ALLIANCES AND CONNECTIONS AS A SOURCE OF SUSTAINABLE COMPETITIVE ADVANTAGE

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ABSTRACT

In an increasingly connected economy, connections and ways of connecting are proliferating wildly – among firms, among suppliers, among computers, and customers. Intellectual capital is becoming the most important—and underleveraged—source of competitive advantage. Although knowledge management practices emphasize connectivity between people within the organization, sharing of tacit knowledge for example, it is in the nascent stage in terms of including the connections and relationships with external stakeholders and others. Increasingly, enterprises must create tighter, collaborative linkages with partners, suppliers, customers, and even non-competitors, squeezing out time and costs while enhancing the total value proposition. This paper examines the notion that companies not only can work collaboratively but that they should. Effect of cultural changes on collaboration is explored.

Increasingly firms are focusing on their core competencies while outsourcing non-essential work. For many firms, this has meant that complementary competencies must now be obtained from other firms. Independence and self-sufficiency, qualities corporations once admired and strove to emulate, are now unrealistic given a global environment that demands flexibility and innovation. Information is boundaryless and can travel with ease through the Internet, enabling anyone anywhere on the planet to expand knowledge into useful innovative products and services. On the other hand, patents, trademarks, Copyrights and / or sophisticated "firewalls", may be the basis for providing temporary protection from competitors. Yet the only sustainable competitive advantage is staying ahead of competitors through innovation.

Facing the imperative of improving performance, companies are systematically knocking down the boundaries that separated internal "silos", departments, and geographical units. It is only logical the next barrier to be tackled is the destruction of walls between enterprises. However high and problematic the walls between functional "silos" and geographical units within a multinational corporation may be, they are minimal when compared to the walls that separate a company from its upstream and downstream relationships.

Because innovation-oriented organizational units normally are working towards unspecified outputs, the nature of their interactions with other units, both within and outside the organization, cannot be easily anticipated. Therefore, as a substitute for pre-set goals and methods, innovative organizations use behavioral protocols, a code of organizational "etiquette" that participant members willingly abide by because they believe that doing so enhances the collaborative process. Such operating protocols do not attempt to provide solutions to inter-unit challenges and problems. Rather, they offer guidelines or principles that the units can use to find their own solutions to the problems that inevitably arise in the collaborative process. Well-conceived protocols encourage trust-building behaviors. One set of protocols, developed and used by Technical Computing & Graphics (TCG), a group of highly innovative information technology firms in Australia, is shown in Table 1. While there are many lessons to be learned from the TCG example, one thing simply stands out. Don't compete with your collaborator or partner.