapid increase since the 2000s. On the one hand, the barriers in doing business are still relatively high, just like some constraints related to electricity, funding, security, infrastructure, and poverty (Iarosi et al, 2009) thereby causing Nigeria be perceived as a high risk country. But on the other hand, the country is also seen as a good prospect due to its large market size and natural resources (oil and gas), and as a gateway for product dissemination to neighboring countries (EY, 2014). Jim O'Neill, an economist who popularizes the acronym BIRC (Brazil, Russia, India, China), argues that MINT (Mexico, Indonesia, Nigeria, Turki) are countries that offer the highest return on investment in the future.

According to the Ministry of National Development Planning of the Republic of Indonesia, currently there are around 12 Indonesian companies that exercise foreign direct investment in Nigeria. Their established their presence in the 1990s and since then have increased the intensity after the 2000s. Indonesian products have been long known and accepted by the people of Nigeria. Even some products have managed to become market leaders such as Indomie, SoKlin and Procold.

Currently, the majority of Indonesian subsidiaries are in the early phase of growth, as marketing subsidiaries, and there are only three subsidiaries that already have production facilities in Nigeria. If we refer to White and Poynter typology (1984), Indonesian subsidiaries play the role of marketing satellites selling products of their parent company in the targeted country, with little authority to produce their own products. Because of that, their business processes are dominated by marketing and sales activities such as designing promotion programs, managing distribution networks, and canvassing. By doing so, the majority of Indonesian subsidiaries in Nigeria normally consider market-seeking, instead of resource-seeking as their main motive.

Indonesian subsidiaries in Nigeria are wholly-owned by multinational corporations (MNC) having an origin in Indonesia. They form (or at least have formed) strategic alliances with local partners. The alliances generally are in the form of joint marketing (without capital involved), where the roles of local partners are focused on matters such as: dealing with importations, providing distribution systems and access to customers, supplying local knowledge, dealing with local authority, and providing some infrastructures, transportation and warehousing for instance.

Daily activities are filled with efforts to channel products in the distribution networks, starting from the subdistributors, wholesalers, retailers, to end customers. Their marketing activities include designing promotions, both to increase sales and build brand awareness, managing distribution networks, adding new partners, exploring new areas for marketing purposes. Their sales activities include conducting visits to distribution canals, accepting and analizing feedbacks, and being elaborate with product knowledge. The distribution of roles and responsibilities between Indonesian subsidiaries and their local partners can be based on activity, product type, or marketing area.

As they develop in the last couple of years, Indonesian subsidiaries have played more dominant roles in the business activities. Many activities, products and marketing areas have been taken over directly from the local partners. At a more strategic level, the indicators that show alliance instability have explisitely become more apparent. They can be seen from these conditions such as: the adding of new alliance partners, changes of alliance partners, or permanent terminations with previous alliance partners. This study intends to observe, by using qualitative methods, the main factor that causes such instability, from the perspective of Indonesian country managers in Nigeria.

Data Samples and Collection

Out of ten Indonesian subsidiaries in Nigeria that we managed to be contacted, only seven gave their consent to be interviewed. The seven subsidiaries are suboperationals of leading companies of Indonesia, of which lines of business are in the pharmaceutical and consumer products industry, including food and beverages industry. All of the subsidiaries have been operating for more than 10 years in Nigeria. To keep confidentiality toward some of the respondents, the names of the companies are not disclosed in this writing. Table 1 below gives the general illustration about the characteristics of the samples chosen in this research.

Table 1. Sample Characteristics

Sample	Industry	Respondent	Nationality
A	Pharmaceutical	*Country manager*	Indonesia
B	Pharmaceutical	*Country manager*	Indonesia
C	Pharmaceutical	*Country manager*	Indonesia
D	Pharmaceutical	*Unit manager*	Indonesia
E	Consumer products	*Country manager*	Indonesia
F	Consumer products	*Country manager*	Indonesia
G	Consumer products	*Distribution manager*	Indonesia

Interviews were conducted face to face. Some took place in Jakarta (two respondents) and the rest took place in Lagos (five respondents). Interviews in Jakarta were conducted in February 2015, while the one in Lagos in August 2015. The questions are semi-structured in nature thus give the flexibility to develop new questions within the scope desired to be observed. Keeping in mind that all respondents were from Indonesia, thus Bahasa Indonesia was used as the media to convey questions and answers in the interviews. Interviews were recorded in digital then transcribed into transcripts using MS Word format. Table 2 below is the guidance or the main questions in the interview process.

Analysis Method

Qualitative data analysis in this research uses a common procedure called content analysis, as presented by Miles and Huberman (1994), which comprises data reduction, data display and drawing conclusions. The examination of transcript data are based on each sentence, with reference to unit of analysis, which then coded and be arranged in the form of matrix. The matrix is the effective tool and often used for content analysis to group codes in certain categories (Anderson et al, 2004).

RESULTS AND DISCUSSION

A Change in Bargaining Power

In the context of this study, the specific superiorities of Indonesian companies that are of great value to local partners in Nigeria are the quality of the products and managerial competencies of the personnel who run the business. Indonesian products are deemed to have relatively good quality, at much more affordable prices compared to products from Europe and America. On another note, Indonesian subsidiaries rely on localization knowledge in order to grow and achieve the aimed expected performance. *Localization knowledge* is the knowledge needed by overseas subsidiaries for developing and modifying their capability in order to answer to local demands so that they are able to succeed and grow (Fletcher et al, 2013). The local knowledge accumulated by Indonesian subsidiaries keeps increasing over time. Conversely, local partners keep rely on Indonesian subsidiaries because they need the products (that already gain acceptance in the market), without the presence of technology transfer needed to make the same type of products. In other words, the dependency of Indonesian subsidiaries on local partners tends to decline thereby bargaining power increases.

Table 2. Main Questions of the Interview

Issue	Main Question	Reference
Introduction	• Please elaborate on the distribution of roles and responsibilities that you manage with your local partner(s).	Inkpen & Beamish (1997)
Activity and growth strategy	• What business activities do you conduct in Nigeria, and which activity that has been your top priority all this time?	Ansoff (1965), Desarbo et al (2005), Grubber et al (2010),
Roles of Local Partners	• How do your local partners contribute to the business activities you manage?	Dacin et al (2007), Culpan (2008), Inpen & Beamish (1997), Pennings et al (1994), Moran (1985)
How the alliance performance is perceived	• What are you reviews on the alliance performance in regard to the business that you lead?	Mohr & Spekman (1994), Trapczynski (2013)

The imbalance of bargaining power in the absence of a triggering factor such as conflicts does not necessarily cause alliance instability (Steensma et al, 2005). The conflicts mentioned here do not refer to tensions or disputes, but rather refer to differences in expectation and/or ability to fulfill mutual commitment. For that, business activities and growth prioritization of Indonesian subsidiaries in Nigeria need to be examined. By looking at the activities we will be able to determine how each partner contributes and how each partner assess the contributions.

Incurring Conflicts

One of the day-to-day activities of the Indonesian subsidiaries is doing promotions targeted at existing distribution channels. However, it will be difficult to increase sales sustainably by relying on this activity alone. This is due to other competitors also doing such promotions aggressively using relatively the same distribution channels. With all the limited capital that subdistributors have and scarce credit facility in Nigeria, this creates promotion wars which essentially are essentially fights for share of wallet of the subdistributors.

Table 3: Summary of Content Analysis Results
(The summary chosen is only for contents deemed relevant for the study)

Category	Description	Frequency	Percentage
Activities to grow the business	• Promotion	6	18,7%
	• Marketing area expansion	6	18,7%
	• Deeper distribution channel	15	47,0%
	• New product launch	5	15,6%
Positive aspects of local partners	• Good financial capability	2	10,5%
	• Scale of business is big enough	1	5,3%
	• Help in terms of goods import	2	10,5%
	• On time payment (*advanced*)	3	15,8%
	• Warehousing and transportation	7	36,8%
	• Emotional connection with top management	4	21,1%
Negative aspects of local partners	• Passive (less frequency of canvassing)	5	25,0%
	• Unable to reach deeper distribution channel	5	25,0%
	• Prefer being a trader as opposed to being a distributor (fast selling)	2	10,0%
	• Lack of will to expand distribution network	2	10,0%
	• Weaker competency on personnel	1	5,0%
	• Inefficient product delivery	1	5,0%
	• Frequent inaccuracy on the intelligent	1	5,0%
	• Less up to date information	3	15,0%
Reasons why local partners do not (are slow in) develop modern distribution systems	• Difficulty in hiring trustworthy personnels	1	14,3%
	• Lack of competent personnels	1	14,3%
	• Content and satisfied with current conditions (do not see the need, already accustomed to)	3	42,8%
	• Major investments, high risk	2	28,6%
How local partners are perceived in regard to satisfaction	• Satisfied	0	0,0%
	• Not satisfied	7	100%

Subdistributors in general will prioritize programs that draw more attention and/or programs reaching their expiration period (to ensure accomplished insensitive targets), thus it will increase the purchasing of certain products under such programs by the subdistributors (in contrast the purchasing of other products will decrease). When the promotion period of certain products expires, subdistributors will try to reap the reward offered by other promotion programs of other products, thereby increasing the purchase of the other products. Overall, fluctuations of the purchasing of product to product will occur.

Therefore, Indonesian subsidiary units need to prioritize activities related the development of distribution networks. The activities can mean: 1) deepening of the distribution channels until it penetrates wholesaler and retailer levels, including adding more distributor (expansion) within already covered areas, and 2) reach out to new market areas (expansion), by appointing new subdistributors as partners in such areas. This is highly possible considering Indonesian subsidiaries can only cover 20 to 30 percent of the total number of outlets in average across Nigeria. Some of the respondents believe that even without aggressive promotions, there can be a significant increase in sales if the products are spread out more evenly. The importance of deepening the distribution channels can be seen in Table 3 considering the frequency of appearance of such content. Here are some of the comments made by the respondents regarding that matter.

> "*The current focus of our company is to expand the market or marketing areas. For the areas that are already covered, they will be divided into smaller areas by appointing new subdistributors. This is usually done by conducting surveys beforehand. However, some activities leading to new product launching are still in our agenda.*"

> "*The territory of Nigeria is extremely vast, and has the potential of the market is huge. There are three main areas, which are Lagos, East (Onitsha) and North (Kano). We focus on the intensification of each area, and also the neighboring territories such as Ibadan, Ilorin, Port Harcort, and Kalabar. That means, we try to expand our distribution networks into those territories so that our products got more disseminated.*"

> "*The focus of our growth is clearly not on product development. In the last eight years, there has not been any change in the product portfolio. Only this year (2015) we launched a new product. We are more focused on the exploration of new marketing areas within the country, and beyond, to neighboring countries such as Ghana.*"

With regards to strategic alliance, all the respondents think that currently their local partners do not contribute as expected of them, particularly in terms of supporting the dissemination of products. This is caused by several factors such as marketing activities that tend to be passive (very few canvassing activities, and prefer to wait for the distributors to come and purchase), distribution networks at hand are not able to reach deeper channels (e.g. wholesaler and retailer), and lack of strong motivation to develop the distribution networks, including to reach intact territories.

Local partners often call themselves a distribution company, but in practice they tend to act more as traders, of which focus is more to sell products at their hand quickly (through aggressive promotions) as opposed to increasing the distribution of products. Consequently, Indonesian subsidiaries that supposedly should focus more on marketing activities must also take care of sales activities with their own hands. The following are comments from the respondents in regard to dissatisfaction toward their local partners.

"*Our job here (Nigeria) should be more about marketing. But eventually we had to bring in many Indonesians to handle sales too.*"

"*As agreed in the beginning, my and my team's main role is to help local partners with marketing activities. But the occuring condition prevents us from growing as expected. This is the main reason why we eventually built our own distribution networks. Even though we still involve local partners, we hold full control in managing the new system. And speaking from personal experience, if we want to succeed in Nigeria, we must handle distribution systems ourselves.*"

"*The data from AC Nielsen show that chemist outlets and pharmacies in Nigeria are around 55 thousand in number. The number or chemist outlets are around 52 thousand while pharmacies are 3 thousands. We have a limitation because our local partners can only cover a fraction of them. At the moment, we reach them on our own initiative, thus we have been able to cover about 10 thousand outles. Even so, there are only 7 thousand that are active."*

"Speaking about distribution systems, to my view, our local partners' contribution is still lacking. We are supposed to focus only on helping the marketing programs, but in reality we still need to bother with the distribution systems and dissemination of products. Local partners do have warehouses and branches in several territories, but the development is too slow. Before they open their branches, we already would have made an entry in those territories by placing a salesman there. Once the sales increases, only then will the open the branch. But I guess this is still better than nothing. It should have done this since before."

This study also further explores the reasons why local partners do not develop their distribution systems. Respondents shares quite different perceptions, which can be categorized into three, which are the compentence factor, risk factor, inhibition factor. See below for comments from the respondents:

> *"I think our partners have been slow without being aggressive and that is because they already feel superior to other local companies. To put in in another way, they do not feel the need to be too expansive with high risk. But from what I see, now they are starting to make some movements by recruiting a couple of expatriates from other countries to help them develop more modern distribution systems."*

> *"We actually have encouraged our local partner many times to make some changes. The owner of those companies actually realizes that. I personally do not really understand why he does not make a move. Maybe he feels that he does not have trustworthy and competent personnel to do it, or he just does not feel like taking the risk."*

Alliance Instability

The indicator of alliance instability is clearly seen on the cooperation between Indonesian subsidiaries in Nigeria with their local parners. Out of the seven observed subsidiaries, all claim dissatisfaction toward the contributions or roles of local partners, thereby emitting a signal of alliance failure (Mohr & Spekman, 1994). Although the dissatisfaction is triggered by the same factor, which is local partners' failure in terms of developing expected distribution systems, the reactions from the subsidiaries vary (see Table 4 below).

Table 4. Decisions taken in relation to Alliances

Number of Subsidiaries	Affective	**Decisions taken in relation to Alliances**
2	Not satisfied	Maintain the alliance, no change is made.
2	Not satisfied	Maintain existing local partners, in addition to adding new local partners. The portfolio of products is spread through both.
1	Not satisfied	Form new alliances with a new format, involve existing local partners still, but different roles are assigned.
1	Not satisfied	Form new alliances with foreign partners.
1	Not satisfied	End the alliance, build new subsidiary.

However, as seen in Table 4, five out of the seven subsidiaries still involve their previous local partners so that the partners can help their business this time around (even though the formation of the alliances is no longer like the previous). Two out of the five subsidiaries even does not show any indication relating to alliance instability. This happens because there are still positive aspects of the local partners that can still be exploited (see Table 3). Those aspects are: good financial capability, on time payment, help in terms of goods import, warehouses and office branches that are available to be utilized, and emotional connection with top management. Some of the comments are displayed as followed:

> *"The main contribution given by the local partner is related to the payment that can be done in advanced. Even though there are complaines, as far as I know, there has not been any idea or plan to terminate cooperation or look for new partners from our management."*

> *"However, we have to maintain our cooperation with our local partner at the moment. In Nigeria, our management at the headquarter has strong emotional ties with the local partner owner. That would be different if, for instance, our subsidiary in another country complains about their local partner, the headquarter will immediately terminate the relationship with the local hand and find a new replacement."*

MANAGERIAL IMPLICATIONS

This study pictures the current development of alliance or cooperation between foreign partners from Indonesia and their local partners in Nigeria. Hopefully this can give some insights for managerial practices, especially to Indonesian companies that are about to enter the country. First, local partner selection is one critical process when entering Nigeria. Evaluation should not be based on their current assets and capabilities, but also on their commitments to grow and to invest in the future, i.e. to develop distribution system and market covarage. Second, evaluation on local partner commitment itself does not guarantee it will be realized when it is needed. This study has explored some alternatives to respond the local partners inertia, as shown in Tabel 4. The new entry company may anticipate this issue by evaluating which alternative is more suitable, or even generating the new ones, before it happens.

CONCLUSION

The bargaining power of Indonesian subsidiaries is no longer balanced, compared to what it was like before. The failure of local partners to meet the expectations of the Indonesian subsidiaries in relation to the development of distribution systems (to spread products out more evenly or increase product availability) causes the occurrence of conflicts of expectations. In the end, a conflict of expectation becomes the trigger that causes alliance instability. However, this phenomenon does not happen to all of the subsidiaries because some of them still maintain status quo by looking at the positive aspects of their local partners.

This study supports Delios et al (2004) who mentions that alliance failures do not always cause alliance instability, as well as Inkpen and Beamish (1997) who argues that an imbalance or change of bargaining power between partners may potentially trigger alliance instability. This study also enriches the literature related to internationalization activities of Indonesian companies in other countries. So far, the research on that topic is still limited, and to the writer's knowledge after examining academic journals, the last study that discusses Indonesian companies in the international market is Lecraw (1993).

As an academic work, this study is not free from several limitations. First, the samples in this study are relatively small in size, thus may incur impacts on: 1) the validity of findings, and 2) the possibility of other important information that has not yet been identified. As for the second limitation, this study is based on several assumptions on current business conditions, for instance, the majority of the Indonesian subsidiaries still play the role of marketing satellite, very minimum response of the local partners to the demand of the development of distribution systems. In the future, if the situations are different, for instance, the majority of Indonesian subsidiaries have already had their own production facilities, or local partners become more proactive in terms of responding to the demand of their foreign partners, the findings of this study may no longer be relevant.

Besides, this study also suggests several further studies in the future. First, there is the need to investigate why the decisions taken are different regarding alliances among the subsidiaries although it was triggered by almost identical causing factors. These factors can be identified, for instance, through the characteristics of the organizational elements (leadership, culture, strategy and so on), the relationship between top managements of Indonesian companies and local partners, or other nonrational aspects as presented by Delios et al (2004). The second research suggestion is to investigate which decision leads to better results (in terms of giving positive impacts on performance), whether to keep or completely let go of the local partners. Such research can be analized from the perspective of subsidiaries (performance in the host country), or from the perspective of headquarter (entire performance of the corporation). The third suggestion would be to investigate the behaviors related to alliances among foreign subsidiaries coming from other countries in Nigeria, to be compared to the behavior of Indonesian subsidiaries. ■

REFERENCES

Anderson, N.; De Dreu, C.K.W.; Nijstad, B.A. (2004). The routinization of innovation research: A constructively critical review of the state-of-the-science. *Journal of Organizational Behavior*, *25* (2), 147-173

Ansoff, H. I. (1965). *Corporate Strategy*. New York: McGraw-Hill

Baum, J.A. C; Oliver, C. (1991). Institutional Linkages and Organizational Mortality. *Administrative Science Quarterly*, 36, 187-218

Beamish, P. W. (1985). The Characteristics of Joint Ventures in Developed and Developing Countries. *Columbia Journal of World Business*, 20(3), 13-19.

Bleeke, J.; Ernst, D. (1991). The Way to Win in Cross-Border Alliances. *Harvard Business Review*, 69(6), 127-135

Borys, B.; Jemison, D. (1989). Hybrid Arrangements as Strategic Alliances: Theoretical Issues in Organizational Combinations. *Academy of Management Review*, 14, 234-249

Cui, A.S.; Calantone, R.J.; Griffith, D.A. (2011). Strategic Change and Termination of Interfrim Partnership. *Strategic Management Journal*, 32, 402-423

Culpan, R. (2008). The Role of Strategic Aliance in Gaining Sustainable Competitive Advantage for Firms. *Management Revue*, 19 (1+2), 94-105

Dacin, M.T.; Oliver, C.; Roy, J.P. (2007). The Legitimacy of Strategic Alliances: An Institutional Perspective. *Strategic Management Journal*, 28 (2), 169-187

Das, T.K.; Teng, B.S. (2000). Instabilities of Strategic Alliance: An Internal Tension Perspective. *Organization Science*, 11 (1), 77-101

De Rond, M.; Bouchikhi, H. (2004). On the Dialectic of Strategic Alliance. *Organization Science*, 15 (1), 56-69

Delios, A.; Inkpen, A.C.; Ross, J. (2004). Escalation in International Strategic Alliance. *Management International Review*, 44 (4), 457-479

Desarbo, W.S.; Benedetto, C.A.; Song, M.; Sinha, I. (2005). Revisiting the Miles and Snow Strategic Framework: Uncovering Interrelationships Between Strategic Types, Capabilities, Environmental Uncertainty, and Firm Performance. *Strategic Management Journal*, 26, 47-74

Dyer, J.H.; Singh, H. (1998). The Relational View: Cooperative Strategy and Sources of Interorganizational Competitive Advantage. *Academy of Management Review*, 23 (4), 660-679

Eisenhardt, K. M.; Schoonhoven,C.B. (1996). Resource-Based View of Strategic Alliance Formation: Strategic and Social Effects in Entrepreneurial Firms. *Organization Science*, 7, 136-150

Ellram, L. M. (1990). The Supplier Selection Decision in Strategic Partnerships. *Journal of Purchasing and Materials Management*, 26 (4), 8-14

EY (2014). *Africa by Numbers: A Focus on Nigeria*. Special Report Issued for World Economic Forum on Africa 2014

Fletcher, M.; Harris, S.; Richey, R.G. (2013). Internalization Knowledge: Why, What, Where, and When? *Journal of International Marketing*

Garcia-Canal, E.; Duarte, C.L.; Criado, J.R.; Llaneza, A.V. (2002). Accelerating International Expansion through Global Alliances: A Typology of Cooperative Strategies. *Journal of World Business*, 37, 91-107

Gruber, M.; Heinemann, F.; Brettel, M.; Hungeling, S. (2010). Configurations of Resources and Capabilities and Their Performance: An Exploratory Study on Technology Venture. *Strategic Management Journal*, 31 (12), 1337-1356

Gulati, R. (1998). Alliance and Network. *Strategic Management Journal*, 19 (4), 293-317

Hennart, J.F.; Kim, D.J.; Zeng, M. (1998). The Impact of Joint Venturev Status on the Longevity of Japanese Stakes in U.S. Manufacturing Affiliates. *Organization Science*, 9, 382-395

Iarosi, G.; Mousley, P.; Radwan, I. (2009). *An Assessment of The Investment Climate in Nigeria*. Washington, DC: The World Bank

Inkpen, A. C.; Beamish, P. W. (1997). Knowledge, Bargaining Power, and the Instability of International Joint Ventures. *Academy of Management Review*, 22, 177-202

Lecraw, D.J. (1993). Outward Direct Investment by Indonesian Firms: Motivation and Effects. *Journal of International Business Studies*, 24 (3), 589-600

Luo, Y. (2003). Market-Seeking MNE in an Emerging Market: How Parent-Subsidiary Links Shapes Overseas Success. *Journal of International Business Studies*, 34 (3), 290-309

Mezias, J.M. (2002). Identifying Liabilities of Foreignness and Strategies to Minimize Their Effects: The Case of Labor Lawsuit Judgments in the United States. *Strategic Management Journal*, 23 (3), 229-244

Miles, M.B.; Huberman, A.M. (1994). *Qualitative Data Analysis* (2nd ed.). Thousand Oaks: Sage

Mohr, J.; Spekman, R. (1994). Characteristics of Partnership Success: Partnership Attributes, Communication Behavior, and Conflict Resolution Techniques. *Strategic Management Journal*, 15 (2), 135-152

Moran, T. (1985). *Multinational Corporations: The Political Economy of Foreign Direct Investment*. Lexington, MA: Lexington Books

Mowery, D.C.; Oxley, J.E.; Silverman, B. (1996). Strategic Alliances and Interfirm Knowledge Transfer. *Strategic Management Journal*, 17, 77-91

Park, S. H.; Ungson, G.R. (1997). The Effect of National Culture, Organizational Complementarity, and Economic Motivation on Joint Venture Dissolution. *Academy of Management Journal*, 40, 270-307

Pennings, J. M., Barkema, H. G., Douma, S. W. (1994). Organizational Learning and Diversification. *Academy of Management Journal*, 37, 608-640

Pfeffer, J.R.; Salancik, G.R. (1978/2003). *The External Control of Organization*. New York: Harper & Row

Porter, M. E. (1990). *The Competitive Advantage of Nations*. New York: Free Press

Ring, P.S.; Van de Ven, A.H. (1992). Structuring Cooperative Relationships between Organizations. *Strategic Management Journal*, 13 (7), 483-498

Rugman, A.M.; Verbeke, A. (2001). Subsidiary-Specific Advantages in Multinational Enterprises. *Strategic Management Journal*, 22, 237–250

Sapienza, A. M. D.; Stork, D. (2001). *Leading Biotechnology Alliance: Right form the Start*. New York: John Wiley & Sons

Schifrin, M. (2001). Partner or Perish. *Forbes*, 167 (2), 26-28

Steensma, H. K.; Tihanyi, L.; Lyles, M. A.; Dhanaraj, C. (2005). The Evolving Value of Foreign Partnerships in Transitioning Economies. *Academy of Management Journal*, 48, 213-235

UNCTAD (2014). *Economic Development in Africa Report 2014: Catalysing Investment for Transformative Growth in Africa*.. New York: United Nations Publication

White, R. E.; Poynter, T. A. (1984). Strategies for Foreign-Owned Subsidiaries in Canada. *Business Quarterly*, 48 (4), 59–69

Yan, A.; Gray, B. (1994). Bargaining Power, Management Control, and Performance in United States-China Joint Ventures: A Comparative Case Study. *Academy of Management Journal*, 37, 1478-1517

Yan, A.; Zeng, M. (1999). International Joint Venture Instability: A Critique of Previous Research, a Reconceptualization and Directions for Future Research. *Journal of International Business Studies*, 30, 397-414

Yoshino, M.; Rangan., S. (1995). *Strategic alliances: An Entrepreneurial Approach to Globalization.* Boston: Harvard Business School Press

Zaheer, S. (1995). Overcoming the Liability of Foreignness. *Academy of Management Journal*, 38, 341-363