

# THE IMPACT OF CRITICAL COMPETITIONS AND SUCCESS FACTOR IMPACT ON ALLIANCES PERFORMANCE IN THE MALAYSIAN COMPANIES

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**Abstract---**Globalization has denationalized economic, markets, social and political environment today. Under the fierce competitive environment, Malaysian companies are also taking to new strategies and there is some evidence that they are forging strategic alliances either with local or foreign partners in search of their competitive advantage in this new economy. Thus the prime goals of this study to investigate the impact of resources on the various types of strategic alliances that are adopted by Malaysian companies. The empirical investigation is based on a survey on Malaysian firms in various industries. The survey questions contain the variables of resources, type of alliance, cooperation, critical success factors and alliance performance. Two types of test have been applied in this study. Pearson correlation applied is to explore the information of the relationship between any two variables. 2. The test of multivariate analysis of variance (MANOVA) and partial correlation was applied to rectify the hypothesis of this research. More studies are needed in order to discover the choice of strategic partners, the nature of cooperation that can facilitate the alliance to gain competencies, and the extent of key success factors that connects strategic alliance and resources. For instance, empirical information covering both qualitative and quantitative data would shed more light on these complex relationships and its underlying structure. Another area of interest is on the ways that firms select joint venture, equity alliance or functional alliance to optimize the resources in order to improve the performance.

**Keywords---**Strategic alliances, Malaysian Companies, Resources for Alliances

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## I. Introduction

Globalization have changed the business scenario today, the process of globalization has denationalize the economic, markets, social and politics environment. The consequence of this economic restructuring has kept the managers today to not only think to strive for survival, but also lead in more competitive than competitors. The firms now gradually cast off the pattern of “zero and sum” game but change to adopt “cooperation and competition” strategy to alliance with others. The firms cooperate with strategic partners, forms an alliance in order to expand the scale, market with just want to be competitive in the globalization era (Abdul-Aziz & Kassim, 2011; De Silva et al., 2018a; De Silva et al., 2018b; Nikhashemi et al., 2013).

In Malaysia, after 1997’s economic crisis, “The National Economic Recovery Plan recommended by the National Economic Action Council (NEAC)” of Malaysia has recommended strategic alliance as one of tool to “encourage strategic

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alliances between local firms and foreign firms to affect the transition from assembly-type to higher value added industries” to strengthen the manufacturing sector. “Malaysian Industrial Development Authority (MIDA)”, facilitates the research partnership and strategic alliances between Germany and Malaysian companies in the biotechnology industry that includes food biotech, agro biotech, biopharmaceuticals, nutraceuticals, bio diagnostics, industrial enzymes, and bioactive compounds for healthcare. Similarly, Malaysia government encourages Malaysian-owned or Malaysian majority joint venture companies to establish wafer fabrication projects through strategic alliances with multinational corporations to increase Malaysia’s accessibility to wafer technology. The Wafer exports are to bring in extra RM2.2 billion annually (MIDA, July 2001).

Under the fierce competition environment, Malaysian companies are forging the alliance either with local or foreign partners in searching for their competitive advantage in this new economy. This coopetition relationship may affect the performance of alliance. How should companies assess the right type of alliance before partnering with others? What should be the factors leading to the success of alliance? Considering Malaysia as having the largest base of manufacturing industry, we apply the resource-based theory to find out what are the phenomena of strategic alliance in the last five years. With this purpose, this paper will deeply discuss the strategic alliance of the firm, and its alliance performance, critical success factors of the alliance and the relationship of coopetition that facilitate the alliance activities (Gill & Butler, 2003).

In the past twenty years, most of the researchers have tried to construct the theory but to dodge the practical analysis. The study of competitive strategy and the firm behaviour that are based on resource-based view point have been focused to internal characteristic of the firm, this is different from the research. Because the firms have used the alliance as the method to gain the other firms’ formidable resource, past studies pointed out that the resource-based view point is the most suitable to examine the strategic alliances. Therefore, the firm’s resource provides foundation of researching strategy alliance. They found out when two firms are frail in strategic position or are stronger in social status, there is a higher possibility for them to form the strategic alliance (Ann, Zailani, & Wahid, 2006; Dewi et al., 2019; Pambreni et al., 2019; Tarofder et al., 2017).

When the logical rationale of competition and cooperation is opposite each other, the relationship of coopetition between firms becomes complex. Past studies mentioned that the cooperation of individual will not happen based on the proposition of individual to pursue the enormous benefit, but it is because of the social structure and the dependence that could cause the possibility of cooperation to happen. Past studies argument on the transaction cost theory is to discuss the relationship between the firms, but the theory mainly verified the vertical relationships of the firm between the downstream and upstream (Jefferies, Gameson, & Rowlinson, 2002; Doa et al., 2019; Maghfuriyah et al., 2019; Nguyen et al., 2019). Therefore, the strategy behaviour of competition and co-operation happened simultaneously between the firms is lack of explanation. Past studies argues the firms under the relational conditions act in many kinds of different role. If two firms cooperate to create the value, they are supplementary to each other. If two firms divide up the market, they are competitor to each other. From theoretical approach, the coopetition strategy discusses the behavior of competition and cooperation for the firms. Therefore, with the resource-based theory and the extension of the coopetition of game theory, the relationship of coopetition is influencing alliance performance and alliance member (Farinda, Kamarulzaman, Abdullah, & Ahmad, 2009).

## **II. Literature Review**

The resource-based view of the firm contributes to a theoretical understanding of sustainable competitive advantage. Its underpinnings are in economic model of competition that allow for strategic choices in interaction with the environment. The resource-based theory holds that firms accumulated the strategy resources which cannot be substituted, support the

strategy, adopt and establish the sustainable competitive advantage. The previous section introduced the issue of strategic alliances and their importance in the current globalize business environment – and also the objectives for the study were presented. In this section a review of pertinent literature will be presented. This section will discuss the influence of the relationships between the resources and type of strategic alliance, and its influence to the alliance performance, then the inquiry into relationships with coopetition of alliance member, and key success factors (Sambasivan, Siew-Phaik, Mohamed, & Leong, 2013; Pathiratne et al., 2018; Rachmawati et al., 2019; Seneviratne et al., 2019; Sudari et al., 2019; Tarofder et al., 2019). In order to construct the structure of this paper, the reality depends on serious exploration of literature review and the research of the rationale theory. Therefore, the resource based theory, the type of strategic alliance, the critical success factors, coopetition and alliance performance will be discussed in this chapter.

Past studies “a firm is more than an administrative unit; it is also a collection of productive resources the disposal of which between different users and over time is determined by administrative decision. When we regard the function of the private business firm from this point of view, the size of the firm is best gauged by some measure of the productive resources it employs”. Past studies maintains that firms can create the economic value due to effective and innovative management of resources. Past studies provides casual links between resources and the generation of productive opportunities for growth and innovation. Therefore, resource-based view is not only the concept argument, but with the support of economic theory. There are a lot of literature discussion of core resource by the scholars that various name have been used, such as; distinctive competences, core competencies, capabilities, resources strategic assets, firm-resource deployment, etc (Hussain, Mosa, & Omran, 2017). that reflect a wide range of research objectives and theoretical perspectives, but the significance, gist and meaning are very similar. Past studies deemed that causally ambiguous competencies is the base of competitive advantages. Ambiguity creates a barrier to competitive limitation. Past studies thought in order to sustain competitive advantage in the market, the resource and capabilities of firm must have four characteristics:

- Transparency of competitive advantage: a firm with multiple capabilities conferring superior performance across several variables is difficult to imitate, and a firm with capability which requires a complex pattern of coordination
- Durability: The firm’s competitive advantage depends on the durability of resource and capability at which the rate of the underlying resource and capabilities depreciate or become obsolete (Hussain, Mosa, & Omran, 2018).
- Imperfect transferability: The competitive advantage can be sustainable by the restriction of transaction cost to make resource imperfect transferable. The imperfect of transferability arises from several resources: geographical immobility, imperfect information, firm-firm specific resource and the immobility of capabilities.
- Barriers to resource replication: To maintain the competitive advantage, the firm with internal investment, highly complex organization routines, cooperation and attitudinal change required makes competitors deceptively difficult to imitate.

Because of different viewpoints of definition, concept and explanation of resource, the scholars have used varied nomenclature to describe resources. Past studies distinguished firm’s resources to: financial resources, physical resources, management resources, human resources, organizational resources and technological resources. Past studies developed four sources of competencies: managerial competencies and strategic focus, resources-based competencies, transformation-based competencies and output-based competencies (Hussain, Musa, & Omran, 2019).

- Managerial competencies and strategic focus: The managerial values and competencies of an organization developed by the leader who created a strategic vision, achieved through repetition (experimentation and improvisation), representation (or articulation of core values), and assistance (or acceptance and legitimation of the vision by key stakeholders).

Past studies classified the intangible resource by the characteristics of “having” and “doing”,

Doing: includes

1. Functional skills, include know-how, databases, organizational networks
2. Cultural capabilities, include perception of quality standards & customer service, ability to manage change and innovate, team work ability, etc

Having: includes

Classified as intangible assets due to its characteristics of ‘belongingness’ and not legally protected, inclusive reputation, information in the public domain organization & personal networks.

1. The intangible resources, which have the nature and characteristic of assets that have legally protected, include patents, trademarks, copyright and registered designs.

Past studies identify valuable resources to three forms: physical, intangible and organizational capabilities:

- Physical resources: These values are easily weighed also the asset that appear in the company balance sheet.
- Intangible resources brand names, technological know-how and knowledge.
- Organizational capabilities: embedded in a company’s routines, processes.

Past studies who based on the fundamentally different of non-imitability have classified resources into property-based resources and knowledge-based resources.

- Property-based resources: The resources that tie up a specific and well-defined asset.
- Knowledge-based resources: The valuable resources are protected from imitation by knowledge barriers (Hussain, Musa, & Omran, 2018).

The resource-based theory contributes to a theoretical understanding of sustainable competitive advantage. This theory intercepts a broad set of resources of the firm that inherent in strategy research. The set of resource with its characteristic: imperfect mobility, imperfectly imitable, rare and valuable that may differ with respect to available resources. The firm achieves competitive advantage and sustains it by leveraging its resources that implement a value creating strategy (Hussain et al., 2012).

This research mainly discusses the influence of resource to strategic alliance that is based on the resource-based theory; this research adopts the findings of past studies that comparatively suit this research. The classification of type of core resource is divided into two types: property-based resources and knowledge-based resources. Based on the outlined discussion, the resource-based influences two structural preferences, namely equity and non-equity alliances. By referring to the past research, the types of alliance structure that have been adopted are: joint venture, equity alliance and functional alliance (unilateral contract-based alliance) that are aligned to the type of resources such as property based and knowledge-based, and examination are done on how the different alliance structures are related to performance, key success factors, and coopetition relationships (Nawaz, Afzal, & Shehzadi, 2013; Nikhashemi et al., 2017; Tarofder et al., 2019; Ulfah et al., 2019; Tarofder et al., 2016; Udriyah et al., 2019). Under the fierce competition environment, the relations between each firms not only complete to each other, they also form alliance to co-operation. For example, the firms cooperate on certain products, but they compete to each other on other products.

The firms either in the competition or cooperation with others have changed the relations and the commercial competition rule. When the logical rationale of competition and co-operation is opposite to each other, the relation of coopetition becomes complex; therefore, this coopetition will affect strategic alliance behavior, either in high-tech industry or traditional industry. With this purpose, the relation of coopetition in strategic alliances becomes important and inevitably needed for the firms to

stay competitive (Nawaz, Azam, & Bhatti, 2019). The term coopetition was coined past studies, the founder of Novell Inc., and is defined as simultaneous cooperation and competition. It means competition and cooperation can co-exist, and the firm should look for win-win as well as win-lose opportunities. There are three theoretical approaches that provide information for coopetition relationships. There are: transaction cost theory, resource-based theory and Game theory. There are adversarial approach and cooperative approach. Under adversarial approach, buyer encourages competition among the suppliers so as to ensure constant supply materials while exploiting the benefits of competition. Under this circumstance, buyer practices the multiple sourcing, short-term contracting and competitive bidding, but this practice will cause the uncertainties among the suppliers with regards to market conditions and demand. This leads to inefficiency, and increase a supplier's operation costs in turn results in higher long-term costs for the buyers. In cooperative approach, the buyer-supplier relationships are characterized by mutual loyalty, cooperation, risk and reward sharing with a focus on continuous improvement. They allow firms to enjoy the benefits of vertical integration without the commensurate risks of ownerships. The cooperative buyer-supplier relationship involves a shift in certain responsibilities and costs from the buyer to the supplier and tends to raise the switching cost of the relationships (Mothilal, Gunasekaran, Nachiappan, & Jayaram, 2012; Nawaz & Hassan, 2016).

Past studies explained the competitive collaboration approach that hold that under the strategic preference, firms with certain conditions weakness choose to form an alliance, and with the intention of enhancing their competitive position. As past studies described, "Cooperation becomes a low cost route for new competitors to gain technology and market access" (Kumar, Singh, & Shankar, 2015). These coopetition relationships encompass a variety of agreements whereby two or more companies combine their resources to pursue specific business opportunities (Chen & Wang, 2010). By joining efforts, firms hope to gain a competitive advantage over rivals and thus increase their chances of successfully competing in the marketplace (Chittithaworn, Islam, Keawchana, & Yusuf, 2011). Co-operative agreements can allow organizations to overcome resource constraints, share risks, gain access to complementary skills and technologies, and expand product or service offerings.

However, each firm is unique with its resources and the firm must exploit those success factors that were underpinned by core competence and resources that allow them to sustain the competitive advantage. This study derive to two types of critical success factors: resource indication and knowledge indication. These are to be applied into the operation study. Employs financial indicators, example, sales growth, and return on investment and sales profits, etc., to rate alliance performance (Zakuan, Yusof, Laosirihongthong, & Shaharoun, 2010). Despite a long interest in understanding and measuring performance by scholars, the research on alliance performance is still complex and challenging. The main discussion of alliance performance depends on the application of objective and/or subjective measure. Past studies found that subjective and objective measures were correlated for traditional organization forms suggest that this relationship may be found for international joint venture. Based on the past studies finding, this study adopts measure of alliance performance, in the subjective and objective dimensions, to understand correlation with type of alliance, coopetition and critical success factors (Inkpen, 2000).

### **III. Research Methods**

The previous section reviews the study of resource-based theory, strategic alliances, coopetition, critical success factors and alliance performance. In this section, a theoretical research model will be developed. The methodology of research and research questions will be addressed to allow the hypothesis to be tested for this paper. The core of resource-based theory is taking the interior resource of the firm as the foundation to develop its core resources, to emphasize the firm itself has unique

sets of resources and organizational capabilities that are valuable, rare, imperfectly imitable, and non-substitutable, and to seek the competitive advantage with the conditions of heterogeneity or differentiation among firms to be preserved. The essence of strategic alliance is to seek complementary resources that mutually beneficial to firm. The characteristic of resources has latent influential on the ways of co-operation between firms; the firms will seek complementary assets. The absence of critical complementary resources (assets) affects the prospects for when the absence of critical complementary assets affects the prospects for appropriating the gains.

The purpose of this paper is embarking from resource-based view to discuss characteristics of firm resources, type of strategic alliances, cooperation, critical success factors and the relationships with alliance performance as the chart 3-1 showed the structure of this research.

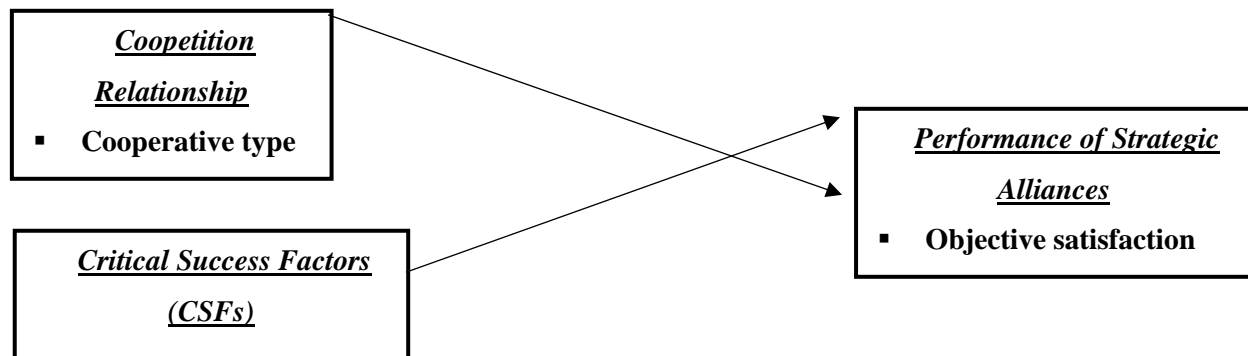


Figure 1: Theoretical Framework

When firm adopt strategy of different type of strategic alliance to match the key success factors and different coopetition relation, this will influence the performance of strategic alliance. Therefore, the hypotheses of this research are:

**The relationship between alliance performance and type of coopetition**

In the past, the discussion of coordination of type of strategic alliance and type of core resource always neglected the strength of co-operation between alliance members. The coopetition explains that the alliance partners can increase the competitive advantage underutilization of strategic intent Past studies acknowledged that the relationship of competition and cooperation presence between the firms. Therefore the first hypothesis is:

H1: The alliance performance is evidently disparity with the different type of coopetition.

**The relationship between alliance performance and the key success factors**

Based on the literature review, strategic alliance is affected by the key success factor resulted in the alliance performance to be associated differently. Therefore, the second hypothesis is:

H2: The alliance performance is obviously related to the key success factors

The samples for the study were the companies that had operations in Malaysia; it includes multinational companies. They have had some experience with alliance activities in the last five years. The sources of sample come from: (1) Periodical magazine, newspapers media reports prior to January 2005. (2) Media reports are from association and government agency such as Federal of Malaysia Manufacturers, Bursa Malaysia, Small and Medium Industries Development Corporation (SMIDEC), Malaysian Industrial Development Authority (MIDA) and Malaysia External Trade development Corporation (MATRADE). A total of 500 companies were contacted and 39 companies responded to the study.

The reliability of the measurement is established by testing for both consistency and stability. Cronbach's alpha is a reliability coefficient that indicates how well the items in a set are positively correlated to one another. Past studies suggested that an alpha of 0.70 is the minimum acceptable standard for demonstrating internal consistency. In the exploration research, the alpha is between 0.60 to 0.98 which is considered as having high reliability. Reliability will be rejected only if the alpha is lower than 0.35.

According to above criteria, the Cronbach's value of each variable is calculated and listed in the following table: The alpha of the type of strategic alliance have been adjusted to  $\alpha=0.559$  after deleting. Overall the high reliability ( $\alpha=0.905$ ) of measurement indicated that the items are positively correlated with one another.

Table 1: Reliability Analysis

| Variables                                | Cronbach's Alpha Based on Standardized Items | Question items | Cronbach's Alpha Based on Standardized Items (Adjusted) |
|--|--|----------------|---|
| The strength of coopetition relationship | 0.674  | 14             | 0.674   |
| The key success factor                   | 0.905  | 20             | 0.905   |
| The performance of strategic alliances   | 0.879  | 8              | 0.879   |

#### IV. Findings

This chapter proceeds with the analysis and discussion of data findings from the samples collected in Malaysia industry, mainly the manufacturers in various industries. The organizations of this chapter are as following: The first section is the outlines analysis of the samples. The second section is the analysis of variable set that leads to the type of respective variables set by applying cluster analysis. The third section is to explore correlation of variables. The fourth section is the discussion of the relationship of variable set and hypothesis tests.

From table 2 and 3 a total 39 sets of samples revealed that the broad ranges of industry have involved in strategic alliance activities. There are 5 firms from service industry and 32 firms from manufacturing industry. In this survey, there are 12 categories of firms. The result shows that the strategic alliances are widely accepted among Malaysia firms in the globalization era.

Table 2: Analysis of Industry – Manufacturing.

| Industry      | Type of Industry                | Firm | %   |
|---------------|---------------------------------|------|-----|
| Manufacturing | Telecommunication manufacturing | 1    | 2.6 |

|       |                         |    |       |
|-------|-------------------------|----|-------|
|       | Information & Computer  | 1  | 2.6   |
|       | Semiconductor           | 3  | 7.7   |
|       | Metal                   | 3  | 10.24 |
|       | Electrical & Electronic | 5  | 12.8  |
|       | Machinery               | 5  | 12.8  |
|       | Scientific & Measuring  | 1  | 2.6   |
|       | Metal Fabrication       | 3  | 7.7   |
|       | Other                   | 12 | 30.8  |
| Total |                         | 34 | 87.2  |

Table 3: Analysis of Industry – Service.

| Industry | Type of Industry                   | Firm | %    |
|----------|------------------------------------|------|------|
| Service  | Media                              | 1    | 2.6  |
|          | Transportation                     | 2    | 5.1  |
|          | Software                           | 1    | 2.6  |
|          | Retail sales & general merchandise | 1    | 2.6  |
| Total    |                                    | 5    | 12.8 |

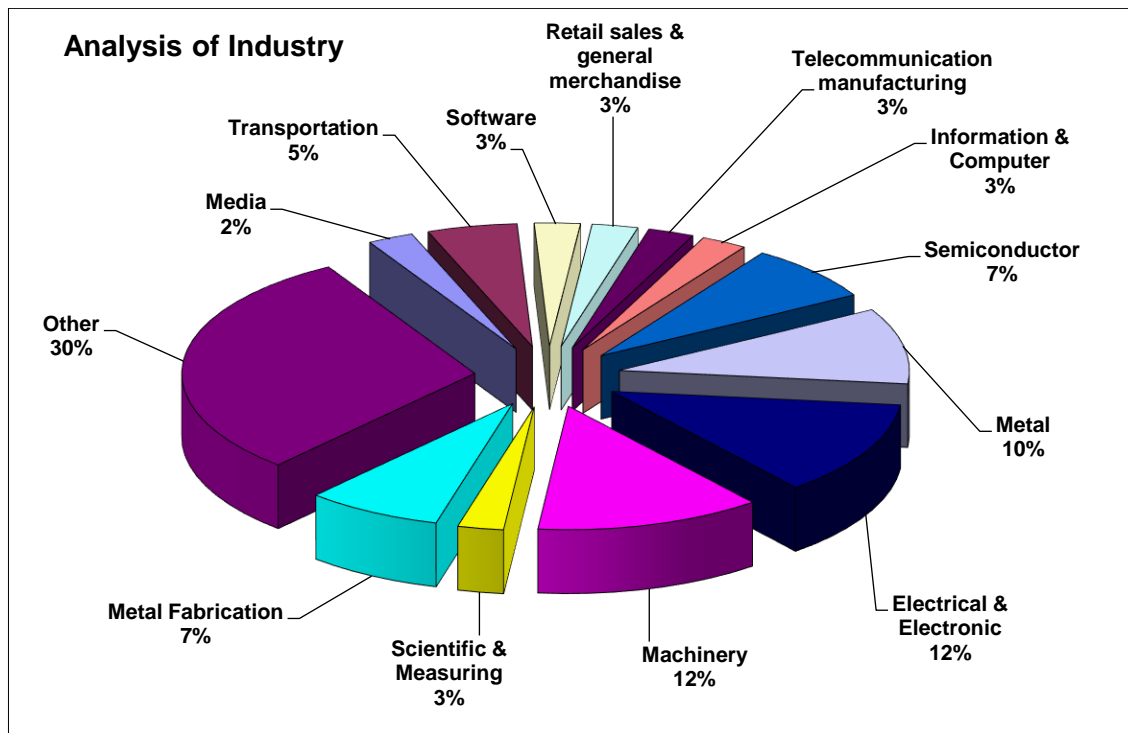


Figure 2: Analysis of Industry

There are 44% of the firm, which have more than 50 million of paid-capital, and 44% of the firms are earning more than 100 million in year 2004 (Table 4).

Table 4: Analysis of paid-up capital and turnover.

| Paid-up Capital (2004)<br>(RM 000,000) | Firm | %     | Sales Turnover (2004)<br>(RM 000,000) | Firm | %     |
|--|------|-------|---------------------------------------|------|-------|
| < 1                                    | 2    | 5.1   | < 1                                   | 4    | 10.3  |
| 1 ~ 5                                  | 8    | 20.5  | 1 ~ 5                                 | 2    | 5.1   |
| 6 ~ 10                                 | 2    | 5.1   | 6 ~ 10                                | 11   | 28.2  |
| 11 ~ 50                                | 9    | 23.1  | 11 ~ 50                               | 5    | 12.8  |
| 51 ~ 100                               | 8    | 20.5  | 51 ~ 100                              | 17   | 43.6  |
| > 100                                  | 10   | 25.6  | > 100                                 | 4    | 10.3  |
| Total                                  | 39   | 100.0 |                                       | 39   | 100.0 |

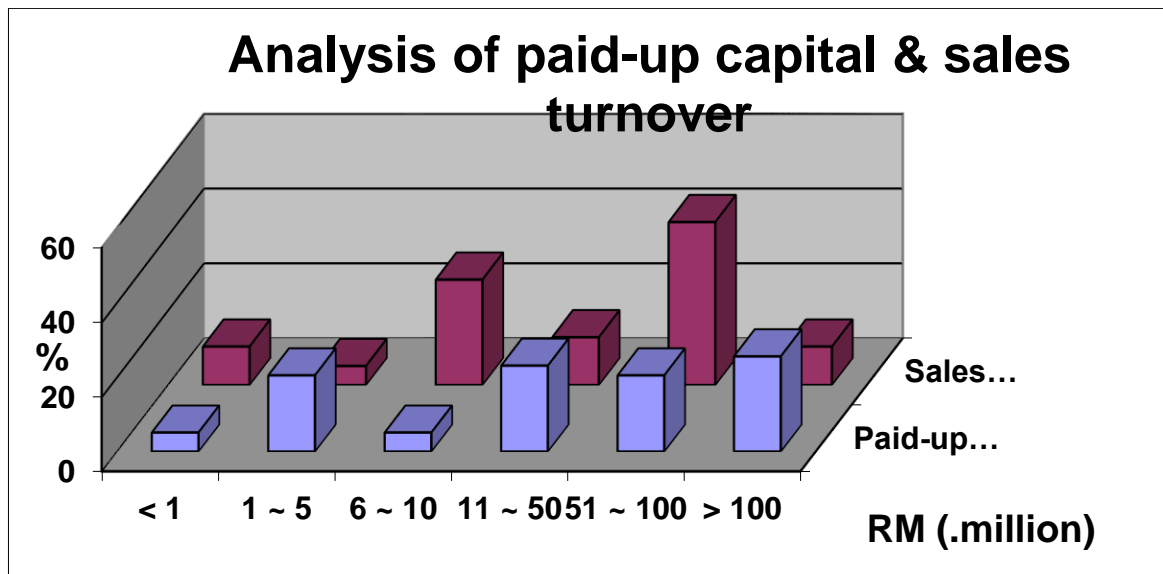


Figure 3: Analysis of paid-up capital and sales turnover.

Cluster analysis' result revealed that 13 firms are in cluster 1, and 26 firms belong to cluster 2 (Table 3). Comparing the means value of two clusters, cluster 1 has higher means value (3.65) than cluster 2 (means: 3.62) in the category of cooperative type; therefore, we name cluster 1 of 13 firms as the cooperative type of firm, and cluster 2 of 26 firms as the competitive type of firm. The Pearson correlation indicated no significant influence between competitive type and coopetition type of the firm (Table 4). This phenomenon shows that Malaysia firms believed that cooperation in strategic alliance will hamper the competitive advantage, but they never realized that strategic alliance can complement and enhance each other in different approach such as production, introduction of new products and entry into new markets.

Table 5: Cluster analysis of coopetition.

|                              | Cluster          |                  |
|------------------------------|------------------|------------------|
|                              | 1                | 2                |
| Competitive-type Coopetition | 3.32             | 2.48             |
| Cooperative-type Coopetition | 3.65             | 3.62             |
| No of Firms                  | 13               | 26               |
| Type of Coopetition          | Cooperative-type | Competitive-type |

Table 6: Correlation of coopetition.

|                                 |                     | Competitive-type<br>Coopetition | Cooperative-type<br>Coopetition |
|---------------------------------|---------------------|---------------------------------|---------------------------------|
| Competitive-type<br>Coopetition | Pearson Correlation | 1                               | .189                            |
|                                 | Sig. (2-tailed)     |                                 | .250                            |
| Cooperative-type<br>Coopetition | Pearson Correlation | .189                            | 1                               |
|                                 | Sig. (2-tailed)     | .250                            |                                 |

\*\* Correlation is significant at the 0.01 level (2-tailed).

By using cluster analysis, 28 firms in cluster 2 have been found to have higher mean value either in the category of knowledge indication or resource indication is named as the knowledge- indication type of firm (Table 5) Pearson correlation indicated a significant influence among the type of critical success factors (Table 7).

Table 7: Cluster analysis of critical success factors.

|                           | Cluster             |                      |
|---------------------------|---------------------|----------------------|
|                           | 1                   | 2                    |
| Resource-indication CSFs  | 3.10                | 3.93                 |
| Knowledge-indication CSFs | 3.29                | 4.05                 |
| No of Firms               | 11                  | 28                   |
| Type of CSFs              | Resource indication | Knowledge indication |

Table 8: Correlation of critical success factors.

|                               |                     | Resource-indication<br>CSFs | Knowledge-indication<br>CSFs |
|-------------------------------|---------------------|-----------------------------|------------------------------|
| Resource-indication<br>CSFs   | Pearson Correlation | 1                           | .681(**)                     |
|                               | Sig. (2-tailed)     |                             | .000                         |
| Knowledge-<br>indication CSFs | Pearson Correlation | .681(**)                    | 1                            |
|                               | Sig. (2-tailed)     | .000                        |                              |

\*\* Correlation is significant at the 0.01level (2-tailed).

### Analysis of alliance performance

The analysis of the alliance performance is based on the application of objective and or subjective measure. From Table 9, the majority of the firms hold positive manner and satisfied with their alliance performance either in subjective or objective satisfaction. Overall, the firms are satisfied with their objective degree of performance. Pearson correlation indicated a significant influence among the type of alliance performance (Table 10).

Table 9: Mean value of alliance performance.

| Type of Variables       | Variables  | Mean |
|-------------------------|--|------|
| Subjective Satisfaction | Satisfied with alliance organization's operation.  | 3.56 |
|                         | Satisfied with the achievement of the goals of the alliance.   | 3.44 |
|                         | Satisfied with the whole alliance's operation.   | 3.49 |
|                         | Average- Subjective  | 3.49 |
| Objective Satisfaction  | Satisfied with the experience of learning from the alliance operation.                                   | 3.72 |
|                         | After participating in the alliance, your firm's sales are growing compared to its competitors.          | 3.59 |
|                         | After participating in the alliance, your firm's market share has increased compared to its competitors. | 3.46 |
|                         | Satisfied with the overall alliance's performance.   | 3.59 |
|                         | Satisfied with the achievement of the goal of alliance.  | 3.59 |
|                         | Average-Objective  | 3.59 |
| Performance             | Average -Total   | 3.55 |

Table 4.10: Correlation of alliance performance.

|                                     |                     | Subjective-satisfaction Performance | Objective-satisfaction Performance |
|-------------------------------------|---------------------|-------------------------------------|------------------------------------|
| Subjective-satisfaction Performance | Pearson Correlation | 1                                   | .562(**)                           |
|                                     | Sig. (2-tailed)     |                                     | .000                               |
| Objective-satisfaction Performance  | Pearson Correlation | .562(**)                            | 1                                  |
|                                     | Sig. (2-tailed)     | .000                                |                                    |

\*\* Correlation is significant at the 0.01level (2-tailed).

#### ▪ Coopetition

The survey result revealed that the concept of coopetition is not widely accepted by Malaysian firms. From the viewpoint of competition, the firms seem to focus on competition and too little on cooperation. Past studies ever mentioned that “Cooperation becomes a low cost route for new competitors to gain technology and market access”. These coopetition relationships encompass a variety of agreements whereby two or more companies combine their resources to pursue specific business opportunities. Co-operative agreements can allow organizations to overcome resource constraints, share risks, gain access to complementary skills and technologies, and expand product or service offerings.

#### ▪ Critical success factors (CSFs)

The 28 firms of knowledge-indication which have higher means value not only in knowledge indication but also in resource indication indicated that these firms are able to hold competitive advantage by utilizing their strategic assets: a set of resources and capabilities. This also explained the belief of past studies that critical success factors are the criteria for the firm to hold competitive advantage, and only the firm that is able to identify the critical success factors of the market can establish and sustain competitive advantage.

#### ▪ Alliance performance

Either in subjective satisfaction or objective satisfaction, the 39 firms merely satisfied with their performance of alliance. This could be no financial indicator or profitability-related factor to be measured as traditionally included. What really constitutes a suitable measure has been a subject of intense debate.

#### Correlation analysis of variables

This section is using Pearson correlation to examine the relationship between the variables understudied and reported only if the correlation is significant at the 0.01 level. Correlation analysis of variables of alliance performance, type of alliance, coopetition (Table 11)

Satisfaction in the learning experience from alliance operation is correlated with many partners in marketing & after-sale service aspects and willing to adjust contract

Table 11: Correlation of variable – Satisfaction with the learning experience from alliance operation vs. marketing & after-sale service alliance and adjust contract.

|  |                     | <b>B5-Your firm has many alliance partners in marketing and after-sale service aspects.</b> | <b>C7-Your firm is willing to adjust the contract with its partner in accordance to the change in environment.</b> |
|--|---------------------|---|--|
| E3-Your firm is satisfied with the experience of learning from the alliance operation. | Pearson Correlation | .413(**)  | .451(**)   |
|  | Sig. (2-tailed)     | .009  | .004   |

**\*\* Correlation is significant at the 0.01 level (2-tailed)**

Satisfaction in alliance's operation is correlated with exchange personnel, helping partners and longest cooperation relationship with partners (Table 12).

Table 12: Correlation of variable – Satisfaction in alliance's operation vs. exchange personnel, helping partners and longest cooperation relationship with partners.

|  |                     | <b>B6-Your firm frequently carries on exchange or personnel with other companies.</b> | <b>C6-Your firm always has taken the initiative to help its partners when they are having problems.</b> | <b>C14-Your firm and the alliance partner already have longest co-operation relationship.</b> |
|--|---------------------|---|---|---|
| E6-Your firm is satisfied with the whole alliance's operation. | Pearson Correlation | .441(**)  | .429(**)  | .432(**)  |
|  | Sig. (2-tailed)     | .005  | .006  | .006  |

Correlation analysis of variables of alliance performance, type of alliance, critical success factors. Satisfaction in alliance organization's operation is correlated with exchange of personnel and product design and improvement ability (Table 13).

Table 4.13: Correlation of variable - Satisfaction in alliance organization's operation vs. exchange personnel and product design and improvement ability.

|   |                     | <b>B6-Your firm frequently carries on exchange or personnel with other companies.</b> | <b>D6-Your firm has capable product design and improvement ability.</b> |
|---|---------------------|---|---|
| E1-Your firm is satisfied with alliance organization's operation. | Pearson Correlation | .457(**)  | .449(**)  |
|   | Sig. (2-tailed)     | .003  | .004  |

**\*\* Correlation is significant at the 0.01 level (2-tailed).**

Satisfaction in learning experience of alliance is correlated with many alliance partners in marketing and after-sale service aspects and ability of after-sale service (Table 14)

Table 4.14: Correlation of variable - Satisfaction in learning experience of alliance vs. many alliance partners in marketing and after-sale service aspects and ability of after-sale service.

|  |                     | <b>B5-Your firm has many alliance partners in marketing and after-sale service aspects.</b> | <b>D12-Your firm has good ability of after-sale service.</b> |
|--|---------------------|---|--|
| E3-Your firm is satisfied with the experience of learning from the alliance operation. | Pearson Correlation | .413(**)  | .469(**)   |
|  | Sig. (2-tailed)     | .009  | .003   |

## **V. Discussions and Conclusions**

The purpose of this research is to examine the ways Malaysian companies deal with strategic alliance and to identify the relationships between the resources and type of strategic alliance (strategic partners). Besides that, the objective of this research is to look into the influence of the resources, type of strategic alliance, coopetition of alliance member and key success factors onto the alliance performance. Indeed, the construction of this research depends on the exploration of these relationships, which induce the objectives of this research. The resource-based theory is applied to find out what are the phenomena of strategic alliance in the last five years. The coopetition relationship may affect the performance of alliance. How should companies assess the right type of alliance before partnering with others? What should be the factors leading to the success of alliance?

Since competitive relationships are complex. Intensive competition is driving, pressuring, and stimulating firms to innovate and upgrade their competitive advantage. Cooperation is considered hamper to effective competitive interaction, but cooperation is with advantage that strategic alliance can complement and enhance each other and differentiate each other. Nevertheless, cooperation is built on commitment and trust on both firms. In this research, there is no measurement in these two factors that could be the reason of having no relationship established in coopetition and alliance performance.

Malaysian firms need to understand that the competitive collaboration approach with certain conditions weakness will hold firms to choose to form an alliance, and with the intention of enhancing their competitive position past studies explained that the driving force behind the coopetition is the heterogeneity of resources, as each competitor holds unique resources that sometimes give a competitive advantage and sometimes are best utilized in combination with other competitors' resources.

### **The relationship of key success factor and alliance performance**

There are many factors that affect the relationship of key success factor and alliance performance, the result of variables correction revealed that some factors such as brand, property resource, information bank, production efficiency, having access to materials, product and service, marketing channel and fund raising ability do not fulfill the expectation of success of alliance in Malaysia firms. These factors as mentioned above are among those that the firms need to consider in strengthening or deploying the alliance formation. On the other hand, these factors are the weakness of their competitive advantage in this globalization era. Past studies stated clearly that the criteria for the firm to hold competitive advantage and only the firm that is able to identify the critical success factors of the market can establish the sustained competitive advantage. The critical success factors must come from the identifying strength and weakness of the business, and strength and weakness of competitor with respect to the critical success factors.

## **VI. Limitation of research**

- The limited time of sample selection unable the research to distinguish firms that has practical experience in strategic alliance. As a result, the measurement may be distorted, and the sample size is not enough to identify the intention of strategic purpose of their alliance activities.
- The poor feedback of the respondents resulted in the sample size to be quite small as to unable the result to reflect the whole phenomena of strategic alliance in Malaysia. This could also cause by the respondents, who mostly are Managing Director, CEO and department managers, are busy with their work. There is also a possibility that they

may ask their subordinate to reply the survey which the subordinates are either not familiar with or do not understand the situation of alliance. This will not show the true fact of alliance situation.

## VII. Suggestion for future research

This research has been carried out in the constraint of time and sampling items. Also, a couple of errors happened in the process of researching. Nevertheless, suggestions for the future research are provided:

- It is advisable to use the listing company as the sample set because they will be able to produce more accurate result in the future research.
- During the selection of the samples, it is better to differentiate the firms into small, medium industry and large industry, or use the industry category developed by MIDA to reflect the true fact of alliance phenomena in each industry.

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