
CHRISTOPHER PALMBERG • PHD • ETLA, ETLA-TIETO OY

MIKA PAJARINEN • M.SC. (ECON) • ETLA, ETLA-TIETO OY

Internationalisation through Strategic Alliances

– Determinants of Non-equity Alliances of Finnish Firms

The internationalisation of firms is a salient feature of ongoing globalisation. Internationalisation has traditionally occurred through the extensions of the in-house activities of firms through foreign direct investments or other equity-based arrangements. However, the recent rapid growth of cross-border strategic alliances indicates that such international alliances increasingly complement the in-house activities. An international strategic alliance is here defined as a formal cross-border agreement between firms, which is characterised by a commitment by the partners to reach a common strategic goal. Nowadays international alliances are typically based on looser non-equity agreements in activities ranging from joint R&D, production, or various market-related activities.

The internationalisation of Finnish firms has mainly been studied from the viewpoint of foreign direct investment (FDI). Recent research

indicates that the largest Finnish firms indeed are internationalised, especially in terms of turnover generation by production abroad, by the share of personnel located abroad, and by the share of R&D that they perform abroad. However, until now, less is known about the extent and nature of their international strategic alliances as a complementary mean of internationalisation.

In this paper we draw on a new database of strategic alliances to identify the determinants of non-equity international alliance formation of large Finnish firms and thereby contribute with new insights into the reasons behind the recent internationalisation of these firms through strategic alliances. The econometric analysis is framed in terms of organisational theories of the firm, which emphasise the relationships between uncertainties embedded in the activities undertaken within alliances and their organisation. The analysis combines data on the nature of alliances with data on characteristics of the partner firms to account for positional asymmetries in alliances.

The results suggest that the involvement of firms in uncertain R&D- or market-related activities determine the preference for non-equity alliances over equity-based ones in their internationalisation effort. This result is especially pronounced in ICT-related alliances. In contrast, production-related activities are associated with tighter equity-based alliance organisations. Non-equity strategic alliances have thereby contributed less to the internationalisation of production-related activities when compared with R&D and market-related activities. These results remain intact when the effect of Nokia is accounted for, as the dominating firm in the alliances activity from a Finnish viewpoint.

EXECUTIVE SUMMARIES

Future research along these lines should incorporate better indicators on the asymmetric position of firms in alliances, as well as investigate qualitatively how various types of asymmetries between firms affect their position in alliance networks and downstream markets. These issues are especially important from the viewpoint of Finnish firms, which are small players in global competition. ■