WWJMRD 2021;7(10):105-108
www.wwjmrd.com
International Journal
Peer Reviewed Journal
Refereed Journal
Indexed Journal
Impact Factor SJIF 2017: 5.182 2018: 5.51, (ISI) 2020-2021: 1.361
E-ISSN: 2454-6615

Liang Jia-qiang
School of Management,
Shandong University of
Technology, Zibo City,
Shandong Province, China

Correspondence:
Liang Jia-qiang
School of Management,
Shandong University of
Technology, Zibo City,
Shandong Province, China

Research on Enterprise Strategic Alliance: From the Perspective of Transaction Cost Theory

Liang Jia-qiang

Abstract
Since the 1980s, strategic alliance, a new form of enterprise organization, has made great progress, and has made great breakthroughs in breadth and depth, which benefit from the strong competitive advantage of strategic alliance. This paper systematically discusses the formation mechanism of enterprise strategic alliance by using transaction cost theory, in order to study this problem more deeply.

Keywords: strategic alliance; transaction cost; competitive advantage

1. Introduction

Since the 1980s, western enterprises have begun to make strategic adjustments to the competitive relationship of enterprises. As an important organizational innovation, the alliance has achieved rapid development and made great breakthroughs in breadth and depth. This is due to the strong competitive advantage of strategic alliance. For example, the establishment of strategic alliance can share resources and effectively use external resources to enhance the competitiveness of enterprises; Carry out technological innovation through alliance effect to reduce the risk of technological development; The alliance can improve the learning ability of enterprises and cultivate the core competitiveness of enterprises.

2. Definition of strategic alliance

The term enterprise strategic alliance was first used by Jane Hopland, President of American DEC Company, and manager Luo Jay Nigel, but the definition of strategic alliance is still very inconsistent. One view is that strategic alliance is an enterprise or partnership composed of strong companies that are usually competitors， it is a competitive alliance [1]. According to the above definition, a strategic alliance is between companies engaged in the same activity cooperation. Another view is that strategic alliance is reached between companies in different countries, which is beyond the normal market but no long-term joint agreement for the field relationship to reach the degree of merger (Porter & Fuller, 2000) [2]. According to this view, Strategic alliance is a kind of transaction between the market and the company, including joint venture, license and supply Agreements, marketing agreements and various other agreements.

Michael· E· Porter (1986) believes that the strategic alliance is a long-term alliance with other enterprises, but it is not complete merge. Strategic alliance means that the partners of the alliance coordinate or share the value chain together to expand the effective scope of the enterprise value chain. Tess (1992) defined strategic alliance as two or more partner enterprises to realize resource sharing and carry out cooperation activities characterized by recognition and trust for strategic objectives such as complementary advantages.

This paper holds that strategic alliance refers to the mutual cooperation between enterprises in order to achieve common strategic objectives economic organizations or joint actions that share risks and benefits.

Although people have different understanding of the meaning of alliance, most of them believe that the common characteristics of strategic alliance include following aspects:

2.1. The looseness of the organization: The enterprises participating in the alliance are a kind of partnership, both super the more general transaction relationship, there is no subordinate relationship between controlling and controlled, and it is maintained the independence and equality of their enterprises while cooperating closely.
2.2. Mutual benefit of cooperation: Basically, the strategic alliance is mutual utilization and improvement of competitive energy power partnership, hoping to obtain more interests through cooperation than their independent or opposite behavior.
2.3. The fundamentality of competition: The cooperation is for better competition, and the cooperation among alliance enterprises is not all-round, the cooperation is often carried out in an agreed field;
2.4. The long-term nature of strategy: It aims to create long-term competitive advantages for enterprises, which belongs to the long-term strategic arrangement at the company level.

3. Transaction cost and its theory

3.1. The meaning of transaction cost

In 1937, the famous economist Ronald Coase wrote paper the nature of enterprises. In this paper, the idea of transaction cost was put forward for the first time. Coase believes that the use of market price mechanism has a price. According to Coase's own wishes, this price is the transaction cost, which Coase believes is the gain the cost of accurate market information, as well as the cost of negotiation and recurring contracts [3]. Coase use the transaction cost to analyze whether the enterprise makes or purchases, so as to define the enterprise boundary.

Arrow formally put forward and used the term transaction cost in 1969, and arrow defined transaction cost as the cost of market mechanism operation.

Williamson systematically studied the transaction cost theory, he believes that the transaction cost consists of two parts: one is the transaction cost in advance, that is, signing expenses incurred in signing contracts and stipulating the rights and responsibilities of both parties to the transaction; second is the transaction cost after signing the contract. That is for solving the problems of the contract itself and changing the terms to withdrawing from the contract. Williamson recognizes the existence of transaction cost depends on three elements: first, limited rational thinking; Second, the opportunism; Third, the specificity of assets. Transaction costs determine the existence of enterprises. Enterprises adopt different organizational methods, and the ultimate purpose is to save transaction costs [4].

3.2 Nature of transaction cost

3.2.1. Transaction cost is the loss of wealth and resources: The exchange process is expensive. There are two types of transaction costs as a result of loss. One is necessary for the transaction, such as information search. The other is pure waste, such as transaction costs and litigation costs caused by people's opportunistic behavior.
3.2.2. Transaction costs are mainly the result of asymmetric knowledge and information among economic subjects: The combination of knowledge and experience differences and information asymmetry are exploited by opportunism, Transaction costs will increase. Therefore, the information is changed cheap systems, policies and technologies that narrow time and space, and the improvement of people's ideology can all help play a role in reducing transaction costs.
3.2.3. Transaction costs can be reduced and cannot be completely eliminated: The main force to reduce transaction costs is system and technology, but with the deepening of division of labor, the individual differences of knowledge and experience cannot be completely eliminated. The inconsistency of people's understanding leads to that it can only be limited and cannot be completely eliminated.
3.2.4. Uncertainty of transaction costs: For any economic activity, people can only be based on uncertainty in advance incomplete knowledge and experience to estimate the type and quantity of transaction costs, and accurate measurement can only be made after the event. The opportunity cost nature of transaction costs will become elusive [5].

3.3 Basic viewpoints of transaction cost theory

3.3.1. Market and enterprises are trading mechanisms that replace each other rather than trade with each other, so enterprises can replace the market to realize transactions;
3.3.2. Enterprises may reduce transaction costs by replacing the market to realize transactions;
3.3.3. The existence of market transaction costs determines the existence of enterprises;
3.3.4. While internalizing market transactions, enterprises will produce additional management costs. When the increase of management costs is equal to the amount of transaction cost savings, the boundary of enterprises tends to balance;
3.3.5. Modern transaction cost theory holds that the existence of transaction cost and the efforts of enterprises to save transaction cost are the driving force of the evolution of capitalist enterprise structure;

4. Explanation of transaction cost theory of strategic alliance

In enterprise organizations, enterprises can choose many ways to reduce transaction costs. Traditionally, they reduce transaction costs through enterprise merger and vertical integration. However, on the one hand, there is a limit to the expansion of enterprise scale. On the other hand, many western countries have adopted antitrust legislation to limit the expansion of enterprise scale. Moreover, the problem of "Organizational Failure" caused by the expansion of enterprise scale has attracted more and more attention. Many enterprises cannot achieve the improvement of expected benefits after merger. Therefore, as a new institutional arrangement, strategic alliance conforms to the needs of enterprises to save market transaction costs, and can avoid many costs in the process of vertical integration. It has gradually become an important organizational form in the new environment.

As a new institutional arrangement, strategic alliance meets the needs of enterprises to save market transaction costs. Due to the frequent communication and cooperation between alliance partners, the cost of searching trading partner information can be greatly reduced; Mutual trust and commitment can also reduce various performance risks; Even if there are conflicts in the transaction process, the alliance partners can solve them through negotiation on the basis of long-term cooperation, so as to avoid endless bargaining and even the cost of legal proceedings. The establishment of strategic alliance will promote organizational learning among alliance partners, so as to improve the cognitive ability of both parties to the uncertain environment and reduce various transaction costs caused by the "limited rationality" of transaction subjects. The long-term cooperation between alliance enterprises will restrain the opportunistic behavior between the two sides of the transaction to a great extent, because one-time betrayal and fraud will be retaliated and punished in the long-term cooperation, facing the high generation of "adverse selection", which makes the transaction costs caused by the opportunistic behavior of the two sides of the transaction controlled to a minimum. Strategic alliance also helps to restrain the external effects in market transactions. External effects are usually related to the impact and infringement of the parties' behavior on the interests of others in market transactions. If the external effect of the transaction is strong, in order to avoid the potential risk of infringement in the execution of the contract, the negotiation and signing of the transaction contract will consume a lot of time and energy of the parties. For the purpose of saving transaction costs, market transactions tend to be quasi-internalized, that is, replacing a series of short-term market contracts with enterprise long-term cooperation contracts, that is, the so-called strategic alliance. therefore , The external effect principle means that the stronger the external effect of the transaction, the more the enterprise alliance organization tends to replace the pure market transaction [6].

In order to reduce the transaction costs of alliance enterprises in production management, information exchange, knowledge transfer and technology circulation, enterprises will create internal markets - alliances or clusters, formulate unified rules and orders in line with their own development status, reach consensus, implement them in an all-round way, and finally solve the problem of increasing transaction costs. These rules and orders need the full participation and coordination of alliances or clusters, and finally reach an agreement for common and repeated use.

4.1 From the whole process of transaction, strategic alliance makes enterprises form a long-term strategic partnership, which helps to reduce relevant transaction costs in the process of transaction. This is mainly reflected in the following aspects:

4.1.1. The reduction of search information cost.

4.1.2. Reduction in negotiation and supervision costs.

4.1.3. Reduction of contract performance costs and arbitration costs. From the perspective of the behavior of transaction subjects, the establishment of strategic alliance partnership helps to promote organizational learning between the two sides, so as to improve the cognitive ability of the two sides to the uncertain environment and reduce the transaction costs caused by limited rationality between the two sides; At the same time, the long-term strategic cooperative relationship between the two sides can restrain the opportunistic behavior between the two sides to a great extent, because one-time betrayal and fraud will lead to tit for tat retaliation and punishment in the long-term cooperation, and face the high cost of adverse selection. Therefore, the transaction cost caused by opportunistic behavior will be controlled to a minimum.

4.2 From the three dimensions of influencing the transaction process proposed by Williamson, it can be seen that the establishment of the relationship between the two sides of the alliance is the choice to save transaction costs.

4.2.1. Asset specificity : If a transaction requires specific investment by both parties, their interests will be closely connected. At this time, a long-term strategic partnership is more attractive than an unstable market transaction relationship, and it has become an inevitable choice for both parties.

4.2.2. Transaction uncertainty : The uncertainty of transaction is closely related to the bounded rationality of transaction subjects, opportunistic behavior and market uncertainty. The higher the uncertainty of the transaction, the higher the transaction cost for both parties to reach the transaction contract. The establishment of long-term strategic cooperation between trading subjects can share benefits and risks and enhance the ability to resist risks together. A long-term and stable strategic cooperative relationship can be used as a relational asset between partner enterprises, bring relational rent to enterprises, and constitute a barrier to the outside world, On the other hand, it also constitutes a mortgage asset between partnership enterprises, which can overcome the bounded rationality and opportunistic behavior of trading subjects to a great extent, reduce the uncertainty in the market, and then reduce the transaction costs of trading subjects.

4.2.3. Transaction frequency: There is a positive linear relationship between transaction frequency and transaction cost. If the transaction frequency is high, the transaction cost is high. Because if each transaction needs to be re contracted according to the pure market contract, the total transaction cost in a certain period has a positive linear relationship with the number of transactions. Therefore, strategic alliance enables all parties to establish a long-term and stable strategic partnership, and replace the regular search and negotiation for each contract with a clear or more implicit cooperation contract covering a long period of time, so as to eliminate the negative impact of high transaction frequency.

The institutional arrangement of strategic alliance, which is based on the cooperative relationship between enterprises, is different from that of general enterprises. The general enterprise system is based on property right transaction, including single commodity transaction rules and integration rules. In essence, these two types are absolute property right control methods, either giving up one party's property right through transaction or owning the other party's property right through transaction. However, strategic alliance is an inter-enterprise relationship system based on property right cooperation on the premise that its members do not give up or continue to own the property rights of each party.

5. Conclusion

In short, enterprise strategic alliance can greatly realize the competitive advantage of alliance enterprises on the basis of organizational learning from the outside to the inside through scientific institutional arrangements. Therefore, strategic alliance can use institutional arrangements to actively realize the long-term competitive advantage of enterprises, and realize its value creation by improving its core competitiveness. Therefore, strategic alliances should adopt scientific and reasonable regulation methods according to their own transaction characteristics, so as to make better use of external resources, reduce transaction costs, strengthen their core competence, and then improve the competitiveness of alliance enterprises.

References

1. Sierra, M.Cauleydela. Managing Global Alliances: Key Steps for Successful Collaboration [M]. England: Addison-Wesley, 1995.
2. Porter, Fuller R. Developing Strategic Alliance: A Conceptual Framework for Successful Co-operation [J]. European Management Journal, 1992, (12):412-421.
3. Coase R H. The nature of the firm [J]. Economics, 1937, 4(16): 386-405.
4. Willianmson,O.E. The economic institutions capitalism [J]. The Free Press, 1985:19
5. Hu Wei, Wang Juan, Huang Shi-lin. On the evaluation method of economic benefits of alliance standard based on transaction cost theory. Academic research, 2019 (3): 58-63
6. Chen Yun, New trend of enterprise organization form development: Strategic alliance, Journal of Yunnan Radio and TV University, 2007.9(4).