PROBLEMS IN STRATEGIC ALLIANCES – SHOULD WE TERMINATE THE COLLABORATION? EMPIRICAL EVIDENCE FROM NORTH-WEST REGION ROMANIA

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Abstract:
This paper examines the problems facing the firms in their strategic alliances and the decision "alliance termination" for the problematic relationships. The study is based on qualitative data resulting from interviews with top level managers and executives in ten Romanian firms. We observed that the main problems facing the firms in our sample were: the insolvency, the less seriousness of some partners and the own rules imposed in the collaboration by the large firms. Moreover, the managers in our study argued that one collaboration should end when: the objectives were not met (or are on the way to not be accomplished), the partner becomes more unserious, and when there is a drop in the relational attributes (e.g. trust, honesty). The paper contributes to the literature on strategic alliances, specifically to the alliance problems and alliance termination topics. It has also managerial utility for latter stages in managing strategic alliances.

Keywords: joint ventures, strategic alliances, alliance problems, alliance termination

1. Introduction

In the last two, three decades, strategic alliances have become an ubiquitous phenomenon in the business environment worldwide (Gulati, 1998; Vyas *et al*., 1995; Dyer and Singh, 1998). Despite the growing importance devoted to this strategic option they continue to be problematic and to face many problems. For example, in 2001, Dyer and collaborators argued that almost half of the alliances fail. More recently, in 2010 Choi *et al*. revealed that failure rates of 40-70% are not uncommon.

Within the alliance literature there are several studies trying to solve problems such as: the partner opportunism (Das and Rahman, 2010; Parkhe, 1993; Phelan *et a*l., 2005), the protection of firm's core competencies (Kale *et al*., 2000), or structural versus behavioral factors as antecedents of alliance success (Kauser and Shawn, 2004; Taylor, 2005) or sources of problems. There are only few studies bringing empirical evidence regarding problems at the implementation level (examining specifically the problems that occur in firm's strategic alliances). Some exceptions exist. For instance, Jagersma (2005), Kirby and Kaiser (2003), Taylor (2005).

Even if there exist some studies examining the problems the firms face in their strategic alliances and some studies examining the alliance termination, up to now, there is no evidence on how these variables (alliance problems and alliance termination) interact. Are the problems encountered dangerous/strong enough to lead one collaboration to end? On the other hand, in our paper we do not look through the lenses of only one problem (such as partner opportunism) as were doing previous scholars (Parkhe, 1993; Phelan *et al*., 2005) to see if it is appropriately to end the collaboration in the case of the opportunistic behavior. Instead, we try first to examine what problems face the firms in their collaborative strategies (all kind of problems) and then observe if these problems often drive the problematic collaborations to end. This is the contribution of our paper. In our paper, we look specifically to the problems the firms face in their collaborations and if these problems often drive to end the problematic relationships.

Our study is important for the strategic alliances and international strategic alliances literature. As important as for the theory our study is for the managerial practice. On the one hand, many times the companies participating in strategic alliances face many problems. Being aware of the problems the firms often encounter in their strategic alliances help the management to anticipate the alliance evolution over time and manage the relationship more effectively.

On the other hand, there is a big dilemma within the alliance theory and in the business practice also, with knowing when to terminate one collaboration. The same is true for deciding if it is appropriate to terminate one collaboration. For example, many times the managers face decisions such as: Should our company follow the relationship despite the problems we face or would be better to finish the relationship? Should we finish now or would be better to wait to see if the problems remedies? For one partner behaving opportunistically: Should we give him a second chance, or should we terminate the collaboration now? In this sense, there are two research questions our paper tries to find answers: *(RQ1) What problems face the firms in their strategic alliances and (RQ2) When should the managers terminate one collaboration facing problems?*

Our paper supports and extends the existent literature on alliance problems and alliance termination bringing empirical evidence from other regions (our case, Romania) and markets (construction, engineering etc.). For the topic alliance termination, it is also bringing some contradicting evidence regarding the existent findings.

The reminder of the paper is organized as it follows. First, we begin with a discussion regarding the previous contributions on the topic of our study. Next, we present the methodology we used for this study. On the subsequent subchapter, we present and interpret how are looking our variables in the economic reality in the North-West Region, Romania (of course, only resulting after discussions with some executives). We end through realizing a comparison of our findings with the extant literature, discussing the limits and the implications for the companies' management.

2. Literature Review

2.1 Background

In the last decades, the collaborative strategies (or strategic alliances as they are called in the strategic management literature) became the new way for the development and growing of the companies worldwide. This type of corporate strategy (David, 2008) became more and more suitable for the companies competing in the global economy since as they start to understand that no company is big enough or strong enough to do everything on its own (Vyas *et al*., 1995). Diversified companies such as Siemens or Philips are embedded in a dense network of collaborators, overcoming 1 000 major collaborations. Siemens for example, in 1990 decided to use alliances to implement growth strategies, a fundamental shift in alliance policy. In 1990, the strategic importance of alliances was still minimal but in 1999 the company had formed more than 1000 equity and non-equity alliances, and the importance of these alliances for Siemen’s performance was rated very high (Hoffmann, 2005).

Strategic alliances are formed mainly to take advantage of other firm’s valuable resources and competencies and to obtain common mutually benefits (Das and Teng, 2000). Despite the many advantages the collaborative strategies may offer, the companies pursuing them face many risks (Das and Teng, 1999; 2001). Actually, many alliances worldwide are termed failures or the initial expectations at the time the alliance was formed are not met (Choi *et al*., 2010; Dyer *et al*., 2001). Some authors argue that failure rates of 40-70 percent are not uncommon (Choi *et al*., 2010; Taylor, 2005). Others, argue that almost half of the alliances fail (Dyer *et al*., 2001). In this sense, an important topic in the alliance literature is understanding the alliance evolution over time and devoting more attention to the implementation issues in order to try to avoid, or at least decrease the failure rate (Reuer *et al*., 2002; Taylor, 2005).

There are several types of forms of alliance evolution over time. According to Dussauge and Garrette (1998) an alliance may evolve over time on the following directions: (1) the alliance arrives to a natural end, (2) the alliance is extended, (3) the relationship is terminated premature, (4) one partner – or the partners – leave the alliance and in consequence the alliance is continued by one partner, (5) the alliance – or the partner – is took over by one partner. Generally speaking, the relationship can be weakened or strengthened. As a simple example, this year the Spanish energy giant REPSOL and the Russian oil company GAZPROM had strengthened their collaboration in western Siberia and had formed a Joint Venture, with the latter buying 25% interest in Repsol’s Evrotek-Yugra project (Yahoo Finance, 2017). In this case, the partners decided to follow and strengthen their relationship, contrary to other strategic options they had, for example, to buy the partner’s entire business and terminate the relationship.

This paper examines the problems that may arise during the alliance evolution over time and the antecedents that may lead an alliance to terminate, before it accomplishes its goals. Hatfield and collaborators (1998) suggest that in these circumstances the alliance can be termed a failure. However, according to Jagersma (2005) the termination of an alliance is not always a sign of failure even if its duration is very short. Moreover, the alliance can be termed a failure but can had a positive influence on the partners, despite its failure to accomplish the common goals (Dussage and Garrette, 1998). For example, in situations when the company’s employees learn new skills or abilities from the partner. In this line of thinking, the company had improved the company’s innovative capabilities (Bouncken *et al*., 2014, 2016; de Leeuw *et al*., 2014; Inkpen, 1998, 2005; Kale *et al*., 2002). This topic is the subject of constantly debates and there are many discussions between alliance scholars regarding the topic “alliance performance measurement”. In our paper, we do not entry in the subject, here and now, and we focus on the accomplishment of the alliance goals as a measure of alliance success or failure.

2.2 Strategic alliances types

Within the strategic management literature, the collaborative strategies are broadly termed “strategic alliances” or simple “alliances”. There is a consensus that there are three main types of strategic alliances: (1) The Joint Ventures, (2) The Minority Equity Alliances and (3) The Non-Equity Strategic Alliances (Gulati and Singh, 1998; Gulati, 1998; Hitt *et al*., 2007; Majocchi *et al*., 2013; Rahman and Korn, 2010). The last type is also termed contractual alliances (Comino *et al*., 2007; Das and Teng, 2000) or Strategic Partnerships (Lehene and Borza, 2016). However, there are many typologies, many authors bringing more evidence, with many variations of each type, but the general view is the typology presented above. This typology, we think, tend to be also the most representative to describe the economic reality, being one of the most important criteria, the final test, of any proposed theory (Raboaca and Ciucur, 1999). For these reasons, we adopt in our paper the term “alliance/-s”as a generic term for all the collaborative strategies a firm participate in.

The Joint Venture (JV) is a cooperative strategy between two or more organizations formed to accomplish common goal or to obtain competitive advantage. Within the collaboration the member companies decided to form a new legal organization. The distinctive characteristic of the Joint Venture strategy is the creation of a new legal organization. In the Minority Equity Alliances (MEA) the partners take equities positions in the partner/-s firm or there exist an exchange of equities between the partners without the creation of a new organization. The third type, the Non-Equity Strategic Alliances (NEA) or the Strategic Partnership is a contractual based collaboration without the creation of a new organization or an acquisition/exchange of equities between the partners. The easiest observable Strategic Partnerships in the economic reality are the distributions or supplying agreements [Barnes *et al*., 2012; Das and Teng, 2000; Hitt *et al*., 2007; Gulati and Singh, 1998].

2.3 Problems in strategic alliances

Collaborative strategies are risky strategies (Das and Teng, 1999; Dyer *et al*., 2001) and many times they come with many problems. These problems may arise for two main reasons. First, at the point the alliance formation there cannot be a real need for collaboration. For example, after realizing a SWOT analysis the top management can decide to participate into a collaborative strategy when an acquisition would have been a better choice (Hoffmann and Schaper-Rinkel, 2001/2). Or, the managers can decide to enter into a collaboration when developing internally the business would have been bringing more benefits. On the other hand, even if the decision to collaborate, let’s say is a good decision, the partners can choose an improperly structure to implement and manage the relationship. For example, they can form a Joint Venture when a Strategic Partnership would have been sufficient (Comino *et al*., 2007; Majocchi *et al*., 2013; Reuer and Ariño, 2002; Teng and Das, 2008).

Second, there are problems that can arise because of the poor implementation and management of the relationship. Up to now, there is some empirical evidence that in many relationships the implementation factors (e.g. the human resource management within the collaboration, effective communication, trust, adaptation etc.) are the factors that primarily determine the accomplishment of the alliance’s goals and the alliance’s success [Choi *et al*., 2010; Kauser and Shawn, 2004; Taylor, 2005] or contrary, hamper the performance. For both reasons – prior alliance formation or post alliance formation – the strategic alliances can come with serious problems that can finally drive the collaboration to not accomplish its goals. Or even to result in negative performances. For example, one partner in one collaboration can behave opportunistically and expropriate the critical core competencies of the parent firm, which finally will result in a competitive disadvantage for the parent firm (Das and Rahman, 2010; Kale *et al*., 2002; Parkhe, 1993).

There are many problems that can occur in one relationship. According to Jagersma (2005) the most common problems that occur in collaborative strategies are: (1) the partner's failing to agree with the common objectives and vision of the collaboration, (2) an incomplete business plan, or (3) an organizational structure put in place to manage the relationship overcomplex. For a top ten problems found by the author see the Table 1. All these problems may occur in any international or domestic collaboration and may drive a collaboration to end before it accomplishes its initial goals[1].

Table 1

Top ten problems ranked by Jagersma's study respondents

No.	The main problems in strategic alliances
1.	The partners fail to agree on common objectives and vision.
2.	The elaboration of an unrealistic or incomplete business plan.
3.	Overlay complex alliance management and organizational structure.
4.	Unclear division of responsibilities between partners.
5.	Poor communication between partners embedded in cultural incompatibility.
6.	Inflexibility of the alliance agreement (e.g. no capability to evolve).
7.	Failing to develop the right amount of trust between partners.
8.	Overestimating the possibility to build synergies and underestimating the investments to be done.
9.	Insufficient resource allocation to alliance management.
10.	Emphasis on contract clauses rather than on cooperation.

Source: Jagersma, 2005: 48

A more detailed approach of alliance problems pertains to Kirby and Kaiser (2003). The authors through examining International Joint Ventures of German and British firms in China had found that the collaborations in China were successful but were also accompanied by problems. For instance, the respondents pertaining to the British firms argued that the concept of quality, staffing problems, and repatriation of profits were the problems more important. On the other hand, the German managers outlined also that the repatriation of profits and the concept of quality were the most important problems in China, but the corruption and technology transfers were also important problems in their collaborations.

[1] The findings in this table pertain to Dutch professor's Kevin Jagersma. In *Cross-border alliances: advice from the executive suite* (2005), the author interviewed 192 CEOs and other executives of 89 global companies (e.g. Unilever, Siemens, Toyota, United Airlines, General Motors, Ford etc.). We refer to Jagersma's findings as a more generalist framework for problems in strategic alliances since as the time of editing the present article is the more comprehensive at an international level and regarding the problems at the firm level of analysis.

Simple because of the improperly planning in the alliance planning stage or because of the poor management in the post-formation stage, as we can see, the collaborative strategies come with many problems, despite the good intentions of partnering companies. However, many times the occurring problems are not considered dangerous by the partner firms and in consequence the partners continue the relationship despite the negative results (Delios *et al*., 2004). The continuation can occur also, simple because the managers are more tolerated and give the partners a second chance (Phelan *et al*., 2005).

2.4 The decision "alliance termination"

The discussion in the alliance literature regarding when a collaboration should terminate is the subject of a constantly debate. For example, on the one hand, Delios and collaborators (2004) through examining 406 International Joint Ventures of Japanese companies in United States and Canada had found that some companies often persist with the alliance investments even though the alliance produces little or no benefits. The authors proposed an escalation framework showing that some factors may determine the companies to follow in the relationship despite the negative results obtained. For example, the authors had found that the companies remained in the relationship when the probability of achieving long-term benefits was high. In other words, even if the results now are negative they can turn out in the future and boost the performance.

On the same time, Phelan *et al*., (2005) had found that the forgiving, nicer, tolerated strategies in response to an opportunistic behavior were the most successful strategies. Basically, the authors argue that the companies in one relationship should give the partners a second chance and then, if the opportunistic behavior follow up, they should considerate to exit the relationship. This line of thinking discussed up here represents a more tolerated approach. Within this approach (the nicer and tolerated one) there is an allocation of resources to a negative alliance evolution and the partners do not have the guaranty that the performance will improve from now on.

These findings are in pure contrast with the tit-for-tat strategy developed by Parke (1993). The tit-for-tat strategy, based on the Prisoner's Dilemma (PD) game, suggests that the parent firm in one relationship should behave according to partner's behavior. It means, the parent firm is not indicated to keep working for the common goals if the partner behaves opportunistically (Parkhe, 1993). Despite the usefulness of the tit-for-tat strategy, Parkhe's strategy falls short because do not take into consideration that the partners have the option to quit the relationship if they consider this option to be appropriate (Phelan *et al*., 2005). In correlation with our study, if the alliance faces serious problems, the partners should considerate terminating the relationship rather that advancing over and over. From all discussed up here, we can say that the partners should terminate the relationship if it is appropriate, but not immediately, they should be tolerating and give the partners a second chance.

On the other hand, there is other stream of theorists suggesting that the partners should terminate the relationship earlier and reorient toward more suitable partners. In this view, the partners would obtain better benefits because terminating earlier help the partners to focus their effort and allocate the resources more appropriate and, in this way avoiding the waste (Jap and Anderson, 2007). There are also other pros for terminating earlier the relationship. For example, in situations where the products of the partners are not more profitable or there are other better products in the market. In this situation, the relationship does not add any more value. If the partners' products are not more competitive or in the markets are better products/better partners, there is no need to follow collaborating with the less competitive partners. In this line of thinking, the parent firm should terminate as soon as possible the relationship before it results in competitive disadvantage. Phelan *et al*., 2005 had found that strategies that utilized the exit option tended to out-perform those that did not used it. In this line of thinking, the managers have the opportunity to exit the relationship any time they consider that the partners do not add any more value. Is not like in the tit-for-tat strategy to follow over and over, the managers have the option to exit also (Phelan *et al.*, 2005).

Up to now we have discussed the problems that often occur in collaborative strategies and the decision "alliance termination". On the following paragraphs we examine how is looking the economic reality in the North-West Region of Romania regarding the topic of our study (alliance problems and the situations that require that the managers of the partnering firms should militate toward terminating the collaboration).

3. Research methodology

We chose the qualitative approach for this study since our study is exploratory oriented. Exploratory studies are a suitable research strategy in new settings or when new problems arise (Chelcea, 2007, Yin, 1984|2005). Internationally, the strategic alliances domain has got the attention of scholars in the last two, three decades, starting to be subjects of research more often with 1980s. In Romania, up to now, there are only few studies in the strategic alliances domain (at least at our awareness after two years of scanning of principal international data bases, extant literature at Central Library in Cluj-Napoca etc.). The strategic alliances domain of research is in its birth stage, so we think that what is needed, is first some exploratory evidence to see what happens there.

This study is based on qualitative data resulting from ten interviews with top level managers and executives in Romanian firms. The interviews began in September 2016 and has lasted until January 2017. The interviews have an average a duration of approximately 50 minutes. All the interviews were recorded and then transcribed, the authors asking for permission before starting the discussions.

Regarding the aspects discussed and the questions addressed, the respondents were challenged to a discussion regarding the alliance termination topic in a larger project conducted in the collaborative strategies/strategic alliances domain. For example, discussions about problems in their collaborations, discussions about their failed alliances, discussions regarding when a collaboration should terminate, the opportunistic behavior of their partners etc.

For the purpose of our study we used the stratified sampling approach used normally in quantitative studies (Opariuc-Dan, 2009). The criteria used to make layers were the proximity (Cluj County) and their performances in respect of their level of turnovers. We used one national level list and one regional level list elaborated by the Romanian Ministry of Public Finances for the year 2015 to find the higher contributors in the Cluj County. After sending letters of intent to several firms and several reminders we have realized ten interviews. The characteristics of the firms in our sample can be observed in the Table 2. Because we promised the respondents the confidentiality of the answers provided we coded each firm to assure the protection promised.

Table 2

The participating firms

Firm	Industry	Size	Turnover 2015
Firm 1	Construction	Small	8 million €
Firm 2	Manufacturing of furniture	Large	65 million €
Firm 3	Construction	Medium	5 million €
Firm 4	Medical Devices	Small	4 million €
Firm 5	Construction	Medium	3.8 million €
Firm 6	Engineering	Small	3 million €
Firm 7	Construction	Small	3.5 million €
Firm 8	Construction	Small	3 million €
Firm 9	Engineering, Construction	Medium	4.4 million €
Firm 10	FMCG/Beverages	Medium	20.5 million €

Source: own editing based on official data from Romania Ministry of Public Finances

In our study participated eight general managers (CEOs), one Technical Director and one Economic Director. In qualitative studies the authenticity and the characteristic of the persons interviewed are important facts that any study should consider taking into account (Chelcea, 2007). Qualitative studies in comparison with hypotheses-testing approaches have the advantage that abound in rich descriptions about the real facts encountered in the real life (Eisenhardt, 1989; Eisenhardt and Graebner, 2007; Yin 1984|2005). In order to provide a higher level of validity of construct (Yin, 1984|2005) we considered in our study two important characteristics of the managers interviewed: the age and the managerial experience of each manager. The average age of the managers in our sample is 46,8 years old with the youngest manager being 38 years old and the more experienced having 59 years fulfilled. On the other hand, the average years of managerial experience is 15,9 years, with the less experienced manager having ten years managerial experience and the most experienced working for 23 years in the field.

At the point we needed to present the empirical evidence for our multiple-case research we tried to stay in the spatial constraints while also trying to provide the rich empirical evidence that supports each variable or section of the study (Eisenhardt, 1989; Eisenhardt and Graebner, 2007). We look for pattern matching in data across cases as suggested by Eisenhardt, (1989) Yin, (1984|2005) and we also performed what Suddaby (2006) called "constant comparison of data" which means simultaneous collection and analysis of data.

During our discussions with the managers they were asked to tell us about their problems in all the firm's collaborative strategies in general and to illustrate also with one example from one alliance they consider suitable as an example. The same approach general-particular was used for all the subjects in our discussions.

Regarding the inter-cases findings, we used the replication logic, which says that each case was chose as an example if it supports the variable chose to be discuss. This approach is similar with that used in natural sciences, where each experiment is used to bring contributions and advance the field of working (Yin, 1984|2005).

In the last section of the findings subchapter we compared the problems in firm's strategic alliances with the managers' position regarding when a collaboration should be terminated to see if there is a correlation between the variables. In other words, if the problems marked, often drive the relationships to end.

4. Findings

4.1 Intra-case findings

We begin our discussion with a presentation of the portfolio's characteristics of the firms in our sample in order that ulterior the readers better understand and interpret the findings in our study. Mainly, the portfolio is analyzed by two characteristics: (1) whit whom the parent firm collaborates – types of collaborators; and (2) in what types of firm-level collaborative strategies the parent firm participates. In this sense, the parent firm's collaborations with firm's suppliers and/or customers are coded vertical collaborations. On the other hand, the collaborations with firm's competitors and/or complementors[2] are coded as horizontal collaborations. The initial results of our investigation can be observed in the Table 3. (*Table 3 goes here*)

As argued in the methods subchapter the managers of each firm were challenged to a discussion regarding the problems their firm faced and face during the implementation of their collaborative strategies. Each participated firm's problems in their respective collaborative strategies (as pointed out by firm's executives) can be observed in the Table 4. For details regarding the characteristics of the firms and their portfolio of alliances go back to Table 2 and 3. (*Table 4 goes here*)

After discussing the alliance problems, we will discuss the topic regarding when an alliance should terminate. The main question addressed to managers was: "In your opinion when an alliance should terminate?" The synthesis of the managers assumptions regarding this topic can be view in the Table 5. (*Table 5 goes here*)

Table 3

The portfolio's characteristics of the firms in our sample

Firm	Types of collaborators	Firm-level collaborative strategies
Firm 1	Vertical collaborations + horizontal collaborations (only with complementors)	Only Strategic Partnerships
Firm 2	Only vertical collaborations	Only Strategic Partnerships
Firm 3	Vertical collaborations + horizontal collaborations (only with competitors)	Strategic Partnerships, Minority Equity Alliances, Joint Ventures
Firm 4	Only vertical collaborations	Only Strategic Partnerships
Firm 5	Only vertical collaborations	Only Strategic Partnerships
Firm 6	Only vertical collaborations	Only Strategic Partnerships

[2] The concept "complementors" was adopted from the American professors Michael Hitt, Robert Hoskisson and Duane Ireland (2007) and refers to the horizontal partners of one company, operating businesses or activities that are not pertaining to the value chain of the parent firm. It means, partnering with companies pertaining to other industries. Moreover, the complementors can pertain to related or unrelated industries (Pitt and Koufopoulos, 2012). For example, one company operating within the construction industry partnering with an IT company in order to develop a new software for later utilizations in the construction industry.

Firm 7	Only vertical collaborations	Only Strategic Partnerships
Firm 8	Only vertical collaborations	Only Strategic Partnerships
Firm 9	All types of collaborations	Only Strategic Partnerships
Firm 10	All types of collaborations	Strategic Partnerships, Minority Equity Alliances, Joint Ventures

Source: authors' own elaboration

Table 4

Problems in strategic alliances

Firm	Problems in firm's strategic alliances
Manager firm1	The entry of companies in insolvency, in the inability to pay. The less seriousness of some partners.
Manager firm 2	A bad attitude of some partners (do not want to grow, to improve their selves).
Manager firm 3	The entry of companies in insolvency, in the inability to pay. New problems appeared because of the new products (e.g. new and different training). The less seriousness of some partners.
Manager firm 4	Not receiving the pay from some partners. The tendency of large MNCs to impose their rules in the collaboration.
Manager firm 5	Problems with some of the firm's suppliers (they do not deliver at time, they deliver bad quality etc.).
Manager firm 6	The entry of companies in insolvency, in the inability to pay. Problems with some of the firm's suppliers (they do not deliver at time, they deliver bad quality etc.). Especially from some markets, e.g. China.
Manager firm 7	The entry of companies in insolvency, in the inability to pay.
Manager firm 8	The entry of companies in insolvency, in the inability to pay.
Manager firm 9	Not receiving the pay from some partners. The less seriousness of some partners, rigidity in negotiations (some partners did not want to negotiate the standard contract, for better clauses for the parent firm).
Manager firm 10	Some partners did not respect the initial agreement. In some cases, the performances were below that the firm expected at the time the alliance was formed. The partners tried to take advantage of company's financial resources.

Source: authors' own elaboration

Table 5
Managers assumptions regarding when a collaboration should terminate

Firm	Terminate the collaboration when…
Manager firm 1	The partner becomes unserious. The partner exercise to much formal control.
Manager firm 2	The Relational Governance Mechanism (RGM) goes down (e.g. loss of trust). A partner does not want to grow and develop.
Manager firm 3	Objectives are not accomplished. There exists promises that are not covered. The partner's products are not any more profitable or when in the markets there are new better products.
Manager firm 4	Occur the loss of "chemistry" between managers. There is not a win-win approach, the partner is aggressive, and he preoccupies only for him
Manager firm 5	The quality of the partner's products starts to not satisfy any more (the quality is bad). The partner increases the prices without justification.
Manager firm 6	The partner becomes unserious (there is no more honesty and correctness). The RGM goes down (e.g. loss of trust).
Manager firm 7	The partner becomes unserious. The RGM goes down (e.g. loss of trust).
Manager firm 8	Delivery starts to be late more often. Non-fulfilling the obligations on time. Appear problems in the collaboration and these problems are hided.
Manager firm 9	The partner does not accomplish its promises. The partner does not pay its invoices. The partner becomes unserious.
Manager firm 10	The objectives are not achieved. The initial agreement is not respected, and the partner tries to take advantage of your resources.

Source: authors' own elaboration

Up to know we have presented each firm's problems in their respective collaborative strategies and we presented for each firm the key informant's position regarding when a relationship should terminate. On the following section, we are trying to identify patterns between cases (Eisenhardt, 1989, Yin 1984|2005) in order to find which are the main problems that occur in strategic alliances (in North-West Region, Romania) and which situations require that the managers consider terminating the collaboration.

4.2 Inter-cases findings

4.2.1 Discussing the patterns in problems

The most outlined problem within the companies in our sample is "the entry of the partner companies in insolvency, in the inability to pay". This problem was outlined by 50 % of the managers in our sample. As one manager told us:

> "Seven-eight years ago began the insolvencies […]. Our biggest problem is the entry of firms in insolvency, in the inability to pay". (A.A, 49 years old, 20 years managerial experience)

We'd like to make a specification before advancing more in this problem. All the firms that told us that they have problems with partner's insolvency are operating in the construction industry, or in the engineering field related to the construction industry. There are customers who did not pay their invoices and partner firms from related industries which have entered in insolvency and in consequence the cooperative relationship had stopped. To describe this problem, we are presenting fragments from the discussion with a CEO of a small firm in the construction industry (in this case the discussion is about firm's customers):

> *"The respondent*: At the moment one partner entries in insolvency, you can have the contract that you want. Because that contract has not anymore, any value.
> *Author´s intervention*: At this point perhaps, the manager of the parent firm should have been forecasted before and should has been introduced protection clauses before.
> *The respondent:* I give you one example. Let's say you are involved into one collaboration for five years. At one moment, happen one syncope. This syncope can come from the market, from the shareholders, etc. On that moment, you cannot forecast anything. What can you forecast? That the manager has get the money in his pocket or close the firm because all the firm's assets are hosted in countries fiscal paradises. What do you do with the contract? What can you forecast in this situation?
> *The author*: But you can resort on the court
> *The respondent:* And?... Do you know how long take a judicial process like this? Between three and four years […]. In the contract you have everything, you have all kind of clauses, even guaranties, but it does not serve you. I can tell you that in this case faster you recuperate your money, making abstraction of the contract. And this happen in 80 percent of the cases, if not 90 percent". (A.A., 49 years old, 20 years managerial experience)

Broadly, the managers in this category told us that this is a big problem at the macro level in Romania. As they argued, the owners of this type of firms are buying houses, expensive cars or simple they send their money in countries fiscal paradises and close their firms. In consequence, partnering or doing business with this type of firms is a risky choice because you do not know when they are going to close the business and they will not pay your invoices or debts. Other manager also in the construction industry argued:

> "We had very serious collaborations which were based on a strict and clear contract with serious firms which had disappointed us. The owners bought expensive cars, closed the firms and had let us without money. Did not pay their invoices". (H.P., 44 years old, 15 years managerial experience)

Many mangers argued that is a costly and time-consuming procedure to resort on the court to recuperate your money. All the managers told us that up to know they did not recuperate their money in the court. In the words of one manager:

> "We have resorted on legal actions in order to recuperate our money in the court, but more than to loss our time we have not achieved". (H.P., 44 years old, 15 years managerial experience)

This is a kind a problem that the managers need to face a priori. Is not like the managers of the firms in our sample argued that "you cannot prevent, you cannot do anything" but rather knowing what to do. Not only the contract provides protection from the opportunistic behavior. The parent firms do not know if a partner want to close its business *but* through close monitorization of what is happening in the other firm they at least may anticipate with some degree other firm's tactical movements. Of course, if you do not allocate enough resources in order to assure an adequate monitorization of the alliance over time and partners' evolution over time you will face the surprise that the partner will quit the game before the alliance accomplishes its goals. Lehene and Borza (2017) proposed, the first step for the alliance competence building (which also has to do with monitoring the alliance and partners' evolution over time) is to name one manager responsible with firm's strategic alliances. This task in the small companies can be exercised by the general manager. In addition to this task, the readers if interested to solve this problem may look to read about the *protection of partner opportunistic behavior* topic. There are many other tactics to protect their parent firm from the opportunistic behavior of their partners.

A second main problem facing the firms in our sample, in their collaborations, is "problems with partner's products quality and the low level of seriousness of some of their partners". Specifically, problems in supplying the firm with bad quality raw materials, problems in delivering, delay in payments etc. This problem was outlined by 40 % of the managers. As one manager of a firm in the construction industry told us:

> "There are some problems like in any relationship. With firm's suppliers, there are some problems with the quality of the raw materials, or the delivery time. For example, we need to install some electric doors at PROFI[3] in Cluj . These doors are more atypically and if they do not exist in Romania we need to bring them from abroad. This operation takes time and we delay delivering the project to customer some days. Of course, the customers are not happy that we delayed, but they understand us, and we have a justification". (M.C., 53 years old, 13 years managerial experience)

Another example. One manager of a small firm in the engineering field describes firm's problems in firm's strategic alliances as follows (the partners are the firm's suppliers):

> "We had some problems with some suppliers from China. You ask for something, they tell you that they are going to do it and send you. Then, they send you something bad or they do not send you". (T.T., 50 years old, 10 years managerial experience)

The third identified problem in firms' strategic alliances facing the firms in our sample has to do with differences regarding the power of the partnering companies. In this sense, the smaller and less powerful firms have many times to accept the rules imposed by the huge MNCs or even by the large national firms. As one manager told us:

> "This type of partners came with very strict contracts and there is very small place to negotiate. Eventually, what can negotiate with them are some clauses through which you can get a better time to pay the invoices, a better delivery time, and few things more". (H.P., 44 years old, 15 years managerial experience)

30 % of the managers in our sample argued that the partners who are huge MNCs/large national companies, try to impose their rule of the game in the relationship. This problem for some managers seems to not molesting them (for example, one manager only told us that its company cannot have the power to negotiate) but for others represent a problem. This problem once solved could improve the collaboration and in consequence the performance and the future evolution of the alliance. For example, one manager of a small firm operating in the medical devices industry argued (the parent firm distributes in Romania the medical devices of the manufacturer):

> "The companies of this caliber (the partner company is a Danish very large MNC, global leader in its industry) count very few on the input that can be also valuable of a smaller firm in a smaller and less important market such as Romania. But if I were China or Russia perhaps they took us in consideration. But I'm Romania, I am not so important. Is important for me, because I am doing business here. More than that, this type of companies has R&D departments, and they are the greats in the matter and

[3] PROFI is a company, a retailing chain in Romania, and has operating many supermarkets in Cluj County.

know, or claim to know and dictate you what to do". (M.G., 41 years old, 20 years managerial experience)

In this section, we have identified and discussed three main patterns in problems. As a conclusion, the firms in our sample face the following main problems in their strategic alliances: (1) the entry of companies in insolvency, in the inability to pay, (2) problems with the partner's products quality and less seriousness, (3) the own rules imposed in the collaboration by the larger and powerful companies.

4.2.2 Discussing the alliance termination patterns

On this subchapter, we discuss what aspects should the managers considerate when a relationship goes in trouble and if they want to terminate the collaboration. We have identified three main patterns in alliance termination. The most important pattern is "one relationship should terminate when the alliance does not accomplish its goals". In the words of M.G. (41 years old, 20 years managerial experience) the owner and CEO of a small medical devices company:

"The most important thing in one relationships are the results. In the international arena, with international partners, you do not discuss if you do not have results. Can you be the best friend, to get out to the parties and drinks every evening but if you do not have results forget about it". (M.G., 41 years old, 21 years managerial experience)

Although only 40 % of the managers told us that an alliance should end if the goals are not accomplished, from our broader discussions with them, we deduce that all the managers agreed with some extent that when the alliance's goals are no met (or are in the way to do not be accomplished), the relationship should terminate. The managers' view in this pattern seems to be clear. If the alliance does not accomplish its goals, should be better that the parent firm militate to end the relationship and reorient toward more valuable opportunities/partners.

The second pattern we have identified is that "the problems with the less seriousness of the partners" represent an important antecedent of alliance termination. 40 % of the managers argued that one relationship should terminate if the partner becomes more unserious. For example, they start to deliver bad quality products or raw materials, deliver more and more delaying, they do not have any more competitive products etc. This assumption can be very true, since in buyer-seller alliances for example, the quality of the raw materials of the supplier, impacts the quality of the final good/service of the parent firm. "We cannot deliver a high-quality construction project to our customers if our suppliers deliver us bad quality raw materials", one manager told us.

On the same direction, one manager of a middle-sized firm operating in the construction industry, told us the following things regarding when its firm considerate terminating one relationship (is the case of the firm's partnerships with firm's suppliers of raw materials):

"In the moment the partner does not deliver anymore quality materials, or they increase their prices without a clear justification from the market, we relinquish to that collaborator. On the market, the prices grow on the same level approximately at all the suppliers. For example, if the partner X sell us cement with 25 RON[4] and we know that at other companies the cement is 20 RON, surely the relationship with the partner X ends. This growth on price told us that the management in the partner X has a problem and this problem is affecting us. The quality and the price are the most important attributes". (M.C., 53 years old, 13 years managerial experience)

[4] RON is Romanian currency, known also as Romanian Leu.

However, the same manager told us that in its view the partners should be more tolerated. For example, if they are delaying few times, two or three days, is not so important to considerate ending the relationship. The point here is to be tolerated but only up to a limit. If the partners do not make anything to improve their quality or the delivery time the relationship perhaps would be better to finish and reorient toward other more profitable partners.

And a third pattern identified after analyzing the data is that "a collaborative strategy should end in the case of decreasing or dropping the Relational Governance Mechanism (RGM) between the partners". As one manager argues:

> "I do not follow a relationship, even I do not start it, if I do not have a good chemistry with the person I interact. If I don't like, I'm not interested in what benefits and opportunities the respective business can brings to me. If I don't like, I don't follow. Because this is my philosophy, if the relationship comes to the point that I don't like it anymore, the chemistry between me and my interlocutor was damaged, I will try to interrupt it. If the relationship is advanced, I don't follow if the trend win-win is not in place and in consequence everything goes only toward partner's benefits. The same when he is aggressive in its favors. I consider that there should be a compromise, we should meet somewhere in the middle. If the partner has an arrogant and dominant attitude, no". (M.G., 41 years old, 21 years managerial experience)

Another example. The CEO of a large manufacturing furniture company in Cluj County told us some experiences that its firm faced in its strategic partnerships (regarding the problems and terminating the collaboration topic):

> "It is a big part of attitude. If the partners want to become better and better, they are open-minded, we even can be prepared to collaborate with them even if they are not competitive on prices. If they are competitive on prices and good on quality, but they do not want to grow, they do not want to invest in their company, they are not a strategic alliance for the future. I will give you one example. We helped a lot of companies to start in Cluj County. I saw that there are future opportunities to grow our company and I met young entrepreneurs in the villages in the county and I told them: employ some people, buy a machine, do some components for us, in this way you can develop your firm along with us. We helped lots of young local firms to grow along with us. There are few examples that are doing well and are still our suppliers, but there are also few bad examples. That something that could be a Strategic Partnership, even a Strategic Alliance, failed, because the young local entrepreneurs started well, but as soon as they started to win a little bit of money, they lost the focus, and they bought a Range Rover instead of buying one more machine, or employing two more people. And back to your question, what can fail in a Strategic Partnership or Alliance, that can fail: a bad attitude". (C.W., 42 years old, 12 years managerial experience)

In this case, there was a drop in the RGM for the component of trust. Specifically, the competence trust component (Das and Teng, 2001). The executive's advice is simple. If one partner wants to grow and develop for the future, he is committed to the relationship and its partner do not have the same vision and direction, do not work to improve itself, would be better for the parent firm to terminate the relationship. A supplier that do not want to grow, to develop, will not keep the rhythm with the better-quality products of the parent firm and will become a bad supplier, and a bad supplier will impact the quality of the final product of the parent firm.

With a large degree 50 % of the managers told us that when the relationship's attributes deteriorate (e.g. they loss the trust in their partners, there is a lack of honesty) the collaborative strategy would be better to end.

As a conclusion, in this section we have identified three patterns in alliance termination. Therefore, according to the managers in our study a collaborative strategy/strategic alliance should end when: (1) the collaboration/alliance do not accomplish its goals, or is on the way to do not accomplish its goals, (2) the partner/-s become less serious, (3) the RGM/relation's attributes deteriorate.

4.2.3 Is there a relationship between the firms' problems in strategic alliances and the managers assumption regarding when to terminate one collaboration?

After identifying the patterns between firms, next we tried to observe if there is a direct correlation between the problems the firms in our sample have to solve in their strategic alliances and the managers assumption regarding when a collaboration should terminate. As we can see in the tables 4 and 5 many of the problems the firms face in their collaborations are also present in the alliance termination table.

The first pattern in problems, "the entry of companies in insolvency and inabilities to pay", will lead to a non-fulfilment of alliance's goals and therefore the alliance termination before the parent firm accomplishes its goals. Therefore, there is a direct correlation between monitoring the alliance and partners' evolution over time and the accomplishment of the parent firm's alliance goals.

For the second pattern in problems, for example, the delivery of bad quality raw materials by one partner in one long-term distribution agreement, will lead to a loss of trust, less commitment and a decrease in all relation's attributes. This drop in the relational attributes will drive the managers of the parent firm to reorient toward other more valuable/profitable partners and perhaps considerate terminating the relationship.

The third identified problem, "the tendency of the large MNCs/large national firms to impose their rules in the collaboration" it seems that is not an antecedent of alliance termination. After our discussions with the managers we have not identified a direct correlation between the propensity of the large firms to impose their rules in the collaboration and a desire of the managers to terminate the collaboration. However, we tend to think that even the managers did not tell us directly that they should terminate the relationship because of the strict rules imposed by the large MNCs, once their firm will find other alternatives to replace the "dictatorial partner" they will terminate, or at least will try to decrease the dependency by the powerful partner. For example, they will reduce the number of transactions. A summary of our key findings can be observed in the Table 6.

Table 6

Key findings

Main problems	Is there a relationship between variables?	Alliance termination because…
The entry of companies in insolvency, in the inability to pay.	Direct correlation →	the objectives are not met.
The low level of seriousness of some partners.	Direct correlation →	there is a loss of trust (decrease of the RGM).
The MNCs/large firms try to impose their rules of the game in the relationship.	Indirect correlation →	the authoritarian style imposed by the MNCs may decrease the RGM (e.g. commitment). At the first opportunity, the less powerful firm will reorient and will consider terminating the relationship.

Terminate the collaboration when:	1) the collaboration/alliance does not accomplish its goals 2) the partner becomes more unserious 3) the RGM/relation's attributes deteriorate

Source: authors' own elaboration

5. Comparison with extant theory. Theoretical contributions

In this section will discuss and compare our findings with previous works existing in the alliance literature.

"The entry of companies in insolvency, in the inability to pay" is a new/fresh finding for the alliance literature (at least at our awareness). Our findings extend the literature on alliance problems. Besides the contribution for the literature on alliance problems, our findings are also useful for the scholars preoccupied with the international strategy of companies. Particularly, for the researchers interested in the field international strategic alliances in Romania.

The second main problem, codified as "the less seriousness of some partners" (bad quality, delays in delivery etc.) brings support to previous works. For example, Kirby and Kaiser (2003) had found that the German and British firms encountered the same kind of problems in China. Therefore, this finding also extends the literature on problems through bringing evidence from Romania.

And the third main problem, codified as "the large companies impose their rules in collaborations" is also a new/fresh empirical finding. Up to now we have not found a similar evidence in the collaborative strategies field, the topic alliance problems. This finding also extends the literature on alliance problems through new evidence from new markets.

According to the managers in our study, the first pattern regarding alliance termination "the failing to accomplish the alliance's goals" is an indication to terminate the relationship. This finding is contrary to the findings of Delios *et al*., (2004) which had found that the partners continued the relationship despite the negative evolution and negative results. In our study, the findings suggest: if the alliance moves toward the non-accomplishment of the alliance goals the managers should militate to end the collaboration and reorient toward more suitable/profitable partners.

The second pattern regarding alliance termination was codified "the less seriousness of some partners (bad quality, few and insignificant problems in delivery etc.)". The findings in our study suggest that the companies should not end the collaboration immediately when these problems arise. However, if these problems happen over and over and the partner does not remedy the situation, the managers in our study point out that the relationship should terminate and reorient. This finding brings support to previous literature, specifically the stream of researchers that militate toward a more tolerated and forgiving strategy as a first step and then exit the relationship, if the problems continue. This finding supports also the findings of Phelan and collaborators (2005) which argue that the exit option is dependent on the opportunities in the external environmental. It means, more profitable opportunities in the environment, more likely that the collaboration with problems ends earlier. As the manager in our study argues: "if the partners increase their prices without justification, or deliver bad quality raw materials and in the market, there are other suppliers, the parent firm should reorient and end the non-adding value partnership" (M.C., 53 years old, 13 years managerial experience).

The finding “the alliance should terminate when there is a drop in the relational attributes (e.g. trust, commitment, honesty)” also bring support to the same, tolerate and then exit stream of theorists. As the manager in our study told us: “if the partners do not make anything to improve their operations and to become better and better, they are not strategic partners for the future, they are not strategic allies” (C.W., 42 years old, 12 years managerial experience). In consequence, the alliance should end, and the parent firm reorient toward more engaged and committed partners. The synthesis of our comparisons can be observed in the Table 7.

Table 7

Comparison with extant literature

Topic	Variable	Comparison with extant literature
Problems in strategic alliances	Insolvency	New evidence
	The low level of seriousness	Support
	The large firms impose in the collaboration their rules	New evidence
The decision “alliance termination” (terminate when…)	Failing to accomplish the alliance goals	Partial support; Contrary evidence
	The partner becomes less serious	Support
	There is a drop in the RGM	Support

Source: authors’ own editing

6. Limits and future directions of research

Despite the usefulness we tried to give to our paper there are also some important limits one reader should take in consideration. The first limit of our study is considering the industry operating the firms in our study. Nevertheless, if one researcher investigates other firms in other industries (e.g. younger industries such as Information Technology) the findings perhaps will be quite different. The level of firm insolvencies perhaps will be much lower in other industries compared with the construction one. On the same time, is very important to take in consideration the region (North-Wets Region, Romania). Perhaps realizing the same study in Germany or Austria one can find, for example, other problems, or a lower/higher level of insolvencies etc. In this sense, one should be precautious when interpret or generalize the findings in our study to other industries or regional contexts.

Other important limit is that the firms in our study are SMEs in 90% of the cases. This type of firms (even if they participate in Joint Ventures and Minority Equity Alliances) do not have the financial resources of the larger companies and in consequence in their organization there is no one in charge of firm’s strategic alliances. Because there is no one to monitor the formulation and implementation of firm’s collaborations perhaps the problems arise more often. The same can be true for alliance termination. Since nobody in the firm monitor the partners evolution, the firms do not have a base of data for knowing when to terminate the relationship more effectively.

Moreover, there are also limits regarding the methodology of our study. For example, in our qualitative study we have taken the perspective from only one manager, from only one partner (the parent firm). Would have been interesting to find other people points of view (who actually work in those alliances) from all the hierarchical levels. On the same time, as interested as the employees from the parent firm's perspective, would have been the partners firms' perspective regarding the collaboration. What is thinking the partner? We realized also only one interview, in one point in time for each case. Would be interesting to investigate this phenomenon through a longitudinal study. It means, now that we have identified these problems, to come back after three or five years and observe how the relationships facing these problems have evolved. Have ended failing? Have been strengthened? The performance of the parent firm has dropped because of the opportunistic partners?

In this line of thinking, the validity of our constructs is smaller than in other studies since we used only one source to collect the data (Yin, 1984|2005). However, our study is characterized by an elevated level of fidelity since we used the interview protocol to realize our interviews and we had also projected a data-base for our study. Other researchers using the same procedures and questions we used in our study, probably will obtain the same results. (Yin, 1984|2005). The internal and external validity is medium in our study. We used concepts and methods such as pattern matching, replication logic (Eisenhardt, 1989; Eisenhardt and Graebner, 2007; Yin, 1984|2005) but we lack others.

Despite these limits our paper is suitable for an analytical generalization, not statistical generalization (Yin, 1984|2005), our findings supporting and extending the existing theories in the alliance literature which we were discussing along the paper. Moreover, the paper contributes to alliance problems and alliance termination literature through bringing empirical evidence from other industries and regions.

7. Managerial implications

Through examining our paper, the managers mainly may get two answers. First, the managers may become aware of the problems that could drive a relationship ending, before it accomplishes its goals. So, they need to consider taking some actions in order to behave in one collaboration in a more appropriate way (or to take some actions to monitor the partner's behavior) if they want that the collaboration to accomplishes its goals. In other words, the paper provides them with a picture of what to do – or what to avoid doing – during the implementation, in order to take part into a successful collaboration. Through reading our paper and becoming aware of the main problems that can occur in strategic alliances the managers will improve their capacity to forecast and anticipate the firm's alliances evolution and partners' evolution. For example, one important problem resulting from our study is the entry of companies in insolvency, in the inability to pay. Through reading our paper the managers may become aware that they should allocate resources in order to monitor the partners evolution over time and minimize the probability of an unexpected bad surprise.

Second, through reading our paper the managers will found when it is appropriate to terminate one collaboration. Our paper suggests that the managers first should tolerate and give relationship a second chance. Then, if the problems continue they should consider terminating the collaboration. This is the same finding of Phelan and collaborators (2005) but the difference is regarding the problems in general (not only for the opportunistic behavior). They do not need to stay in one bad/unsatisfactory relationship! Do not have why! However, the tolerated approach is true only in situations (let's say "softer" problems situations) when the relational attributes with the partner drop (second pattern in alliance termination) and where there is a drop in the seriousness of the partner (third pattern in alliance termination). According to our study when an alliance is on the way to not accomplish its goals (first pattern in alliance termination) the managers should consider terminating the collaboration earlier. In this case, terminating earlier will help their firms to avoid the waste and reorient toward more suitable/profitable partners.

8. Conclusions

In this study we have tried to investigate which are the problems the firms are facing through participating in strategic alliances/collaborative strategies. We found that the companies are facing several problems in their relationships (more or less important) and not all are antecedents of alliance termination. It means, if there are only small problems or only happen once, in a particular situation, there is no need to considerate ending the relationship. In this situation, the added value continuing the relationship overcome the value added through ending it. However, if the problems continue, the relation's attributes deteriorate (e.g. loss of trust) or in the situations when the alliance goals are on the way to not be accomplish should be better starting to consider other more valuable partners and terminate the collaboration.

Our findings are important for strategic alliances and international strategic alliances literature since bring new evidence from new industries and regions. As important as for the literature is for the practice since bring empirical evidence from existent strategic alliances formed in Romania. The managers through reading our paper will gain information which will help them anticipate the evolution of their strategic alliances and the evolution of their partners over time.

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