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**POOLING CAPABILITIES ABROAD FOR DYNAMIC WORLDWIDE
COMPETITIVE ADVANTAGE:
INVESTIGATING FORD-MAZDA COOPERATION IN TAIWAN AND THAILAND**

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Overview

Globalization pressures automakers to exploit primarily home-country alliance relationships in third countries. The paper examines how strategically allied firms can jointly transfer their capabilities outside their home-countries to implement local strategy that is consistent with overall alliance objectives. In addition to investigating knowledge coordination within and between firms in the auto industry, the paper also contributes to the understanding of the long-term capability building of firms.

Literature Review: MNC, Strategic Alliances, and Transferring Capabilities

The challenges automobile assemblers face when expanding into emerging markets has been the subject of extensive research (Humphrey, Lecler, Salerno 2000). Research on multinational corporations (MNC) has tended to approach the issue of overseas growth of the firm by focusing on the transfer of the capabilities of a single firm (or the firms of single country) to host countries using an application/adaptation framework (e.g., Abo 1994). Other research has addressed the strategic and organizational dimensions of how multiple firms can partner to expand overseas (Doz and Hamel 1998). Building on these research streams, the present paper extends the subject through a case-based investigating of how two firms that have combined capabilities in their home countries (Heller 2000, 2001) can then jointly transfer these capabilities to third countries and further develop them there. The research of Kogut (1988) on joint ventures and Kogut and Zander (1992) on combinative capabilities is also referenced.

Research Framework

A Western firm with relatively strong strategic capabilities and a Japanese firm with relatively strong operational capabilities form an alliance.

- Inter-organizational learning enhances the capabilities of the alliance partners in their home countries.
- The capabilities are jointly transferred to third countries where new capability development occurs.
- These capabilities are transferred back to home countries and/or to other third countries
- The result is dynamic worldwide competitive advantage for alliance partners. Various possible patterns of alliance cooperation are theorized, two of which are explored in greater detail through the case studies.

Cases

After providing the relevant context (background of the Ford/Mazda relationship and outlines of the Thailand and Taiwan auto industries), the cases are elaborated.

- Taiwan: Interaction between Mazda and Ford (including Ford of Europe)
- Thailand: From 1996 the joint establishment by Mazda & Ford of an export-capable plant

Discussion

The proposed framework is evaluated based on the case data. Also, the case studies suggest some key factors for knowledge coordination in the joint transfer of capabilities. The concept of the pooling of knowledge is proposed as a useful analytical guide for describing the observed phenomenon. Finally, the discussion is related to the long-term capability building of firms. Issues discussed include: the effects of inter-partner power relations; the need to preserve each partner's capability strengths and organizational identity in its home country; what constitutes good alliance management for extending capability building to third countries; the effects of local capability building on the overall alliance relationship; and the differences between joint green-field investment (new JVs) and collaboration in ongoing concerns.

Future Research Directions

- Investigating the reasons behind differences in alliance dynamics in home countries of partner firms vis-à-vis in third countries
- Expanding the analysis to the other patterns of cooperation between allied firms that were not examined in this paper
- Extending the research scope to other third countries (e.g., Europe, Australia)
- Testing the robustness of the research by studying alliances between other firms

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