Vol. 3, No. 12; 2019

ISSN: 2456-7760

AN OVERVIEW OF OUTSOURCING AND STRATEGIC ALLIANCES AS AN EFFECTIVE CONTEMPORARY BUSINESS STRATEGIC TOOLS FOR STARTUPS AND SMALL BUSINESSES IN BOTSWANA

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Abstract

A firm's competitiveness is driven by its strategic orientation, which in turn is dependent on its resource capability. This study investigates the feasibility and suitability and relevance of outsourcing and strategic collaborations as contemporary and effective business strategic tools for start-ups and SMEs in Botswana. The study adopts an in-depth review of all relevant literature collected from different online database sources. Two different theoretical frameworks are used to examine the critical success factors for successful cooperative strategies, and identify the pragmatic approach to ensure long term sustainability and competitiveness. The findings of this study indicate that outsourcing and joint ventures may be appropriate business solutions for startups and SMEs in Botswana that are challenged in the areas of new product development, market expansion, production capacity, technological capability, etc. The study will hopefully benefit the prospective entrepreneurs and existing SMEs owners and/or managers wishing to consider cooperative strategies as preventative strategies to avoid infancy stage failures as well as enhancer to technological and innovative capability, and market competitiveness. Furthermore, the study may be of value for future research in the area of effective management of cooperative strategies adopted by small businesses in Botswana.

Keywords: innovation and creativity, outsourcing and strategic collaborations, startups, SMEs, business growth, conceptual framework.

INTRODUCTION

The level of innovation and creativity among the emerging and the existing small businesses in Botswana is very low. As such, most start-ups and small business development do what is done by their predecessors by following what seems to work. This type of entrepreneurs never think about enterprise growth nor consider factors such as product diversification and service offerings, market, logistics and supply chain activities, etc., especially at the earliest stages of the enterprise (e.g. at ideation stage - conceptual stage of an idea). Most medium to large scale private enterprises in Botswana, were started through strategic partnership or alliances and franchising arrangements whilst others were established through technology licensing arrangements. Some started as distribution outlets for foreign based established enterprises and were later depending on demand for their products or service offerings, and factors such as transportation costs, comparatively lower production costs (e.g. wages and utilities, etc.) and the government incentives expanded through introduction of operations facilities. In addition, the

Vol. 3, No. 12; 2019

ISSN: 2456-7760

business environment does not seem to encourage prospective entrepreneurs in these areas, to develop innovative or creative products and better services, business processes or business linkages that creates or expand markets for their products and services, and enhance the chances of the enterprise long term competitiveness and sustainability.

The paper thus examines outsourcing and strategic collaborations (strategic alliances) as contemporary and effective business strategic tool for startups and small businesses, which if properly executed and monitored and controlled may yield enormous benefits to most if not all stakeholders. The paper also explores cost implications or risks associated with using these strategies, the potential benefits that will flow to both the startups and the existing small businesses and the key drivers for successful and effective co-operative arrangements. It adopts two conceptual frameworks which the authors deem more appropriate for the startups and SMEs in Botswana because the ultimate goal of both is firm's gaining a competitive advantage. The first framework, **Figure 3**, *An Integrated Framework of Strategic Alliance-Based Global Sourcing for Competitive Advantage* developed by Murray (2001). The second framework, **Figure 4**, *Theoretical Framework of Strategic Alliance for Competitive Advantage* developed by Muthoka and Kilika (2016). The choice of model will be determined by the firm's motivations or goals, that is, whether the alliance is to outsource specific assets from global suppliers or to take advantage of the other firms' resources, market or technological competencies (Muthoka & Kilika, 2016).

BACKGROUND:

Notwithstanding the Botswana government's intense efforts in promoting and developing sector based entrepreneurship the across the country, starting an innovative enterprise in Botswana remains a challenge. Most private enterprises in Botswana, especially those considered medium to large scale firm (by Botswana standards) were started through strategic partnership or alliances and franchising arrangements whilst others were established through technology licensing arrangements. Some started as distribution outlets for foreign based established enterprises and were later depending on demand for their products or service offerings, and factors such as transportation costs, comparatively lower production costs (e.g. wages and utilities, etc.) and the government incentives expanded through introduction of operations facilities.

An average citizen owned enterprise lacks innovation and creativity as they cannot easily afford to acquire technological know-how, let alone finance costs related to outsourcing or strategic collaborations. Therefore, in the early 1980s foreign investors who could not court wealthy citizen individuals and/or companies started these joint ventures with state owned enterprises such as Botswana Development Corporation Limited and National Development Bank (NDB). However, with passage of time more state-owned institutions were set-up though with much criticism because their mandates resulted in unnecessary overlaps. The exit mechanisms or harvesting strategies built into initial partnership arrangements appear to have been weak in terms of citizen and/or employee empowerment as the contracting corporations' interests were either sold to the co-partners or another foreign company without considering government incentives that these joint ventures enjoyed over the period of operation in Botswana.

ISSN: 2456-7760

Outsourcing in Gaborone has become a renowned strategy amongst public and private enterprises, however, due to none disclosure of held information, it remains unclear if these firms have a clear understanding of how this arrangement works and how it can be used as a successful and competitive strategic tool and how to successfully manage various stakeholders' expectations in order to realize desired outcomes. Despite their renowned dominance, the uptake of strategic collaborations and outsourcing is still very low amongst many citizen owned firms in Botswana. The majority of the small business firms still struggle not because they are less innovative but they have no idea how to identify the right partners to collaborate with. Furthermore, they probably have a vague understanding of the benefits and costs associated with these strategic tools, other than that such arrangements help them reduce some costs and/or enhance their competitive advantage. In addition, they are not knowledgeable when it comes to choosing activities (whether core to the business or non-core) to outsource, and how to effectively manage these strategies for the benefit of stakeholders. Corbett (2004) posits that outsourcing begins with an understanding of the business's core identity or core competency, and as long as the firm understands its unique competitive advantage, it is positioned to consider what work they are doing that others could not perform better. He cautions that organizations may soon be more outsourced than in sourced, and that should this happen, impact on the firms' executives, managers, alliances, shareholders, employees and customers will be enormous.

STUDY OBJECTIVES:

The main objective of this study is to establish whether outsourcing and strategic collaborations is effective contemporary business strategic tool for startups and small businesses. Other objectives include, identifying the potential benefits that will flow to startups and existing small businesses; establish the ways and the extent to which both strategies create value for stakeholders, especially the firms' founding owners; and finding how best a prospective entrepreneur can successfully identify strategic partners and ensure successful execution of this strategy in terms of assets procurement and ownership, fair determination of reward for assets and technology utilization, transfer of expertise and innovation to the local firms, especially at the time of partners 'separation. Another objective is to search for the relevant and suitable conceptual frameworks for use by SMEs in Botswana.

LITERATURE REVIEW

Introduction

This section explores the scholarly information that adequately addresses the study objectives and helps provide practical solutions or answers for the questions pertaining to the use of strategic collaborations and outsourcing as strategic tools for startups and small business enterprises in Botswana.

Outsourcing and Cooperative Strategies (Strategic Alliances) as Effective Contemporary Business Strategic Tool for Startups And Small Businesses.

With the rapidly increasing global competition, firms are left with no choice but to look for new innovative ways not only to gain better market positions or enhance financial positions but also to ensure long term sustainability. Outsourcing and cooperative strategies (strategic alliances) are embraced as competitive tools by firms regardless of their sizes for market positioning, innovative problems solving, product or business processes research and development, increasing their market and growing their operations across the globe.

Outsourcing

Outsourcing is not a novel concept, the term dates to the 1970s. Initially this strategy involved information technology-related issues, but progressively more and more organizations realized that they could not be experts in everything they do. As a result, organizations freed some of activities and delegated them to third-party specialists (Koszewska, 2004). Beyond, the information technology, outsourcing strategy grew in scope and complexity as it covers functions such as administration, customer service, finance, human resource, procurement, sales and marketing, distribution, transportation, health care and more (Verma, 2000). Other scholars also agree that outsourcing is probably the most powerful tool in strategic management, and its modernization is in the forefront (Hamed, 2013).

Any contemporary worker knows and appreciates that outsourcing is the latest business model, and that it is growing not only in Botswana but in many countries worldwide. Unfortunately, the lack of consensus on what outsourcing means and the various interpretations placed on it by everyone makes it difficult to define. For example, Jean-Louis defines outsourcing as the contracted use and leverage of third party resources, assets and skills, with definite levels of quality and cost savings, to deliver services previously provided in-house, possibly involving the transfer of existing staff to the third-party specialist and transformation of the business processes and technology (Jean-Louis, 2006). Horacio on the other hand, looks outsourcing as a strategic direction pursued by organizations as a vigorous process linked to the strategic changes of an organization that continually adapts its decision-making process to improving its effectiveness and performance (Horacio, 2012).

Bayode (2012) argues that understanding outsourcing as a strategy requires appropriate evaluation of the position of an organization, whether such a strategy will work and if not why and how to go about it (Bayode, 2012). Corbett opines that organizations may soon be more outsourced than insourced, and that such decisions and practices may significantly impact the firms' executives, managers, alliances, shareholders, employees and customers (Corbett, 2004). Farrell concurs that the outsourcing strategy should be tied to the overall corporate strategy; and that it entails understanding the firm's core competencies, risks and benefits as firms outsource more and more complex processes. He cautions that the firms' executives should also make sure that there are appropriate arrangements for meeting organizational objectives (Farrell, 2010). McIvor warns of the need to respond to market changes; further that the difficulty of predicting the direction of such changes may mean that organizations must focus on its core competencies (McIvor, 2008). Grevor (1999) defines the core competencies as the innovative combinations of knowledge, special skills, proprietary technologies, information, and unique operating methods that provide the product or the service that the customer value and want to buy (Grevor, 1999). In deciding whether or not to outsource, it is vital that firms know the activities/functions to outsource and the extent to which outsourcing could be carried out in order to maintain control over business activities (Zafar, 2013). There is no doubt that the kind of activities each firm chooses to outsource, differ from one firm to the other. The decision to assign outsourced

Vol. 3, No. 12; 2019

ISSN: 2456-7760

activities to an external third party is strategic step that can determine the organization's future, hence, it must be informed (Koszewska, 2004). Rau cautions that the firm should first establish the reasons to engage in outsourcing prior to evaluating the effectiveness of outsourcing as a strategic tool, and/or how contractual relationships with various stakeholders would be appropriately managed or improved (Rau, 2007). Brannemo concurs that limited knowledge in outsourcing has resulted in some firms having outsourced so much of their production activities that they lost their ability to develop new goods and services (Brannemo, 2006). Alpesh posits that once an organization has prepared its outsourcing strategy, it should decide with whom to walk down the aisle (Alpesh, 2005).

Strategic Collaborations (Cooperative Strategies)

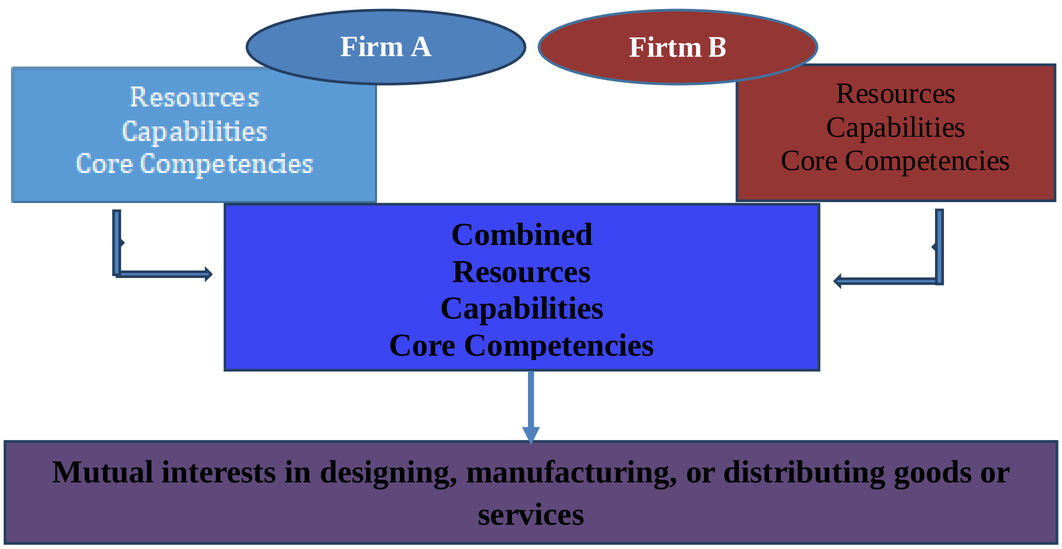
Research addressing cooperative behavior is substantial and quite diverse with a number of authors attempting to offer conceptual foundation for the phenomenon of cooperative arrangement (Larson, 1991). Firms collaborate for various reasons including the desire to gain a competitive advantage over rivals (Baird, Lyles & Orris 1992; Larson 1992) and to effectively control their production and inventory costs, speed product development, expand markets, or secure technology as well as strengthen their competitive advantage (Baucus, Baucus and Human, 1996; Larson 1992). Richard P. Nielsen concurs that cooperative strategies exist and have been useful and efficient in many situations although numerous studies focused more on competitive strategies. He cites a case of Ocean Spray Cranberries, Inc., a firm that was founded by independent and competing cranberry farmers who previously compete against each other. In this scenario, the cranberry growers own their own farms individually but market through the cooperatively owned Ocean Spray marketing cooperative.

Steensma, Marino & Weaver (2000) assert that small entrepreneurial firms are playing an increasingly vital role in today's business environment. These independent startups and the entrepreneurs that lead them are responsible for much of the growth and innovation in the global economy. The authors add that the success of entrepreneurial firms is critical for the prosperity of the economies in which they operate. Further that the firms share a general constraint of limited access to funding, a constraint that can be corrected by cooperating with other firms with different and yet complementary resources, e.g. financial, technical know-how, marketing intelligence, etc. (Steensma, Marino & Weaver, 2000). Some firms enter into alliances for transaction-cost motives, resource-based motives strategic motives, learning objectives and motives relating to risk reduction (Muthoka and Kilika, 2016). Facebook and Yahoo collaborated in the area of a patent cross license, new advertising partnership, expanded joint distribution and joint media event coverage (David & David, 2015, pp 153).

Cooperative strategies entail structured cooperative agreements between firms (e.g., buyer-supplier alliances, marketing alliances, Research and Development alliances). The collaborations small entrepreneurial firms and startups to increase product and process innovation through R&D alliances, expand their production capacity through joint production agreements, share marketing expenses and expertise with long-term marketing arrangements, and reach foreign markets with distribution agreements (Steensma, Marino and Weaver, 2000; Larson, 1991). The authors argue that cooperative arrangements are more sustainable and distinct from single transaction market relationships.

Hitt, Ireland & Hoskisson (2015) define a cooperative strategy as a mean by which firms collaborate for the purpose of working together to achieve a shared objective. The authors define strategic alliance as a primary type of cooperative strategy in which firms combine some of their resources and capabilities to create a mutual competitive advantage, to achieve a shared objective such as creating value for a customer. This strategy as per **Figure 1** below, involves the exchange and sharing of resources and capabilities to co-develop or distribute goods and services, creates value for customers (e.g. a value that exceeds the cost of constructing customer value in other ways), and it establishes a favorable position relative to competitors. The outcome of this strategy is a competitive advantage called Collaborative (*Relational*) Advantage (*Hitt, Ireland & Hoskisson, pp 264).* David and David add that co-operative arrangements include joint ventures, research and development partnerships, cross-distribution agreements, cross-licensing agreements, cross manufacturing agreements and joint bidding consortia (David & David, 2015, pp 154).

Figure 1: Strategic Alliance



Source: Hitt, Ireland & Hoskisson (2015)

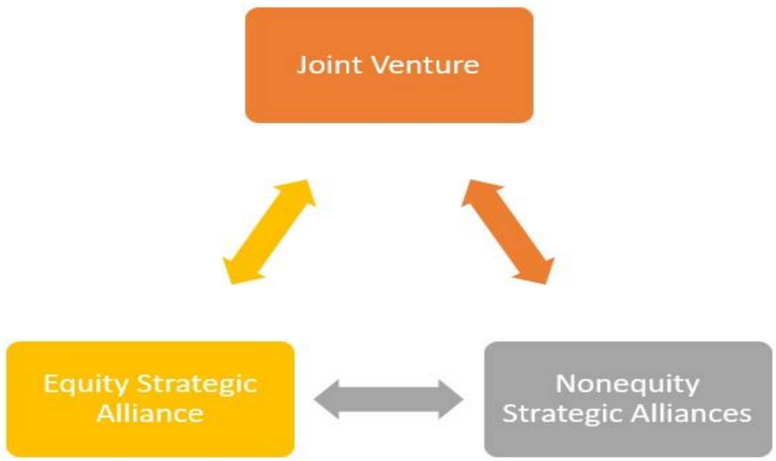
Types of Strategic Alliances

There are three types of strategic alliances, namely joint venture, equity strategic alliance and non-equity strategic alliance. The joint venture requires two or more firms to create a legally independent company by sharing some of their resources and capabilities. Equity strategic alliance requires partners who own different percentages of equity in a separate company they have formed, whilst the non-equity strategic alliance requires two or more firms develop a contractual relationship to share some of their unique resources and capabilities (Hitt, Ireland & Hoskisson, 2012 pp 266-267). David and David add that strategic partnering takes many forms

Vol. 3, No. 12; 2019

ISSN: 2456-7760

including outsourcing, information sharing, joint marketing, and joint research and development (David & David, 2015, pp 154). Muthoka & Kilika posit that a combination of firm, environmental and partner-related motives stimulate SMEs to opt for a specific type of strategic alliance. The need to assess motives for alliance types is paramount because the firm motive and type of alliance sought will determine the selection of the strategic partner with whom to enter into alliance (Muthoka & Kilika, 2016).



Harrigan (1988) posits that although a lot has been written about joint ventures, past studies of joint ventures have often considered cooperative strategies from the perspective of firms that are expanding their business operations overseas. Although some research were carried out to examine how the dimensions of joint venture strategies should vary under different competitive circumstance, very little was said about how diverse industry conditions make joint ventures more (or less) appropriate as a competitive strategy alternative. The author further alludes that no general theory was developed for the use of cooperation as a generic strategy alternative within mature domestic economies until recently (Harrigan, 1988; Harrigan, 1985a and 1986).

Although these strategic alliances are ideal tools for small businesses wishing to grow, and startups wishing to have the right start, the probability of anyone of them being embraced by small businesses in Botswana are decimal because the majority of small businesses in Botswana are family owned businesses, most of which lack entrepreneurial attributes such as innovation and creativity and limited market.

Why Strategic Alliances?

There are various reasons why firms form strategic alliances, but most of the time such decisions is market driven. Nielsen (1988) asserts that the joint gains from pooling marketing resources would help them to accumulate the financial, managerial and knowledge resources to successfully enter and expand into national food production and distribution industries, and that the strategies eliminate competition amongst the partners. Muthoka and Kilika (2016) opine that strategic networks are relevant contingent strategies that firms of all sizes have adopted to deal with environmental pressures posed by the 21st century. Uddin and Akhter (2011) add that strategic alliances in which firms combine some of their resources to create competitive advantages, are the primary form of cooperative strategies. Hitt, Ireland & Hoskisson (2012) concur that strategic alliances allow partners to create value they could not develop by acting independently, and to enter markets more quickly and with greater market penetration possibilities. Further that lack the full set of resources and capabilities needed to reach their objectives, and that partnering with others increases the probability of reaching firm specific performance objectives. This is true of the small business in Botswana whose major constraint remain accessibility to funding and limited market. Thus, pooling their resources together to achieve a common objective of reaching new customers and broadening both the product offerings and distribution of their products without adding significantly to their cost structures (Hitt, Ireland & Hoskisson, pp267 – 268), if only they can effectively deal with the issues of trust, skepticism, suspicions, and greed.

David & David (2016) agree that strategic partnerships are being used increasingly to because they allow companies to improve communications and networking, to globalize operations and to minimize risk. Further that they are ideal for pursuing an opportunity that is too complex, uneconomical, or risky for a single firm to pursue alone. In addition, strategic partnerships can be used to achieve and sustain a competitive advantage when an industry requires a broad range of competencies and know-how than any firm can handle. Partnerships are more effective in enhancing corporate growth in market tied together by internet than mergers and acquisitions (David & David, pp 154). In the process of finding strategic alliances, various partnership approaches were recommended for different market cycles (Hitt, Ireland & Hoskisson, 2012). For example, in a Slow Cycle Market, firms may collaborate to gain access to a restricted market, establish a franchise in a new market and maintain market stability; Fast Cycle Market to speed up development of new goods or service, speed up new market entry, maintain market leadership, form an industry technology standard, share risky research & development expenses and overcome uncertainty; and in Standard Cycle Market, to gain market power (reduce industry overcapacity), gain access to complementary resources, establish economies of scale, overcome trade barriers, meet competitive challenges from other competitors, pool resources for very large capital projects and learn new business techniques (Hitt, Ireland & Hoskisson, 2012 page268 – 270).

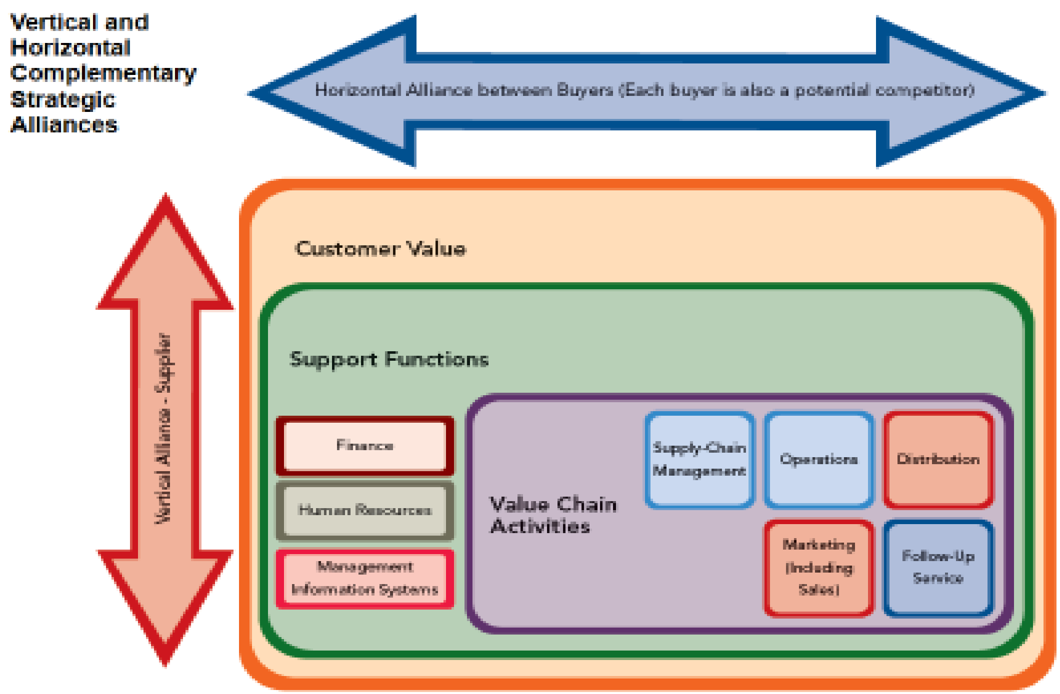
Business-Level Cooperative Strategies

There are four business level co-operative strategies (see *Figure 2 below*) available to small businesses and startups in Botswana, namely, complementary strategic alliances, competition response alliances, uncertainty reducing alliances and competition reducing alliances. The complementary strategic alliances **c**ombine partner firms' assets in complementary ways to create new value. The strategies include distribution, supplier or outsourcing alliances where firms rely on upstream or downstream partners to build competitive advantage. The complementary strategic alliance is further divided into two components, namely, the vertical complementary strategic alliance and the horizontal complementary strategic alliance.

ISSN: 2456-7760

Vertical Complementary Strategic Alliance is formed between firms that agree to use their skills and capabilities in different stages of the value chain to create value for both firms. Outsourcing is one example of this type of alliance. Horizontal Complementary Strategic Alliance is formed when partners who agree to combine their resources and skills to create value in the same stage of the value chain. Focus is on long-term product development and distribution opportunities. The partners may become competitors which requires a great deal of trust between the partners (Hitt, Ireland & Hoskisson, 2012, pp 271-276). The Competition Response Alliances occur when firms join forces to respond to a strategic action of another competitor. Because they can be difficult to reverse and expensive to operate, strategic alliances are primarily formed to respond to strategic rather than tactical actions. Uncertainty Reducing Alliances are used to hedge against risk and uncertainty. These alliances are most noticed in fast-cycle markets, and are usually formed to reduce the uncertainty associated with developing new product or technology standards. Competition Reducing Alliances is created to avoid destructive or excessive competition. Whilst this strategy may be likened to collusive strategies such as explicit and tacit collusion, both strategies differ because collusive strategies are generally perceived to be illegal form of collaboration. *Explicit collusion* occurs when firms directly negotiate production output and pricing agreements to reduce competition (illegal), and *Tacit collusion occurs* when firms indirectly coordinate their production and pricing decisions by observing other firm's actions and responses (Hitt, Ireland & Hoskisson, pp 271-276).

Figure 2: Vertical and Horizontal Complementary Strategic Alliances



***Source**: Hitt, Ireland & Hoskisson (2015)*

Of the four business level co-operative strategies in Figure 2 above, complementary business-level strategic alliances, especially the vertical ones, have the greatest probability of creating a sustainable competitive advantage for the existing small businesses and the startups in every respect because as mentioned, these enterprises lacks the necessary creativity and innovative, attributes that may guarantee these firms future sustainability in the domestic and foreign markets. Horizontal complementary alliances are less attractive due to possible difficulties to maintain because they are often between rival competitors. Competitive advantages gained from competition and uncertainty reducing strategies tend to be temporary. Whilst the uncertainty reducing alliance by nature is perceived to be short term focused, it has great potential for the small businesses and startups in Botswana, and thus it may work well combined with vertical complementary business-level strategic alliances in order to realize greater benefits.

The Potential Benefits Outsourcing and Strategic Alliances to Startups/Existing Small Businesses

Outsourcing is promoted as one of the most powerful trends in modern management because of its potential benefits. These benefits includes reduction in costs, increased ability to focus on strategic issues, access to specialized expertise, and an ability to demand measurable and improved service levels (Olawale, 2012). Lowes estimates the value of total outsourced business activities and information technology services worldwide to worth U.S. $480 billion in 2012 alone; a lot of money to bet on outsourcing's ability to deliver the desired results. He adds that many organizations are willing to make that bet as a testimony to outsourcing's credibility as an effective business strategic tool (Lowes, 2012).

Elegbede (2008) outlines numerous benefits to firms that adopt outsourcing strategy. These include, experienced reduce cost, increased sales turnover and profitability, enhanced expertise, improved service quality, reduced staff strength, streamlined the production processes, reduced administrative burden, and adequate time savings for core activities by (Elegbede, 2008). Grims (2011) adds that the value proposition and measures of success for outsourcing operations is evolving, thereby leading organizations to harness value beyond cost reduction through consolidation and automation (Grims, 2011).

The cost implications or risks associated with using Outsourcing and Co-operative Strategies

Outsourcing is not exempted from disappointing results as a business strategic tool. Outsourcing strategy if misunderstood or improperly administered could adversely impact the firms in every respect, including but not restricted to financial performance, quality initiatives, loss of customers, core competences and capability, lucrative markets, etc. As perceived by most firms, outsourcing can be a complex process, with numerous executions, monitoring and control setbacks. Aalders (2002) posits that some firms withdrew from outsourcing arrangements and tried to bring their systems back in house because of the challenges they encountered. These firms however discovered that reversing the process is not simple, as they still lack talents and resources (Aalders, 2002). One of the risks associated with outsourcing is declining innovation by the outsourcer or possible loss of long-run research and development (R&D) competitiveness which is often used as a substitute for innovation. The other risk is that the costs reduction may not be as significant as envisaged (Rasheed, 2000).

Jean-Louis asserts that around the world shows that approximately 2/3 of outsourcing agreements worldwide have failed to create value for shareholders. He attributes such failure to uninformed decisions by the firm's top management to outsource business processes, and thereafter relinquishing responsibilities for communicating, planning, implementing and managing such change, to third parties shareholders (Jean-Louis, 2006). Other limitations associated with outsourcing include increased costs, brand damage, disrupted services, and even business failure (Farrell, 2010).

Key Drivers for Successful and Effective Outsourcing and Co-operative Arrangements

Zaman & Mavondo (2001) are of view that because competitive forces also play a critical role in strategy formulation in organizations, the success of any strategy should consider both the firm characteristics and environmental characteristics as these factors greatly influence on the firms propensity to enter into strategic alliances. These characteristics include the turbulence in markets, resource constraints, market uncertainty, and globalisation of the industry, fast technological change, and economies of scale, prior involvement in strategic alliances, risk sharing, and consolidation of market position (Zaman & Mavondo, 2001; also see Lorange 1991; Glaister 1996; and Bennett 1997).

Onan (2008) asserts that success of outsourcing arrangements depends on established long-term strategic relationships. Onan argues that organizations need to understand clearly the relationship and interdependencies between business practices and procedures before they outsource. Further that difficulty can arise if such interdependencies are not understood, leading to a poor supplier performance assessment (Onan, 2008). Lowes opines that the nature of the outsourcing relationship is continually evolving as service providers and clients improve and redefine their preferred terms of engagement. Further that the highly variable economic, political, social, legal and technological environment for outsourcing creates potential threats and opportunities for both sides of the relationship (Lowes, 2012). Willcoks agrees that these relationships form an integral part to the outsourcing strategy, and that they are not unintentional by-products for executing a product/project (Willcoks, 2011).

Karthick suggests that outsourcers should partner aggressively with businesses in such a way that they are able to translate their business requirements into service-level agreements (SLAs) and then deliver these SLAs through a set of managed services. This approach will enable the outsourcers to focus more on benefits from innovative services provided by the vendors' partnerships (Karthik, 2007). Successful organizations recognize that it takes time, staff and investment to manage partnerships well. In essence, the removal of one management task creates a new one. Consequently outsourcing can be a misleading term, making it sound like it will be done on somebody else's watch (Gomes-Casseres, 2006). According to Endeavor Management there are significant changes in the day-to-day behaviors of managers of firms engaged in outsourcing activities. Outsourcing encourages organizational managers to divert their focus from direct management of the operations or functions that have been outsourced, towards managing the business relationship with the outsourcers. (Endeavor Management, 2011).

The co-operative strategy requires cooperative behavior from all partners that contribute to alliance success. These include actively solving problems, being trustworthy, consistently pursuing ways to combine partners' resources and capabilities to create (*Hitt, Ireland & Hoskisson, 2015 pp 264-265).* David and David agree that the success of collaboration depend to a greater extend on the firms' willingness to contribute something distinctive, such as technology, distribution, basic research or manufacturing capacity. Forging an alliance enables a firm to focus resources on its core skills and competencies while acquiring other components or capabilities it lacks from the marketplace. In addition, Alliances can often improve the market power of a firm because either the alliance partner is a customer for the product or because the distribution channels and buying power of the partners can be combined (Zaman & Mavondo, 2001).

Kathryn Rudie Harrigan cautions that whilst the use of cooperative strategies brings about an exciting change in the competitive landscape, firms that use these strategies to build strengths for their firms' business units must understand how they might best use joint ventures, especially within industries where cooperative strategies are being used with increasing frequency, because these strategies can change industry structures to the disadvantage of competitors. For example, they can (1) exacerbate competition, (2) stabilize profit levels, or (3) precipitate structural changes in vertical integration, technological scale, or other industry traits (Harrigan, 1988, pp 141). It is observed that that successful collaboration requires a high level of trust (a complex phenomenon that can result from formal contractual safeguards as well as from informal partner commonalties in objectives and values) between the alliance partners to alleviate the fear of opportunistic behavior, and to enhance the stability of the relationship (Steensma, Marino & Weaver, 2000; Barney & Hansen, 1994; Larson, 1991). Their assertion is premised on the belief that the culture in which the entrepreneur is socialized not only influences cooperative values, but also forms the basis of trust that he/she favors when pursuing cooperation. Unintended transfers of important skills or technology at organization levels below where the deal is signed because information not covered in the formal agreement easily gets traded in daily interactions of firm's employees. Skepticism, suspicions and distrust between the cooperating firms will injure the relationship before it takes off (David & David, pp 154).

Hitt, Ireland & Hoskisson opine that entrepreneurial firms can realize great benefits from the cooperative strategies if they adopt cost minimization management approach, have formal contracts with partners, specify how strategy is to be monitored, specify how partner behavior is to be controlled and set goals that minimize costs and to prevent opportunistic behavior by partners. In addition, they recommend two risk and asset management approaches, namely (i) detailed contracts and management and (ii) developing trusting relationships. The authors also suggest an Opportunity Maximization Approach, which will help the firms to maximize partnership's value-creation opportunities, learn from each other, explore additional marketplace possibilities and maintain less formal contracts, fewer constraints (Hitt, Ireland & Hoskisson, 2015, pp275).

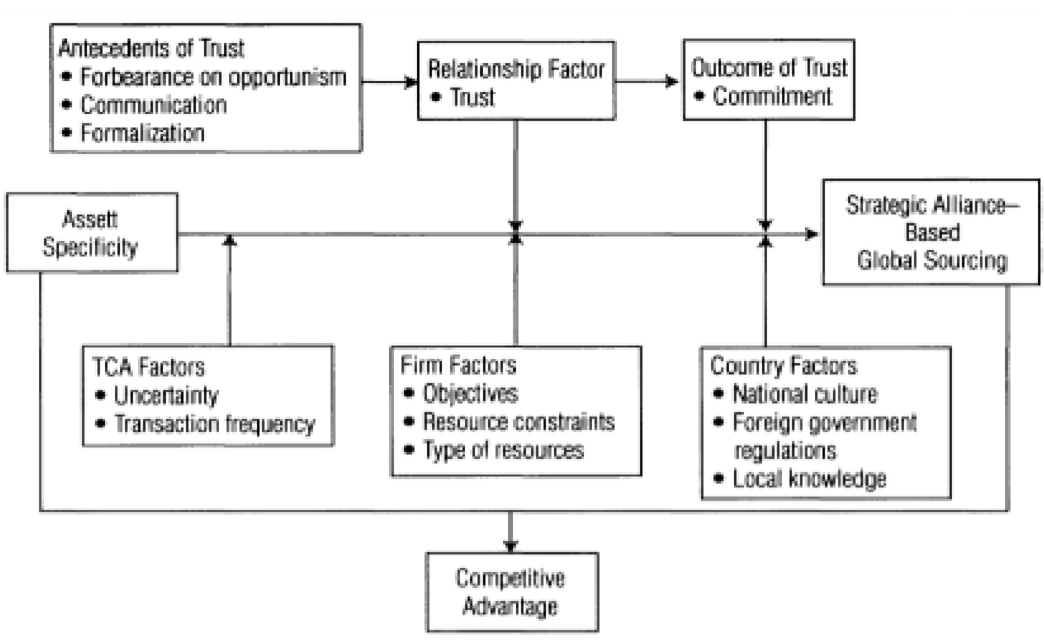
ISSN: 2456-7760

Conceptual Framework

The authors considered two theoretical frameworks which they believed are more appropriate for the study. Both frameworks aim at providing the startup firms with the core competencies that they need to be become successful in the long run. For instance, strategic collaborations enable firms to scale up their operations by sharing their excess and complementary capabilities and resources with others, which consequently may give any of them competitive advantages (Uddin & Akhter, 2011; Barney and Hansen, 1994) via cost reductions, accessibility to new markets, new product development, etc.

The first framework, Figure 3, *An Integrated Framework of Strategic Alliance-Based Global Sourcing for Competitive Advantage* suggests that strategic alliance-based global sourcing is a viable strategic option to achieve competitive advantages, even when specific assets are involved. This conceptual framework presenting the relationships among the various variables with an ultimate goal of obtaining a competitive advantage. These include amongst other, investment in asset specificity through global sourcing, firms reputation, trust in supplier-buyer relationships, collaborating firms 'commitment, governance structures of various foreign countries, transaction frequency, resource constraints, type of resources, etc.

Figure 3: An Integrated Framework of Strategic Alliance-Based Global Sourcing for Competitive Advantage



Source: Murray (2001)

Murray (2001) argue that these variables do not only moderate the relationship between asset specificity and strategic alliance-based global sourcing for major components but they also exert positive or negative effects on the relationship, thereby making strategic alliance-based global sourcing a desirable strategy to achieve competitive advantage. This framework comes as an improvement to Murray, Kotabe, and Wildt's (1995) conceptual framework that explains the contingency relationship between global internal sourcing of major components and a product's market performance. The authors use the transaction cost framework or internalization theory to explain how major components are sourced and predict their resulting performance. The study assumes that; (1) the overriding objective of strategic alliances is cost minimization; (2) the risk of opportunism exists; (3) the evaluation is based on single transactions; (4) the firm chooses from two governance structures? market or hierarchy; (5) the firm has the ability to adopt the desired governance structure, and the issue of resource constraints is not considered; and (6) transaction cost analysis (TCA) has proved useful in analyzing supplier-customer relationships in the U.S. and Japan (Murray, 2001; Murray, Kotabe, and Wildt's, 1995).

The authors assert that based on transaction cost analysis (TCA) theory, when specific assets are involved, a sourcing firm (e.g. a Botswana based SME) should use internal sourcing to avoid transaction costs. Further that trust in supplier-buyer relationships lowers transaction costs and facilitates investments in relation-specific assets. Trust discourage firms' opportunistic behavior usually observed in transactions that involve highly specific assets especially when governance structure are nonhierarchical (Murray, 2001). Non-hierarchical governance structures coupled with a high degree of mistrust make buyers highly vulnerable. Good reputation does not only minimizes the supplier's forbearance on opportunism, investment, uncertainties and distrusts but also enhances communication between firms desiring to enter into strategic alliance - based global sourcing. Botswana citizen startups and SMEs lack numerous expert services (technology included) that the foreign firms have. The objects of these firms which include search for resources, develop technology, access markets, and acquire capital are likely to push the firms into strategic alliance with the global firms out of desperation without undertaking a thorough due diligence. It is therefore imperative that citizen firms tread very carefully, for instance, they should strive to build a solid and sound trust relationship with the foreign suppliers that they desire to collaborate with. The desire to reduce transactional costs should be explored along with other important factors including the potential benefits to be derived from the alliance.

Contrary to Murray (2001) study, Zaman & Mavondo (2001), suggest that several strategic alliance formation are the products of environmental uncertainty such as (a) high uncertainty, (b) high technological volatility and demand, (c) low predictability of customer demands and competitor actions, and (d) demands for internationalization. Further that high market turbulence and uncertainty, larger the number of competitors and the higher the need for additional resources, and the firms' desire to cultivating learning as an organizational culture will push most firms to form strategic alliances (Zaman & Mavondo, 2001). The authors add that the success of the alliance depends on the following strategic alliance relationship attributes; (1) trust is beneficial to all partners when it comes to reduction of risk associated with opportunistic behavior, adaptability, wealth creation, and better customer service; communication - successful alliance will exhibit higher levels of: (a) quality communication; (b) information sharing; and (c) participation in planning; (2) commitment – firms commitment is an insurance for unforeseeable challenges that can threaten the relationship; (3) collaboration - a highly collaborative relationship provides the flexibility and adaptability necessary to overcome uncertainties, resolve

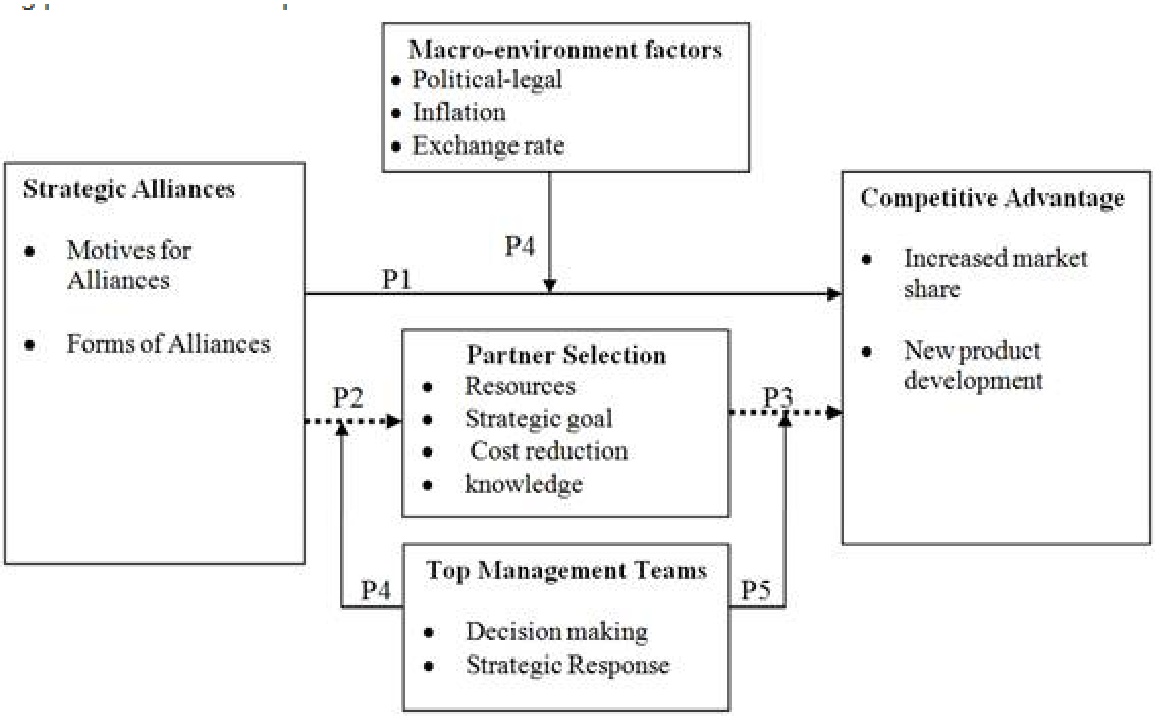
Vol. 3, No. 12; 2019

ISSN: 2456-7760

conflicts and achieve mutually beneficial outcomes; (4) conflict resolution – conflict is appropriately managed by the partner firms can enhance the probability of strategic alliance success, especially when the firms engage in joint problem solving that aims at reducing the uncertainties surrounding their firms business environment.

The second framework, Figure 4, **Theoretical Framework of Strategic Alliance for Competitive Advantage** developed by Muthoka and Kilika (2016), illustrates how different variables such as the firms' ability to manage the macro-environmental issues, firms' background, motives for alliances, firms' executive role in strategic thinking and decision making interact to create a competitive advantages for collaborating firms, and how partner selection in alliance formation mediates that relationship. It is therefore important that much attention is placed on the partner selection criteria used by firms to collaborate with other firms especially across its borders, because of the firms' different motivations (e.g. transaction-cost motives, resource-based motives strategic motives, learning objectives and motives relating to risk reduction). Whilst the ultimate object for alliances may be creating competitive advantage (e.g. new product development and market expansions), mismatched alliances (e.g. firms with conflicting values, etc.) have the potential to destroy the growth potential of the firms soliciting for partnership, especially firms in emerging markets such as SMEs in Botswana.

Figure 4: Theoretical Framework of Strategic Alliance for Competitive Advantage



Source: Muthoka & Kilika (2016)

Variables That Gives Firms Competitive Advantage

The following variables greatly influence the firms' overall performance and give the firms competitive advantage:

(1) *Resources*: whilst there are valuable resources embedded in networks which if accessible to network members may beneficial (Hitt, Ireland & Hoskisson, 2012 pp 266-267) for most SMEs in terms of overcoming resource shortages, reduce transaction costs and reduce information search costs and thereby eventually becoming a source of competitive advantage; there are numerous challenges of opportunistic behavior among alliance partners that can cripple most attractive prospective alliances in the developing countries like Botswana. These include amongst other; (1) difficulty in obtaining information regarding the competencies and needs of potential network partners (2) the scarcity of information about the reliability of the potential partners (3) lacking a well- defined property rights that convey exclusivity, transferability, and quality of title (4) weak institutional arrangements that result to high transaction costs, information asymmetries and (5) high costs for searching for information (Muthoka & Kilika, 2016).

(2) *Partner Selection*: Muthoka & Kilika (2016) posit that the choice of a particular partner is an important variable influencing alliance performances, the mix of skills and resources which will be available to the alliance and the ability to achieve its strategic objectives and behavior of the network partners. The partners may be selected based on the tasks to be performed by each partner (task-related criteria) and on the mutual relationship between the partners (partner-related criteria). Task-related criteria refer to those variables which are closely related to the success of the venture and include variables such as patents and technical knowhow, financial resources, skilled and experienced management and access to markets. On the other hand partner-related criteria refers to those variable that are important when forming alliances with several partners and such variable include corporate culture, compatibility of trust between management teams and the partner's size. It is these two variable that determine the strength of the relationship between strategic alliances and the firms' competitive advantage (Muthoka & Kilika, 2016).

(3) *Macro Environmental Factors*: the state of macro environmental factors in emerging markets do not only influence the overall performance of strategic alliances in achieving competitive advantage but also moderate the relationship between strategic alliances and competitive advantage. For example, the strong environmental pressures (e.g. high inflation and exchange rates, tariffs, turbulent political climate, etc.) expose strategic alliances to organizational problems (Muthoka & Kilika, 2016).

(4) *Top Management Teams*: The SME executive management is solely responsible for the strategic thinking and direction of their firms, and for moderating the relationship between strategic alliance option and the partner selection process. On the other hand, The SME top management teams' strategic response moderate the relationship between partner selection process and competitive advantage. It is against this backdrop that firms assess the degree to which external variables of competition, regulations, macroeconomic factors and technology

affect top management's attention and focus during decision making. These external factors do not only increase the probability of occurrence of specific events in the firm's in a firm's strategic plan but will ultimately influence strategic choice of network partners. Top management is also charged with the responsibility for monitoring, evaluation and control of the strategic alliances implementation process. This monitoring, evaluation and control entails amending any deviations from the intent objectives of choosing the strategy at hand (Muthoka & Kilika, 2016). For instance, the symptoms of opportunistic behaviors of strategic partners that are not be identifiable at the partner selection stage may be identified and corrected during implementation stage in order to minimize the negative impact on the firm's performance.

Zaman & Mavondo (2001) concurs that partner match and strategic orientation of the partnering firms are key drivers in alliance formation. The authors assert that strategic alliances are formed based on strategies of how to manage environmental uncertainties, how to overcome lack of resources and, in particular, how to manage the firm's range of inter-organizational relations. Further that prospective strategic partners should have strong similarities in management style and company culture in order to enhance the effectiveness of inter-organizational and to eliminate the chances of incompatibility (Zaman & Mavondo, 2001).

CONCLUSIONS

In the present competitive business environment, forming strategic alliances, cooperative strategies and outsourcing is important to gain competitive advantage in the business. Although there are cost increases and risks involved in the process of outsourcing, quality of service dominates especially in the competitive world. Further, easy access to technological developments was brought in by globalisation, hence innovation is required in every business activity. Although there are risks involved in every new move one intends to make, it is suggested to take every challenge as an opportunity and mitigate the risk factors of cost and improve the quality of products/service. As detailed in the foregoing sections of the paper, outsourcing opens various advantages of cooperation/strategic alliances among various stakeholders thus leading towards improved customer satisfaction and care, access to new markets, acquisition of technology and equipment from global suppliers. It is in this respect that it is recommended to have strategic alliances and to take advantage of outsourcing benefits more especially for startups and small business enterprises to sustain their business, and make a difference and contribute to economic growth.

The conceptual framework studied highlight the importance of critical analysis of different variables that influence the firm's performance, and how these variables can be moderated to give the firm a competitive advantage. Furthermore, different firms enter into strategic alliances for different motivations, and such motivations may be beneficial to the firm if the alliance goals are successfully met, or destructive to firms if the alliance goals are not met. Thus effective monitoring, evaluation and control by the firm's top management teams is necessary to minimize the effects of partners opportunistic behavior as well enhance the firm's growth prospects in terms of new product development and/or market expansion.

ISSN: 2456-7760

In conclusion, cooperative strategies if managed properly might lead successful introduction of innovation amongst small businesses and startups which consequently may lead to business growth in terms of sales revenues, market expansion, wider range of product offering, etc. The two conceptual frameworks may provide guidance to both the startups and existing SMEs on how to pull together resources from both partners to create synergies that will enhances improve their long term competitiveness, as well as enhance their innovative and market capability. In addition, prospective entrepreneurs and existing SMEs managers may use cooperative strategies as preventative strategies to avoid infancy stage failure.

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