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**MANAGING THE TWO DIMENSIONS
OF RATIONALITY IN BUILDING
STRATEGIC ALLIANCES AMONG SMEs:
THE I-STYLE EXPERIENCE IN THE FURNITURE
CLUSTER OF BRIANZA**

by Fabio Antoldi and Benedetto Cannatelli

CONTENTS

1. Introduction	4
2. The role of rationality in building strategic alliance	4
3. Weber's conceptualization of formal and substantive rationality in social choice	5
4. The I-style case	6
5. The history of I-style	7
5.1 The collaboration opportunity	7
5.2 Forming the group	7
5.3 Failure (and new birth) of the alliance	8
5.4 Signal of success	8
6. The evolution of an alliance towards different dimensions of rationality	9
6.1 The starting point: formal rationality	9
6.2 The emergence of trust among entrepreneurs	10
6.3 The passage towards a more substantive rationality	11
7. Theoretical implications	13
8. Conclusions and policy implications	15
References	16

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MANAGING THE TWO DIMENSIONS OF RATIONALITY IN BUILDING STRATEGIC ALLIANCES AMONG SMES: THE I-STYLE EXPERIENCE IN THE FURNITURE CLUSTER OF BRIANZA

by Fabio Antoldi and Benedetto Cannatelli

Abstract

Building a strategic alliance is considered to be one of the most suitable patterns for Small to Medium size Enterprises (SMEs) in order to achieve a solid competitive position within international markets. Nevertheless, many entrepreneurs still fear partners' opportunistic behaviours and losing strategic control over their firm, these being key issues that push them away from commitment. The purpose of the paper is to find how far both formal and substantive rationalities of small entrepreneurs are involved in the strategic decision process concerning strategic alliances.

Milestone literature about strategic alliances, social capital, network models and decision making process among SMEs has been considered in developing this research. However, while both the dimensions of rationality are supposed to be active in making strategic decisions, little literature has focused on how an equilibrium between these can be reached in building alliances.

The paper presents a longitudinal analysis of a best practice case. It has focused on eight international-oriented firms, belonging to the furniture industrial district of Brianza, a geographical region in Northern Italy, which built a formal network called «I-Style». Two series of interviews were carried out with each entrepreneur involved in the strategic alliance at a distance of two years.

Through this case analysis, a descriptive framework on the impact exerted by the interaction of the two dimensions of rationality will be provided. In particular, attention will be paid to the dynamics of three key stages that compose strategic decision: seeking competitive advantage, choosing strategic partners and designing the alliance. Findings show that interaction with external actors has been necessary in promoting inducement to form linkages, in developing trust and in solving relational problems between firms in both an individualistic and masculine environment.

A theoretical model of how a not-competitor organization (i.e. association of firms) can act in order to encourage mutual trust and moderate relational problems, contributing to establishing a collaborative environment among entrepreneurs along the three above-mentioned stages, will be developed.

Starting from these results, researchers on management, consultants and policy makers will get new perspectives and tools to manage the two dimensions of rationality in the process of forming strategic alliances among SMEs

1 Introduction.

Strategic alliances among firms are increasingly gaining the attention of scholars as innovative way to improve competitiveness (Ahuja, 2000; Gulati et alii, 2000). Indeed, by building inter-organizational relationships, firms achieve new competitive advantages that contribute to reach a better position in the market, especially now that globalization has pushed towards new strategies by reducing distance between demand and supply abroad. Therefore alliances have to be regarded as a critical pattern that firms may take to cope with new challenges coming from the external environment (Marino et alii, 2002).

Strategic implications for single firms participating in alliance are mainly: lower transaction costs in the supply chain (Jarrillo, 1988); easier creation of intellectual capital, especially in the form of tacit knowledge (Nahapiet and Ghoshal, 1998); facilitation in learning and knowledge transfer (Inkpen and Tsang, 2005).

Strategic alliances often involve several economic actors who, cooperating in long term, may also generate stable networks of firms. Inter-firms strategic network are "*networks composed of inter-organizational ties that are enduring and of strategic significance for the firms entering them*" (Gulati et alii, 2000). These networks include forms such as franchising networks, industrial districts, strategic alliances, R&D consortia, export consortia and trade associations.

Firms may gain substantial advantages in belonging to a network. Indeed, the special presence, evolution and interaction of social capital (and intellectual capital) inside the network generate an additional "organizational advantage" for the members, based both on the inter-firms relations and on the continuous transference of knowledge between its members (Inkpen and Tsang, 2005; Adler and Kwon, 2002). For these reasons, in particular, in favourable contexts network member firms are able to generate more value compared to firms that operate according to other modes of organization such as market or hierarchy (Ghoshal and Moran, 1996).

All these advantages are more considerable by Small to Medium size Enterprises (SMEs), which often don't handle enough resources and competences to achieve critical goals on large international markets. In fact, through strategic alliances small firms can fill a gap - otherwise overwhelming - by gaining access to particular resources, developing economies of scale, sharing risks and costs, entering foreign markets and improving speed to market (Rosenfield, 1996; Doz & Hamel, 1998).

2 The role of rationality in building strategic alliance

Even if joining a strategic alliance may really produce several advantages for SMEs, the process towards collaboration is not always smooth. Indeed, *collaboration among small firms* predominantly implies *collaboration among entrepreneurs*, therefore people with often an individualistic (and sometimes masculine) profile. Managing strategic alliances among SMEs is a very complex and risky venture, due to the high possibility of conflicts among people involved. Individual economic actors must have objective and substantive motivations for gathering their efforts in a common strategic project.

Economic rationality plays a fundamental role in persuading entrepreneurs to promote and build an alliance. Therefore in order to better understand which kind of rationality comes on stage in the case of SMEs, it is necessary to briefly refer to the literature concerning decision making mechanisms.

First of all, it's useful referring to the notion of "bounded rationality" brought forward by H. A. Simon (1978,1979) and that is still considered a milestone on which a large body of literature concerning the decision making processes has been developed. Such conceptualization proposes an alternative approach to the subjective utilitarian theory, introducing estimating procedures and strategies for dealing with uncertainty. Simon, supported by empirical evidence, found that human beings forego the aspiration to full optimality and pursue goals through satisfying "good enough" rules-of-thumb (that may be suboptimal), instead of searching the absolute best solution for their problem. He defined bounded rationality as the achievement of given goals subject to subjective constraints (Simon, 1982). In this sense, no doubt exists about the "bounded" nature of the rationality applied by small entrepreneurs, usually due to the constraints rising from firm's small sizes and organizational and financial characteristics.

Furthermore, it is useful to look at decision making processes in building strategic alliances among SMEs even from a different point of view. In fact, in economics literature the economic actors' behaviour is considered rational both when they are taking decisions individually and, furthermore, when they are implicated in developing collective strategies aimed to align different individual stakes and objectives within a common framework of activities. This is precisely the case of single entrepreneurs of SMEs when building a strategic alliance.

With respect to the issue of developing common economic strategies, Amartya Sen (1995) focused on the problem of social choice and of the inclusion of conflicting individual goals into a social preference, claiming that, under the hypothesis of full rationality, interactions of individuals lead to a socially irrational outcome. This assumption indirectly confirms the impossibility to use the paradigm of perfect rationality in the case of SMEs alliances, but also underlines the necessity to apply a more "social oriented" approach to decision making in order to analyse the fundamentals of long-term cooperation among entrepreneurs.

3 Weber's conceptualization of *formal* and *substantive* rationality in social choice

Another theoretical paradigm, concerning rationality, could fit the topic of collaboration among SMEs and must be usefully considered: the two dimensions of rationality - *formal* and *substantive* - proposed by Max Weber for analysing economic and political system of different societies (1925). In fact, while Simon's conceptualization of bounded rationality has been referred mostly to individuals, by older Weber's theoretical construct the standpoint is focused on a pluralism of subjects. Formal and substantive rationalities are conceived as different economic approaches put to use by a community of people rather than by a single individual. And therefore, in a larger sense, they can be apply also to a group entrepreneurs.

In particular, *formal rationality* is defined by Weber as the extent of quantitative calculation, or accounting, which is technically possible and that is actually applied. It represents how goals and needs both of individuals and of the society are and can be expressed in calculable terms. On the

other hand, *substantive rationality* indicates how provisioning process depends on criteria of values, whether these are ethical, political, utilitarian, hedonistic, feudal, egalitarian or whatever. In this second sense, results of economic action are assessed according to an extrinsic standard of value-rationality and not merely by the instrumental-rational standard of technically most adequate means, like in formal rationality (Eisen, 1978).

So, within this perspective, economical actors' behaviour in strategic alliances can be analysed as a dynamic in which - according to a formal rationality paradigm - in the very first stage of the process must emerge quantitative-economic goals that lead the decision, while a different mechanism may eventually prevail later on in the decision making, led by value-rationality.

Hence, with Weber, opposite to a vision in which modern society is seen as made by individuals who experience themselves in conflict with others over scarce resources, antithetically a more social and value-based rationality arises and drives actors to join collaborative patterns, following the hypothesis of gaining together economical benefits (Foley, 2004).

Though Weber originally used the conceptualization of formal and substantive rationalities to explain the development of modern society towards capitalism against socialism, it seems reasonable to assume such a theoretical standpoint also in analyzing decision making process in strategic alliances for at least two reasons: firstly, as mentioned above, because Weberian rationality well describes a collective behaviour; secondly, because this perspective fits well the criteria that, as will be discussed further, move entrepreneurs in making choices within a social network. The research hypothesis supporting this paper is that collective decision making among strategic alliances can be seen as a metaphor of the social behave in the economic

4 The I-style case

A good example of the passage from formal to substantive rationality can be seen in the I-Style experience, a strategic alliance among eight firms belonging to the furniture industrial district of Brianza, a geographical area in the Northern Italy¹. These firms are: Feg-Salvarani Group, Lema (through its business unit called "Concept International Office"), Mobileffe, Misuraemme, Giellesse, Turri, Zanaboni and Coro. They all are SMEs: their number of employees ranges from 20 to a maximum of 200. It is important to note that they all belong to the same local firms association named Compagnia delle Opere (CdO), that represents a fundamental player in the case history.

A longitudinal analysis has been carried out through face to face interviews with each economic actor actively involved in this alliance: two structured interviews have been realized with each of them at a distance of two years (2006-2008).

Such a decision has been made regarding two main reasons: the small number of the participants and the focus of interest of the research. Concerning the first reason, eight entrepreneurs and two managers of CdO have been interviewed twice, for a whole number of

¹ The furniture district of Brianza is made by 4.476 independent enterprises, all specialized in the production of furniture, co-located within an area of 258 Km² in the Lombardy Region. In reference to the number of employees, the average dimension of firms is only 3,6 units. Indeed, this is the result of the co-existence of enterprises that much differ within each other. In fact, three classes of SMEs can be found in the territory: the micro-firms, with no more than 9 employees (they work mainly as sub contractor for other manufacture in the district); the small enterprises, with 10- 49 employees (they work both as sub contractor or directly for the wholesale dealers or retailers); medium enterprises, with 50-249 employees, with focus on the market, they subcontract for several stages of the supply chain to smaller enterprise of the district. Only a very small number of firms inside the districts has more than 250 employees (less than 10) and none of them has more than 400.

twenty interviews. Regarding the second reason - consistency of the research tool with the main objective of the study – face to face interviews appeared to be the best means in order to catch actors' perceptions about the evolution and the results of the alliance. Some extracts of these interviews will be reported in paragraph n.6.

5 The history of I-style

5.1 *The collaboration opportunity*

The proposal of grouping, for the first time around one table, entrepreneurs of eight firms from Brianza's furniture district, had been made in the spring of 2005 by the local office of Compagnia delle Opere (CdO), a firms association with branches in all of Italy and in fourteen Countries abroad.

This idea arose because, a few weeks before, CdO had been involved in a huge redevelopment project for the construction of 5.000 high quality country-houses, targeted at VIPs, on the Ivory Coast. So the need for high-level furniture was conspicuous.

The project's dimension and the limited production capacity of the single firms associated to CdO resulted in a problem. In fact, there was no firm that would have been able to carry on such a commitment by itself in the whole of Brianza.

Hence, CdO asked for the collaboration between eight associated firms, considering factors such as the dimension, the products offered and, lastly, the existing relationships among the entrepreneurs. The result was to become a team able to assure the offering of a wide set of products for complete and quality furnishings, from the kitchen to the garden chairs.

5.2 *Forming the group*

The group forming process has been progressive. Only three firms were involved in the very beginning: Lema, Mobileffe and Giellesse. They mainly deal with modern, day & night furnishings and, thanks to one unit of Lema, they could have assured the coverage of a possible need for office furnishing.

The fourth firm asked to collaborate was Turri, the only one with the right expertise to produce furniture with a classic style, which is especially appreciated abroad.

Then, after the estimate of the production volume and the investment budget, the need to call additional firms within the district became evident.

The selection process had to be accurate, in order to avoid overlapping of the product range offers amongst the group.

That was when another business, Feg-Salvarani Group, was invited to join the alliance. In fact, through the Salvarani unit they would have been able to also satisfy the commitment for kitchens.

Finally, Zanaboni, Misuraemme and Coro were added to the strategic alliance to increase the productive capacity for classical, modern and garden furnishings.

The following step was to create a temporary firms association in order to create a single juridical institution to interact with the Ivory Coast purchaser.

5.3 Failure (and new birth) of the alliance

After almost two years of slow start-up of the project, in early 2007 it looked as if all the efforts brought forward by CdO were to fail. In fact, the furniture supply of the 5,000 country-houses seemed to have vanished, because of the huge complexity of the Ivory Coast project (maybe even led by excessive ambitions).

Indeed, given the difficulties of the Ivory Coast purchaser in guaranteeing the affordability of the project to the investors, a series of financial and legal problems arose.

Notwithstanding the halt of the Ivory Coast project, CdO still had the willingness to hold on to everything that had been built in the previous months among the entrepreneurs. CdO's idea was to push the "entrepreneurs' table" towards the sharing of a strategic solution, which would have led to a value increase of the brand in new markets such as the Far East and South America.

In addition to the need for a strategic repositioning in new markets, there was a need for a structure targeting the contract segment of the furniture industry, not present within the firms involved. Therefore, the relationships built in two years of collaboration could not go lost with the dissolution of the original project.

Facing these arguments from the CdO, all members of the "entrepreneurs' table" agreed to continue the path they were following until a few weeks before. Hence, they agreed to a formal strategic alliance within SMEs.

Indeed, in 2006, all the enterprises of the "entrepreneurs' table" had joined forces and presented themselves "under the same roof" at Matching 2006, an international trade fair held in Milan, which promotes links between demand and supply within different industries.

5.4 Signal of success

In May 2008, all eight entrepreneurs signed the I-Style constitution act, committing themselves actively and financially. A manager with the appropriate experience in the district and the industry was chosen to lead the business.

The agreement concerns the collaboration in the contract segment in foreign countries, with particular focus on India, Russia, USA and the main tourist regions abroad.

Indeed, the first deal was with Ventaglio Real Estate for the furnishings of one hundred and twenty apartments and one hundred and twenty hotel rooms in Rosa de Bayahibe in the Dominican Republic, a thirty-five million Euro business. This is just the first contract of a long-term collaboration that I-Style and Ventaglio Real Estate established, including other projects in countries such as Kenya and Cape Verde.

6 The evolution of an alliance towards different dimensions of rationality

6.1 The starting point: formal rationality for capturing a business opportunity

At the very beginning of the story, the arrival of a big international project could be considered as the very first step towards the constitution of the I-Style alliance. The project advanced by CdO

was so vast that no firm within the district would have been able to face it on its own. Given the difficulty of sustaining such a project, it could not be considered as an opportunity by any of the districts' firms.

Instead, the opportunity became concrete only once the hypothesis of collaboration was considered. By cooperating, all allied enterprises would have shared their production capacity in order to reach the volume needed to supply a furniture for 5.000 country-houses in the Ivory Coast..

By filling the production capacity gap through the alliance, the Brianza furniture cluster enterprises would have had great advantages in competing for the contract because of its existing competitive advantages such as high product quality, the Made in Italy design, the firms' experience and the district's reputation amongst industry operators.

Moreover, CdO was aware of the fact that a "yes" was not easy because of an entrepreneurial culture that is strongly masculine and individualistic, and that in the past has pushed these companies away from collaborating with their competitors. In fact, while from a "macro" point of view the Brianza territory has to be considered a district in a full sense (firms are strictly connected by both vertically and horizontally linkages), from a "micro" point of view (the entrepreneurs' point of view) it can't be said that collaboration is thought of as being part of the development pattern. The entrepreneurs describe themselves in following manner:

«... we are in Brianza, where it is very hard to collaborate. The typical behaviour among us is well described by the sentence "Your loss, my gain". Collaboration among competitors is completely absent. On the contrary, we are very reluctant to seek it. The success of an enterprise is strictly related to the failure of its competitors. The saturation of the market and the consequent reduction of profits in the last years has contributed to the development of such a situation».

This paradox made it even more difficult to find out a common point of contact between entrepreneurs when faced with this sudden and unexpected business opportunity:

«The project was so huge that no one of us would have been able to cope with it on his own. This opportunity was almost incredible. It would have provided business for the whole Brianza for the following five years... indeed, when the numbers allow everybody to make their profit, it is much easier to find an agreement... while, in the usual market in which every one competes for a larger market share it is much harder».

In this first stage of the alliance lifecycle the cohesive factor and the engine of such an entrepreneurial initiative are born of a decision making process characterized by *formal rationality* that spawn its effect by evaluating the means available (production capacity level) in order to achieve economically quantifiable goals (profit). According to this perspective and considering a culture which is not oriented towards inter-firm collaboration, the alliance is viewed exclusively as an essential step to achieve the goal. Once again, the formal rationality prevails.

The selection of the enterprises was the next step. CdO held the opportunity and, therefore, had the power to choose one enterprise rather than another. The main issue was to identify, amongst the associated firms, those that best were able to mix their features regarding both product range and organization.

For that reason, eight enterprises of the district were progressively asked to join the “entrepreneurs’ table”: the objective was to group enough resources to assure the coverage of the required production volumes according to a rational objective logic of “complementarity” with regards to the production needs.

6.2 The emergence of trust among entrepreneurs

Consequently, it seems clear that the selection process had to take place according to the criteria of the single enterprise’s operative features. At the same time, CdO – considered the alliance’s “playmaker” at the time - could not ignore the importance of building trust among the single actors involved. Indeed, it is proven that trust is an essential factor within alliances, which assures cohesion within groups of people where different individual objectives – that possibly run against each other – are present.

Thus, CdO’s presence was fundamental because it played a twofold role: firstly, all partners considered it the warrantor, because of its trust relationship with the single entrepreneurs; secondly, it was supposed to be the project playmaker, because of its singular non-competitor position in the group. One entrepreneur explained very well this particular role of CdO:

«The presence of a playmaker not involved in the industry, and thus supposedly impartial, is clearly a benefit because of his “super partes” status. It demonstrated its fairness by supporting each of us for many years. Trusted relationships like this are tried in such circumstances. These are relationships that cannot be created in a few weeks. The role that CdO is playing is fully reliable and is the result of years of collaboration».

Hence, in the beginning, there were no direct trusted relationships among entrepreneurs. Rather, a sort of “mediated trust” supported by CdO was developed. The presence of an established goal, as well as a sort of guarantee on the behaviour of the strategic partners, seemed to be, according to several entrepreneurs, the main difference compared to their previous experiences for instance, within local export consortia among SMEs. According to the entrepreneurs the experiences in such a consortia were unsatisfactory:

«After ten meetings everybody is in agreement; then, when the moment of signature of the constitution arrives, everybody takes a step back» and «there is no familiarity... which is present in a smaller group, where the goals are concrete and clear, and everybody is committed to achieving “that goal”. In missions like the first, concrete goals are absent and the number of participants is too big to work well. Export consortia have never been very useful for us».

The need to share an established market goal, instead of a less defined collective strategy, is underlined by entrepreneurs' choice of setting up a temporary firms association, which ceases to exist once the goal has been achieved.

6.3 *The passage towards a more substantive rationality*

In the first months of 2007, however, all the essential requirements of the alliance seemed to collapse along with the failure of the Ivory Coast deal. Indeed, along with it came the disappearance of "the cake", the main subject behind the beginning of the collaboration. The profit opportunity was the market goal around which a market logic had been developed, and was considered by each entrepreneur as the engine of the initiative.

However, the disappearance of a foundation of strict economic rationality, did not keep the collaboration – originated only one year before – from continuing in a new dimension. This third stage of the case is well described by the image of the phoenix: the mythological bird that revives from its ashes. Practically what happened to I-Style.

The idea that – notwithstanding the original goal's failure – a path for a strategic alliance was still practicable, was brought forward strongly by CdO:

«... for us, who promoted and supported such a meeting in neutral territory – CdO headquarters – it seem a pity not to persist in the same direction with a broader perspective».

To facilitate a meeting among competitors, under the protection of a neutral environment, has allowed some new evaluation criteria to enter the players' decision processes. Such criteria – implicitly present in the district's experience in vertical relationships – are trust, identification with the territory and a special industrial atmosphere (*«the Brianza furniture ... has a quality that no one else will ever reach. Our product breathes our air, which is different»*). Such features permitted a shift of the relationships from means/goals-based rationality to relationships in which that logic cohabits with ethical and social postulates.

Indeed, from the first months of collaboration the owners of the eight enterprises have had confrontation possibilities on different issues, such as supply processes within the district, human resource formation or the best trade fairs:

«...know-how began to flow, without any of the enterprises losing its own identity or being robbed of its ideas. In this way, by discussing issues concerning our industry rather than regarding a single enterprise, it allowed the facing of these issues together. This is one of the benefits that we got just by sitting around the same table».

In this way, relationships among entrepreneurs started to develop beyond the single project - still the shared goal – thus feeding the development of a social capital within the alliance.

In order to keep the latter alive, it was necessary to identify a new paradigm that would promote a new form of collaboration:

«By working with this group of firms, by letting a new way of doing business emerge - completely different from our traditional approach-, by collaborating, we have introduced a new work conceptualisation in Brianza. To have the opportunity of entering a competitor's firm was impossible until recently. Now we are tuned on a "your life, my life" philosophy. Thanks to the confrontation I see that, even though we naturally are still competitors, there is an exchange of information that is very important».

By extending the collaboration view to a longer timeframe and focusing on international markets («The only way to stay alive is to sell abroad. Enterprises that did not do so, are now closed»), several competitive advantages can be gained: in addition to a very high product quality – sustainable in big business deals in the contract industry –, a significant flexibility could be achieved, thanks to the opportunity of managing every order according to the foreseen pipeline volumes of the single partners:

«It is like having a very flexible enterprise, that can shift from classical to modern furniture assuring expertise and quality. It would be impossible for a single firm».

The cultural impact of this collaboration experience enabled CdO to change its role within the alliance. Indeed, since the unifying element among firms now is a collective strategy, and since there are direct relationships of trust among entrepreneurs – instead the afore mentioned “mediated trust” – CdO has partially and voluntarily kept a lower profile, by shifting the handling of the alliance over to the firms, but still present in its role of supporting association.

The first official step in the direction of an alliance was taken with the participation in Matching 2006, a trade fair event, which the eight firms attended as a single group of business. This was an important signal in terms of how the entrepreneurs were increasingly conceiving their alliance in accordance with the logic of collective social action:

«The aim, here in Brianza, where there are incredible jealousies, is to manage this (the alliance): a very important challenge, beyond what any of us could have imagined».

Higher group identification has opened the door to several economic benefits coming from collaboration, such as constitution of supply agreements («Collaboration gives us more power in purchasing raw materials by exploiting economies of scale»), cost and risk reduction through the sharing of marketing investments, and the penetration of several markets as I-Style partners. Indeed, agreements allow firms to work together in international markets for Contract orders, yet respecting the individuality of each firm in the Italian market:

«Every firm has to share its knowledge, while keeping its own features and identity, for something more».

7 Theoretical implications

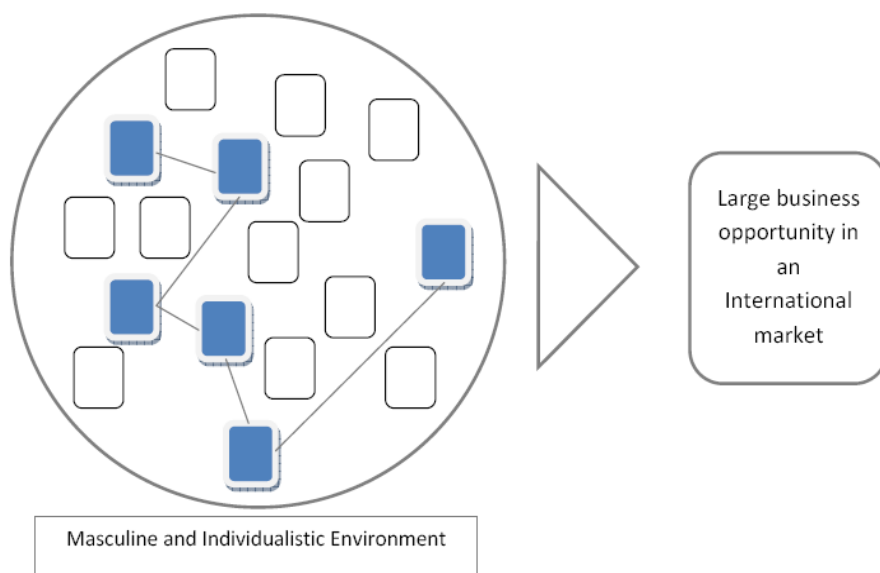
I-Style is an interesting tool to understand the development dynamics of strategic alliances among SMEs, especially in context of an entrepreneurial culture that is not prone to inter-organizational collaboration.

The starting point of the alliance is the common goal of obtaining a large business opportunity by a plurality of firms that share the same industry and territory (Exhibit 1).

In this case study the main goal is to reach new markets abroad where the demand for high quality furniture is still relevant.

In theory, each enterprise can handle this issue by undertaking two different development paths: the first one consists in developing an internationalization strategy on its own, which implies for the single firm a high level of investment and market risk; the second path instead, permits the sharing of both investments and market risks through the cooperation with other firms.

Exhibit 1: The need for SMEs to cooperate



The first path - even if preferred by several entrepreneurs due to its greater autonomy and control in management operations - is often a difficult undertaking for a single SMEs given the gap between the available resources and the investment needed.

Hence, building strategic alliances is often a more viable solution for SMEs. However, this path is not without difficulties. Important considerations concerning Hofstede's (1980) dimensions of national culture have to be taken into account: masculinity, individualism and uncertainty avoidance play a relevant role when facing alliance issues. Within environments where masculinity and individualism are strong, as it is for Brianza, it has been empirically proven that the basis of trust is built on economic logic rather than social processes (Steensma et alii, 2000).

As mentioned above, in the first stage of the alliance a clear market goal established by a non-competitive institution is the basis for cooperation. Moreover, the balance between each individual

goal is maintained through the facilitator's mediation activity (mediated trust). According to Weber's paradigms cited above, such a circumstance is considered as an output of a formal rational process that calculates convenience of action by comparing goals and resources. In the first stage, the horizon of the cooperation is usually short, predetermined and lasts until the established goal has been achieved.

In the second stage, relationships among entrepreneurs are facilitated by the completion of the prior commitment. In this moment phenomena deriving from collaboration begin to emerge, such as knowledge transfer and cooperation in planning and managing the production.

This stage enables the emerging and development of social capital and the strengthening of relationships within the alliance.

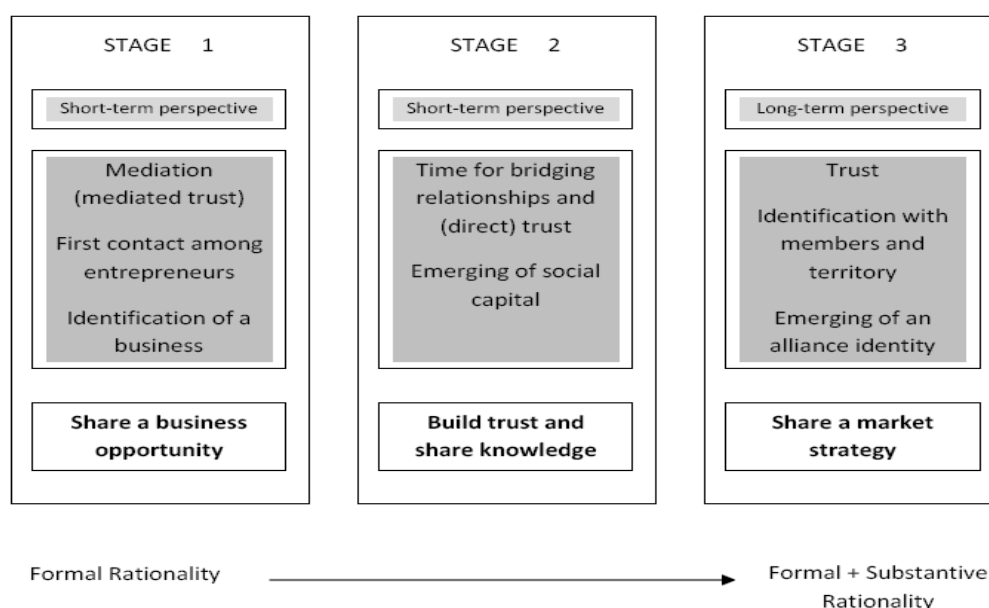
Several factors implicitly present in the industrial network start to surface such as an original identity of the alliance and an identification process among the members, which allow trust to spread among the players. This kind of trust is much stronger and lessens the need of a facilitator, allowing the know-how to flow.

In the third stage the gestation process reaches its climax. Now the added value of the network consists in the relationships among the players rather than in specific market goals, which in the meantime have decreased importance (or even expired as in the analyzed case). In fact, the moment trusted relationships have been built among members, complete market strategies can be discussed and shared.

In this stage, a different rational model has to be added to the economic logic that measures the business advantages. It is based on evaluation posits of a different nature and that help the development of trust within the collaboration. According to such a perspective, alliances shift their perspective from short to long-term.

Exhibit 2 summarizes the content of the three stages described above. They may represent the main steps for building an alliance among SMEs.

Exhibit 2: Characteristics of the different stages of the alliance



8 Con

Based on a case study, a descriptive model has been developed on the dynamics of an alliance building process among SMEs. I-Style is a successful experience that shows how a cultural context, which is adverse to collaboration, can be confronted.

In the I-Style experience, for instance, pervasively felt issues concerned the need for internationalisation, but the context was characterized by strong masculinity and individualism. That called for the presence of a facilitator (CdO) to manage the building of trust among the entrepreneurs, by leading them towards well-accepted market goals.

The first step, even though it will be overcome further on, has to be considered as absolutely necessary, since it leads to a community approach that otherwise is not achievable.

Hence, the purpose of this study is to build a qualitative analysis model, helpful in approaching strategic alliance issues between firms belonging to different industries and diverse geographical regions.

The major limitations of this research are related to the presence of variables that are hard to manage, like those coming from the psychology. Whereas there are several models for the above considered economical and sociological behaviours, it is much more difficult to find uniformity regarding the psychological factors that support the model.

Several implications result from this study. The central role of CdO, the firms association, in the alliance process building has often been underlined. It carried out many tasks: firstly, through its network, it was able to find a market opportunity; secondly, it played as facilitator for trust development; finally, once a "natural balance" among individual goals was set, it called upon the entrepreneurs to plan a new management structure.

It is also desirable that future researches will delve into the topics discussed above, concerning both the rational process in building alliances within SMEs as well as the association institution policies, in order to foster new paths for the international development of SMEs.

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