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COMPETITIVE ADVANTAGE: THE HRM AGENDA

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STRATEGIC ALLIANCES, ORGANIZATIONAL LEARNING AND COMPETITIVE ADVANTAGE: THE HRM AGENDA

(ABSTRACT)

In the context of strategic alliances that involve competitive collaboration, the strategic intent of achieving dominance makes the long-term win/win outcome highly unlikely. The competitive advantage of a firm engaged in such an alliance can be sustained only through its capability to accumulate invisible assets by a carefully planned and executed process of organizational learning. As the process of learning is embedded in people, the capability to accumulate invisible assets is closely linked to HRM strategies and practice. The transformation of the HR system to support continuous organizational learning is one of the key strategic tasks facing the HR function in firms engaged in international cooperative ventures.

STRATEGIC ALLIANCES AND COMPETITIVE COLLABORATION

Partnerships and alliances between two or more multinational firms are becoming increasingly common. Recent examples include ATT's cooperation with Olivetti and IBM's links with Matsushita in office automation equipment; a tripartite venture of Honeywell, Bull and NEC in computer mainframes; Philips and ATT's alliance in telecommunications; Toyota and General Motors' joint manufacturing at NUMMI; or General Electric and Fanuc's worldwide collaborative network in robotics. New strategic alliances are not limited to the manufacturing sector, they are increasingly frequent in the financial sector (e.g. the joint venture of Credit Suisse and First Boston Corporation or the tie-up of Nippon Life and Shearson Lehman) and other service industries as well.

Some of the new alliances are clearly short-term in nature (e.g. General Motors and Toyota); others aim for a long-term strategic synergy between the partners (e.g. ATT and Olivetti). While international alliances are intrinsically difficult to manage (Killing, 1983), many experts argue that, as business risks soar and competition grows more severe, firms are expected to rely on such alliances with increasing frequency (Harrigan, 1985; Perlmutter & Heenan, 1986). The rationale and the scope of international alliances are becoming increasingly complex (Contractor and Lorange, 1988; Root, 1988).

In the past, alliances were seen primarily as a means to reduce capital investment and lower the risks associated with

entry into new markets. Ties between firms were also formed in order to secure fast and reliable access to previously closed markets, or to respond to a government's preference (formal or informal) for local participation in the business (Leontiades, 1985). Today, the rationale behind the formation of new alliances in most cases is related to the increasing speed of technological change and the rapidly growing competitiveness in global markets. Partners join in order to diversify risks inherent in developing new technologies or to take advantage of the complementarity of each partner's developmental skills (Hergert & Morris, 1988). The new partnerships can also provide essential economies of scale and market power to withstand a dominant competitor whom neither partner can challenge individually (e.g., international alliances in the computer industry targeted at IBM).

Strategic alliances can take many forms: technical exchange and cross-licensing, co-production and OEM agreements, sale and distribution ties, joint product development programs, or creation of joint ventures firms with equity distributed among the partners. Such a functional classification of alliances, however, does not say much about their competitive context. To understand the strategic logic of the new partnerships and the implications for human resource management, it is essential to consider the changing patterns of global competition. In contrast to traditional single-market joint ventures between large multinational firms and much smaller local firms, the new alliances are often formed by partners of comparable strength whose activities are often global and who are or may become direct competitors (Contractor and Lorange, 1988).

The rapid increase in international partnerships among competitors does not necessarily imply the heralded dawn of a new cooperative era in the global economy (Ohmae, 1985, Perlmutter & Heenan, 1986). The change from competitive to collaborative strategies is often merely a tactical adjustment aimed at specific market conditions. Many of these new partnerships should be viewed as a hidden substitute of market competition, not its dissipation. The objective is similar: attaining the position of global market leadership through internalization of key value-added competencies. The potential competitive relationship between partners distinguishes strategic alliances that involve competitive collaboration from more traditional complementary ventures (Doz, Hamel and Prahalad, 1986).

The strategic and managerial implications of the two types of alliances are fundamentally different. In a truly cooperative relationship the underlying assumption is the feasibility (and desirability) of long-term win/win outcomes. In the partnerships that involve competitive collaboration, the strategic intent of achieving dominance makes the long-term win/win outcome highly unlikely. This does not imply that all partnerships between multinational firms are always competitive in nature. However, many of them are, especially when seen in a long-term dynamic context. Partnerships that involve competitive collaboration are dynamic in nature. The relative endowment of resources, skills and competencies and the sources of bargaining power can change over time. For one firm to be able to sustain its long-term competitive advantage, the organization and control of the partnership has to reflect its competitive context.

Another way to look at strategic partnerships is to examine the source of leverage exercised by the individual partners. In this sense, strategic alliances may be classified into those leveraging resources and those leveraging competencies. The cross-licencing, technical agreements, joint development programs (pooling of resources) and co-production or co-distribution (resource economies of scale) are examples of alliances that focus primarily on resource leverage. The resources contributed to a partnership usually have a specific market value, be it land, equipment, labor, money, or patents. Both the contribution and withdrawal of resources are explicit and thus relatively simple to control.

In contrast, competencies are fundamentally information-based invisible assets (Itami 1987) that cannot be readily purchased and their market value is difficult to ascertain. Examples are management and organizational skills, knowledge of the market, or technological capability. Invisible assets are embodied in people within the organization. These assets represent a tacit knowledge that is difficult to understand and that can only be appropriated over time, if at all (Teece, 1986). Accumulation of invisible assets is seen as the foundation for a sustainable competitive advantage (Itami, 1987).

Invisible assets are closely linked to information, its stock as well as its flow. To increase invisible assets is to increase the amount of information available in the firm as well as its capacity to handle the information. Invisible assets can be accumulated through an explicit action, such as training, or implicitly as a by-product of daily operations (Itami, 1987).

Alliances that leverage competencies usually take the form of an OEM supply agreement or a joint venture aimed at a specific market. Superior competencies in different parts of a value chain are combined to achieve a distinct competitive advantage in the market, or at least to protect market position against a superior joint competitor.

Table 1 summarizes a classification of international partnerships that considers the competitive context and the source of leverage. While the issue of strategic control as related to the distribution of benefits from the alliances is important in all four quadrants of the strategic alliance matrix, it is especially critical in quadrants III and IV that represent conditions of competitive collaboration. Implicit in a competitive collaboration is the risk that benefits from the alliance may be accrued assymetrically by the respective partners. The process of appropriation is influenced by the characteristics of organizational assets leveraged in the partnership.

TABLE 1: STRATEGIC ALLIANCES, STRATEGIC CONTEXT AND SOURCE OF LEVERAGE

STRATEGIC CONTEXT	SOURCE OF LEVERAGE: RESOURCES	SOURCE OF LEVERAGE: COMPETENCIES
COMPLEMENTARITY	I.	II.
COMPETITION	III.	IV.

Obviously, in most cases, strategic alliances involve the contribution and leverage of both visible and invisible assets. The type of contribution can be different for each partner. Nevertheless, the traditional management focus is concentrated on the control of visible assets. In complementary partnerships, lack of attention to the accumulation of invisible assets may erode the competitive advantage derived from the venture. However, in the context of competitive collaboration where competencies provide the critical leverage (quadrant IV), lack of attention to invisible assets may result in a loss of control over the direction of the alliance. It is for this reason that management processes that support accumulation and control of invisible assets are of such critical importance.

The distribution of benefits related to visible assets, such as new products or profits are relatively easy to monitor. Protection against asymmetry can be instituted through administrative protocols and rules regarding the implementation of the partnership agreement. However, the asymmetric appropriation of invisible benefits - such as the acquisition of product or market know-how for use outside of the partnership framework, or even to support a competitive strategy targeted at the partner - cannot be easily protected. The asymmetry results from the internal dynamics of the strategic alliance. Benefits are appropriated asymmetrically due to differences in the organizational learning capacity of the partners. The shifts in relative power in a competitive partnership are related to the speed at which the partners can learn from each other. Not providing a firm strategy for the control of invisible assets in

the partnership, and delegating responsibility for them to operating managers concerned with short-term results is a sure formula for failure.

A good illustration of such a process is the reversal in the competitive relationship between Japanese and Western firms in many industries over the last several decades. The asymmetrical distribution of benefits from these alliances often was the fundamental cause of such a reversal. Japanese firms used access to technology through licensing or joint ventures to master new competencies, and then used the newly acquired knowledge to gain sole control of the market in Japan and even penetrate markets previously dominated by the Western partners with their own superior products. The list of firms (e.g. Allied/Bendix, General Electric, General Foods, International Harvester, Philips, Renault, USX, Westinghouse) that gave up more than they gained is long and is not limited to a single country or industry.

While other factors contributed to the high failure rate of Western joint ventures in Japan (Wright, 1979; Zimmerman, 1985) -- such as the policies of the Japanese government that at least until the mid-1970s made it difficult for Western partners to achieve bargaining power parity -- much of the imbalance in the appropriation of benefits was caused by disparities in learning between Japanese and Western partners. Many Japanese firms have developed a systematic approach to organizational learning (Cole, 1985; Nonaka and Johansson, 1985). This approach involved more than an explicit rejection of the parochial "not-invented-here" syndrome. Japanese firms put in place managerial systems that encourage extensive horizontal and vertical information flow and

support the transfer of know-how from the partnership to the rest of the organization. The policies guiding the management of human resources at all levels and functions constituted a vital part of such a learning infrastructure (Pucik, 1983).

The organizational capability to learn is the key to protect competitive advantage in competitive collaboration and to control the strategic direction of the cooperative venture. An organization has many tools to manage the process of learning (Hedberg, 1981), but in principle, the learning ability of an organization depends on its ability to accumulate invisible assets. As invisible assets are embodied in people, policies regarding human resources are critical to organizational learning. The objective of the HRM activities is to complement line management in providing a supporting climate and appropriate systems to guide the process of learning. Organizational learning results from a combination of hard and soft organizational practices anchored in specific HRM techniques.

HUMAN RESOURCE MANAGEMENT AND OBSTACLES TO ORGANIZATIONAL LEARNING

Organizational learning is not a random process. Preventing an asymmetry (or creating an asymmetry in one's favor) in organizational learning must be the key strategic priority for human resources executives in multinational firms engaged in strategic alliances. Removing the organizational obstacles to learning is closely linked to the strategic priorities of the Human Resource function and its involvement in the design and management of the strategic partnership. However, this strategic

priority is often buried under the pressure of daily operational concerns. The key obstacles to organizational learning identified from research on Western joint ventures in Japan (Pucik, 1988) are listed in Table 2:

TABLE 2: OBSTACLES TO ORGANIZATIONAL LEARNING IN INTERNATIONAL STRATEGIC ALLIANCES

HR FUNCTION	KEY OBSTACLES
HR PLANNING:	STRATEGIC INTENT NOT COMMUNICATED SHORT-TERM AND STATIC PLANNING HORIZON LOW PRIORITY OF LEARNING ACTIVITIES LACK OF INVOLVEMENT BY THE HR FUNCTION
STAFFING:	INSUFFICIENT LEAD-TIME FOR STAFFING DECISIONS RESOURCE-POOR STAFFING STRATEGY LOW QUALITY OF STAFF ASSIGNED TO THE ALLIANCE STAFFING DEPENDENCE ON THE PARTNER
TRAINING AND DEVELOPMENT	LACK OF CROSS-CULTURAL COMPETENCE UNI-DIRECTIONAL TRAINING PROGRAMS CAREER STRUCTURE NOT CONDUCIVE TO LEARNING POOR CLIMATE FOR TRANSFER OF LEARNING
APPRAISAL AND REWARDS	APPRAISAL FOCUSED ON SHORT-TERM GOALS NO ENCOURAGEMENT OF LEARNING LIMITED INCENTIVES FOR TRANSFER OF KNOW-HOW REWARDS NOT TIED TO GLOBAL STRATEGY
ORG. DESIGN AND CONTROL	RESPONSIBILITY FOR LEARNING NOT CLEAR FRAGMENTATION OF THE LEARNING PROCESS CONTROL OVER THE HR FUNCTION GIVEN AWAY NO INSIGHT INTO PARTNER'S HR STRATEGY

The obstacles to organizational learning reviewed in greater detail below are not limited to a specific organizational climate that can easily be changed. Rather, they result from a complex set of HR practices and policies that, while often rational in the short-term, may ultimately lead to a loss of control over the destiny of the partnership, if not to the loss of the entire business. Understanding the obstacles to learning

is the first step in the process of restoring competitive balance.

HUMAN RESOURCE PLANNING

Strategic intent not communicated throughout the firm. Most alliances take place in a highly complex competitive environment. The desirability of cooperation may easily be perceived differently among various parts of the organization depending on their level of involvement in the creation of the alliance and their responsibility in executing the strategy. Top management often emphasizes the cooperative nature of the new alliance, partly to set the right tone for the partnership, partly to break down any resistance from those opposed to the cooperative strategy. What is often not made clear are the boundaries of cooperation and the specific nature of the missing competencies that led to the alliance in the first place.

Short-term and static planning horizon. Planning of the alliance is often driven by short-term contingencies, such as an improvement of profitability by cutting production costs through an OEM arrangement, without considering long-term effects on the sustainability of the firm's competitive advantage. General Electric's recent withdrawal from the consumer electronics field was forced by a series of "correct" short-term decisions during the previous two decades that led to a transfer of critical product and process competencies from GE to its competitors. The logic behind many short-term decisions assumes that the existing balance of competencies in the alliance will not change with time.

Low priority given to learning activities. The traditional focus of business plans is on the utilization of and the return on tangible assets. The projected outcomes from the partnership are scrutinized in terms of returns on equity invested, savings from pooled research & development, cost reductions from outsourcing components and products, and/or increases in sales from added distribution channels. However, the accumulation of invisible assets, such as experience regarding the production process, intimate knowledge of the market or relationship with customers, is not evaluated as traditional planning systems cannot assign a financial value to these outcomes. Activities that can't be evaluated in financial terms are generally not funded. Organizational learning is left with no support.

Lack of involvement by the Human Resource function. In the rush to launch the alliance, insufficient attention is given to a critical evaluation of the learning capacity of the organization and to the steps necessary to upgrade the learning skills and learning climate appropriate for the new venture. Often, the Human Resource function does not play any role in the negotiation process or becomes involved only at a very late stage. The compatibility of philosophies regarding the management of human resources between the partners and its implications for organizational learning are seldom a factor in the decision-making process.

STAFFING

Insuffient lead-time for staffing decisions. When the alliance involves a creation of a new organization, staffing

decisions regarding the key representatives should be made well in advance of the conclusion of the agreement; all relevant future players can thus be involved in the negotiation process. Institutional memory breaks down when negotiators are replaced by implementators without continuity. Insufficent lead time also forces short-cuts in training for the managers to be assigned to the partnership. In general, everyone agrees with the idea of training, but many firms are reluctant to invest in the preparation of managers for the new venture until the outcome of the business negotiations is clear; yet after the deal is signed, there is no time to train. As a result, what is won laboriously at the front end through long, arduous bargaining is often lost through the inability to control implementation of the partnership agreement.

Resource-poor staffing strategy. As the motivation for the alliance is often driven by cost consideration, firms cut expenses by limiting the size of managerial staff assigned to the partnership. In particular, this can be observed in alliances that have the major location of their activities overseas where the cost of expatriates seem prohibitive. Yet, while the expense of staffing a position in an overseas venture can be substantial, such economizing does not consider two substantial benefits derived from expatriate posts: improved control over the management process in the venture and ability to transfer skills from the venture into the home organization. Organizational learning often requires at least some slack resources. When an overextended management team just keeps on dousing fires, the last thing on a manager's mind is the transfer of know-how.

Low quality of staff assigned to manage the alliance. It is often the case that after the initial period of high visibility for the new alliance, management positions in the partnership become a dumping ground for sidetracked executives. The emphasis is on "making the deal", not on its implementation. The dispatched managers don't have the necessary learning skills; they are expected to "watch the books" only. Even if they gain new knowledge, they may lack the credibility to effectively transfer the know-how to the parent firm, especially if this involves challenging existing "sacred cows." The partners in the alliance are generally well aware of the low skill and credibility level of these managers and do not hesitate to freeze them out of the important decisions.

Staffing dependence on the partner. When staffing is considered a cost rather than an investment, it is very tempting to go along with the offer by the partner to assume the responsibility for staffing the new venture. Naturally, there is always a great concern over the composition of the top management team. However, very little learning ever occurs in the board room: learning takes place in the laboratories, on the production floor and in interactions with the customers. The partner who controls positions critical to the accumulation of invisible assets gains substantial leverage over the direction of the alliance. Short-term excursions will not do, long-term participation is essential. As GM learned at NUMMI, a videotape of new work practices is a far less efficient learning tool than hands-on experience.

TRAINING AND DEVELOPMENT

Lack of cross-cultural competence. Many managers and staff involved in international partnerships do not have sufficient intercultural skills (language competence, familiarity with partner's culture, etc.). Expatriates are dispatched abroad with no or limited training at best, with the assumption that knowledge of the business should compensate for the lack of cultural understanding. While perfect fluency in the partner's language may not be essential, the ability to understand the basic flow of a business conversation and to interact informally with the customers and employees should be the minimum prerequisite for an international assignment. This is important for an expatriate's effectiveness even in a wholly-owned foreign affiliate (Tung, 1984); the price to pay for the lack of cross-cultural skills in an alliance may be higher: both inability to learn and inability to control.

Uni-directional transfer of know-how. One of the most effective means of learning is through temporary personnel exchange between the partners. However, this exchange is often asymmetrical, especially when the partnership takes the form of a joint venture. While the flow of personnel from the Western joint ventures in Japan often includes staff temporarily seconded from Japanese parent, the training assignments in the opposite direction are infrequent (Pucik, 1988). Even when transfer of personnel into the joint venture occurs on a regular basis, it is seldom for the purpose of skill acquisition. Rather, staff is transferred either to control or manage the joint venture or to serve as a conduit for transferring know-how into the venture. It

is often felt that there is no need to learn (and thus expend resources) on knowledge already possesed in the joint venture. Yet, by gaining independent know-how, a firm can avoid becoming hostage to the uncertain future of the partnership.

Career structure not conducive to learning. Personnel exchange can have a positive impact on the amount of accumulated knowledge only if administered in a consistent and planned fashion over a period of time. Unless the firm posts the returnees from the partnership ventures into positions where the acquired know-how can be effectively used and disseminated, the invisible asset accumulation will not be possible. The amount of time spent learning and transferring know-how is the critical constraint. An effective transfer of know-how requires a long-term commitment of qualified personnel, which clashes with expectations of fast mobility among the most promising executives. While many managers (on a personal basis) may benefit even from a relatively short assignment abroad, a single short-term assignment -- especially when it comes -- relatively late in an executive's career will not do much for the accumulation of invisible assets in the rest of the organization.

Poor climate for transfer of learning. A large amount of critical invisible assets is embedded in the staff involved in the partnership. To what degree these assets are shared with the parent depends largely on the parent's receptivity to new ideas, and on the quality of the interaction between the cooperative venture and the parent firm. When learning from the outside, in particular from abroad, is seen as an admission of weakness, the receptivity will be poor (Westney, 1988). The ossification of the

learning infrastructure reflects the low priority given to the accumulation of invisible assets in the execution of a company's strategy. Low receptivity to inputs from the partnership will naturally encourage a passive attitude towards the transfer of knowledge among the partnership staff. This tendency is further reinforced, if the socialization activities in the partnership are controlled by the local parent, as is often the case in Western joint ventures in Japan.

APPRAISAL AND REWARDS

Appraisal focused on short-term goals. Organizational learning is fundamentally a long-term activity, stretching far beyond a typical one-year appraisal time-frame. Also, the costs associated with learning are immediate, while the benefits (most of them difficult to quantify under standard accounting procedures) are accrued over time. Support for organizational learning thus may have a negative impact on the short-term measurements used to evaluate a manager's performance. The expectation of short tenure in a given job is another critical constraint. The pressure to get immediate results forces managers to economize on expenditures with long-term pay-offs, no matter how attractive such pay-offs may be. The issue is not sacrificing profits for abstract learning, but forfeiting a long-term superior performance in order to inflate short-term results.

No encouragement of learning. With little or no rewards given for contributions to the accumulation of invisible assets, learning becomes a "hobby", not a prerequisite of the job. In many leading Japanese and Korean firms, the cross-fertilization

of skills across functional areas is actively encouraged, and both foreign language ability (tested by the company) and familiarity with principal foreign markets are considered before promotion to an executive position. In contrast, the skill base of typical Western managers is rather narrow, as are their intercultural skills. Even in firms with decades of experience in the Far East, only a handful of managers speak any of the local languages and have a first-hand knowledge of local conditions. In a joint venture, asymmetry in the distribution of skills will result in an erosion of competitive advantage and the loss of leverage.

Limited incentives for transfer of know-how. The reward systems in many multinational firms encourage hoarding of critical information, not sharing it. Information is treated as a source of power, not as a resource. Smart managers assigned to an international joint venture, who otherwise may expect few opportunities for upward mobility, can make themselves indispensable by blocking the flow of information. Such a behavior is not only tolerated, but these "valuable experts" are often rewarded in terms of superior compensation and considerable operational autonomy. Any increase in information concerning the activities of the partnership outside of their own domain is seen by these managers as a threat to their power. In an alliance that involves competitive collaboration, the other parent and some of the company's own managers may share an interest in limiting the transfer of know-how.

Rewards not tied to global strategy. Performance of executives assigned to manage a partnership venture is often

appraised solely on the basis of results in a limited business area or market. There is very little incentive for the "core" partnership staff to worry about the competitive conditions facing other businesses of the distant parent. These managers have nothing to gain from allocating scarce resources to organizational learning benefiting an organization in which they have no tangible interest. This tendency is especially pronounced if these managers are actually dispatched from the other "competing" parent. In such a case, their attitude towards transfer of competencies can easily turn from conservative to downright hostile.

ORGANIZATIONAL DESIGN AND CONTROL

Responsibility for learning not clear. Who gains and who loses from a strategic alliance often depends on the vantage point. A "win-win" partnership strategy on a corporate level often entails a "win/lose" scenario at the business unit or business function level. For example, a shift from captive manufacturing to an OEM partnership may contribute to immediate cost reduction and thus enhance the product's position in the market while the production competence is eroded. Under such conditions, incentives and responsibility for learning may become unfocused. When competencies are lost, operation managers blame faulty strategy while the corporate staff cites incompetent implementation.

Fragmentation of the learning process. In diversified, complex firms, the stakes in organizational learning may differ by business unit and function. Each subunit has only a partial

view of the exchange of competencies involved in the partnership. The perceptions of the potential value of the relationship may therefore differ as will the commitment to support competencies needed to defend the long-term competitive advantage. In firms with decentralized business units (e.g., SBU's), organization-wide learning activities have low priority in comparison to a business unit's immediate needs.

Control of the HR function is given away. The HR function is seen as a cost burden, not as a powerful tool of control over the strategic direction of the partnership. In particular, when the alliance involves a venture inside the new partner's territory, responsibility for the Human Resource function is often delegated to the partner. In fact, the very possibility of utilization of the partner's know-how concerning the local labor market conditions is often a factor leading to the creation of the alliance in the first place. However, what is gained in lowering the cost of entry may be lost over time, as control over human resource deployment enables the partner to control the patterns of organizational learning, thus the distribution of benefits from the partnership.

No insight into partner's HR strategy. The learning strategies of the partner can be monitored through the control of personnel exchange between the joint operations and the parent. The objective is not to stop learning, but to gain understanding about the direction of the partner's learning strategies and its long-term impact on the balance of power in the collaborative relationship. However, when personnel control is abdicated in favor of the partner, the logic of the learning process is

obscured. The boundary between the partner's organization and the partnership operation becomes fuzzy and impossible to control. Valuable competence may leak without notice and without reciprocity. A learning asymmetry is again likely to occur.

HRM AGENDA IN COMPETITIVE COLLABORATION

The challenge of competitive collaboration creates a new agenda and new priorities for the management of human resources. This challenge can't be avoided by staying away from strategic alliances. The economic forces in the environment will continue to push firms into more complex sets of global relationships. Those who learn from these relationships will survive, the others will perish. The organization's ability to learn (or the lack of it) will influence the shape of the global markets for many years to come.

Experience shows that the competitive balance in strategic alliances, and in joint ventures in particular, cannot be controlled through structural solutions. The successes and failures of the alliances are often embedded in the same organizational context (Killing, 1983). Neither can symmetry in the appropriation of benefits from a partnership be protected through legal clauses. The complexity of international commercial law and rapid technological change make legal protection impractical. In fact, the reliance on legal means to safeguard the company interests can be counterproductive as it encourages "we-are-safe" attitudes and thus decreases the stimuli to learn.

The accumulation of invisible assets, be it manufacturing competence, market know-how or global coordination capability,

should be explicitly recognized as a value-enhancing activity. It is dangerous to act as if the existence of a partnership permits lowering commitment to the maintenance and expansion of core competencies. Such a strategy assumes that the partner is unwilling or unable to learn and thus unable to alter the long-term bargaining power regarding the appropriation of benefits. In the context of competitive collaboration, such an assumption is unsupportable. It also does not make sense to set up barriers to learning. Artificial constraints imposed on information flow in the partnership may hinder its ability to sustain its competitive advantage and thus erode the competitive position of both parents. The only sustainable response is a pro-active policy encouraging organizational learning that, at minimum, matches, if not surpasses the learning ability of the partner. Everything else is an inferior solution.

A number of specific agenda points for the HR function in firms engaged in international strategic alliances can be drawn from the experience of firms that continuously incorporate organizational learning into their competitive strategy:

1. Get involved early. The human resource function should be involved in the formation of the strategic alliance from the early planning stages. In a dialogue with the appropriate line functions, HR staff should assume responsibility for the development of a thorough organizational learning strategy. It is essential to precisely identify the critical value-added learning activities in a given business, and the means to control them. The objective is to support and expand core competencies essential to sustain the long-term competitive advantage.

2. Build learning into the partnership agreement. In order to maintain a long-term symmetry in the distribution of benefits from the partnership, both parties have to learn simultaneously. The process of parallel learning can and should be made explicit. An attempt to prevent the partner from learning is most likely fruitless, as organizational learning is impossible to police. Instead, provisions should be made in the agreement to safeguard the reciprocity in the transfer of competencies (e.g. personnel exchange).

3. Communicate strategic intent. As a part of its responsibility for corporate communications, HR should cooperate with operational managers to assure that the strategic intent with respect to the partnership is adequately communicated to the employees. Training programs should be developed to prepare managers to deal effectively with the ambiguity and complexity of strategic alliances. The competitive context has to be made explicit: hushing it up does not fool anybody but your own employees.

4. Maintain HR input into the partnership. The control of the HR function in partnership operations, such as joint ventures, should not be bargained away, as it is within the boundaries of such an entity that much of the learning occurs. Once the partnership agreement is concluded, the HR function should continuously monitor the congruence between the learning strategy and the operational HR activities related to the launching and the implementation of the agreement. Periodic reviews of the learning process should be set up with the participation of top management.

5. Staff to learn. The accumulation of invisible assets should be the key principle guiding the staffing strategy. Staffing and development plans should be established to cover the existing blind spots. Such an approach may require a considerable investment in the development of core competencies within the parent firm through a carefully calibrated transfer policy. Some attrition must be considered inevitable. In joint ventures, this also means the development of a local staff that is fundamentally loyal to the joint venture entity and has no vested interest in blocking the transfer of critical information. While the immediate costs of the "staff to learn" program may be high, they are far smaller than the long-term negative consequences of lost competence.

6. Set up learning-driven career plans. From an individual perspective, effective learning and transfer of competencies spans the entire career. While cross-cultural learning is most effective during the early career stages, functional learning and its effective application may require a considerable business experience. In the context of international partnerships, this may imply a necessity for multiple assignments which is seldom done at the present time. A greater use should be made of reciprocal trainee programs. The notion that all expatriates should be managers is obsolete.

7. Use training to stimulate the learning process. Three kinds of training activities can create a better climate for learning. First, in internal training, managers should be made aware of the subtleties involved in managing collaboration and competition at the same time. Second, open communication and

trust within the partnership is essential for the smooth transfer of know-how. Team-building and cross-cultural communication training should be offered regularly at all management levels. Finally, any training program geared to the acquisition of a specific competence should be in principle reciprocal. This diminishes the incentives for opportunistic behavior.

8. Responsibility for learning should be specified. In order to create a climate receptive to learning, a specific responsibility for learning should be written into business plans for managers transferred into the partnership operations as well as those in the receiving units. It should made clear who is responsible that the information actually flows as intended, in necessary quality and speed, and what supporting mechanisms are needed to be put in place. Where appropriate, support for mutual learning should be made explicit in the partnership agreement.

9. Reward learning activities. Management behavior that encourages organizational learning, such as sharing and diffusion of critical information should be explicitly recognized and rewarded. Long-term incentives (e.g. career opportunities) should be provided to managers actively seeking to acquire new skills. The framework of expatriate transfers into critical locations must be restructured to make them more attractive without incurring prohibitive compensation costs. Dead-end assignments are costly to the organization.

10. Monitor the HR practices of your partner. Throughout the duration of the relationship, attention should be given to the partner's HR activities. Beginning with an HR audit prior to the

establishment of the partnership, much insight can be gained from the continuous monitoring of the partner's staffing and training. In joint ventures, the career records of staff transferred from the partner's organization should be carefully scrutinized, including their assignments after returning to the partner. It must be assumed that the partner is doing the same, as much of the necessary information is actually in the public domain.

In summary, the strategic agenda for the HRM function in firms involved in international alliances must be centered around the process of learning. In the context of competitive collaboration, the competitive advantage of a firm can be protected only through the organization's capability to accumulate invisible assets by a carefully planned and executed process of organizational learning. As this process is embedded in people, many of the necessary capabilities are closely linked to HRM strategies and practice. The transformation of the HR system to support the process of organizational learning is clearly the key strategic task facing the HR function in many multinational firms today.

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