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Zhao, Shasha ORCID: <https://orcid.org/0000-0001-8993-4915> and Priporas, Constantinos-Vasilios ORCID: <https://orcid.org/0000-0003-1061-4279> (2017) Information technology and marketing performance within international market-entry alliances: a review and an integrated conceptual framework. *International Marketing Review*, 34 (1) . pp. 5-28. ISSN 0265-1335 [Article] (doi:10.1108/IMR-01-2016-0024)

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**Information Technology and Marketing Performance within
International Market-entry Alliances: A review and an
integrated conceptual framework**

Journal:	<i>International Marketing Review</i>
Manuscript ID	IMR-01-2016-0024.R1
Manuscript Type:	Original Article
Keywords:	Information technology, cross-border alliance, entry modes, marketing performance

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3 **Information Technology and Marketing Performance within International Market-**
4 **entry Alliances: A review and an integrated conceptual framework**
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8 **Abstract**
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10 **Purpose** – The purpose of our paper is to engage in a comprehensive review of the research
11 on Information Technology (IT)-mediated international market-entry alliances.
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13 **Design/methodology/approach** – This paper provides a theory-informed conceptual
14 framework of IT-enabled cross-border interfirm relationships and performance outcomes. It
15 integrates perspectives of Resource-based View (RBV) and Transaction Cost Economics
16 (TCE) to argue that the establishment of interfirm IT capabilities enhances the marketing
17 performance of the foreign partner in the host location by improving interfirm relationship
18 governance. Furthermore, IT-related risks and contextual restrictions are identified as
19 important moderators.
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21 **Findings** – Conceptualisations of IT capabilities, IT-enhanced interfirm governance, and IT-
22 led marketing performance improvement are suggested. Drawing on RBV and TCE, IT
23 resources, related human resources, and IT integration between partner firms in combination
24 enhances the ability of firms to manage the relationship more effectively through shared
25 control, interfirm coordination, cross-firm formalisation, and hybrid centralisation. These
26 benefits then bring about better upstream and downstream marketing performance in the host
27 location. Additionally, IT capabilities help to mitigate possible contextual limitations and
28 risks.
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30 **Research limitations/implications** – The paper offers a number of theory- and literature-
31 informed research propositions which can be empirically tested in future studies.
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33 **Practical implications** – Top managers of firms currently in or planning to enter
34 international alliances for market entry should carefully consider effective development of
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3 interfirm IT capabilities in terms of readiness of hardware and software, human resources,
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5 and organisational resources.
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7 **Originality/value** – Our paper provides an integrated framework and propositions which
8
9 contribute to limited understanding and appreciation of IT value in international market-entry
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11 alliances.
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14 **Keywords**– Information technology, cross-border alliance, entry modes, marketing
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16 performance
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18 **Paper type**- Conceptual
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1. Introduction

During the past two decades, the international business sphere has witnessed dramatically increasing growth in cross-border collaborations in the forms of strategic alliances, joint ventures, and merger and acquisitions (Ahammad *et al.*, 2012, 2016a, b; Basuil and Datta, 2015; Chiao *et al.*, 2010; Czinkota *et al.*, 2009; Di Guardo *et al.*, 2016; Dutta *et al.*, 2016; Gaffney *et al.*, 2016; Rao-Nicholson *et al.*, 2016; Sinkovics *et al.*, 2015; Whitelock, 2002; Zheng *et al.*, 2016). Marketing practices and performance in this context have received growing recognition as a key measure of overall effectiveness of the collaboration (Ahammad *et al.*, 2016a; Burgel and Murray, 2000; Dan and Zondag, 2015; Eng and Ozdemir, 2014; Huang and Brass, 2016; Sinkovics *et al.*, 2015; Vrontis *et al.*, 2009). Positive marketing performance in the host location is considered crucial for foreign investor firms due to the widely recognised contrast between the amount of capital involved and the high rate of failure (Gomes *et al.*, 2011; Weber *et al.*, 2011). In spite of the risks involved, cross-border collaboration continues to grow in popularity. A major cause of this trend is globalisation. Increasing international competition requires firms to seek multiple channels for market growth as heavy reliance on domestic markets could no longer be sustainable (Bartlett and Ghoshal, 2002; Campos *et al.*, 2016; Yu, 2011; Murmann *et al.*, 2015). Studies on collaborative entry modes have long focused on the aspect of performance (Bleeke and Ernst, 1990; Larimo *et al.*, 2016; Merchant, 2014; Pak and Park 2004; Perkins *et al.*, 2014), however, literature on how it can be successful in the international context whereby culture difference is prominent remains fragmented (Almor *et al.*, 2014; Gomes *et al.*, 2016; Junni *et al.*, 2015; Niesten and Jolink, 2015). Both strategic alliances and joint ventures across borders have been managerially challenging for firms (Aklamanu *et al.*, 2015; Junni *et al.*, 2015). The investment capital and time devoted to any alliance are considerable; hence, success becomes an inevitable objective. To shed light on ways that effective alliances can be

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3 achieved, our paper introduces the role of IT. In spite of IT being a *necessity* for today's
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5 business operations (Mabey and Zhao 2016), so far research on the role of IT in collaborative
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7 entry modes has been limited and should be given much more recognition. Limited IT
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9 research has focused on the facilitation of cross-border alliances. Specifically, it is noted that
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11 IT has contributed to the establishment and improvement of international market-entry
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13 alliances through enhancing communication, information exchange, and knowledge transfer
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15 between partner firms (Tafti *et al.*, 2013). For example, Tesco successfully tapped into
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17 Thailand by forming joint venture supermarkets with Thai company Lotus which has
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19 extensive and strong upstream and downstream network relationships locally, making
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21 marketing practices much less difficult for Tesco through IT alignment with Lotus in local
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23 supply and distribution operations (Shannon 2014; Tafti *et al.*, 2013).
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29 Despite the prominent use of IT, both researchers and practitioners have had deep-
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31 rooted doubts about the promising contribution of IT on company performance. Specifically,
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33 as Jean *et al* (2008) and Dwivedi *et al* (2015) correctly identified, there has long existed a
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35 debate on the impact of IT performance. So far empirical evidence has shown contradictory
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37 results which suggest that IT does not necessarily improve performance or enhance business
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39 value. Instead, the 'IT productivity paradox' exists (Brown, 2015; Brynjolfsson, 1993; 1996;
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41 Hajli *et al.*, 2015). Some others viewed IT as a commodity which had little distinct value in
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43 terms of creating sustainable advantages for firms, instead it is easily imitated by competitors
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45 (Carr, 2003; Jean *et al.*, 2008). In an attempt to contribute to the theoretical advancement of
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47 the issue of the value of IT in the context of cross-border alliances, which remains under-
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49 explored (Dewett and Jones, 2001; Lioukas *et al.*, 2016), the relationship between IT,
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51 interfirm relationship, and marketing performance needs to be established. This also responds
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53 to a recent call from Chang *et al* (2015) in terms of exploring the driving force of IT in
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55 international collaborations. Hence, this paper aims to address the important question of
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3 whether and how IT contributes to interfirm marketing performance through international
4 market-entry alliance.
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7 Against this background, our main objective is to develop a theory-informed
8 integrated conceptual framework to comprehend the impact of IT on interfirm relationship
9 and therefore marketing performance based on cross-border alliances and IT research. A link
10 between RBV and TCE is established and underpins the framework. An interaction between
11 these two theoretical perspective helps to form the central proposition that IT resources lead
12 to enhanced marketing performance through improving interfirm governance. Additionally,
13 we develop a series of research propositions. The proposed framework and propositions leads
14 to further empirical testing of international market-entry alliances. We conclude the paper by
15 discussing theoretical and practical implications.
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30 **2. Overview of IT in International Market-entry Alliance and Marketing Performance**

31 **Literature**

32 IT and collaborative entry modes are two areas of research which rarely intersect.
33 Specifically, collaborative entry mode is a topic long rooted in international business and
34 strategy research. On the other hand, research focusing on the role and effects of IT has
35 resided mainly in IS literature and to some extent, management literature (Jean *et al.*, 2008;
36 Lioukas *et al.*, 2016; Tafti *et al.*, 2013). While there is a common consensus that we have
37 been living in an 'information age' (Tapscott and Caston, 1993; Yu, 2011) largely led by
38 advancement in IT, so far research linking IT and collaborative entry modes is rather limited
39 and lagging behind time (Lioukas *et al.*, 2016; Tafti *et al.*, 2013). A shortage of scholarly
40 interest indicates that there is an under-appreciation of how critical IT is in today's business
41 environment.
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3 Specifically, our review shows that topics relating to international collaborative
4 market entry modes have been extensively studied by scholars from international business
5 and strategy fields over a number of decades. International collaborative entry modes are
6 traditionally known as forms of business whereby a foreign firm intends to penetrate a host
7 market by partnering with its indigenous companies (Beamish and Lupton 2009). Being part
8 of international trade and doing business beyond borders, international joint ventures and
9 alliances are not the only means of penetrating global markets; however these methods of
10 collaborative market entry are often preferred over franchising, contracting, or licensing etc.
11 Specifically, international alliances are widely used as the form of market entry in countries
12 with high uncertainty or low experiential knowledge, for example, less developed economies.
13 A study by Brouther (2002) shows alliances in this context have outperformed other types of
14 foreign investment methods (such as wholly owned subsidiaries) due to locational advantages
15 provided by domestic partners. Similarly, Fang et al (2015) discuss the benefits of strategic
16 alliance in the global pharmaceutical industry in terms of uncertainty reduction and new
17 product development synergy. In terms of marketing consideration, Fang and Zou (2009)
18 stress the importance of marketing dynamic capabilities in international joint ventures. They
19 claimed that the empirical literature on strategy has documented the impact of dynamic
20 capabilities of firms on their performance, yet literature on the operationalization and
21 conceptualization of marketing related dynamic capabilities in the context of international
22 alliances has been rather limited. Their data from top managers in China indicates that
23 marketing dynamic capabilities have a significant impact on the host market performance and
24 competitive advantage of international joint ventures.

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52 Whilst previous studies presented diverse focuses (e.g. motivations, choices of modes,
53 country selection, and performance consequences) and approaches (e.g. TCE, RBV,
54 knowledge-based view, agency theory), a central rationale many of them share is the
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3 effectiveness of alliances in achieving performance levels. For instance, Ming-Chang et al's
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5 (2014) study of 152 cross-border joint ventures revealed that perceived value gap and
6
7 information asymmetry are two mediating factors which directly affect interfirm
8
9 performance. Pak and Park (2004) also used an empirical approach in a Korean context to
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11 contend that alliances benefit economies of scale and help share risks. Furthermore, based on
12
13 a social contract perspective, Wallenburg and Schaffler (2014) found that international
14
15 alliance partnerships enhance market performance through relationship building.
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17 Hadjimarcou et al (2015) also noted international alliances are more likely to succeed in
18
19 terms of overseas market performance.
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23 On the other hand, extensive evidence suggests that whilst there are many
24
25 organisational performance benefits associated with international collaborative entry modes,
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27 especially for foreign investor firms, there is a high risk of failure deriving from a number of
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29 internal and external causes. Ineffective interfirm relationships have been argued as one of
30
31 the main reasons collaborations fail (Venkatesh *et al.*, 2000). Sivadas et al (2000) estimated
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33 that 70% of alliances fail for that reason. Extant research has attempted to provide methods
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35 and tools for relational improvement. For instance, Venkatesh et al (2000) proposed joint
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37 product development and branding between partners to create a positive collaborative effort.
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39 Inkpen and Currall (1998) asserted that building interfirm trust is important in contributing to
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41 joint venture performance. Similarly, Blodgett (1992) took the view that communication is an
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43 enhancer of international joint ventures.
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48 In comparison to these propositions, references to IT usefulness have been rather
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50 scattered (Lioukas *et al.*, 2016; Tafti *et al.*, 2013). However, in comparison to extensive
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52 discussions of many of the other organisational tools in improving the performance of
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54 international market-entry collaborations by way of enhancing interfirm relationships, so far
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IT has either been only briefly mentioned in previous literature or closely examined in very few studies (Table 1).

Table 1. Recent studies on IT-mediated international collaboration

Author	Research	Collaboration Mode	Empirical/ Conceptual
Lioukas et al (2016)	IT has higher value in non-equity governance structure	Strategic alliances	Empirical
Tafti et al (2013)	Different IT capabilities entail different types of collaboration	Strategic alliances and Joint venture	Empirical
Gallivan and Depledge (2003)	IT enhances control and trust	Interfirm partnerships	Conceptual

Therefore, it shows research into the role of IT and its impact in the context of international market-entry collaboration has been very limited and static to date, particularly in terms of empirical evidence. Furthermore, a more integrated framework to comprehend different theoretical perspective is still lacking in previous literature.

We propose that in order to enhance our understanding of the topic, some major organisational factors should be identified and studied to resolve potential conceptual ambiguity about the role and effect of IT and the lack of consensus among international business, marketing, and IS scholars. Specifically, one major factor to consider is the IT dimension. Recent research from IS and marketing literature, drawing on RBV, has discussed different IT resources and capabilities and their performance impact in the context of interfirm supply chain relationships. For instance, Kim et al (2006) conceptualised applied technological innovation, administrative innovation, and interfirm systems integration as three IT resources. Similarly, Lu and Ramamurtny (2011) defined IT capability (three dimensions: IT infrastructure capability, IT business spanning capability, and IT proactive stance) as an enabler of firm agility. Hence, one general conclusion we can draw is that IT capability has been a dominant dimension in most research.

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3 A second major factor we consider is the debate on IT-mediated interfirm relationship
4 and performance. Brown (2014) noted that so far research has centred around the argument
5 about the direct and indirect link between IT and performance. A more recent view in
6 measuring IT performance, which has received increasing support and recognition, is a
7 process-oriented approach (Jean *et al.*, 2008; Pavlou and Sawy, 2006; Ray *et al.*, 2005). The
8 view asserts that IT enhances performance through improving specific organisational
9 processes. Much of the research adopting this approach has drawn upon RBV in IT value
10 research. It is argued that IT alone does not directly derive performance benefits, but rather
11 that benefits are generated when IT interacts with higher order organisational processes (Jean
12 *et al.*, 2008). For instance, Kim *et al* (2006) found IT-mediated coordination and
13 responsiveness lead to positive interfirm performance. Similarly, works of Sanders (2008)
14 and Lioukas *et al* (2016) showed that IT contributes to interfirm cooperation. Building on
15 TCE, Gallivant and Depledge (2003) identified that IT enhances interfirm control and trust.
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34 **3. An integrated conceptual framework of IT on marketing performance in** 35 **international market-entry alliances**

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38 Jean *et al* (2008) made an important assertion about how IT contributes to firm performance.
39 Although it focused on supply chain relationship, their study explicated and reconfirmed IT
40 business value in an interfirm context. Specifically, discussion of applicability of TCE and
41 RBV to IT value research was provided showing a transition of IS research from transaction
42 cost concerned to resource-based value creation. In particular, their argument about the
43 inappropriate outcomes about IT and value creation in previous research echoes our thoughts
44 and direction in this paper. Research exploring this area is not only limited but ambiguous in
45 conceptualising different IT resource attributes to firm performance. For instance, a recent
46 management information system study by Bhatt and Grover (2005) defined IT capabilities
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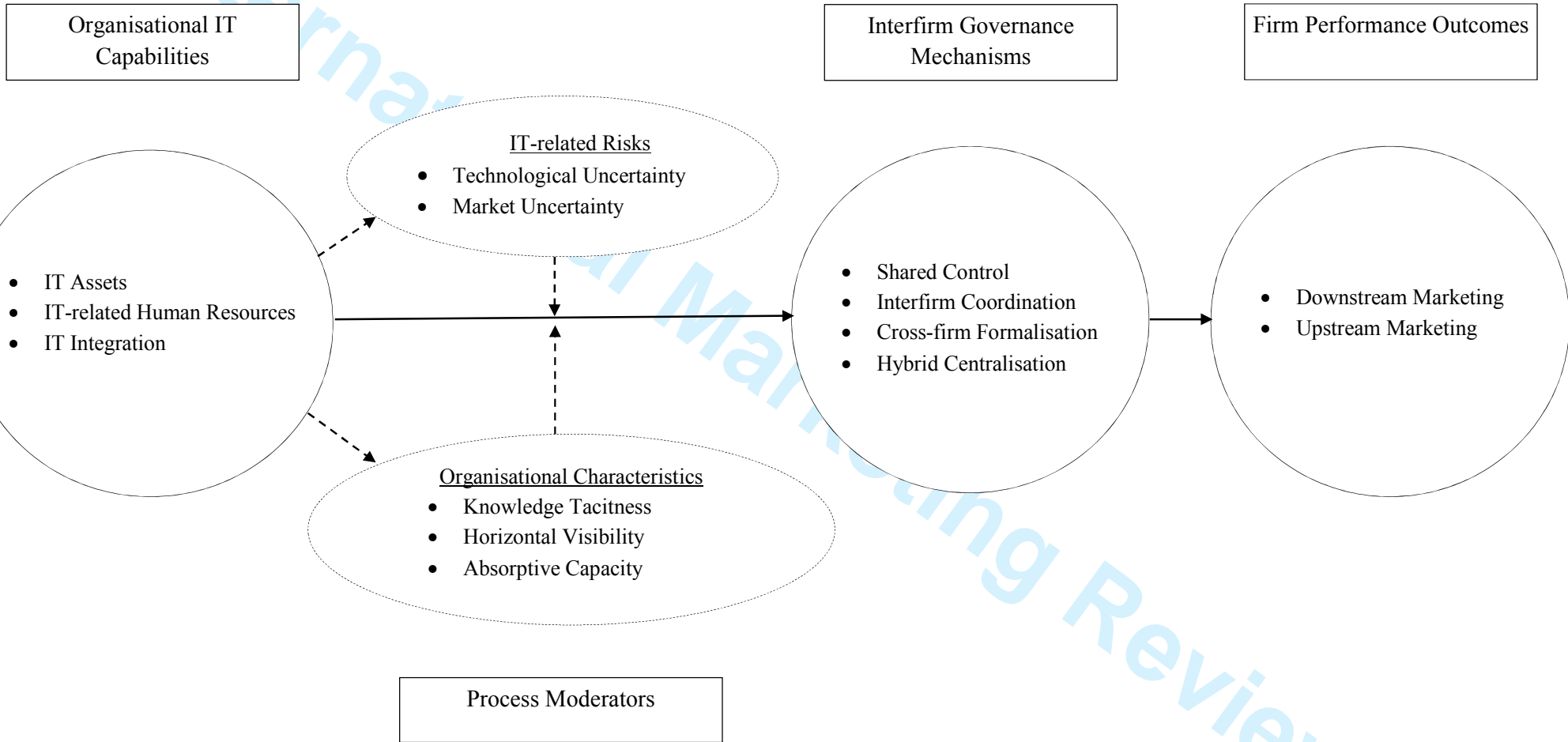
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3 into IT infrastructure, IT business experience, relationship infrastructure, and organisational
4 learning which enable the creation of competitive advantages for firms; while Bharadwaj
5 (2000) separated IT capabilities into IT infrastructure, Human IT resources, and IT-enabled
6 intangible resources. Clearly, ambiguities and confusion in IT value research and theoretical
7 applications remain. We agree with Jean et al (2008) that conceptualisation of IT resources
8 and capabilities are still inconclusive, leading to development of different terminologies.
9 Furthermore, knowledge gaps remain on how IT resources and capabilities interact with
10 organisational processes to create value and enhance performance. This is particularly
11 emphasised by the long unsolved IT productivity paradox problem (Brynjolfsson, 1993;
12 Brynjolfsson 1996; Hwang *et al.*, 2015).

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25 In this paper, we provide our own definitions of IT as a critical resource for firms in
26 the context of international alliances. At the outset, IT resources can be seen as organisational
27 skills and capabilities related to IT, which enable firms to leverage their existing non-IT
28 related resources for better performance (Chae *et al.*, 2014). Building upon RBV, IT
29 resources in comparison to IT assets, can have a greater impact on inter-firm processes which
30 ultimately lead to mutual performance outcomes in a more sustainable way. This is because
31 IT resources and capabilities are idiosyncratic to the collaborating firms and therefore
32 extremely difficult to imitate (Lioukas *et al.*, 2016). By integrating RBV with the TCE
33 perspective in the context of international alliances, we argue that inter-firm transaction costs
34 associated with opportunistic behavior as a result of bounded rationality can be counteracted
35 by inter-firm IT resources to reduce risks and associated costs.

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Consequently, we integrate different streams of literature and theories of RBV and TCE to develop a conceptual framework in this paper. Specifically for the framework, we apply the two interactive theoretical perspectives: RBV denotes IT value creation in the context of collaborative market-entry partnerships while TCE explains interfirm processes

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3 which are affected by IT. We argue that IT value should not be measured directly against
4 interfirm performance, as it creates further confusion to the 'paradox'. Instead, we
5 conceptualise IT resources to contribute to interfirm performance through interacting with
6 important interfirm alliance factors. This specific context has been given limited attention in
7 previous research (Lioukas *et al.*, 2016). In addition, building on international business
8 literature, we specifically focus on marketing practices associated with market-seeking as the
9 main performance measurement in host locations (Douglas and Samuel, 2011; Holtbrügge
10 and Baron, 2013). Lastly, the framework emphasises the perspective of foreign partner firms
11 instead of the host country partner.
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23 Developed using RBV and complemented by TCE, our proposed conceptual
24 framework (Figure 1) suggests that when interfirm IT capabilities, which are dynamic and
25 critical, are present between foreign and local partner firms, specific interfirm relational
26 aspects can be enhanced. Also, we argue that these relational aspects are important interfirm
27 governance mechanisms which IT can facilitate (Chatterjee *et al.*, 2006; Jean *et al.*, 2008).
28 Therefore, it enables the building of a more efficient interfirm relationship and therefore
29 improved marketing performance. Further, IT enabled governance can help to counteract
30 associated investment risks and contextual limitations which are potentially negative.
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32 Additionally, we adapt the contingency theory perspective (Donaldson, 2001; Luo and Bu,
33 2016) to argue that IT and interfirm performance are likely to be moderated by process-based
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3.1 Organisational IT capabilities dimensions

IT capabilities refer to the ability of a firm to mobilise and deploy IT through appropriate IT management, which in combination or co-presence with other resources and capabilities serves as a source of sustainable competitive advantages (Bharadwaj, 2000). This definition implies that, rather than IT resources per se, human IT skills and complementarity between IT and human resources are the necessary components which in combination create firm-wide IT capabilities. Despite extensive studies on IT related topics, many authors who discussed IT capabilities failed to appropriately address their differences (Wade and Hulland, 2004). This in turn becomes misleading and causes confusion in literature (Chae *et al.*, 2014; Sabherwal and Jeyaraj, 2015; Wade and Hulland, 2004). In this paper, we follow the explanation of Ross *et al.* (1996) who divided IT capabilities into three categories: human assets (technical skills, business understanding, and problem-solving orientation), technical assets (physical IT assets, technical platforms, databases, architectures, standards), and integration process (with other divisions internally and partner firms externally). In this paper, we argue that IT resources, IT-related human resources, and IT integration are three distinct and intertwined sets of capabilities which require specific and separate attention.

3.1.1 IT resources

The discussion of information in recent management and marketing literature has specifically suggested the importance of IT as an information and knowledge management tool (Orlikowski and Gash, 1992; Wade and Hulland, 2004). Organisational IT assets are generally defined as the combination of hardware and software a firm possesses (Moore and Benbasat 1991). Whilst some researchers argued that IT is the driving force for change, some others believed it plays a more supportive role in current business practices. Despite much debate about the subject, it is generally agreed that IT is a fundamental element in the

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3 changed nature of work processes, in organisational restructuring and in societal
4 transformation (Avgerou and Walsham, 2001). Hence, considering the noted contribution of
5 IT in value creation for firms, we adopt the RBV (Barney, 1991; Penrose, 1959) to suggest
6 that IT resources are critical assets in the context of interfirm alliances when entering a
7 foreign market. Our view of IT resources is in line with recent literature. Specifically, prior to
8 the mid-1990s, works of IT lacked an appropriate theoretical base. Meville et al (2004)
9 found that researchers employed a wide variety of different theoretical paradigms in
10 examining the subject without appropriate justifications. For instance, theories or views of
11 industrial organisation, sociology, or socio-politics were used. Only since the mid-1990s has
12 a more unified theoretical paradigm towards RBV started to emerge (Bharadwaj, 2000;
13 Powell and Dent-Micallef, 1997, Shin, 2006; Wade and Hulland, 2004, Wu *et al.*, 2006). In
14 short, the view enables researchers to examine the value of IT resources in contributing to
15 organisational performance.

3.1.2 *IT-related human resources*

36 While IT resources are crucial, they need to be operationalised in order to realise their value
37 and since IT does not function by itself, human resources are our second IT capability
38 consideration. A number of scholars emphasised the importance of having the right human IT
39 skills (Bharadwaj 2000; Powell and Dent-Micallef 1997). Whilst some viewed it as purely
40 technical IT skills (Feeny and Willcocks, 1998, Wade and Hulland, 2004), others considered
41 it to denote both technical and managerial IT skills (Bharadwaj, 2000, Melville *et al.*, 2004).
42 The former refers to the know-how needed to build and maintain IT applications using the
43 technology available (Bharadwaj, 2000; Capon and Glazer, 1987). For instance, it includes
44 knowledge of programming languages, experience with operating systems, and understanding
45 of communication protocols and products. On the other hand, managerial IT skills include the

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3 ability to understand and appreciate the business needs of other units, suppliers and
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5 customers, to work with IT users to develop appropriate applications, to coordinate IT
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7 activities efficiently, and to anticipate future IT needs (Capon and Glazer, 1987; Copeland
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9 and McKenney, 1988). These skills are likely to be difficult to transfer as they are developed
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11 over long periods of time and are causally ambiguous and socially complex and thus likely to
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13 serve as sources of sustainable competitive advantage (Francisco *et al.*, 1995; Mata *et al.*,
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15 1995). In the context of interfirm alliances, we argue for organisational resource
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17 complementarity (de Matías Batalla, 2014; Grimpe and Hussinger, 2014). It refers to
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19 effective alignment between IT and the human resources of partnering firms so to best
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21 leverage value.
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27 3.1.3 IT integration

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29 Although IT is seen as a useful organisational resource in supporting a firm's value creation,
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31 it is also generally agreed in the literature that IT resources alone are not always distinctive
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33 enough to create sustainable competitive advantages (Clemons and Row, 1991, Wu *et al.*,
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35 2005). This is because, as RBV suggests, resources that can create sustainable competitive
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37 advantages need to meet the criteria of rarity, inimitability, immobility, and durability. Since
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39 readily available IT hardware and software have relatively low barriers to imitation and
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41 acquisition by other firms, IT-created advantages (if any) tend to diminish fairly quickly
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43 (Clemons and Row, 1991). Even when some IT resources can be kept proprietary in the short
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45 term (Bain, 1956; Porter, 1980), eventually imitation is difficult to avoid, hence it is unlikely
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47 that IT resources alone can be a source of sustainable competitiveness (Francisco *et al.*,
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49 1995).
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54 Instead, as RBV suggests, firms can use a bundle of resources (Penrose, 1959; Barney
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56 1986) which enable them to operate and implement strategies and these resources can be
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3 either tangible and intangible, therefore the possession of IT hardware and the operation of it
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5 can be both seen as part of an organisational resource portfolio (Wu *et al.*, 2006). On this
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7 basis, not only should tangible IT be classed as resources, the operational process of IT
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9 should also be regarded as resources because only possession of IT cannot create value in any
10
11 way unless it is utilised through processes (Ciborra, 1996; Shin, 2006). In the context of
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13 interfirm alliances, we argue that it is even more critical that IT integration is effectively
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15 achieved between partner firms in order to maximise opportunity for value creation from the
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17 new market.
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21 Specifically, the topic of IT integration has been extensively studied (Bharadwaj,
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23 2000; Feeney and Willcocks, 1998; Francisco *et al.*, 1995; Mata *et al.*, 1998; Melville *et al.*,
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25 2004; Wade and Hulland, 2004), and despite the fact that these authors have taken slightly
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27 different emphases, their research all suggested one central idea: any IT integration activities
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29 should be concerned with creating a condition for which IT resources and human resources
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31 can be operationalised synergistically for maximum value creation. IT integration is generally
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33 concerned with three key factors, one of which is having the right technological infrastructure
34
35 in place between collaborating firms. The infrastructure includes the technologies, sharable
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37 technical platforms and databases. Bharadwaj (2000) found that when a non-integrated IT
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39 infrastructure exists which is dominated by system incompatibilities, firms' operations are
40
41 severely restricted. Hence, an integrated IT infrastructure which spans across collaborating
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43 firms and links key business processes together is crucial for effective interfirm alliances.
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49 50 3.2 Firm performance outcomes

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52 One area of IT and management literature that has provoked much debate over the past
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54 decades has been the performance effect of IT (Bharadwaj, 2000). This is caused by a lot of
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56 research producing very mixed results. For instance, a group of researchers found through
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3 empirical studies that possession and operationalisation of IT has direct and positive effects
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5 on firm performance (e.g. Banker and Kauffman, 1991; Clemons and Weber, 1990; Choi and
6
7 Yoo, 1990), on the other hand, Warner (1987) and Hunter (2003) found direct and negative
8
9 effects. Another group noted no effect at all (e.g. Sager, 1988; Venkatraman and Zaheer,
10
11 1990), while some others noticed contingent effects of IT on performance (e.g. Bharadwaj,
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13 2000; Carroll and Larkin, 1992; Powell and Dent-Micallef, 1997; Wu *et al.*, 2006), and
14
15 Hendricks et al (2007) found mixed results depending on the type of technologies. This is
16
17 despite the fact that well-established measures for performance (e.g. return on investment,
18
19 stock returns, productivity) were used. The contrast in the results has created confusion for
20
21 both researchers and practitioners. Even though large investments have been made in IT,
22
23 some firms achieve successful outcomes whilst others fall victim to the 'productivity
24
25 paradox' (Tippins and Sohi, 2003). The term 'productivity paradox' has been well recognised
26
27 in literature and refers to the difficulty in measuring IT investments against its performance
28
29 (Brynjolfsson, 1993, 1996).
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33
34 Arguably, one common flaw found in much of the previous studies is the ambition of
35
36 researchers to measure a series of performance indicators in a single paper. In our paper, we
37
38 specify our performance focus to marketing outcomes only to provide a more realistically-
39
40 measurable conceptualisation of IT-led performance. Moreover, marketing performance is
41
42 particularly crucial in the context of interfirm collaboration when the purpose of the
43
44 partnership is market entry (Cavusgil and Zou, 1994). In reference to Porter and his work on
45
46 value chain activities (1985), we break down marketing performance into two categories:
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48 Upstream and downstream marketing activities.
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3.2.1. Downstream marketing outcomes

Previous literature has long discussed the performance benefits of foreign firms forming interfirm alliances with firms which already have an established presence in the host market (Sarkar *et al.*, 2001). One obvious benefit is the availability of downstream marketing channels including marketing and advertising, distribution, and customer services (Jean *et al.*, 2008). Foreign firms new to a market are likely to experience ‘foreignness’ in the areas of culture recognition, psychic distance, and knowledge and experience shortage. Dealing with these barriers from within the firm requires time and capital investment (Claro and Claro, 2010). In a market of high competition intensity, such a strategic move is likely to create competitive disadvantages. Instead, international joint ventures or strategic alliances with locally-established firms is often viewed as a more efficient mode of entry (Fang *et al.*, 2015; Sarkar *et al.*, 2001), particularly when downstream marketing channels are complex and difficult to establish in more dynamic environments. Collaborating with carefully selected local firms who have established networks in place can help to significantly speed up market entry processes. More importantly, the absence of ‘foreignness’ as a result of the alliance enables foreign partner firms to effectively market and advertise, distribute, and service the host market with contribution from the local partner (Jean *et al.*, 2008).

3.2.2 Upstream marketing outcome

Upstream marketing is less discussed by scholars than downstream marketing (Charan 2004, 2005; Ellis, 2010; Lew *et al.*, 2013; Smith *et al.*, 2015; Woletz *et al.*, 2005), however, it is equally and if not more, important as a measure of marketing performance in the context of collaborative market entry. Upstream marketing activities are generally considered more strategic than downstream activities (Charan, 2004) which orient around market extension, customer segmentation, and product and process innovation. Whilst downstream activities

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2
3 are closely aligned with upstream marketing decisions, the former is more operational once
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5 decisions are made, and the latter is about planning and decision making for downstream
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7 activities (Charan, 2005; Ellis, 2010). In the context of collaborative market entry, foreign
8
9 investors are likely to benefit from teaming up with local partners when developing
10
11 marketing plans and making decisions because the local context and customer preferences
12
13 can be more effectively considered as partner firms' knowledge and experience is made use
14
15 of in the process.
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19 In our paper, we suggest that IT capabilities, in the context of interfirm alliance for
20
21 market entry, can improve foreign firm performance by enhancing upstream and downstream
22
23 marketing outcomes. This is because knowledge and information shared between foreign and
24
25 local partners can help to **inform more appropriate marketing decisions and more appropriate**
26
27 **plans – this helps to improve upstream marketing performance. Conversely, effective timely**
28
29 **information exchanges between foreign and local partners when carrying out downstream**
30
31 **marketing activities can help both parties better adapt to market needs and changes quickly.**
32
33 These arguments are in line with works of Sambamurthy et al (2003) who suggested the
34
35 important role of IT in facilitating information exchanges and Mowery et al (1996) who
36
37 noted the importance of local knowledge to counteract 'foreignness' in marketing. Thus:
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41 Proposition 1a: The establishment of interfirm IT capabilities, including shared IT
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43 resources, related human resources, and cross-firm IT integration, **is likely to improve foreign**
44
45 **partner firm upstream performance by enhancing local knowledge and information exchanges**
46
47 **for better informed decision making.**
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50 Proposition 1b: The establishment of interfirm IT capabilities, including shared IT
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52 resources, related human resources, and cross-firm IT integration, **is likely to improve foreign**
53
54 **partner firm downstream performance by enabling more localised marketing activities which**
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3 better meet customer needs through effective information exchanges between local and
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5 foreign partners.
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10 3.3. *Governance mechanisms dimensions*

11 3.3.1 *Shared control*

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14 We draw upon the TCE perspective to discuss three governance mechanisms which have
15
16 been extensively discussed in international business literature. First, control is generally a
17
18 form of governance which is, according to Child (1973: 117), “essentially concerned with
19
20 regulating the activities within an organization so that they are in accordance with the
21
22 expectations established in policies, plans, and targets”. At the heart of control is the
23
24 monitoring process, and there are two phenomena which can be monitored, i.e. behaviour and
25
26 output (Baliga and Jaeger, 1984; Egelhoff, 1984; Ouchi, 1977). These two aspects are not
27
28 substitutes of each other but two different means of control (Egelhoff, 1984). In any context,
29
30 control induces the desired performance while inhibiting dysfunctional behaviour (Gencturk
31
32 and Aulakh, 1995). It reduces uncertainty, increases predictability, and ensures that
33
34 behaviours originating in separate parts of the organisation are compatible and support
35
36 common goals. Such an activity becomes more difficult to exercise as the context becomes
37
38 more complex, such as in the context of interfirm alliances. TCE suggests the presence of
39
40 opportunism and self-interest, therefore shared control is considered a necessity for partner
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42 firms to ensure both parties are acting towards achieving common goals.
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48 Literature on IT and management discusses the role of IT in facilitating monitoring
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50 processes in both intra- and inter-firm contexts (Jean *et al.*, 2008; Yu, 2011). IT-enabled
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52 information exchanges between functions or firms allow a more ‘real-time’ and more detailed
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54 understanding of individual actions. In the context of interfirm alliances, a clearer view of
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56 each other’s actions discourages opportunism and dysfunctional behaviour. Instead, actions
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3 become more visible to all (Yu, 2011) and therefore more predictable behaviour is promoted
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5 to achieve common objectives (Jean *et al.*, 2008).
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8 9 10 3.3.2 *Interfirm coordination*

11 Coordination is considered another important mechanism both in intra- and inter- firm
12 contexts (Jap, 1999; Karunaratna and Johnson, 1997). Its key function is to help firms to
13 leverage their organisational resources locally and globally (Shi *et al.*, 2005). There are
14 generally two directions of coordination. Buvik and Reve (2002) noted vertical coordination
15 to involve top-down two-way information transfer and co-actions between functions or firms
16 whilst Baumol (2001) suggested horizontal coordination to involve joint efforts between
17 alliances or joint venture partners. Despite the two entailing different types of synergy
18 seeking and resource leverage (Baumol, 2001), in the context of interfirm alliance for market
19 entry, we would expect both vertical horizontal coordination to be favourable for foreign
20 firms as the former brings about upstream or downstream value creation through
21 collaboration with local partners and the latter brings about synergy in product or process
22 innovation and market performance.
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38 As previous research argues that coordination requires effective communication and
39 information flows between functions or firms, and IT has been found in studies to
40 significantly enhance real-time communications and information exchanges (Adams *et al*
41 1992). In the context of interfirm alliance for market entry, foreign and local partners must
42 coordinate effectively with each other for upstream and downstream activities. It is suggested
43 that IT improves such process through better exchanges which enhance interfirm value
44 creation (Streeter *et al.*, 1991).
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3.3.3 Cross-firm formalisation

Formalisation, defined as “the degree to which organizational norms are defined explicitly” (Hall 1982), is seen as the governance form which prescribes allowable and non-allowable behaviour through the use of rules and procedures (Egelhoff, 1984; Gencturk and Aulakh, 1995; Martinez and Jarillo, 1989). Hence, it has a direct impact on individuals’ behaviour by defining the nature of acceptable task performance and criteria for decision-making (Baliga and Jaeger, 1984; Bjorkman *et al.*, 2004; Fredrickson, 1986; Pfeffer, 1978). Formalization is seen as providing governance through modifying behaviour (Baliga and Jaeger, 1984; Ouchi, 1977). In other words, through prescribing the bounds of behaviour, formalization can limit decision making discretion and restricts individual autonomy. Formalization is also suggested to facilitate vertical and horizontal coordination by standardizing the ways in which functional activities are performed (Kim *et al.*, 2003). In the context of collaborative partnerships, cross-firm formalisation is important for standardising individual partner’s behaviour to ensure consistency in operations (Schul and Babakus, 1988). It also helps to provide a higher level of certainty and reduced conflicts in the partnership (Grandori and Soda, 1995).

As previously suggested, the important role of IT in transferring information and therefore establishing a more standardised view on organisation-wide practices can lead to more effective internal formalisation of operations. This view is empirically supported by the work of Yu (2011). In the context of collaborative market entry, actions and processes of foreign and local partners can be more consistent and visible to each other, and therefore, more effective in establishing interfirm best practices and greater value creation.

3.3.4 Hybrid centralisation

Centralisation is also an important form of governance commonly discussed in the context of headquarter-subsidiaries (Baliga and Jaeger, 1984; Egelhoff, 1988; Gencturk and Aulakh, 1995; Martinez and Jarillo, 1991; Martinez and Jarillo, 1989). It is generally defined as the division of decision making authority between parties (Ghertman, 1988; Gates and Egelhoff 1986). The greater the centralisation a firm chooses to implement, the less delegation of decision making outside (Baliga and Jaeger, 1984; Gates and Egelhoff, 1986). Two major determinants of the level of delegation are suggested to be the complexity of operations (Hage and Aiken, 1967) and environmental uncertainty (Lawrence and Lorsch, 1967). In the context of collaborative partnerships, we argue that local firms are in a better position than foreign partners to evaluate the situations of the host market. Moreover, decisions to act are better informed at the local level due to the proximity to the market in response to diverse local demands (Bartlett and Ghoshal, 2002). Hence, over centralisation by a foreign partner can result in ineffective decisions being made when the local context is not accommodated (Henderson and Smith, 2015; Minduta *et al.*, 2016; Roth and Nigh, 1992). Instead, a shared decision making arrangement is likely to deliver both local and organisational benefits to partnering firms.

IT and management literature has suggested that organisational IT can help firms to gather necessary information for decision making (Huber, 1990). When real-time information is constantly and accurately shared between partner firms, mutual decision making becomes a possible and asymmetric relationship (Elg and Johansson, 1997; Mohr, 1996). Such decisions are made on the basis of combining local partner's market knowledge with foreign partner's product knowledge, and hence create higher value for both firms.

Hence, we draw upon RBV and TCE to propose that interfirm alliances with the intention of market entry are likely to generate most IT-led benefits in the areas of upstream

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2
3 and downstream marketing by enhancing four important interfirm governance mechanisms.
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5 It is likely that the relationship between IT capabilities (IT resources, related human
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7 resources, and IT integration) and firm performance outcomes (upstream and downstream
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9 marketing) is mediated by shared control, interfirm coordination, cross-firm formalisation,
10
11 and hybrid centralisation. Specifically, interfirm IT capabilities can help both partners in
12
13 terms of shared control of marketing processes and output in the way of timely information-
14
15 exchanges. Second, shared IT capabilities can also facilitate information exchanges between
16
17 the partners. In terms of marketing decisions and activities which require coordinative efforts;
18
19 both parties can be informed on time via shared IT. Third, shared IT capabilities allow both
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21 partners to 'pre-programme' each other's role and practices by setting agreed procedures
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23 inside the IT systems so that a level of operational formalisation for carrying out marketing
24
25 activities is achieved. Building on these arguments, it is thus proposed:
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30 Proposition 2a: the establishment of interfirm IT capabilities is likely to lead to more
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32 effective control shared between the foreign and local partner firms, so that marketing
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34 performance (upstream and downstream) is likely to be more desirable.
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37 Proposition 2b: the establishment of interfirm IT capabilities is likely to lead to more
38
39 effective coordination between the foreign and local partner firms, so that marketing
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41 performance (upstream and downstream) is likely to be more desirable.
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44 Proposition 2c: the establishment of interfirm IT capabilities is likely to lead to
45
46 greater formalisation of shared marketing processes, so that marketing performance
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48 (upstream and downstream) is likely to be more desirable.
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50 51 52 3.4 Process moderators

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54 Value creation of IT has been considered to be under the effects of internal and external
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56 moderators (Kim *et al.*, 2005, Melville *et al.*, 2004; Jean *et al.*, 2008). This is due to potential
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3 effects many variables can have on IT and user firms. However, we argue that these
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5 moderators are still not fully explored to date in the context of interfirm alliances. Hence, we
6
7 **build upon the contingency-theory perspective to** conceptualise two categories of moderators
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9 which can have an impact on interfirm processes. We consider IT-related risks, and
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11 organisational processes to moderate the relationship between IT capabilities and interfirm
12
13 governance mechanisms.
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16 17 18 *3.4.1 IT-related risks dimension* 19

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21 In our paper, we also propose two IT-related risks which are likely to impact on IT
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23 capabilities of the collaborating firms. Specifically, Mata et al (1995) noted that technological
24
25 uncertainty can be a risk as IT investment may not meet the expectations of the collaborating
26
27 partners in a timely manner. Specific sources of this type of uncertainty include failure to
28
29 obtain the anticipated IT results because of implementation difficulties, higher than
30
31 anticipated implementation costs, longer than anticipated implementation time, low technical
32
33 performance at the outset of the investment, and incompatibility of the IT with the current
34
35 organisational systems and processes of the partner firms. The second risk is market
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37 uncertainty which reflects the degree of acceptance of the invested IT in the respective
38
39 marketplace of the collaborating firms (McFarlan, 1981). Consequently, we draw two related
40
41 propositions: one is that these two types of risks can potentially have negative effects on
42
43 value creation between collaborative partnerships if inappropriately handled, and two is that
44
45 these risks can potentially be counteracted by developing appropriate IT capabilities at the
46
47 outset between the partner firms through effective communications and teamwork (Feeney
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49 and Willcocks, 1998; Gorry and Morton, 1989; Shin, 2006). Hence:
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54 Proposition 3a. IT-related risks can have negative moderating effects on the
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56 achievement of effective interfirm governance mechanisms through use of IT capabilities.
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3 Proposition 3b. Effective establishment of interfirm IT capabilities counteract IT-
4 related risks through reduced technological and market uncertainty.
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9 10 3.4.2 *Organisational characteristics dimension*

11 Knowledge Tacitness: It has been long suggested by RBV that one of a firm's critical
12 resources nowadays is knowledge. We follow the general classification of knowledge into
13 two intertwined categories: explicit and tacit (Assimakopoulos and Yan, 2006; King and
14 Zeithaml, 2003; Teece, 1998). Explicit knowledge is also known as codified information and
15 expressed in words, data, numbers, and language. It is codified into symbolic forms such as
16 documents and databases, and shared among individuals relatively easily. In contrast, tacit
17 knowledge is personal, context-specific and hard to formalise and to communicate among
18 people. Tacit knowledge embeds cognitive elements including personal beliefs, values and
19 mental models, and technical elements including technical skills and know-how (Nonaka and
20 Takeuchi, 1995, Nonaka and Konno, 1998). Tacit knowledge often involves activities at
21 individual, group and organisational levels which are often invisible to outsiders of a
22 particular organisational context. It is more personal and subjective, making it difficult to be
23 formalised and tends to be deeply rooted in action, commitment, and involvement in a
24 specific context (Nonaka and Takeuchi, 1995). Therefore, of the two types, tacit knowledge
25 has more limited transferability. Further, explicit and tacit knowledge are inseparable and
26 interactive (Polanyi, 1966, Roberts, 2000). Hence, the distinctive properties of heterogeneity
27 and immobility of tacit knowledge makes interfirm information and knowledge transfer
28 challenging. Although IT facilitates information and codified knowledge exchanges between
29 partner firms, the inevitable nature of tacit knowledge can moderate the exchange process.
30 On another note, Nonaka (2001) asserted socialisation is considered as an important and
31 necessary process for tacit knowledge transfer, which occurs when knowledge to be
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3 transferred merely makes sense if it is abstracted from its context. Hence, for transfer to
4
5 succeed, sender and receiver need to share a similar thinking process. This can only be
6
7 achieved via continuous social interactions. Borghoff and Pareschi (1997) noted the
8
9 importance of IT in facilitating socialisation via virtual networks for communications and
10
11 information sharing. Personal interactions in distant context become possible and effective.
12

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14 Thus:

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16 Proposition 4a: Knowledge tacitness has negative moderating effects on achievement
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18 of effective interfirm governance mechanisms through utilisation of IT capabilities.
19

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21 Proposition 4b: Effective establishment of interfirm IT capabilities facilitates tacit
22
23 knowledge transfer through enhanced socialisation
24

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26 Horizontal visibility: The issue of invisibility between two entities has been mostly
27
28 discussed in the context of headquarters-subsidary relationships. The underlying cause is
29
30 suggested embeddedness which implies an ambiguous view of a firm's internal operations for
31
32 outsiders (Holm *et al.*, 1995). It is argued that such embeddedness makes it difficult for
33
34 outsiders to form a good picture of the operation since the internal network is invisible to
35
36 those who are not directly involved in a continuous manner. Hagedoorn (2006) described
37
38 such a network relationship as a matter of trust, knowledge and interpretations based on
39
40 social interaction. It has evolved gradually overtime and can only be understood by those
41
42 individuals who were directly involved in interactions. Hence, for collaborating partners from
43
44 two different backgrounds and long-established idiosyncratic internal networks, a lack of
45
46 accurate understanding and appreciation of the partner firm limits their ability to collaborate
47
48 effectively. Visibility can only be improved overtime through enhanced
49
50 information/knowledge exchanges. It is suggested only when parties have close proximity,
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52 will they be able to counteract information asymmetry (O'Donnell, 2000). Hence, without
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54 efficiency information exchanges, physical distance between them undermines coherent
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3 development. On another note, the ability of IT to manage (including storage, transfer, and
4
5 integration) information by supporting interfirm communications in real time allows more
6
7 obtainable knowledge and information (Walsham, 2001). Similarly, Nault and Dexter (1995)
8
9 and Powell and Dent-Micallef (1997) saw IT as an important tool to facilitate effective
10
11 collection and use of information. Hence, we argue that while collaborating partners are
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13 likely to experience horizontal invisibility issue as a result of internal embeddedness within
14
15 their own organisations, IT can enhance interfirm visibility through efficient information
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17 exchanges. Thus:
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21 Proposition 5a. Restricted interfirm horizontal visibility has negative moderating
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23 effects on the achievement of effective interfirm governance mechanisms through the use of
24
25 IT capabilities.
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28 Proposition 5b. Effective establishment of interfirm IT capabilities enhances
29
30 horizontal visibility through efficient information and communication exchanges.
31

32
33 Absorptive capacity: Although knowledge transfer is well-acknowledged by many to
34
35 benefit firms' capability enhancement, ultimately, what determines the value creation of the
36
37 transfer (which therefore influences capability development) is another question. After
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39 knowledge is transferred, firms expect to see effective application of transferred knowledge
40
41 to current operations in order to justify the action. Many have suggested that the outcomes of
42
43 a transfer can be measured based on the absorptive and retentive capacity of the receiver
44
45 (Hansen, 2002; Malhotra *et al.*, 2005; Minbaeva *et al.*, 2014; Zahra and George 2002). The
46
47 former refers to the ability to acquire, absorb and assimilate new knowledge to produce
48
49 dynamic organisational capabilities, and the latter is the institutionalisation of what has been
50
51 transferred. Specifically, once knowledge is successfully transferred, the receiver must make
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53 adjustments so that it can fit into (or become applicable in) the new context. The receiver
54
55 needs to be able to identify the opportunities available to use knowledge in the current
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3 context (Garud and Nayyar, 1994). Effective communications and information exchanges
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5 between firms can help them make more appropriate use of received knowledge
6
7 (Sambamurthy and Subramani, 2005). Hence, in the context of interfirm alliances for market
8
9 entry, while partner firms' ability to absorb and retain exchanged knowledge or information
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11 is likely to moderate the relationship between IT capabilities and interfirm governance, IT is
12
13 also likely to enhance information exchanges and therefore absorptive capacity of partner
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15 firms. Thus:

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18 Proposition 6a. The limited absorptive capacity of partner firms' has negative
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20 moderating effects on the achievement of effective interfirm governance mechanisms through
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22 the use of IT capabilities.
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26 Proposition 6b. Effective establishment of interfirm IT capabilities facilitates partner
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28 firms' absorptive capacity through enhanced information and communication exchanges.
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32 **4. Contribution and Implications for Future Research**

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34 Echoing a recent study by Jean et al (2008) on IT-mediated international supply chain
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36 relationships, our paper has provided a holistic research framework and a number of
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38 propositions. Specifically, we provide a more complete and detailed conceptualisation of the
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40 impact of IT on interfirm governance mechanisms in the specific context of cross-border
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42 market-entry alliances. Our paper therefore contributes to the international marketing,
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44 international business and strategy, and IS literature.
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48 Specifically, we reviewed diverse views and provided an integrated perspective of
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50 RBV and TCE into the framework. We believe this view underpins our answer to the
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52 research question of whether and how interfirm IT affects international marketing
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54 performance in the way of improving collaborative relationships. Several conclusions can be
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56 drawn from our conceptualisation. Firstly, interfirm IT capabilities are not an effort of any
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3 one firm but the outcome of effective alliance between partner firms. Any one set of IT
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5 resources, e.g. IT systems, related human resources, or IT integration, alone could not create
6
7 maximum value. Instead, appropriate alignment among the three brings IT capabilities, which
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9 are dynamic and idiosyncratic to the specific alliance. Secondly, IT capabilities do not
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11 necessarily have a direct effect on international marketing performance; instead, it is most
12
13 effective in enhancing the interfirm relationship which subsequently leads to positive
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15 performance. Thirdly, the marketing performance implications of IT in the context of cross-
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17 border alliances is an important managerial consideration and therefore successful
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19 implementation of IT is particularly necessary and critical for foreign partner firms. Lastly,
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21 the establishment of interfirm IT capabilities is further emphasised as they help firms to
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23 counteract associated risks and contextual limitations. Subsequently, our proposed framework
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25 and propositions developed in this paper open up several avenues for future empirical
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27 research.
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32 Our paper has provided a distinct and integrated theoretical perspective which
33
34 emphasises the role of IT in international alliances. We have provided a solid theoretical
35
36 foundation for future empirical testing of IT capabilities in enhancing alliance performance
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38 by way of improving interfirm governance. Particularly, we have offered an alternative view
39
40 to the IT-performance debate. Second, we have offered an integrated view of IT in the
41
42 context of international alliances by building upon a number of literature streams (IT and IS,
43
44 strategic management, and international business). Third, we have developed a conceptual
45
46 framework incorporating key IT, interfirm relational, and marketing performance related
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48 variables in order to provide a more overarching conceptualisation of the usefulness of IT in
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50 alliance studies. This area remains under-explored.
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54 Consequently, a number of research directions can be pursued to enhance current
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56 knowledge and understanding of IT value in international market-entry alliances. One of
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3 them is empirical testing of the propositions and the related framework in future studies.
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5 Another direction may be to specifically examine other types of international collaborations,
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7 such as joint venture, mergers, and acquisition to identify any potentially differences in terms
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9 of IT value. The availability of IT capability, governance, and marketing performance
10
11 measures, as discussed in our paper, enable researchers to empirically test against each form
12
13 of collaboration. A third possibility is to conduct longitudinal study of the effects of IT in the
14
15 processes of international alliances, though the procedure involved is likely to be
16
17 cumbersome. However, it would shed light on the 'IT productivity paradox'. Future research
18
19 can also take the direction of exploring the view of host market partner firms and comparing
20
21 it against foreign partners to not only identify the value of the IT from a new perspective but
22
23 also to reveal any potential gaps or conflicts between foreign and local partners so to further
24
25 enhance performance.
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30 We hope that our paper has provided some useful insights on the topic of international
31
32 marketing and generated new research interests into IT-mediated international market-entry
33
34 alliances.
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