

# How Company and Managerial Characteristics Influence Strategic Alliance Adoption in the Travel Sector

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## ABSTRACT

The purpose of this paper is to examine the role of company and executive characteristics in strategic alliance formation in the tourism sector of travel. A survey of Australian travel sector businesses was carried out and the results indicate a high level of interaction through alliances between various sectors of the Australian tourism industry. Top managers' characteristics (experience, ownership and risk-taking attitude) were found to be influential in taking strategic decisions of whether to form alliances or not. These characteristics do not play an important role in determining the number of alliances an organisation has and their geographical location, as much as company characteristics do. The findings of this paper imply that company characteristics are important in determining alliance formation. Managers should thoroughly consider these characteristics when deciding not only to form alliances, but also the types of alliances that could help their organisations to be more competitive, given limited resources. Copyright © 2007 John Wiley & Sons, Ltd.

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## INTRODUCTION

This paper presents the results of research carried out in the Australian tourism sector of travel (travel agents, tour operators and wholesalers) aimed at determining the role of company and executive characteristics in strategic alliance decisions with particular reference to the number of alliances a company engages in, and their geographic spread. In doing so, the paper seeks to answer the research question: what are the relationships between company and executive characteristics, and alliance decisions and alliance type selection? This question is answered by analysing data obtained from 117 top executives from Australia's tourism sector of travel and further gives recommendations relating to how businesses could use alliances in order to enhance their competitiveness.

In doing so, this study builds upon two theoretical views: the upper echelon (UE) perspective argues that strategy adoption reflects top managers' characteristics (Hambrick and Mason, 1984; Carpenter *et al.*, 2004). This perspective focuses on observable background characteristics, resting on the argument that they represent proxies for a chief executive officer's (CEO) or managing director's (MD) cognitive orientation and knowledge base with important implications for strategic decision-making (Rajagopalan and Datta, 1996). The alternative perspective focuses on the influence of company characteristics on firm strategy (Dalton and Kesner, 1983; Schwartz and Menon, 1985). Although research from this perspective is inconclusive, some studies have found relationships between firm size and strategic decision processes (Miller *et al.*, 1998).

## LITERATURE REVIEW

Tourism is one of the most highly integrated industries in the world (Bullock, 1998; Dale, 2000). Poon (1993) argues that major players in the tourism industry, particularly airlines, hotels, travel agents and tour operators, have increasingly integrated in an industry whose boundaries are becoming increasingly blurred. Pansiri (2006a,b) observes that one defining characteristic of these relationships is the proliferation of strategic alliances within the industry, and between the industry and other sectors of the economy. Strategic alliances are defined as purposive arrangements between two or more independent organisations that form part of, and is consistent with, the participants' overall strategy and contribute to the achievement of their strategically significant objectives that are mutually beneficial (Pansiri, 2005). According to Pansiri (2005) these include co-operative arrangements such as: joint ventures; franchises and licensing; marketing and distribution agreements; production and manufacturing alliances; research and development contracts; technology development coalitions, production and manufacturing alliances; and research and development contracts.

The formation of strategic alliances among a variety of partners and the need for various segments of the travel industry to stay linked in order to provide the quality of service demanded by the increasingly sophisticated and demanding traveller is emphasised in the tourism literature (Go and Hedges, 1994; Peattie and Moutinho, 2000). It has also been argued that strategic alliances can be used effectively in order to achieve growth and competitiveness in tourism where a variety of alliance forms can occur across vertical, horizontal and diagonal relationships (Poon, 1993; Bullock, 1998; Go and Appelman, 2001; Dale, 2003). This is so because tourism is a '... highly complex compounded service brought about through the "assembly" of different services that are being delivered by a network of companies that is often global in scope' (Go and Appelman, 2001, p. 184).

One important framework that seeks to explain this phenomenon is that designed by Tremblay (1998). Although based on economic

network organisation, Tremblay's framework gives a broad understanding of the types of strategic alliances and inter-organisational relationships common to the tourism industry. He identifies and divides tourism strategic alliance networks into three groups, namely horizontal, vertical and local destination networks. These three forms of strategic alliance networks are important for our study because we investigate alliance formation between organisations in the same industry/sector, i.e. travel agents, tour operators and wholesalers (horizontal strategic alliances). We also consider how these organisations relate, through vertical strategic alliance networks, with other tourism industry businesses, i.e. accommodation providers, airlines, etc. Tremblay (1998) argues that vertical strategic alliance networks are composed of firms sharing marketing know-how associated with specific customer groups in order to generate economic rents by connecting dissimilar competences into a consistent product, through space and synchronisation of activities. They also control service quality and sometimes even standardise the 'service atmosphere'. These alliances often involve more or less integrated tourism business groups, connecting complementary activities such as air transport services, tour operating retailing and the management of hotel groups. Tremblay refers to these strategic alliances as vertical, lateral or diagonal quasi-integration. According to Tremblay (1998, p. 852), the purpose is '... to ensure cross-functional coordination among differentiated businesses such as retailing, wholesaling and main services functions for a given market'.

The other group, destination networks, ensures the co-ordination of complementary assets from the local destination end of the service chain. Tremblay argues that tourism organisations may form such alliance networks co-ordinated through a destination tourism marketing agency, but may also have direct one-to-one relationships. Because tourism firms in a given destination share public infrastructures and attractions, there is need to manage these resources co-operatively and innovatively while minimising negative externalities. Making reference to Palmer and Bejou (1995), Tremblay argues that destination marketing alliances involve firms co-operating



to determine the size of the local tourism pie and, simultaneously, competing to increase their shares. Braun (2003) argues that tourism businesses can participate in one or various overlapping networks, depending on the potential measurable advantages such as lowering transaction costs and exploiting economies of scale.

There are a number of studies on strategic alliances and networks in tourism. However, no research has thus far been identified that focuses on strategic alliances between and among the sectors of tour operators and wholesalers, and travel agencies, let alone a study that emphasises on how company characteristics and executive cognitive style influence executives' choice of strategic alliance types, number of alliances and their location. This is the main concern of our study.

### Theoretical issues

The UE and company characteristics schools of thought have emerged as important theoretical perspectives for studying organisational life. Both schools identify crucial but different factors that can influence firms' strategies and processes in a number of ways. Our study views UE and company characteristics as antecedent variables influencing managerial actions as well as outcomes. Extensive research on the relationships between top management and company characteristics has been done (Rajagopalan and Datta, 1996; Miller *et al.*, 1998), accompanied by a number of studies linking the two to firm strategy (Hambrick and Mason, 1984; Finkelstein and Hambrick, 1990; Wiersema and Bantel, 1992; Temtime and Pansiri, 2005).

### Upper echelon

The UE perspective focuses on observable background characteristics, resting on the argument that top executives' cognitive orientation and knowledge base has important implications for strategic decision-making. Writers of this perspective emphasise such characteristics as age, education, tenure in organisation, functional background, other career experiences, socio-economic roots and financial position (Hambrick and Mason, 1984;

Tyler and Steensma, 1998; Pansiri, 2005). Hambrick and Mason (1984) developed the UE model for understanding the influence of top managers on organisational strategy. This model has recently been revisited by Carpenter *et al.* (2004) and Pansiri (2005). In summarising this perspective, Carpenter *et al.* (2004) and Pansiri (2005) argue that the UE is based on three central tenets:

- (1) Strategic choices made in firms are reflections of the values and cognitive bases of powerful actors (Wiersema and Bantel, 1992; Carpenter *et al.*, 2004);
- (2) Values and cognitive bases of such actors are a function of their observable characteristics such as education, experience and background (Carpenter *et al.*, 2004); and
- (3) Significant organisational outcomes are associated with the observable characteristics of the UE actors (Carpenter *et al.*, 2004).

Carpenter *et al.* (2004, p. 4) argues that 'these three central tenets frame the UE proposition that an organisation and its performance will be a reflection of its top managers'. In summary, this perspective assumes that UE characteristics (psychological and observable) are determinants of strategic choices. Proponents of this view argue that certain situational conditions (external and internal) and UE characteristics lead to strategic choices that could not have been predicted as strongly by knowing only one or the other. However, concern has been raised that particular characteristics seem unlikely to influence the diagnosis and development of strategic issues. For instance, Gallén (1997) suggests that instead of concentrating on observable characteristics, emphasis should also be placed on personality as a link between cognitive processes and strategic decisions. Hambrick and Mason (1984) raised doubts if research on managers' characteristics can progress far without greater attention to relevant literature in related fields, especially psychology and social psychology.

Strategic alliance researchers have only begun to provide explanations of how UE characteristics influence alliance formation. For instance, Eisenhardt and Schoonhoven (1996) found that the rate of alliance formation in the semiconductor industry was influenced by both market conditions and UE characteristics.

Tyler and Steensma (1998) examined the influence of top executives' experiences and perceptions on technological alliance formation and the kinds of information executives attend to when individually assessing potential technological alliance opportunities. They found support for the view that top executives' experiences and perceptions influence the way they process information when asked to assess potential alliances. 'Age, technical education, technical work experience, and perceptions of firm success with other technological alliances were all directly related to top executives' assessments of technological alliances' (Tyler and Steensma, 1998, p. 957). They also observed that technical education, perceived firm technological emphasis, risk orientation and previous success with collaborative activities all moderated executives' weightings of alliance attributes when asked to evaluate potential technological alliance.

### Company characteristics

A number of researchers have studied relationships between company characteristics and firm strategy, and have presented mixed findings. For example, Dalton and Kesner (1983) mentioned organisational size as an influence on executive succession patterns. They argue that large organisations are more likely than small firms to replace top management from inside. Schwartz and Menon (1985, p. 685) found that although firm size did not influence decisions to make CEO changes, the larger failing companies that made such changes displayed a greater preference for external replacements than did the smaller ones. Miller *et al.* (1998) also found significant relationships between firm size and comprehensiveness of strategic decision processes and extensiveness of strategic planning. Wincent (2005) found that firm size can be an important determinant for firm performance, and for networking inside and outside the small-to-medium-sized enterprise (SME) network.

Temtime and Pansiri (2005) found that no relationships existed between organisational size, legal form of business and industry, and perceived critical management factors (i.e. organisational design, HRM development and competitive strategy); they found significant

relationships between these critical factors and ownership status, managers' experience and organisation's age.

Studies following this approach incorporating strategic alliances are lacking. However, Todeva and Knoke (2005) argue that propensities to participate in strategic alliances vary across firms operating within the same organisational field due to diversity of company characteristics, raising possibilities of making such linkages between strategic alliance formation and company characteristics. This study is limited to five company characteristics — sub-sector (travel agents, tour operators and tour wholesalers), number of employees, annual turnover, form of business and whether the business is family or non-family owned.

Literature review on the nature of tourism businesses shows that most of them are SMEs. Bolin and Greenwood (2003, p. 5) found that 97% of travel agency and tour operator services in Australia are micro and small businesses. The remaining 3% are either medium or large. A number of attempts have been made to define SMEs (Australian Bureau of Statistics (ABS), 1997; Loecher, 2000). Loecher (2000) argues that SMEs can be defined by quantitative criteria such as 'number of employees' and 'turnover'.

Loecher (2000) observes that in the European Union, SMEs are companies that have less than 250 workers. ABS (1997) has adopted only 'number of employees' as the basis for classifying non-agricultural businesses by size and classified businesses into five categories:

- (1) micro business — which is defined as those businesses employing less than five people;
- (2) other small businesses — which is defined as those businesses employing five or more, but less than 20 people;
- (3) small businesses — which is defined as those businesses employing less than 20 people;
- (4) Medium businesses — which is defined as those businesses employing 20 or more people, but less than 200; and
- (5) Large businesses — which is defined as those businesses employing 200 or more people.



Annual sales are increasingly being used as measures of business size (Graham, 1999; Loecher, 2000; Johnsen and McMahon, 2005). Loecher (2000) observes that in the European Union, SMEs are companies that have a maximum of €40 million annual turnover and a maximum of €27 million annual balance-sheet total. While appropriate annual sales measures are difficult to find in the Australian context, Graham (1999) makes reference to the Australian banking industry to argue that small businesses are defined as having an annual turnover of less than A\$5 million. Businesses with annual turnover of between A\$5 million and A\$50 million are classified as medium, while those with annual sales of more than A\$50 million are large companies.

The definition of SMEs is not universal. It varies from region to region, or from country to country. What can be termed SMEs in Europe (i.e. 250 employees, or turnover of €40 million) amount to large companies in Australia, and most Australian SMEs are large companies in Botswana, where large companies are those employing 100 or more employees with annual turnover of more than P\$1.5 million, an equivalence of A\$300 000 (Temtime and Pansiri, 2003). In this study, SMEs are those businesses employing less than 200 employees an annual turnover of up to A\$5 million.

## METHODOLOGY

A survey instrument was used to collect the data required for this research. This instrument was made up of three parts. Part I requested respondents to fill in firm/company details. Part II asked questions about strategic alliances the organisation was involved in, and part III requested the respondent's personal details. Part II had four sections; types of alliances, drivers for strategic alliance formation in the tourism industry, choice of strategic alliance partners and strategic alliance performance. This paper only reports the results for parts I and III, and the first subsection of part II — strategic alliance types.

To generate measurement items, exploratory research can use several techniques, 'including literature searches, experience surveys, and insight stimulating examples' (Churchill, 1979, p. 67), focus groups involving relevant actors

and analysis of critical incidents (Parkhe, 1993). For this survey, an extensive review of the literature was undertaken with emphasis on generating a pool of items that tapped the core theoretical constructs. This survey includes much of this literature. Details are set out in the further sections.

## Company characteristics

These are company/firm-specific variables, most of which have previously been used in management research. These variables are: company size, organisation's annual turnover, legal form of business and whether the company is a family-owned business. Industry variables included three travel sub-sectors — travel agents, tour wholesalers and tour operators. For Chi-square analysis, two questions were recoded because some cells had expected counts less than five (Coakes and Steed, 1999; Field, 2005). Number of employees was recoded: (i) less than five; (ii) between 5–49; and (iii) 50 and above. Annual turnover was recoded: (i) less than A\$1 million; (ii) between A\$1 000 001–5 million; and (iii) above A\$5 million.

## Executive characteristics

Respondents were asked to report their age, tenure of office (Michel and Hambrick, 1992), educational level, past functional experience (Hambrick and Mason, 1984; Rajagopalan and Datta, 1996) and whether they were employed executives or owner-managers. The other managerial characteristics of respondents investigated are:

- (1) Tolerance for ambiguity. This was measured by four items developed by Lorsch and Morse and adapted by Gupta and Govindarajan (1984, p. 33). For each of the statements, respondents were asked to indicate on a five-point Likert scale whether they strongly disagree (1) or strongly agree (5).
- (2) Willingness to take risk. This was measured using six financial risk items from Weber *et al.* (2002) domain-specific risk-attitude scale. For each of the statements, respondents were asked to indicate on a five-point Likert scale whether it was

- extremely unlikely (1) or extremely likely (5) for them to engage in the activity.
- (3) Respondents were also asked how they would rate (on a five-point Likert scale ranging from 1 (very low) to 5 (very high)) their own willingness to undertake risky business propositions as compared to other executives at or near their level in their firm.

For Chi-square analysis, most of these variables were recoded because some cells had expected counts less than five. Age, was recoded: (i) 'Less than 50 years'; and (ii) '50 and above'. Level of education, was recoded: (i) 'Up to high school'; (ii) 'Tertiary education'; and (iii) 'Post graduate education'. Tenure, was recoded: (i) 'Low' (Up to five years experience) and (ii) 'High' (six years and above). Experience, was recoded: (i) 'Up to five years'; (ii) '6–8 years' and (3) '9 years and above'. Willingness to take risk as compared to other executives was recorded: (i) 'Low'; (ii) 'Moderate'; and (iii) 'High'.

#### TYPES OF STRATEGIC ALLIANCES

Participants were asked to indicate, out of eight, the types of alliances their companies were involved in, both in Australia and abroad, and from which sectors in the tourism industry their alliance members came from. These alliances were joint venture (JV), equity participating alliance (EPA), brand sharing (BSA), franchises and licensing (FLA), marketing and distribution agreements (MDA), joint selling or distribution (JSA), sharing information and communication technology (SICA), and joint purchasing and equipment/office sharing (JPEA). Three broad sectors were also included in the questionnaire — accommodation, travel and transportation. Respondents without any alliances were asked to complete questions relating to company and executive characteristics only. From these responses the following variables were constructed:

- (1) Strategic alliance decision — this was based on whether or not the respondent has indicated having any alliance type.
- (2) Number of alliances — this was an addition of all the alliance types the respondent has indicated having.
- (3) Domestic alliances and international alliances — these were based on information gathered from respondents by asking them to indicate whether the alliance types their organisations have were in Australia or abroad.
- (4) Both domestic and international alliances was constructed from whether the respondent has indicated an alliance type as Australia and abroad, or otherwise.

These variables were all categorical — 1 = yes, 2 = no — except the number of alliances, which was coded as 0 = none, 1 = low (one to two), 2 = medium (three to four), and 3 = high (five and above). These variables were cross-tabulated with company and UE characteristics to create Table 1, which reports the Pearson Chi-square and its associated degrees of freedom and Cramer's V statistic in relation to the survey results.

#### Data reduction

Data reduction through exploratory factor analysis using principal component analysis as the extraction method and varimax rotation with Kaiser normalisation was conducted to identify the most critical tolerance of ambiguity and risk factors that influence managers when adopting certain strategic alliance practices. All components with eigenvalues greater than 1.0 were extracted, as indicated in Table 2. Items with loadings below 0.512 were excluded (Field, 2000). Hence the item 'Lending a friend an amount of money equivalent to one month's income at no interest' was excluded because it had a factor loading of 0.40. Table 2 shows that the nine items were reduced to four themes — investment risk, income risk, adventure and unadventure.

Reliability analysis was then conducted on the four sets of items to measure the internal consistency of the items loaded onto each factor. The Cronbach's alpha values for each item are shown in Table 2. Cronbach's alpha values for three components were in excess of the required 0.5 criterion for reliability, which, according to Nunnally (1978), meets the requirements for basic survey research. Thus, a cut-off value of 0.50 was used to measure reliability and income risk was excluded from the analysis. Investment risk, adventure,

Table 1. Relationships between strategic alliance decisions and company and UE Characteristics

Company Characteristics	Strategic alliance decision				Number of alliances				Domestic alliances				International alliances				Both domestic and international alliances			
	NO	d.f.	$\chi^2$	Cramers V	NO	d.f.	$\chi^2$	Cramers V	NO	d.f.	$\chi^2$	Cramers V	NO	d.f.	$\chi^2$	Cramers V	NO	d.f.	$\chi^2$	Cramers V
Sub-Sector	117	2	7.74*	0.26	117	6	15.28*	0.36	104	4	4.93	0.22	104	4	13.90**	0.37	104	2	8.381*	0.28
Legal form	117	2	3.21	0.17	117	6	8.01	0.18	104	4	5.01	0.16	104	4	0.57	0.52	104	2	1.93	0.14
Employees	115	2	3.96	0.19	115	6	24.85**	0.33	102	4	13.82**	0.26	102	4	12.73*	0.25	102	2	18.53**	0.43
Turnover	113	2	15.36**	0.37	113	6	26.10**	0.34	102	4	12.73*	0.25	102	4	10.16*	0.22	103	2	11.55**	0.34
Category	117	1	2.31	0.14	117	3	9.71*	0.29	104	2	8.15*	0.28	104	2	4.15	0.20	104	1	3.76*	0.19
UE Characteristics																				
Age	116	1	0.17	0.03	116	3	0.36	0.06	104	2	0.17	0.04	104	2	3.27	0.18	104	1	0.00	0.00
Education	115	1	0.21	0.04	115	3	0.29	0.05	103	2	0.27	0.05	103	2	0.44	0.07	103	1	0.92	0.10
Experience	111	2	6.42*	0.24	111	6	9.25	0.20	97	4	3.80	0.14	101	4	7.60	0.19	101	2	1.15	0.11
Tenure	114	1	2.35	0.14	114	3	4.24	0.19	102	2	1.00	0.10	102	2	2.64	0.16	103	1	1.41	0.12
Ownership	113	1	0.37	0.06	113	3	12.33**	0.33	101	2	4.92***	0.22	101	2	15.19**	0.39	102	1	1.70	0.13
Risk willingness	107	2	3.24	0.17	107	6	9.03	0.21	99	4	8.27***	0.20	99	4	5.98	0.17	99	2	0.86	0.09
Investment Risk	109	1	3.31***	0.17	109	3	6.45***	0.24	98	2	0.62	0.08	98	2	3.50	0.19	99	1	0.08	0.03
Adventure	109	1	5.40*	0.22	109	3	7.75*	0.27	98	2	3.52	0.19	98	2	2.09	0.15	99	1	0.00	0.00
Unadventure	109	1	0.37	0.06	109	3	0.48	0.07	98	2	0.40	0.06	98	2	0.09	0.03	99	1	0.04	0.02

Notes: \*  $p < 0.05$ ; \*\*  $p < 0.01$ ; \*\*\*  $p < 0.10$ .

unadventure and willingness to undertake risky business propositions as compared to other executives formed part of UE characteristics. Exploratory factor analysis generated quantitative values, which were recoded into categorical variable.

ANALYSIS OF RESULTS

A random sample of 600 businesses were approached (435 electronic and 165 hard copies) in Australia. A total of 127 respondents completed and returned the survey during the four-month (April–August 2005) data collection period, a 21% response rate. Out of these, 117 (92%) were found useable for the study. Thirteen respondents did not have strategic alliances. Of the 100 respondents who reported having strategic alliances, 57% had a low (one to two), 25% had a medium (three to four) while 15% recorded a high (five and above) level of strategic alliances.

The majority (75.4%) of the sample firms were small, with less than 20 employees, while 57.3% were family owned and 72.8% had an annual turnover not exceeding A\$3 million. Although 72.5% of the companies participating in the survey were managed by founder members, 68.4% of the respondents were either CEOs/MDs, and 67.3% were owner-managers. Only 14.4% of the managers of the participating firms had up to five years experience, while 53.9% had worked for the same company for more than 10 years. The majority of the respondents (46.6%) were above 50 years of age.

A network of strategic alliances exists between travel and other sectors of the broader tourism industry in Australia, particularly those of accommodation and transportation. Travel agents reported a high number of alliances with other tourism sectors while tour operators reported the least. Travel agents have higher alliances with hotels, tour operators, tour wholesalers, airlines and car rental services (all above 70%). Low-level alliances were reported between transportation and tour operators. More important is the level of partnerships among the travel sub-sectors with travel agents reporting more alliances with other sub-sectors than tour wholesalers and tour operators.



Table 2. Results of principal component factor analysis with varimax rotation for tolerance of ambiguity and risk factors

Factors	M	SD	Eigenvalue	Cumulative % variance	Factor loadings	Cronbach $\alpha$
Investment risk			2.368	26.309		0.7343
Investing 10% of your annual income in a blue chip stock	2.68	1.234			0.857	
Investing 10% of your annual income in a very speculative stock	2.07	1.106			0.783	
Investing 10% of your annual income in government bonds or treasury bills	2.17	1.008			0.744	
Adventure			1.410	41.973		0.6054
The most interesting life is to live under rapidly changing conditions	3.55	0.967			0.846	
Adventurous and exploratory people go farther in this world than do systematic and orderly people	3.59	0.929			0.760	
Income risk			1.276	55.744		0.2284
Taking a day's income to play the poker machines at a nearby club.	1.10	0.357			0.808	
Taking a job where you get paid exclusively on a commission basis	1.92	1.142			0.690	
Unadventure			1.076	67.701		0.8494
When planning a holiday, a person should have a schedule to follow if he/she is really going to enjoy himself/herself	2.77	1.015			0.830	
Doing the same thing in the same places for a long period of time makes for a happy life.	3.06	1.106			0.731	

Notes: Bartlett's test of sphericity — Approx. Chi-square = 125.461, d.f. = 45,  $p < 0.001$ ; and KMO measure of sampling adequacy = 0.553. SD = standard deviation M = mean; mean calculated from a minimum of 1 and a maximum of 5.

The most popular alliances in the travel sector were found to be MDA (71.2%), SICA (49%), JSA (36%), FLA (31.7%), JV (30.8%), BSA (23.1%), JPEA (20.2%), and EPA (8.7%).

### Strategic alliance decisions

The aim was to test whether there are any significant associations between the decisions to form strategic alliances, number of alliances and the geographical locations of these alliances, with company and executive characteristics. Past research has demonstrated existence of significant relationships between strategy and UE characteristics (Hambrick and Mason, 1984; Tyler and Steensma, 1998), and organisational factors (Temtime and Pansiri,

2005). Table 1 reports the Pearson Chi-square and its associated degrees of freedom and Cramer's V statistic. Cramer's V was conducted because it is considered an adequate effect size (Field, 2005).

### Relationship between alliance formation and company characteristics

As can be shown in Table 1 the company characteristics that best explain the adoption of strategic alliances are sub-sector ( $p < 0.05$ ) and turnover ( $p < 0.01$ ). Table 1 shows that significant associations exists between number of alliances and employees, and turnover ( $p < 0.01$ ), sub-sector and category ( $p < 0.05$ ); domestic alliances are significantly associated



with number of employees ( $p < 0.01$ ), turnover and category ( $p < 0.05$ ). Similarly, there exists a significant relation between the decision to form international alliances and sub-sector, and number of employees ( $p < 0.05$ ), and turnover ( $p < 0.01$ ). A businesses participation in both domestic and international alliances is significantly associated with sub-sector, category ( $p < 0.05$ ), number of employees and turnover ( $p < 0.01$ ).

#### Relationship between alliance formation and UE characteristics

UE characteristics that best explain the adoption of strategic alliances are experience, adventure and investment risk. Number of alliances an organisation has is significantly association with ownership ( $p < 0.01$ ) and adventure ( $p < 0.05$ ). Whereas participation in domestic alliances only had significant association with ownership and willingness to take risk ( $p < 0.10$ ). Similarly, there exists a significant relation between forming international alliances and education ( $p < 0.05$ ) and ownership ( $p < 0.01$ ). No significant associations were found to exist between UE characteristics and a businesses participation in both domestic and international alliances.

#### DISCUSSION AND IMPLICATIONS OF THE STUDY

The purpose of this paper was to investigate the influence of company and UE characteristics on the adoption of strategic alliances in the travel sector. As discussed earlier, research on strategic alliances has neglected the role played by executives' characteristics and, to a certain extent, company characteristics. This paper links strategic alliances to company and UE characteristics, an area that is both theoretically and empirically underdeveloped. In doing so, the paper sought to answer the research: what are the relationships between company and executive characteristics, and alliance decisions and alliance-type selection?

This paper presents a mixture of results. In line with past research, the study partially supports the UE perspective by linking strategic decisions to top management characteristics. However, such a linkage is by no means

conclusive. Central UE characteristics such as age and education, which Tyler and Steensma (1998) found to have relationships with decision to form alliances, did not find any support in this study. While Tyler and Steensma emphasised technical education, this study adopted general education background. Earlier studies by Storey (1994) found that entrepreneurial education was one of the few factors unambiguously and positively associated with small business growth. While Roper (1998) found little effect of age of entrepreneur on strategic choices, he concluded that firms run by better educated or trained entrepreneurs were more likely to take strategic choices.

The findings of our study link strategic alliance decisions and strategic alliance types more with company characteristics than with UE characteristics. This implies that once a decision has been taken to form alliances, managerial characteristics cease becoming important factors in determining the number and location of those alliances. Chi-square statistics shown in Table 1 suggest that such decisions are more closely associated with company characteristics than with UE characteristics.

Implication of the UE characteristics to management practice is with emphasis first on recruitment. That is, recruitment of top managers should place emphasis on experience and risk taking. The decision to form alliances is closely associated with experience, investment risk and adventure. For instance, the more experienced the executive is, the more likely his/her company works with strategic alliances. The results show that 98% of companies managed by executives with more than 16 years of experience had alliances, as compared to 82% of those managed by executives with less than 10 years of experience. The more adventurous the executives are, the more likely their companies would participate in alliances. The majority of companies managed by executives who tolerate ambiguity (96%) had alliances, as compared to 81.8% of the companies that did not have alliances, which were managed by executives who are intolerant of ambiguity. Past studies show that alliances involve risk (Das and Teng, 2001, 2004; Stanek, 2004). Managers whose businesses can effectively participate in alliance are risk takers.

Gupta and Govindarajan (1984) found that greater willingness to take risk and greater tolerance for ambiguity contribute to organisational effectiveness.

Ownership was also found to have significant association with most alliance factors. This implies that decisions regarding strategic choices are likely to be centred on the owner-managers. Previous studies have found that SMEs, particularly family businesses, are highly dependent on a single decision-maker, the owner (Feltham *et al.*, 2005). Businesses managed by owner-managers had fewer alliances than those operated by employed executives. For instance, only 30.3% of the companies managed by owner-managers had medium and high alliances, while 56.7% of those operated by employed executives had medium and high alliances. This is closely associated with whether a company is family-owned or not. More non-family-owned companies had alliances, and most of them were involved in both domestic and international alliances as compared to family-owned companies. Owner-managed businesses also reported low participation in international alliances (92.5%) compared to the 62.8% of those run by employed executives. More employed executives are risk takers compared to owner-managers. There is therefore need for risk taking and management training particularly for owner-managers.

Implications of company characteristics to management practice are varied. An important consideration is the fact that the majority of these organisations are SMEs employing less than 50 employees (91.4%), with annual turnover of less than AU\$3 million. This has far-reaching consequences in respect to alliance formation and participation. For instance, 81.3% of the companies employing more than 50 employees had medium (three to four) to high (five and above) number of alliances, while small companies employing less than five employees had less number of alliances. Of the total companies that did not have alliances, 69.2% of them were small companies. Turnover was significantly associated with all alliance variables in Table 1, suggesting that when companies take decisions, i.e. to form/participate in strategic alliances, they are largely influenced by the availability of

financial resources. For instance, all companies that reported not having alliances had annual turnover below A\$1 million, while all companies which reported having alliances had annual turnover above A\$1 million. The larger the company, the more likely it participated in many strategic alliances, and the more likely it participated in both domestic and international strategic alliances.

Another important company characteristics variable is sub-sector. This study found that more travel agents (93%) and wholesalers (100%) had alliances as compared to tour operators (80%). More wholesalers (62.5%) had medium and high number of alliances as compared to travel agents (31.3%) and tour operators (26%), and 41.7% of wholesalers had medium and high number of international alliances as opposed to travel agents (12.5%) and tour operators (7.5%).

These findings show that the smaller the business, the less it participates in alliances, and if it does, the less the number of those alliances and the more likely it will not participate in international alliances. However, managers of all businesses in tourism should acknowledge the fact that tourism is a highly globalised industry. The pressure to survive in such an increasingly competitive, dynamic and complex environment with limited resources does in a way force organisations to explore strategic alliances, networks and other hybrid organisational arrangements as alternatives to the more traditional internal development and diversification (Dev *et al.*, 1996). Ohmae (1989, p. 143) observed that '... companies are just beginning to learn what nations have always known: in a complex, uncertain world filled with dangerous opponents, it is not best to go it alone'. Therefore organisations, irrespective of size, should enter into strategic alliances in order to match and respond to the uncertainties and complexities of today's highly competitive, globalised and technological-driven business environment.

In order to enhance their competitiveness, tourism businesses need to market themselves beyond their immediate local borders. One way of achieving this is through both domestic and international strategic alliances. In doing so, they should consider strategic alliances that are relatively less risky



financially. JVs and EPAs are more risky in that they need very high financial investments, which SMEs do not have. Less risky alliances like SICA, JSAMDA and FLA should be mostly considered when managers take decisions to form alliances.

The findings presented here must be viewed in the context of study limitations. First, it was difficult to identify organisations that had some form of strategic alliances before the distribution of questionnaires; this may be the single factor that accounts for poor retention of questionnaires, or the fact that very few organisations, which do not have alliances, did respond. Secondly, although the study does not support any relationships between strategic alliance formation and UE characteristics, this is argued only in the context of its focus on the individual executive level. To this extent, the study does not capture the enactment process that takes place at the organisational level, when top executives as a group or as a team assess and adopt particular strategic alliance[s] *vis-à-vis* other alliance options. Further research should be conducted on the influence of managerial characteristics on alliance decision taken by top management team as a collective.

#### CONCLUDING REMARKS

This study highlights the factors that influence the adoption of strategic alliances in the tourism sector of travel. This area is crucial for managers in their efforts to adopt the most effective alliance types and in taking decision regarding the number of alliances and their geographical location.

Strategic alliances involve risk (Das and Teng, 1998, 2001; Das, 2004, 2005; Stanek, 2004). Managers whose businesses can effectively participate in alliance are risk takers. Table 1 shows that most executives who participated in the survey are risk averse, and this influences the initial decisions of alliance formation. The study also found that most of the businesses in the tourism sector of travel are SMEs managed by owner-managers, most of whom are risk-averse. This clearly shows the demand for risk-taking training. Australian authorities may need to enhance the performance and competitiveness of tourism businesses by

embarking on such training. This training may also be extending to emphasis on SMEs, as this study found that the smaller the business, the less it participates in alliances. There is need for training on the benefits of strategic alliances and other forms of inter-organisational relationships in tourism. Tourism business may also be encouraged to form or participate in less risky marketing-oriented strategic alliances such as sharing information and communication technology; joint selling or distribution agreements; marketing and distribution agreements; and franchises and licensing.

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