Elements Promoting Learning from a Strategic Partner:  
A Malaysian Case

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ABSTRACT
Strategic alliances (SAs) are becoming a popular and prominent strategy to help many firms sustain its competitive advantage in the rapid and unexpected global economy. This inter-organisational structure is becoming essential feature in today’s intensely competitive market as a means for facilitating market entry, acquiring new technology, leveraging economies of scale, and enhancing new product development capabilities. Additionally, in the recent trends of strategic alliance literature, they have been linked to the organisational learning literature where alliances create environments for learning and knowledge transfer. This phenomenon is referred to as ‘alliance-based learning’. The main purpose of this paper is to discuss how learning can be promoted via alliance arrangement. The study used an in-depth case study method, where a child business was set up upon the signing of strategic alliance agreement between parent partner in Malaysia with foreign parent partner from the UK, and the partnership had included learning as one of their main objectives.

Keywords: Strategic partner, organisational learning

INTRODUCTION
Globalisation has called many more firms to rely on alliances as a strategic necessity for sustaining competitive advantage and creating customer value (Iyer, 2002). Aside from explicit strategic and operational motives, learning has become one of the primary motives in the recent partnership agreement. Extant literature regarding how alliances could promote and facilitate learning has been found (for example from Hamel, 1991; Inkpen, 1996, 1998, 2000; Serrat, 2009, and many more). For instance, Inkpen (1998) has stated that alliances are vehicles of opportunity that provide a formal structure for creating a laboratory for learning.
This study was conducted with the objective to identify the factors that promote learning through the formation of strategic alliances. The paper has presented a case and findings as a qualitative and in-depth study of the company.

RESEARCH METHODOLOGY
This study covered research on International Strategic Alliances (ISAs) and the organisational learning (OL) process, which involved a strategic co-operation between a local parent partner, foreign partner and ‘child’ alliance company. For the purpose of this study, the child company/business is defined as a company/business that is established upon the formation of alliance, and is based in the local partner country. The focus of the study identified the foreign parent partners as the sources of learning, and the child as the receiver of this foreign partner knowledge. A case derived from a manufacturing company is presented in this paper. The company is known as Polyethylene Company. It was incorporated on 11 July 1991, as a ‘child’ business established under the Strategic Alliance MOU signed by a local parent known as Parent P and a foreign parent known as Parent B, with an equity ratio of 60%:40%.

This alliance marked the beginning of the upstream petrochemicals industry development, as well as economic and industrial development in Malaysia and was incorporated to be the major customer of the Ethylene Company, which had also formed an alliance with foreign partner B and foreign partner J Co. Ltd. This ethylene project and plant is located in the same area as the polyethylene plant [sharing plant facilities under Integrated Petrochemical Complexes (IPCs)], and thus, Polyethylene Company receives supplies of feedstock directly from the ethylene plant, without involving lengthy transportation.

The data collection process on this company was drawn based on interviews with selected personnel and access to the company’s annual reports and brochures, as well as plant observations. The interviews, which are the main source of data, were conducted with the General Manager (a BP expatriate), the senior manager of operations, training manager, technical superintendent, and ex-laboratory engineer (all were key personnel of the child company). The interviews were also conducted with two junior engineers and all the questions were set differently (the questions designed to each of the interviewees are different so as to reflect their positions and responsibilities).

STRATEGIC ALLIANCE AND ORGANISATIONAL LEARNING
In the modern business world, the main goals for organisations are to perform well, to find the right strategies, and to make the right decisions that help them to be more competitive through co-operation and competition (Zineldin, 1998). Serrat (2009) emphasizes that everywhere, organisation has discovered that they cannot “go” alone and must now turn to others to survive. Thus, strategic alliances (SAs) are becoming a popular and prominent
strategy in the global economy to satisfy the rapid market changes. It is reported that the formation of SAs or co-operative activity has increased dramatically in the recent years (Dyer & Singh, 1998) due to the effects of globalisation (Imai & Itami, 1984; Narula & Hagedoorn, 1999; Buckley et al., 2002). SAs can be defined in various ways and provide a variety of firms’ motives for its formation. For example, Inkpen (2000), who suggests that alliances provide a platform for learning, has described an alliance as two or more organisations that are brought together because of their different skills, knowledge, and complementary strategies. These partnerships of two or more corporations or businesses are also set to achieve strategically significant objectives that are mutually beneficial. SAs can be used as a mechanism for growth strategies and for entering new markets (Harrigan, 1986; Contractor & Lorange, 1988; Kogut, 1988; Glaister & Buckley, 1996), obtaining new technology (Lei & Slocum, 1992; Faulkner, 1995), reducing financial risk and sharing costs of R&D (Pucik, 1988), learning and developing new knowledge (e.g. Hamel, 1991; Grant, 1996; Khanna et al., 1998; Beamish & Berdrow, 2003; Senthil & White, 2005; Serrat, 2009) and as a source for achieving competitive advantage (e.g. Grant, 1991; Ireland et al., 2002).

In identifying the facilitating factors for promoting learning through strategic alliance, this study made used of the framework suggested by Morrison and Mezentseff (1997) in their study on alliance within a co-operative learning environment with the objective to achieve long-term success (see Fig.1).

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**Source:** Morrison and Mezentseff (1997, p. 354)

Fig.1: Learning Framework for Successful Co-operative Strategic Partnerships
The framework was chosen as a base for continuing research in this study. This framework is particularly interesting as it has suggested a few key learning elements that facilitate learning process in alliance. These elements are:

1. The outer layer, which is named as learning climate/culture.
2. The second layer is systemic thinking.
3. Within systemic thinking, there are sub-elements which are knowledge acquisition, creation and transfer, surfacing and testing of shared mental models, learning relationships, and joint learning structures elements.

This study combined these ideas, particularly testing the model and key elements suggested by Morrison and Mezentseff (1997). More importantly, the research work was an attempt to study the learning process in a different possibility, from what is suggested by Morrison and Mezentseff, whereby in their case, they focused on the learning process of the parent partners, while the present study looked into the learning process between the child from its foreign partner. In this view, the study would identify whether or not these key elements (as suggested by Morisson and Mezentseff, 1997) were applicable in the selected local child respondent organisations.

Morrison and Mezentseff (1997), in defining the terms in their framework, suggested that the element ‘systemic thinking’ helps alliance companies form their mutual dream for the relationship. It is very important that the dreams of the partners are mutually agreed upon so that there is a collective driving force to achieve this goal. The element ‘share mental mode’ suggests that people within these relationships need to test share their ideas and perceptions about the learning environment. This process facilitates decision-making, action, and learning. Further, the authors suggested a learning environment that builds ‘learning relationship’ between partners. This relationship can be achieved through a knowledge connection and a network that influences how well the firm can learn and build new core competencies. Additionally, they agreed that ‘joint learning structures’ can be sustained through: first, identifying and becoming aware of new knowledge; second, transferring/interpreting new knowledge; third, using knowledge by adjusting behaviour to achieve intended outcomes, and finally, incorporating such knowledge by reflecting on what is happening and adjusting learning behaviours.

Objectives for Forming International Strategic Alliance for Our Case

In order to complement the back-up of rich natural resources, the company Polyethylene Company formed a strategic alliance with the UK partner with the objectives to seek tangible assets such as financial support, plant and equipment technology, as well as technical and managerial capabilities. It also sought intangible assets, such as firm’s reputation, brand equity and superior customer services reputation, especially
in the polyethylene business. From the interviews, the respondents also stated that both the parent and child companies agreed that the prime objective of this alliance should involve acquiring learning on manufacturing polyethylene products. The alliance also brought together a strong JV set-up, which gave access to the foreign parent partner’s best practices, multicultural workforces that drive various ideas and contributions, international image, experienced manpower, and strong financial backing. Further, the alliance also contributed in terms of an integrated supplier partnership, where it could bring benefits in terms of accessing secure and reliable feedstock, and at a more competitive price. Additionally and indirectly, since the start of its operation, Polyethylene Malaysia has also developed other related strength, in terms of:

1. Proven gas-based technology.
2. Good technical service capability.
3. Stable workforce (few industrial disputes).
5. Regional marketing expertise.

In summary, it could be said that by forming the alliance, the child business (i.e., Polyethylene Company) would gain technology, skills and experience in manufacturing the polyethylene related products, ‘standard prototype plant’, which was to be built by the vendor selected by the parent partner ‘B’ and finally, programmes under ‘shadow posts’ who were loaned to the child company plant to guide and supervise the local staff.

**SUMMARY AND FINDINGS**

**Alliance history**

Based on the interviews, both parent partners, ‘P’ and ‘B’ have already had other established business ties prior to this alliance. For example, one respondent stated that among the reasons for the parent company ‘P’ to choose the other parent company ‘B’ to be its alliance partner were:

1. The existence of previous alliance relationships and trust between parent partners. The parent partners (B and P) have had a long-term relationship of nearly 30 years and both have similar types of business. The new business was set up with the intention of expanding into added-value products.

2. The alliance between the parent partners ‘P’ and ‘B’ was set up at the right time for proposing an added-value product and for continuous learning.

Based on the above-mentioned reason, it can be summarised that this alliance apparently did not involve too much ‘paperwork’ and therefore, Polyethylene Company was incorporated with few problems or disagreements.

Within the alliance agreement, parent ‘B’ agreed to license the polymer technology, design the polymer plant and transfer the knowledge (which included skills to operate the plant), and manufacture the polyethylene product using up-to-date technology. Foreign parent ‘B’ would find a suitable
contractor to build the child company plant so that it would be a ‘prototype’ or similar to their polyethylene plant.

Implementation

In terms of implementation and commitment, it was agreed in their alliance contract that whenever Polyethylene Company plant commenced its operations, parent ‘B’ expatriate staff would be loaned on a ‘shadow post’ basis to guide and observe the local staff working on the plant equipment and machines. Similarly, parent ‘B’ would also facilitate the transfer of technology by providing intensive courses for the local staff and put no restrictions on R&D, which allowed the child company to improve product development based on their experience and new ideas. The alliance agreement placed no restrictions on the Polyethylene Company for using parent ‘B’ Chemicals’ Innovene Gas Phase technology and for using its marketing strategy under the pre-marketing activities based on their product. In addition, the child company would also be invited to join international seminars with other parent ‘B’ subsidiaries, as long as the company paid the membership fee.

Communication

In order to encourage the process of learning, all staff was encouraged to communicate regularly, either formally or informally. For example, the child company holds regular meetings with all staff, along with the specific issues to be discussed in each meeting. Table 1 summarizes the types of meeting that the staff attended and the themes that are to be discussed.

The foreign parent organization or parent company ‘B’ staff and the alliance managers, who are based at the Polyethylene company, also communicate regularly. For example, the GM himself communicated with the UK parent organisation by e-mail and attended board and shareholders’ meetings. As expatriate staff who was loaned and responsible for assisting the learning process at the child company, the

<table>
<thead>
<tr>
<th>Time</th>
<th>Members/staff</th>
<th>Issues</th>
</tr>
</thead>
<tbody>
<tr>
<td>Every morning</td>
<td>Compulsory for all operational staff, others are welcomed</td>
<td>To solve/share ideas on everyday problems</td>
</tr>
<tr>
<td>Every week</td>
<td>All supervisors and operation manager</td>
<td>To solve and bring ideas on operational problems</td>
</tr>
<tr>
<td>Every month</td>
<td>Managers, GM, committee members</td>
<td>To discuss operational issues, and new ideas</td>
</tr>
<tr>
<td>Annual shareholders’ meeting</td>
<td>Shareholders, GM</td>
<td>To discuss financial issues</td>
</tr>
<tr>
<td>Annual Board Meeting</td>
<td>Board of directors, GM</td>
<td>To discuss operational issues, financial issues, etc.</td>
</tr>
</tbody>
</table>

(Source: adapted from the interview with the respondents)
GM occasionally attended the company’s morning and monthly meetings, where he would share ideas and help to solve any problem. Daily morning meetings between the key managers and the technical and operational staff were important for these people to share ideas and information because during the meetings, the managers took the opportunity to open up discussions with the staff to ask question or discuss problems. For example, as stated by one of the respondents:

“The managers try to identify any technical or operational problems from the staff through question and answer sessions, and give feedback to correct mistakes or errors. In case they were unable to solve the problem, then they would bring the issue to the upper level management for a solution.”

Other than that, the staff communicates informally when they meet either during working hours or during their leisure time. In summary, all respondents agreed that communication between partners took place when local staff communicates with the parent staff and vice versa and when the local staff communicated and interacted with local colleagues, supervisors and managers. Thus, this suggests that they were all in consensus that communication takes place at almost everywhere, with everybody either through e-mail, formal or informal meetings. In another point, networking or knowledge connection, which promotes ‘absorptive capacity’ from foreign parent to child company staff, took place when the experts were loaned to the child company on a ‘shadow post’ basis during the commissioning period. These expatriate staff (managers) that were loaned on rotational basis helped promote communication and sharing of ideas and experiences with the child staff.

**Learning Process**

As stated before, all child staff underwent training before they were appointed to any specific post or job. A respondent said,

“The child company will make sure that new employees are competent to work before they start working. This will happen through comprehensive training – in house and abroad. Whenever the needs to train occur, the company will provide whatever they can. But, if the expert is there, then the staff will be trained individually by the expert till he has achieved certain levels which are certified by the expert and the supervisor.”

Learning is very important in order to help the child company achieve its objectives. It was suggested that learning takes place from the foreign partners in this alliance through:

1. Formal technical training
2. Shadow postings
3. Permanent expatriate posts located at the child company plant
Key Facilitating Learning Elements
Theoretically, the findings of the case study at least support the suggested elements in the learning framework by Morrisson and Mezentseff (1997). The study also found a positive relationship between all the elements – ‘shared mental models’, ‘systemic thinking’, ‘joint learning strategy/structure and process’, ‘knowledge acquisition/creation/transfer’, ‘learning relationship’ and learning culture and climate’ – and the overall organisation learning outcomes and performance; be they at individual, team or organisational levels.

Learning Culture and Climate
According to the extant literature, knowledge can happen when employees have access to organisational knowledge, can find new and better ways to perform, work together, break down barriers, share a vision, fill gaps in knowledge, increase productivity, satisfy customers, and ultimately compete (Tsang, 1998). Based on the interviews, it was believed that the child had no problem in assessing the acquired learning. In this view, it can be summarised that the culture promoting the learning environment at the child company was developed and evolved through the following situations:

• Mutually agreed alliance objectives between partners in the relationship.
• Commitment from the top management of the child company to build a positive staff relationship.
• Each member of staff develops knowledge by working as a unit.
• Providing, sharing and expanding useful information, be it ‘explicit’ or ‘tacit’ knowledge.
• Having regular communications and discussions, both formal and informal.
• Providing facilitative technology to enhance the transfer of knowledge (i.e. via the Internet), communication and storing useful information.

Additionally, the respondents suggested that in order to promote learning culture amongst the staff, the top management had initiated the following:

• Inculcating staff with the child company objectives, philosophy and values from start of employment.
• Training starts from the first day of working, either through on-the-job training or self-development programmes.
• Identifying staff’s competency from the beginning, so that they are assigned with the appropriate work. This is considered important for building a positive commitment and encouraging job development.
• Encouraging staff to learn in a continuous process.
• Encouraging staff to work with colleagues, share ideas and learn from mistakes.
• Requesting feedback and assessing learning outcomes.
Knowledge Acquisition, Creation and Transfer

It is agreed that knowledge, whenever is shared and properly managed, should be able to increase individual as well as organisational learning. It was established from the interviews with the majority of the key interviewees, as well as further observation at the child company, that knowledge acquisition from the foreign partner was mostly facilitated through technical training (during project period), ‘shadow posting’, on-the-job-training, as well as the initiative of local company to provide a compulsory self-development programme, internal R&D, facilitative technology and encouraging key personnel to attend international conferences and seminars. Thus, it can be summed up that learning at child company has been acquired and considered as important, based on arguments that they have successfully acquired and progressed in learning from the foreign partner, at least in terms of skill to manufacture polyethylene products. This can be proven as they stated that their knowledge has made them able to operate the plant, with or without the presence of the parent expatriate staff. Furthermore, with such knowledge, they have been able to share and improvise new ideas, and then bring the ideas into international discussions (seminars), where many other parent partner subsidiaries have also attended.

Systemic Thinking

Systemic thinking helps alliance organisations share their objectives. Based on the interviews, it was established that all staff at Polyethylene Malaysia were briefed to share the company’s objectives and to encourage to collective efforts for achieving learning. The management was also responsible for designing the necessary mechanisms for learning to take place and evaluating its outcomes. For example, learning outcomes are assessed using internal and external benchmarking and both partners – the foreign partner expatriates and the child - were collectively interacting to produce new ideas and solve problems.

Shared Mental Models

It is suggested that in a learning organisation, members need to share their ideas and perceptions about the learning environment so that it would facilitate decision-making, action, and learning. Hence, based on the information, it can be suggested that top management at this child company are responsible for directing the commitment of their staff to share ideas and perceptions about the learning environment. This is because it has been reported that each member of the staff is responsible for acknowledging and promoting the shared culture and values, to give full support to colleagues, supervisors or subordinates, as well as for minimising product failure, customer complaints, accidents/incidents, and optimising the working time frame of 8 hours (staff have to work 8 hours per day). In addition, these interviewees also suggested that in order to help local staff cope with the everyday change in work and ideas, the following measures were adopted:
Building Learning Relationship

The management at the child company is also responsible for promoting an understanding that people at the top management level play a major role in encouraging and assisting the development of the alliance relationship; they also act as an agent of learning. For example, it was reported that the GM is willing to be involved in regular morning meetings with the technical and operational staff so that he can share ideas. Other than that, supervisors are responsible for identifying any problems encountered by their subordinates and solving them. This happens through frequently requested feedback on the jobs delegated to the staff. Conversely, the staff are encouraged to communicate regularly with their supervisors to promote a ‘supervisor-subordinate’ approach in the on-the-job training programme. From these, it can be deduced that the child company promotes ‘leadership commitment’ to enhance the creation of knowledge.

Joint Learning Structures/Strategies/Programmes

Local staff in the child company has also been able to learn and acquire the skills to manufacture polymer and polyethylene products faster and easier, as both alliance partners – the foreign parent ‘B’ and child - are involved in the development of joint-learning programmes. This has provided the opportunity to create new knowledge. These joint-learning programmes happened through; first, expatriate manager rotation; second, 2-yearly world-wide seminars; and third, visit plant sites. Additionally, the interviewees also suggested that it was due to the in-house R&D projects, in-house new idea generations, and commitment towards a continuous learning process that helped the learning achieve successfully by the local staff. Based on the interviews, the tacit and explicit knowledge acquired by the child company is summarized in Table 2 below.

<table>
<thead>
<tr>
<th>Explicit knowledge</th>
<th>Tacit knowledge</th>
</tr>
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<tbody>
<tr>
<td>Product formula</td>
<td>Skills and experience in developing polymer-based products</td>
</tr>
<tr>
<td>Manual for handling material/equipment</td>
<td>Skills and experience in handling plant equipment</td>
</tr>
<tr>
<td>Plant operation manual</td>
<td>Learning about different culture</td>
</tr>
</tbody>
</table>
In addition, the study also tried to relate the importance of the elements related to top management qualities with such as ‘shared mental models’, ‘systemic thinking’, and ‘building learning relationship’ in order to help the organizational learning process took place. Thus, those selected respondents were also asked to choose from a list of leadership qualities available at their workplace that help to support their learning process. The summary of the findings for the percentages of the respondents who agreed on the leadership qualities that were practiced at Polyethylene plant are listed as shown in Table 3.

Based on the results depicted in Table 3, it can be anticipated that leadership qualities can ease and enhance the learning process especially when it involves international strategic alliance between two different countries with two different languages and cultures.

In summary and based on the original key elements suggested by Morrison and Mezentseff (1997), it can be concluded that the elements ‘communication and network’ and ‘learning mechanism’ are also important and need attention. This is because in terms of the element ‘communication and network’, the child company emphasizes

### TABLE 3
Leadership Qualities to Promote Learning Process, as Described by the Respondents at Polyethylene Malaysia Sdn Bhd.

<table>
<thead>
<tr>
<th>Qualities</th>
<th>Percentage agreed</th>
</tr>
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<tbody>
<tr>
<td>Manager acts as an agent of learning</td>
<td>90%</td>
</tr>
<tr>
<td>Communicate regularly</td>
<td>95%</td>
</tr>
<tr>
<td>Developed focus and shared objectives</td>
<td>85%</td>
</tr>
<tr>
<td>Direct shared vision</td>
<td>85%</td>
</tr>
<tr>
<td>Promotes learning culture</td>
<td>90%</td>
</tr>
<tr>
<td>Support improvement in teams</td>
<td>90%</td>
</tr>
<tr>
<td>Admitting mistakes and openness to new learning</td>
<td>70%</td>
</tr>
<tr>
<td>Work together</td>
<td>90%</td>
</tr>
<tr>
<td>Willingness to take risks in ambiguous situations</td>
<td>70%</td>
</tr>
<tr>
<td>Build trust</td>
<td>75%</td>
</tr>
<tr>
<td>Willingness to make special efforts</td>
<td>75%</td>
</tr>
<tr>
<td>Willingness to co-operate</td>
<td>80%</td>
</tr>
<tr>
<td>Willingness to be transparent</td>
<td>75%</td>
</tr>
<tr>
<td>Promote systemic thinking on this specific alliance</td>
<td>85%</td>
</tr>
</tbody>
</table>
the need for both partners – the child and the foreign parent - to communicate regularly, and has been able to reduce the communication gap by having a specific channel for communication and networking or an appointed agent for networking between both partner. Finally, the child company has also shown that it has given considerable attention to the element ‘learning mechanism’ through the process of feedback and assessment and deciding benchmarking for product quality, which helps to increase staff’s commitment, as well as achieve continuous learning and ability to maintain the product quality as per standard required by the foreign parent partner.

CONCLUSION

The paper presents the research on International Strategic Alliances (ISAs) and the organisational learning (OL). Based on the case study used in this research, it can be suggested that learning can be one of the important reasons for forming ISAs. This is because learning is a key feature of the process by which firms accumulate technology in order to compete and add value to their current product. This paper has presented how Polyethylene Company as the child business was formed under alliance negotiation with a learning objective. The foreign parent partner or company ‘B’ agreed to provide the technology and skills in the polyethylene products to the child company, and it had also designed a proper planning strategy for acquiring such skills. Based on the findings, it can be suggested that this company has designed its organisational structure, strategy and system, in line with achieving the specific learning objectives. The child company also deliberately designed strategies for promoting learning culture, and built systemic thinking and shared mental models so that they could be committed to the learning and the jobs delegated to them. In addition, to ensure a long-term commitment between the partners, they also set up a joint-learning structure and strategies (by organizing world-wide seminars, encouraging in plant R&D and continuous learning). All of these have helped the ‘child’ to be able to acquire and manage knowledge from its foreign parent partner.

REFERENCES


