INTEREST ALIGNMENT FOR JOINT BUSINESS DEVELOPMENT: HOW GLOBAL SOFTWARE HOUSES AND CONSULTING FIRMS WORK TOGETHER IN THE ENTERPRISE SYSTEMS MARKET

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ABSTRACT

Despite the relatively long history of strategic alliances in the enterprise systems sector, studies regarding the relationships between software houses and consulting firms have been rare and fragmented, especially those related to the mechanisms that promote interest alignment for delivering a joint value proposition to the market. Through the cross-analysis of two case studies, this article brings to light ten mechanisms regularly used for interest alignment purposes as well as counterpoints that contribute to the literature in the search for a consistent explanation of the longevity of hybrid organizational forms.

KEYWORDS

Contractual strategic alliances, interest alignment mechanisms, ERP, enterprise systems, enterprise software

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INTRODUCTION

An enterprise system is a software technology, the purpose of which is to support the operations of an organization in a seamless, integrated manner, promoting process optimization and cost reduction (Davenport, 1998; Hendricks, Singhal, & Stratman, 2007; Nah, Lau, & Kuang, 2001). The market for such technologies is quite extensive, and it is expected to reach US$ 158 billion globally by 2016, with a five-year CAGR of 6.5% (Gartner, 2013). The growth rates in emerging economies are expected to exceed the global mark. Enterprise systems developers — a.k.a. software houses — are those companies that develop software products and, in some cases, take the responsibility for their implementation. In most cases, however, software houses rely on strategic alliances (Gulati & Singh, 1998; Gulati, 1998) with business consulting services firms, hereafter called consulting firms, which add tremendous value to enterprise systems by providing scalable, specialized implementation services (Quinn, Doorley, & Paquette, 1990). As product-oriented firms, software houses pursue strategies of product leadership, with the consulting firms, which are customer oriented, as their strategic complementary partners (Fleury, Fleury, Silva, & Bataglia, 2004; O’Farrell & Wood, 1999; Stabell & Fjeldstad, 1998) to bring software innovation to the market, i.e., applications that introduce novelty for those people who adopt them in the ways in which they execute their processes or even involving new processes and new forms of cognition, meaning, and organizational structure (Lyytinen & Rose, 2003; Swanson, 1994). The interdependence between software houses and consulting firms (Gulati, Lawrence, & Puranam, 2005; Gulati & Singh, 1998; Ménard, 2006) makes both parties willing to participate continuously in joint business development initiatives. However, conflicting interests due to incompatible expectations about those initiatives (Pruitt & Carnevale, 1993; Rubin, Pruitt, & Kim, 2004) can create tensions in the relationship that can cause partners to refrain from cooperating and can offset alliance benefits (Parkhe, 1993), eventually leading these alliances to an unplanned end (Das & Teng, 2000; Gulati & Singh, 1998; Lowensberg, 2010). In response to this problem, partners are called to adapt (Williamson, 1998), making the necessary adjustments to reach a new level of equilibrium. Gulati et al. (2005) posited that conflicts of interest could be overcome using alignment mechanisms, such as contracts. In alliances, contracts are very common and, perhaps, the primary alignment mechanism. Contracts are quite comprehensive, making reciprocal rights and obligations explicit, setting the processes by which transactions occur, and indicating the major mechanisms and sanctions to be used for dispute resolution (Reuer & Ariño, 2007), to mitigate risks and lower transaction costs. However, as the duration and complexity of the alliance relationship increase, the prescriptive capacity of contracts decreases, thus diminishing the capacity of contracts to promote alignment. Less prescriptive contracts render the court alternative for dispute resolution unviable, directing it instead to mediation and arbitration (Williamson, 1979, 1991).

Other alignment mechanisms, such as the creation of a neutral body with the authority and power to control specific issues (Todeva & Knoke, 2005), monitoring (Williamson, 1985), common ownership of assets (Grossman & Hart, 1986), identification (Gulati & Sytch, 2008), embeddedness (Williamson, 1998), and the prospect of future interactions (Ring & Van de Ven, 1992), can then occur as complements to contract gap filling.
Interest Alignment for Joint Business Development: How Global Software Houses and Consulting Firms Work Together in the Enterprise Systems Market

The main question at this point is the following: How can software houses and consulting firms align their interests to build and execute value propositions that embed software innovation? Moreover, this question leads to a few others: What type of innovation are partners bringing to the market? Why are they interdependent, and what type of interdependence binds them together? If the parties decide voluntarily to become partners in a contractual alliance, why do they face conflicts of interest, and what are the mechanisms used for interest alignment? Additionally, what is the contract type of this alliance, and what is its role in the interest alignment between partners?

Researchers have been keen to identify these adjustments because the study of the mechanisms that promote interest alignment remains rare and fragmented, despite the extensive development of the related literature, especially with regard to partner selection and alliance performance outcomes (Todeva & Knoke, 2005). A deeper understanding of partners’ adaptation in a rapidly changing environment — high-tech, expressive economic industry in an emerging economy in which the alliance relationship is expected to change its structure to cope with market demands and new portfolios of technology (International Data Corporation [IDC], 2012a, 2012b) — would bring consistent subsidies for explaining the continued existence of hybrid organizational forms in the markets, despite their tendency to have relatively high rates of instability in their relationships and their high rates of failure (Das & Teng, 2000; Kale & Singh, 2009). Those subsidies include the sources of interest conflicts between partners, the type of innovation partners are bringing to the market, reasons for and type of interdependence between them, and the list of the interest mechanisms found, along with the circumstances that required their usage.

This article consists of three sections. The first is theoretical, and it provides the basis for a comprehensive understanding of strategic alliances, from its general roots in Transaction Cost Economics (TCE) to these alliances’ outcomes, along with conceptualization of interest conflicts, adaptation, value creation and software innovation. The second section is empirical, presenting methodological proceedings, including two case studies in which software houses and consulting firms faced conflicting interests in delivering value propositions to customers, and a cross-case analysis of the findings. The last section provides a reflection on the findings, implications, and delimitations and proposes a research agenda.

CONCEPTUAL BACKGROUND

Strategic Alliances

The practitioner literature has often regarded strategic alliances as contemporary phenomena. However, interorganizational linkages have existed since the birth of the firm as a production unit (Todeva & Knoke, 2005). Examples range from trade associations, such as the craft guilds of early Europe (Epstein, 1998), to recent firm networks, which typically include diverse types of organizations, such as customers, suppliers, competitors, and regulatory authorities, which together comprise business networks (Emerson, 1981) or business ecosystems (Iansiti & Levien, 2004; Moore, 1993).
A strategic alliance is a trade partnership that involves exchange, sharing, or co-development, which can include contributions by the parties of capital, technology, or firm-specific assets, and these alliances are guided by any voluntarily initiated contract that binds the parties for cooperation but keeps them legally independent organizations (Das & Teng, 2000; Gulati & Singh, 1998; Gulati, 1998; Todeva & Knoke, 2005).

There are several reasons to establish alliances. They are generally formed when investments among partners are sufficiently specific to imply substantial contractual hazards without justifying vertical integration or when uncertainties are sufficiently consequential to require tighter coordination than what markets can provide (Ménard, 2006). The constituents have an expectation to obtain a positive net present value from the alliances, suggesting that their performance depends on the pattern of their returns (Parkhe, 1993), which involve financial gain, scalability, knowledge acquisition and development, market access, or a combination of these elements. Specifically in high-tech economic sectors, there are three main reasons for firms to enter in alliances: (1) technological complementarity; (2) innovation time-to-market; and (3) access to markets and structural influence (Hagedoorn, 1993). However, alliance outcomes depend heavily on the constituents’ adaptive capacities, both within and across the boundaries of each firm, to achieve cooperation (alignment of interests) and coordination (alignment of actions) at lower costs (Gulati et al., 2005; Williamson, 1991), once the alliance’s performance level increases when governance costs are lower, ceteris paribus (Gulati & Nickerson, 2008).

As the research into strategic alliances has evolved, different lenses have been used to examine them. Todeva and Knoke (2005) identified eleven types of strategic alliances based on analyses of their trades. Reuer and Ariño (2007) analyzed the types of investment made by parties, classifying strategic alliances in equity and non-equity. Lowensberg (2010) used a holistic approach, linking the motivational paradigms of intercompany relationships to alliance performance. Ménard (2006) posited that a growing volume of empirical studies revealed some important commonalities in strategic alliances. The use of shared resources in activities under mutual coordination was one of these common points. Another characteristic was related to competition among the parties, due to the complex combination of interdependence and autonomy.

Interdependence between alliance constituents is inherent to this type of relationship, under the logic that partners create value through their interaction (Gulati & Singh, 1998; Todeva & Knoke, 2005). There are three types of interdependence, based on the task structure: (1) pooled, in which the tasks are dependent on each other, each partner renders a discrete contribution to the whole, and each is supported by the whole; (2) sequential, in which the activities are serially arrayed, so the output of a task is the input for another; and (3) reciprocal, in which the partners come together to exchange outputs with each other simultaneously (Gulati et al., 2005; Gulati & Singh, 1998).

In cases of alliances involving service firms, the interdependence extends to the partners’ customers. Service firms primarily produce knowledge through interaction between alliance constituents and among customers (O’Farrell & Wood, 1999), which are the sources for both the delivery of current services and the development of new ones.
Governance, Transactions and Contracts: TCE as Alliance’s Roots

As with any interorganizational relationship, strategic alliances have certain combinations of legal and social control mechanisms for coordinating and safeguarding partners’ assets, responsibilities, and mutual transaction outcomes (Todeva & Knoke, 2005). A transaction is an occurrence of a good or service trade across a technologically separable interface (Williamson, 1985), and it requires investments for its execution. There are three general types of investment: (1) nonspecific, in which the investment is made independently from the transaction; (2) mixed, in which it is made for a determined transaction but benefits other transactions; and (3) idiosyncratic, in which the transaction-specific investment generates goods and services exclusive to a determined transaction. Those idiosyncratic investments — also called idiosyncratic assets — create interdependence, in which the substitution of one of the parties in the transaction nullifies the assets’ value, because they cannot be used in other transactions involving different parties. Interdependence, as identified by Williamson, is thus related to the resources involved in the alliance transaction. One of the idiosyncratic assets identified by Williamson (1991) is human asset specificity, which is developed by the parties’ hands-on learning in their relationship during the transaction execution.

According to Williamson (1993), the three generic types of governance structures — hierarchy, market and hybrid — differ from one another based on their ability to react to external disturbances. The choice of governance is based on a comparative analysis of governance structures to maximize economic exchanges relative to the sum of both production and transaction costs (Nogueira & Bataglia, 2012; Ruester, 2010).

Hybrid governance applies when part of the constituents’ transactions is executed internally and part externally. Hybrid governance stands between hierarchy (all internal transactions) and market (all external transactions), requiring some control that goes beyond the constituents’ boundaries. The alignment is only partially addressed by administrative control. The hybrid structure does not provide mechanisms capable of resolving disputes, either by fiat or in the courts. Disputes, therefore, must be resolved by mediation or arbitration (Reuer & Ariño, 2007; Williamson, 1979). Strategic alliance constituents typically establish hybrid governance to manage their interdependent relationships (Todeva & Knoke, 2005; Williamson, 2003), with contracts serving as the main guides for transactions.

According to Reuer and Ariño (2007), contracts in alliances seek to mitigate risk and lower transaction costs by making reciprocal rights and obligations explicit, and by setting forth the processes by which transactions occur and the mechanisms to be used for dispute resolution. Moreover, it is common to define the scope of cooperation between the parties, identifying a clear division of labor and the related roles and responsibilities of each, the expected outcomes resulting from its execution, the period over which such collaboration should apply, and the mechanisms for termination. Additionally, there is careful protection of intellectual property and business transaction information.

There are three types of contracts: (1) classical, which refers to a contract that is highly prescriptive, encompassing all of the relevant contingencies and probabilities of
future circumstances; (2) neoclassical, which refers to a contract with relatively little capacity for prescription, containing a fringe of processes and techniques that provide flexibility; and (3) relational, which refers to a contract that has no discriminatory capacity and that aims to guide a ‘mini-society’ type of relationship, with a vast array of norms beyond those related to the transaction itself or its immediate processes (Williamson, 1979). Based on their characteristics, one can generically assume that classical contracts are suitable for spot transactions (very short term), neoclassical contracts can be used for medium- to long-term relationships, and relational contracts fit well in specific, ongoing transactions. Strategic alliances give preference to relational contracts because they are open-ended and embrace not only unspecifiable terms and conditions but also collective interorganizational strategies through tacit coordination to eliminate rivalry (Ménard, 2006; Todeva & Knoke, 2005), thus achieving mutual, consensual adjustment.

Adaptation

Alliances tend to have relatively high rates of instability in their relationships, and despite the proliferation fueled by globalization and the intensification of competition, they have not been as successful as they were expected to be (Kale & Singh, 2009) because of adaptation failures in the face of disturbances. Consequential disturbances are those that adversely impact the partners, such as technological uncertainty. From the technology supplier standpoint, technological uncertainty is related to technology adoption by customers (Ring & Van de Ven, 1992). On the customer side, technological uncertainty is the risk that a technology investment (e.g., hardware, software, communications infrastructure, etc.) will not pay off. Technological uncertainty includes the following: (a) failure to obtain the anticipated IT results because of implementation difficulties; (b) implementation costs higher than were anticipated; (c) an implementation time longer than was planned; (d) technical performance less than what was anticipated at the outset of the investment; and (e) incompatibility of a selected technology with a customer’s IT environment (Barney & Clark, 2007).

Adaptation requires a firm’s ability to overcome inertial obstacles. From the alliance standpoint, Doz (1996) analyzed the impact of inertial initial conditions and identified that interdependence in task structure, differences in knowledge bases (complementarity), and differences in time-to-action made the relationships between partners fairly inertial, which could eventually affect alliance performance and, therefore, stability.

Das and Teng (2000) undertook a comprehensive study that identified the general causes of alliances’ instability. Based on these causes, they developed a framework that showed the internal tensions for adaptation in three dimensions: (1) behavioral, focusing on the coexistence of cooperation and competition; (2) structural, dealing with the partners’ degree of interdependence that rules the rigidity-flexibility equation; and (3) psychological, balancing short-term with long-term orientation. Alliance stability is achieved when all of the dialectical sets are in equilibrium: prevalence of cooperation, rigidity and long-term orientation tend to favor vertical integration; predominance of competition, flexibility and short-term orientation lead to alliance dissolution.
Conflicts and Interest Alignment Mechanisms

In the behavioral sciences, the word ‘conflict’ is used to substantiate a wide range of phenomena. In general, conflicts are either internal, related to the incompatibilities of an individual with himself or herself, or social, which are those conflicts between two or more parties, which can be groups of people, organizations or even countries (Thomas, 1992; Wall & Callister, 1995). Alliance conflicts are typically intercompany conflicts.

Conflict can be defined as “the process that begins when one party perceives the other has affected, or is about to negatively affect something that he or she estimates” (Thomas, 1992, p. 653). Based on this definition, a conflict of interest can be understood as the perception of incompatibilities or opposing views regarding what is desirable among the parties involved in a decision-making process (Pruitt & Carnevale, 1993; Rubin et al., 2004).

Conflict occurs as a process or a sequence of events that happens between the parties. Thomas (1992) stated that each of these events had its own internal logic and a chain between events, in which a predecessor event gave rise to subsequent events and related consequences. The overall dynamics of the conflict are not random. They have their steps molded by parameters that influence the events in the interface between the parties, including each party’s own properties (e.g., their own set of experiences) and the context in which they interact (e.g., one’s perception of the apparent behavior of the other in a given situation). These steps produce the consequences of the conflict, which constitute the primary dispute outcome. Initially, the conflict involves only key members of each party. Depending on the consequences of the series of events, a third party might become involved to manage the conflict, such as a mediator, an arbitrator, or a government agency. When in place, the third party takes control of the conflict. Generally, it provides less biased perspectives than those of each party, and it is less affected by previous commitments (Pruitt, 2005).

When partners are unable to respond to changes quickly and easily because of interest conflicts, such as disagreements and self-interested bargaining, maladaptation costs are incurred (Williamson, 1991). As a consequence, benefits tend to be neutralized, or net losses can even be incurred, leading the partners to avoid cooperation (Parkhe, 1993). In general terms, the prisoner's dilemma or variants, such as the hold-up problem or agency problem, typifies the problems of cooperation, making it clear that it is essentially a matter of motivation (Gulati et al., 2005).

Cooperation problems can be remedied by interest alignment through contracts (Williamson, 1979), with the creation of a neutral body with the authority and power to control specific issues (Todeva & Knoke, 2005), including sanctions (Williamson, 1985), monitoring (Williamson, 1985), joint ownership of assets (Grossman & Hart, 1986), identification, when the partners share values and beliefs (Gulati & Sytch, 2008), embeddedness (norms, customs, mores, traditions, etc.) (Williamson, 1998), and speculation about future interactions (Ring & Van de Ven, 1992). Informally, ex ante identification of reliable partners that are already embedded in the industry might provide guidance for alignment (Gulati et al., 2005).
Trust is also an informal mechanism that plays an important role in the alliance interest alignment. It is defined as the voluntary acceptance in advance of a risky investment, in which there is an expectation that the other party will fulfill its obligations, behave predictably, and avoid opportunistic actions (Gulati & Sytch, 2008; Zanini, 2007). Trust emerges from previous contacts (Reuer & Ariño, 2007) because through everyday interactions, firms learn about each other and develop trust around norms of equity. Moreover, previous contacts promote trust-based deterrence because the bonds created serve as a check on opportunistic behavior in the face of potential sanctions, which could result from the dissolution of the alliance and loss of reputation (Gemser & Wijnberg, 2001; Gulati & Singh, 1998). “Although opportunism is an unflattering attribute, it is nonetheless basic to the logic of organization” (Williamson, 1998, p.31), due to organizations’ bounded rationality, their cognitive limitation that prevents them from owning identical stocks of knowledge (Conner & Prahalad, 1996).

Value Creation

Alliance performance ultimately impacts the economic indicators of the partners, such as stock price, profits, productivity, market share, etc. (Helfat et al., 2007; Todeva & Knoke, 2005). Value can be understood as the benefits appropriated by the firm, through a unique combination of resources and capabilities that are heterogeneously distributed in a given sector and that are rare, imperfectly transferable, difficult to replicate, and able to produce cost savings or increased revenues for resource holders (Barney, Wright, & Ketchen Jr, 2001; Barney, 1991; Grant, 1991). Value can also be observed as a reduction in costs or performance increments for firm customers (Porter, 1998a), e.g., the surplus brought to customers as part of net benefits, called customers’ ‘value for money’ (Peteraf & Barney, 2003).

In the enterprise systems sector, value creation for alliance partners, both for themselves and for their customers, requires a joint value proposition, “…an aggregation, or bundle, of benefits that a company offers customers” (Osterwalder & Pigneur, 2010, p. 22). The combination of software and services can be innovative and can represent a disruption from what is found in the market, which tends to generate more value (Stuart, 2000). The value proposition is built upon technical and commercial negotiation between product suppliers and service firms, involving the confrontation of the technological options based on each party’s interpretation of market requests and its own ability to meet them (O’Farrell & Wood, 1999). Product suppliers, such as software houses, tend to offer innovative, state-of-the-art technology. More than a matter of ability, it is about their corporate strategies of product leadership, in which “(the) critical function is Research, Development and Engineering” (Fleury et al., 2004, p. 171), focused on the economies of scale in technology to achieve broad adoption rapidly. Technology development is becoming so rapid that technological solutions today are seeking commercial opportunities to trigger or technological problems to solve and not the other way around, forcing customers to invest in an understanding of what a technology can be used for, whether the prospective technology is profitable, and how it can be most effectively pursued (Gambardella & McGahan, 2010). In other words, technology’s rapid innovation pace is increasing technological uncertainty.

In turn, service firms, such consulting firms, are not committed to bringing innovation per se to the market, unless it is already part of their knowledge base. Unlike
product firms, their corporate strategies are customer-oriented, with sales and marketing as the critical functions for guiding the development of services that solve problems and optimize the competitive strategies of their customers (Fleury et al., 2004; O’Farrell & Wood, 1999; Stabell & Fjeldstad, 1998). Their direct relationships with customers (which ultimately are responsible for sanctioning their services) are more important than the relationships with alliance partners (O’Farrell & Wood, 1999). Their lack of commitment to innovation, by strategic choice, is likely to hinder service firms from moving toward embracing innovation (Hannan & Freeman, 1984).

Software Innovation

After some decades of study, the definition of innovation has been widely accepted as involving the adoption of an idea, a material artifact, or even a behavior that is new to those who adopt it (Lyytinen & Rose, 2003). That is, innovation has a relative character confined to a person, organization or community. Another important feature is its identification: an idea, behavior or material artifact, to be innovative, must contain a certain novelty that distinguishes it; however, it is often difficult to define such novelty clearly. Innovation, then, is identified by perceived novelty and not by its (defined or not) characteristics. Putting the concept into the IT context, IT innovation is generally defined as novelty in digital technologies and communication and their applications (Swanson, 1994). Such innovation is the result of exponential improvements in hardware, e.g., information processing speed, increased storage capacity, etc.; in software, e.g., expert systems, information consolidators, etc.; and in communication infrastructure, e.g., information transfer speed, accessibility, etc. (Lyytinen & Rose, 2003). Despite IT innovation being inherently linked to continuous improvement in the cost-capacity ratios of technological components, it eventually transcends these limits to achieve organizational innovation, involving new forms of cognition, meaning, tasks and business process, and organizational structures. Specific innovations combine these elements in different proportions, thus affecting the content, scope and organization of innovation processes within a firm or industry (Swanson, 1994), which in turn requires the management of competencies portfolios on top of product portfolio management (Danneels, 2002). Consequently, innovation eventually serves as a vehicle for organizational renewal.

Lyytinen and Rose (2003) classified IT innovations into three types: (1) systems development innovation, involving innovation related to systems development (e.g., maintenance processes, programming, etc.); (2) IT base innovation, which is tied to the evolution of hardware, software and communication infrastructure (e.g., changes in processing speed, functionality, architectural principles, reliability, serviceability, etc.); and (3) services innovation, which occurs in customer operation (e.g., production management, procurement, intercompany processes and operations, etc.). The three types of innovation are mutually dependent, implying that one type of innovation can trigger innovations in the others. This interdependence occurs due to push and pull forces that simultaneously influence IT innovation processes, i.e., “innovation is most likely to occur when a need and a means to resolve that need are simultaneously recognized” (Zmud, 1984, p. 727).

Software innovation is frequently the result of a firm’s work in a development alliance. Sahay (2003) posited that product developers in several industries used to
choose firms that had similar profiles (were oriented toward product development). In this direction, Kotabe and Swan (1995) and Stuart (2000) undertook studies in search of factors that favored innovation development. Among the results, it is worth noting the following: (a) the link between knowledge and innovation, in which the greater the partners’ technological capacities, the greater the rate of innovation was; (b) the impact of firm diversity on innovation because alliances involving partners from different industries tended to produce more innovative products than those generated by alliances among partners in the same economic sector; and (c) the link between innovation and value creation, in which the greater the technological novelty, the larger the growth rate in sales was.

Recently, alliances for product development have begun to include customers, so customers are gradually participating in the definition of value, the experience of which is becoming its very basis (Prahalad & Ramaswamy, 2004). This process implies a new set of questions and challenges, such as those related to the management of the intellectual property, which emerges from this process (Chesbrough, 2011).

**DATA AND METHOD**

There has been extensive development of the literature on strategic alliances. Todeva and Knoke (2005) performed a literature review and noted that it was especially developed on partner selection and alliance performance themes. To our knowledge, however, the study of the mechanisms that promote interest alignment has not been detected by scholars’ radar. These topics have been seldom discussed, and when they have been, they have frequently complemented the understanding of other constructs (e.g., trust as a complement of opportunism) in a diversity of contexts. Nevertheless, the context of enterprise systems software in emerging markets seems to be unexplored. A gap in the previous theory regarding a particular subject — such as interest alignment in the alliances theory — has made an exploratory approach appropriate (Collis & Hussey, 2009). In turn, qualitative research has been widely used for the examination and reflection of perceptions to reach an understanding of social and human phenomena (Eisenhardt, 1989; Flick, 2009; Yin, 1994). We decided to undertake descriptive research, which could simultaneously narrow the focus because it allows for a description of the behavior of the phenomenon and for maintaining the greatest possible data fidelity. We used the multiple case study method (Yin, 1994) due to a lack of control over the phenomenon and because of the context in which the phenomenon occurs. The research setting was the enterprise systems sector in Brazil. Two software houses and two consulting firms were chosen from lists provided by specialized media of multinational high-tech firms with subsidiaries in the country (Exame, 2012; Softex, 2012). The multinational feature was important because a presence in different countries and continents could make the alliance relationships richer in terms of the complexity of the mechanisms that were our research subjects. The selection of companies within a single sector — enterprise systems — was intrinsic to the research scope and ultimately controlled potential financial and operational differences, as well as the consequent effects on the studied subject (Eisenhardt, 1989). Customer firms were chosen for theoretical reasons (they do not have a statistical character), and with these cases, we aimed to increase the understanding of this social phenomenon (Flick, 2009). Two cases were selected: Case 1, which reports on an innovation in procurement; and Case 2, which reports on an innovation in business process management.
To increase the reliability of data collection, protocols were used for each case that guided the entire process of data collection (Yin, 1994). Data were collected from secondary public and authorized sources as well as from recorded interviews based on semi-structured questionnaires that involved seven key executives from six firms. The interview content was transcribed to allow for the analysis and interpretation of data. All of the data were categorized using pre-defined categories (Bardin, 2007): interdependence (Gulati et al., 2005; Gulati & Singh, 1998); contracts (Williamson, 1979, 1985, 1991); interest alignment mechanisms (Gulati et al., 2005); and IT innovation (Lyytinen & Rose, 2003). The analysis was performed by crossing the findings of the two cases. Table 1 provides profiles of the companies and of the interviewees for each case.

### TABLE 1 – Profiles of companies and interviewees

<table>
<thead>
<tr>
<th>Pseudonyms</th>
<th>Businesses</th>
<th>Revenues</th>
<th>Employees</th>
<th>Physical presence</th>
<th>Interviewees</th>
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</thead>
<tbody>
<tr>
<td><strong>Software Houses</strong></td>
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<tr>
<td>Case 1</td>
<td>SH1</td>
<td>public software provider</td>
<td>more than US$ 15 billion</td>
<td>more than 50,000 countries</td>
<td>Vice President of Alliances and Indirect Sales</td>
</tr>
<tr>
<td>Case 2</td>
<td>SH2</td>
<td>public IT infrastructure and software provider</td>
<td>more than US$ 100 billion</td>
<td>more than 400,000 countries</td>
<td>Software Alliance Senior Manager</td>
</tr>
<tr>
<td><strong>Consulting Firms</strong></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Case 1</td>
<td>CF1</td>
<td>public firm, providing management consulting, technology and outsourcing services</td>
<td>more than US$ 20 billion</td>
<td>more than 200,000 countries</td>
<td>Alliances Senior Director, Latin America</td>
</tr>
<tr>
<td>Case 2</td>
<td>CF2</td>
<td>public firm, providing consulting, audit, financial advisory, risk management and tax services</td>
<td>more than US$ 20 billion</td>
<td>more than 150,000 countries</td>
<td>Senior Project Manager</td>
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<tr>
<td><strong>Customers</strong></td>
<td></td>
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<td></td>
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</tr>
<tr>
<td>Case 1</td>
<td>Customer1</td>
<td>public steel producer</td>
<td>more than US$ 15 billion</td>
<td>more than 40,000 countries</td>
<td>Worldwide Procurement Senior Manager</td>
</tr>
<tr>
<td>Case 2</td>
<td>Customer2</td>
<td>public engineering and construction firm</td>
<td>more than US$ 2 billion</td>
<td>more than 20,000</td>
<td>CIO</td>
</tr>
</tbody>
</table>

Source: authors’ elaboration

### Case Study 1: Innovation in Procurement

In mid-2001, Customer1 initiated a search to identify the technologies available to enable its new procurement process, which was redesigned to increase productivity. The firm chose an enterprise system called Enterprise Buyer Professional from SH1, not because of the technology itself, as it did not meet the majority of its needs at the outset.
of the contract, but mostly because SH1 was the major enterprise systems vendor for Customer1 at that time. Customer1 had to invest in additional software development to meet at least 70% of the requirements.

Over the subsequent years, Customer1 expanded its operations internationally, becoming the world’s largest long steel producer in 2007. Enterprise Buyer Professional became obsolete, especially because of a lack of interconnection with its subsidiaries’ legacy systems. SH1 then proposed its replacement with a Supplier Relationship Management system in brand new version 6, which would make Customer1 the very first reference case for that technology. In addition to software, the proposal included implementation services, all delivered by SH1. Given the urgency to improve the procurement process, Customer1 was willing to pioneer the use of that technology, participating in its ‘ramp up’: a formal program of new product introduction to which SH1 invited customers for a firsthand innovation experience. In addition to the financial benefits (promotional price and payment terms), selected customers had the opportunity to work directly with SH1’s software developers, influencing improvements or even the creation of new features before the software was generally available on the market.

SH1 had a global strategic alliance with CF1, in which CF1 was the largest software implementation services provider, having participated in innumerable projects over the last 30 years. However, CF1 was at the same time the enterprise systems technology advisor of Customer1, and in this role, it argued that version 6 had high implementation risks because (a) it would not be possible to maintain the implementation costs as planned because (b) there was no commitment from SH1 to stick to the planned deadline for implementation because the ramp-up program perceived fluctuations in the software delivery date. The delivery delays would affect both the implementation time and costs. Furthermore, (c) there were questions about the software’s ability to meet the promised performance because it had no track record in the market. In addition, CF1 had no expertise in implementing the latest version, version 6. Then, CF1 recommended the implementation of Supplier Relationship Management version 5 instead, which it considered able to provide the necessary integration into Customer1’s subsidiaries and which had already reference cases, despite the smaller set of functionalities available in comparison to those of version 6.

The difference in views of the risk involved in the software innovation implementation was at the core of the interest conflict between SH1 and CF1. As stated by the vice president of SH1: “(...) the partner had some skepticism about the ability of the new version to meet the requirements and that, for sure, eventually led to (the conflict)”.

The issue gradually involved local executives from the operational to upper management levels of both firms, as explained by the senior director of CF1: “(...) when we saw that at the (operational) level we could not reach an agreement, we were escalating the situation (...) in both companies. That is escalation: hierarchical level”. Additionally, the parties formed a committee to address this divergence. According to the vice president of SH1: “There was a committee (...) established, (involving) key managers of the organizations. Then, inside the committee, processes were developed, those that eventually led to conflict resolution”. As the divergence persisted, despite the trust between the parties, which allowed for an extensive exchange of technical,
procedural and political information, executives from abroad joined the committee. A consensus was finally reached regarding Supplier Relationship Management system version 5.5, which was considered less risky than version 6 in technological terms because the software had immediate availability and was already running for a few customers, as declared by the senior director of CF1: “…at the end, (SH1) has installed version 5.5 (…). Just few customers had access to version 5.5”.

Moreover, CF1 could rapidly close the knowledge gap because there were only a few differences from the previous version 5, with which CF1 had consistent expertise. Compared to Enterprise Buyer Professional, Supplier Relationship Management version 5.5 brought IT base innovations with new software architecture, and it introduced portal resources via the Internet. Regarding services innovations, it affected administrative processes (procurement), technology processes (managed assets linked to production processes), and technology integration (subsidiary interconnection). The downside, however, was that version 5.5 still lagged behind the required functionalities that Customer1 needed.

CF1 had to invest in version 5.5 knowledge acquisition to deliver the implementation services, which involved technical courses and software licensing for a test lab. At the same time, the Supplier Relationship Management version 6 ramp-up program continued, with both Customer1 and CF1 participating. Later, CF1 installed version 6 for Customer1, finally meeting the majority of the initial requirements and making it one of the first installers of that version worldwide.

Case Study 2: Innovation in Business Process Management

The history of Customer2 in the construction industry has been characterized by large projects. The firm’s internationalization began in the late 1990s, bringing increased operational diversity and complexity. These changes forced the firm to streamline the common processes of its numerous business units, and a shared services center was created in mid-1998. Based on intensive technological support, the center began providing services of controllership, treasury, procurement, IT, legal, human resources, and enterprise security, significantly improving the efficiency of these services during the first years of operation. Recently, however, the model showed signs of exhaustion and incapability for maintaining the pace of increasing improvements in productivity and cost reduction.

As the most important IT provider for Customer2, SH2 was consulted to provide technological alternatives, and it proposed the use of SH2’s Business Process Management software. Customer2 undertook a detailed analysis of the proposal and found that it was short on coverage: the technology met the requirements of integration with subsidiaries, but it did not properly perform processes management at the required level. The proposal was ultimately rejected.

One year later, CF2 — which had a global strategic alliance with SH2, in which CF2 was a major software implementation services provider — carefully analyzed the areas of opportunity for process improvement. Additionally, it evaluated many Business Process Management software technologies searching for one that could better enable the new processes architecture plan. SH2’s Business Process Management version was
nominated as the best option, especially because of recent advancements in its technology as a result of the acquisition of a leader in the Business Process Management software space. CF2 then presented a comprehensive proposal: in addition to the software component, which *per se* represented innovation in services, both in administrative processes (performance of controllership, treasury, procurement, IT, legal, human resources, and enterprise security processes) and technology integration (subsidiary interconnection), the proposal involved the modeling of a set of critical processes.

Because of the novelty of the project (Business Process Management software in a shared service center), with no parallel among SH2 or CF2 customers worldwide, the entire negotiation was parsimoniously led by Customer2 to identify and mitigate *ex ante* as many risks as possible. The negotiation pace constituted the conflict that occurred between SH2 and CF2, as suggested by this quote from the senior manager of SH2: “(...) the challenge is to match the timings of the (deal closing) expectations from both sides”. The negotiation process took longer than SH2 expected, and the firm then established a ‘deal clinic’, which was an internal committee supported by semi-structured processes that congregated the major executives involved in the proposal. Deal clinics are regularly set by SH2 to address business issues during the sales cycle, such as the negotiation process at Customer2, as stated by the senior manager of SH2: “(...) sometimes there is a conflict about timing, then the deal clinic process inside (SH2) is frequently used, especially for the closing of a deal”. Based on trust built over more than 10 years of alliance relationships, the deal clinic’s deliberations were openly discussed between SH2 and CF2, in a back-and-forth process that took months, until the acceptance of the proposal by Customer2.

In parallel, CF2 sent its consultants to learn SH2’s Business Process Management technology, to be prepared for the implementation delivery because “(...) the most important investment for establishing the relationship between (SH2) and (CF2) is to have (consultants) trained and a case (of implementation)”, according to the senior consulting manager of CF2. Business Process Management courses were provided and funded by SH2, using fund resources created for joint business development with partners. The fund was formed by a percentage of the software revenue of each joint deal, which was allocated to a type of ‘bank account’ created for each partner. Only specific business development initiatives could be funded by those resources, such as “(...) training, payment of their participation in events sponsored by (SH2), and even to make a POC”, as explained the senior manager of SH2. Simply, the fund both encouraged the partners to adopt SH2’s technology and guided the investments that SH2 made in the alliance.

The Business Process Management software implementation was still in progress in 2013. Its first phase was finished successfully, and it became a world reference for SH2, which presented the case that year at its global convention.

**Cross-Case Analysis**

Based on the case study methodology, cross-case analysis offers work consistency that enhances its credibility (Yin, 1994, 2003). The analysis is organized into two topics: (1) contractual strategic alliances, which cover the major characteristics...
found in the cases; and (2) interest alignment mechanisms, which involve the identification of the mechanisms that collaborate in interest alignment between software houses and consulting firms.

**Contractual strategic alliances.** In the two cases examined, the relationships between the software houses and consulting firms were characterized as contractual strategic alliances (Gulati & Singh, 1998; Gulati, 1998; Reuer & Ariño, 2007) because there were cooperative agreements between them that were initiated voluntarily and involved the sharing of intellectual property (methodologies and business processes, generally coming from the knowledge base of the consulting firms, and software technology coming from software houses). Alliance contracts are relational (Ménard, 2006); they have an ongoing character (automatic renewal) and no discriminatory capacity, only guiding the software and services business relationship between the parties in the broadest sense. The alliance shown in Case 1 also evidenced co-development (Gulati & Singh, 1998; Gulati, 1998) between the partners, supported by a specific contract (the ramp-up program).

Software houses’ and consulting firms’ knowledge bases are constantly evolving. Consulting firms’ investments in software houses’ technologies result in the generation of human asset specificity (Helfat et al., 2007; Williamson, 1991), which mixes methodologies and business processes knowledge with software technology. This type of asset, when employed for co-development, is learned (Todeva & Knoke, 2005) by software houses from consulting firms and is gradually incorporated into the software technology. The same process occurs when customers participate in co-development processes; the customer participation in the ramp-up program (co-development) presented in Case 1 helped the software house to perfect the new version of the software by incorporating the customer’s specific business processes knowledge, resulting in both IT base innovations and services innovations. Case 2 presented only innovation in services.

As software innovations come to customers, they eventually promote changes in those organizations, leading them to higher maturity levels and, consequently, the generation of new sets of necessities. It opens room for the development of new processes and methodologies, so the cycle restarts. Therefore, the importance of intellectual property sharing among the stakeholders (software houses, consulting firms, and customers) in enterprise systems businesses is evident. On the one hand, it is a critical factor in their own development; on the other hand, it reduces the protective conditions of knowledge regarding imitation (Malerba & Orsenigo, 1993; Teece, 1986), challenging the sustainability of the strategic positioning of each constituent, particularly with regard to software and services differentiation (Porter, 1998b).

Both cases showed the complementarity that exists between software houses and consulting firms in the enterprise systems business, from development to implementation. That complementarity makes the firms sequentially interdependent (Gulati & Singh, 1998), which is reinforced by human asset specificity (Williamson, 1991). Interdependence coexists with autonomy (Das & Teng, 2000; Lowensberg, 2010; Ménard, 2006), and partners often present themselves as competitors (e.g., SH1 proposing implementation services), making the alliance balance complex (Das & Teng,
In addition to competition, conflicts of interest arise from differences in the perception of priorities (product versus services), which can lead to different time-to-action (Doz, 1996) and different expectations (short-term versus long-term orientation) (Das & Teng, 2000) regarding relationships with customers after proposal sales are done. In Case 2, software sales were mission accomplishment for the software house; for the consulting firm, it was only the first step in the delivery of promised value, seeming to imply the partners’ different commitments to materializing the solution’s benefits.

Because of the innovation involved in each case’s proposition, the most important perceived value for the software houses and consulting firms were the technology adoption references. They were considered proof of the differential managerial and technical capabilities (Barney & Clark, 2007) of software houses and consulting firms, resulting in reputation enhancement (Gemser & Wijnberg, 2001), both in the alliance and for the market. The reference cases provided partners learning ways to work together, thereby strengthening their ties and their ability to collaborate with each other (O’Farrell & Wood, 1999; Parkhe, 1993; Zanini, 2007) and yielding opportunities for future joint work.

The contractual strategic alliances between software houses and consulting firms are potentially sufficiently flexible (Das & Teng, 2000) for the necessary adaptations to make them balanced and sustainable because the alliances do not require significant financial commitments, and their contracts are relational. The interest alignment mechanisms are the tools that alliance constituents have to engage in fine-tuning.

**Interest alignment mechanisms.** The dynamism of the enterprise systems industry has set the tone of great difficulty that exists in keeping alliances in proper alignment (International Data Corporation [IDC], 2012a, 2012b). The two cases exposed such difficulties as interest conflicts. The adjustment in both cases had a formal mechanism — notably the alliance contract — as the foundation that both provided partners the basic relationship guides (scope, commitments, responsibilities, rights, sanctions, dispute rules, termination), and made possible the use of additional mechanisms for adjustments.

Committees were formed to address the divergences in a positive, problem-solving manner. However, they were different in nature and structuring. Case 1 described an *ad hoc*, informal committee consisting of members of both parties, specifically created to address the conflict, and they became intertwined in a process of hierarchical escalation, which was managed by both parties to engage the right resources for conflict resolution. In turn, in Case 2, a committee was created by SH2 to detect a particular opportunity that had derailed from the intended path. It was a formal, structured mechanism, the main purpose of which was opportunity management, thus making it imminently internal to SH2’s organization. It performed the role of an interest alignment mechanism as a means to accelerate the closing of the deal. Both committees seem to be somewhat similar to the hierarchical governance mechanism that Todeva and Knoke (2005) referred to as a neutral body with a specific mandate.
Trust has a strong influence, not only on conflict alignment but also on alliance stability. Its consolidation depends on the construction of reference cases (Reuer & Ariño, 2007), the paths of which involve technical and managerial tuning, reputation, and business value, both in financial terms (e.g., total revenues generated through the alliance) and marketing terms (e.g., market share). Mutual trust allows for knowledge transfer (Doz, 1996) and fluency in intercompany communication, which are fundamental during the conflict resolution process, in which clarity, accuracy and confidentiality are key for managers to choose the best alternatives for resolution. Table 1 summarizes the interest alignment mechanisms found in these cases.

**TABLE 2 – Interest alignment mechanisms**

<table>
<thead>
<tr>
<th>Mechanism Description</th>
<th>Mechanism Type</th>
<th>Occurrence</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Outlines general rules of business development in the alliance, including alliance scope, rights and obligations, intellectual property protection, information protection, sanctions and operational contingencies</td>
<td>Formal</td>
<td>Alliances Contract</td>
<td>Case 1, Case 2</td>
</tr>
<tr>
<td>Outlines specific rules for software co-development, with an emphasis on intellectual property protection and knowledge transfer</td>
<td>Formal</td>
<td>Co-development Contract (Ramp Up)</td>
<td>Case 1</td>
</tr>
<tr>
<td>Outlines rights and obligations, operational rules, payment schedules and contract terms of technical training courses</td>
<td>Formal</td>
<td>Training Contract</td>
<td>Case 1</td>
</tr>
<tr>
<td>Outlines specific rules for use, intellectual property protection, contract terms and payment schedule</td>
<td>Formal</td>
<td>Software Licensing Contract</td>
<td>Case 1</td>
</tr>
<tr>
<td>Fund consists of deposits made by SH2 and has specific rules for subsidization of partner’s business development initiatives</td>
<td>Formal</td>
<td>Business Development Fund</td>
<td>Case 2</td>
</tr>
<tr>
<td>Group formed by SH2 members for discussion and progress monitoring of an opportunity, the evolution of which is not consistent with expectations; occasionally it serves as a forum for conflict management with partners</td>
<td>Formal</td>
<td>Business Management Committee (Deal Clinic)</td>
<td>Case 2</td>
</tr>
<tr>
<td>Use of the corporate hierarchy in which resources at higher levels of decision are allocated incrementally, having a problem solving approach as a tactic for conflict resolution</td>
<td>Formal</td>
<td>Hierarchical Escalation</td>
<td>Case 1</td>
</tr>
<tr>
<td>Group formed ad hoc to address a specific conflict; it aims to create processes that will lead to conflict resolution</td>
<td>Informal</td>
<td>Conflict Resolution Committee</td>
<td>Case 1</td>
</tr>
<tr>
<td>Degree of judgment by one party of another that parties will consistently fulfill their commitments; trust amplitude develops at the rate of reference case building; cases in geographically different locations build trust ranges, from local to international</td>
<td>Informal</td>
<td>Trust</td>
<td>Case 1, Case 2</td>
</tr>
<tr>
<td>Subsidizes the alternative selection for conflict resolution, providing an exchange of technical, procedural and political ingredients</td>
<td>Informal</td>
<td>Information Exchange</td>
<td>Case 1, Case 2</td>
</tr>
</tbody>
</table>

Source: authors’ elaboration
DISCUSSION

The central question of this research, ‘How do software houses and consulting firms align their interests to build and execute value propositions involving software innovation that meets customer expectations?’, encouraged the search for subsidies in the tripartite relationship among software houses, consulting firms and customers. The result of cross-case examination brought to light six formal and four informal mechanisms and processes that helped alliance partners in the enterprise systems jointly bring to market innovations in software. Moreover, the research offered additional contributions that increased the understanding of strategic alliances.

Contributions to Scholarship

Hierarchical escalation. This is a mechanism frequently used for interest alignment in strategic alliances inside the enterprise systems sector. Our research found that the hierarchical escalation control was shared between partners, instead of being either fully internalized by one of the parties or outsourced to mediators or arbitrators. Additionally, mediation and arbitration seemed to be rarely used options for adjustment. Both the vice president of SH1 and senior manager of SH2 declared that they had never participated in or heard of cases in the enterprise systems sector that used such mechanisms. The SH2 executive stated, “You can only use (mediation or arbitration) when (...) it is already defined in the contract. (...) Our global contract does not have it”, giving hierarchical escalation greater usage priority over outside assistance. According to the vice president of SH1: “I think (hierarchical escalation) is the farthest we go”. The preferences for hierarchical escalation and its shared control are new to the alliance relationship study, and they represent a counterpoint to the literature.

Interdependence. The degree of interdependence might explain the use of mechanisms such as hierarchical escalation and conflict resolution committees. It seems that the cost of coordinating these mechanisms is lower than the generated rents. Partners struggle to avoid relationship deterioration to keep their reputations intact, with an eye on future joint businesses because there are no incentives for vertical integration. Additionally, customers are active players in the sector, often participating in software co-development processes, thus dramatically increasing the importance of healthy relationships between partners in alliances. Overall, this interdependence appears to be related to, or the cause of, both the longevity and the stability of alliances in the sector of enterprise systems. It offers a valuable contribution to the literature, which has yet to explain convincingly the continued existence of hybrid organizational forms in markets.

Co-development. The relatively low protection of knowledge against imitation that exists in the enterprise systems sector, due to the incorporation of business processes and methodologies as best practices by software, which is made available for mass consumption (Malerba & Orsenigo, 1993; Teece, 1986), seems to accelerate the innovation cycle that ultimately goes beyond the software house. It impacts all co-development constituents. Massification jeopardizes comparative or competitive advantages (Barney et al., 2001; Barney, 1991) because the differential processes and methodologies incorporated by software are made available to a large number of firms. By using the software, all customers can potentially obtain the same level of benefits; by embracing the technology, all consulting firms can potentially learn the processes
and methodologies embedded in the software; when widely available, other software houses can potentially develop similar functionalities. In the end, software innovation compels constituents to invest in the development of new processes and/or methodologies to reconquer competitive advantage positions. Software houses seem to be especially anxious to deliver innovation to the market. Case 1 was emblematic of the pressure for innovation that led SH1 to offer a technology that was not ready yet, ultimately forcing the firm to step back and implement an earlier, less risky version.

Sahay (2003) stated that product development firms, in many economic sectors, used to choose firms oriented toward product development for product development alliances. However, Case 1 used a very structured co-development program that involved service- and product-oriented firms, which could possibly be explained by the value that services firms’ intellectual property added to the final software product that eventually accelerated its adoption.

**Applied Implications**

**Interdependence.** The research indicated the importance of interdependence in alliance relationships. Practitioners are now called on to develop detailed analyses of the existing degrees of interdependence in their alliances to guide planning and management for an optimal balance between rigidity and flexibility in adaptation processes.

**Co-development.** This is an effective interest alignment mechanism for software houses, involving both partners and customers. At the same time, it promotes relationship strengthening and better time-to-value innovations. The point of attention is related to intellectual property issues, as advised by Chesbrough (2011) and to the new dimension of value creation perspective, introduced by Prahalad and Ramaswamy (2004). Co-development, therefore, must be viewed broadly, from the product development strategy standpoint, and assist practitioners in their strategic planning and R&D policies.

From the consulting services firms point-of-view, the participation of a customer in the technology development phase — making that customer an early adopter of such technology — may force consulting firms to embrace same technology to keep servicing that customer.

**Limitations and Directions for Future Research**

The choice of multinational firms to analyze alliances that go beyond the borders of their countries could result in a richer dimension of these relationships, such as in the step-by-step construction of trust between partners with experiences in many different geographies, making this asset a powerful alignment mechanism. When facing a conflict, not only the local experience but also a set of global experiences is brought to the table. However the global perspective, with its standardization of policies and instruments (contracts, for example), could represent a limitation of this study, which might have failed to provide particular details of purely local alliance relationships. The advancement of the research into relationships between software houses and local consulting firms could offer interesting additional information.
The research was focused on alignment mechanisms trigged by relational alliance contracts. Because there are other type of contracts involved in alliance relationships (e.g., co-development, training, and software licensing, all neoclassical), it seems interesting to identify the alignment mechanisms trigged by these contract types, and undertake a comparison among mechanisms trigged by all types of contracts identified.

The in-depth study of interdependence seemed to be particularly fruitful because it apparently is a key factor for the existence of hybrid organizational forms over the long run, to which the majority of mechanisms are linked.

It seems also promising to investigate the relationship between the conditions of knowledge protection against imitation in the enterprise systems sector and the speed of innovation, indicating the implications for technological uncertainty. It would be interesting to determine whether low protection of knowledge against imitation implies higher transaction costs as well.

Hierarchical escalation and committees for interest alignment seem to have been under-investigated. Studying them in depth could expand the understanding of their characteristics and behavior, thus clarifying the reasons for their adoption, instead of arbitration or mediation. Moreover, it might be interesting to add the conflict intensity variable to determine the tolerance limits of relationship degradation in driving successful conflict resolution.

Additionally, it is necessary to deepen the research into the profiles of the companies participating in innovation co-development ventures. Firm profile analysis might also include knowledge level assessments of both technology and business processes, to test the correlation between the technological capabilities and innovation rates found by Stuart (2000).

REFERENCES


RESEARCH ARTICLE
Interest Alignment for Joint Business Development: How Global Software Houses and Consulting Firms Work Together in the Enterprise Systems Market


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1 Ariño (2002), Das & Teng (2003), and Gulati et al. (2009) have interesting alliance performance discussions.
2 See Schumpeter (1939) and Barnett (1953).
3 POC stands for ‘proof of concept’, a common sales tactic in the IT sector, in which a technological scenario is built using the technology that is intended to be sold in order to demonstrate real use case situation.
4 There are studies that address hierarchical escalation, in which the object is the resolution of technical problems of systems in IT environments. They are usually related to product defects, and in general there is a formal process to be followed, provided by contracts that often discriminate a set of quality indexes (a.k.a. SLA, service level agreement). Wright & Capps III (2008) is an example of a study on best practices of technical support for customers.