

## The Factors Affecting the Strategic Alignment and Competition While Collaborating in International Trading Companies

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**Abstract:** This study aims to investigate the factors influencing the strategic alignment and competitiveness while collaborating in international business companies. The methods used in the present study is descriptive and study plan is correlational and path analysis. In this study, international trading chain businesses are evaluated. According to wide ranges of these companies, this study is conducted on clothing industry; so with this limit, industrial dispersion is declined (minimum variance). However, due to the variety of brands in this particular industry, frequency is maximum. Since, there's no access to all brands, Emirates Mallis evaluated. There are 185 brands in the center but available samples were 53 brands. So, brands selection is based on partnership. Independent variables in this study are: trust and knowledge sharing and its impact on strategic alignment and competition in cooperation environment is evaluated. Measuring tools used in this study are 4 questionnaires of: knowledge sharing; trust; strategic alignment and competition during cooperation.

**Key words:** Competitiveness, descriptive, correlational, partnership, alignment

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### INTRODUCTION

One of the most common and important processes in various structures introduced for knowledge management is knowledge sharing. And motivating people to share their knowledge in organizations is one of the main priorities of knowledge management practitioners in the world. One of the principal objects of knowledge management practitioners in organizations is improving knowledge sharing between employees and also between employees and organizations to build competitive advantage. Effective knowledge sharing between members, leads to lower costs in knowledge creation and ensuring dissemination of best working practices within the organizations. This enables the organizations to solve their problems. Share knowledge as a complex activity but valuable one is a basic knowledge management strategy in many organizations (Riege, 2005).

Trust between an organization and its branches and members has a direct effect on communication flow between members of the organization. As a result, it affects the relations within and between units within an organization and its branches. Abrams *et al.* (2003) believe that interpersonal trust is an important mechanism in knowledge sharing.

### LITERATURE REVIEW

Reviewing the literature shows that no research has examined the relationship between knowledge management and trust with strategic alignment and

competition during collaboration. Therefore, only relevant research in this area will be mentioned. Kimmerle *et al.* (2007) concluded that individuals with a high degree of trust in colleagues (i.e., high interpersonal trust) have more cooperation than those in the lower degree of interpersonal trust in terms of information exchange.

Ferraresi *et al.* (2012) investigated the relationship between knowledge management variables, strategic orientation, organizational innovation and organizational performance. They found that knowledge management has a direct impact on the strategic orientation. But other relations between other variables were not significant.

Zhang found that knowledge acquisition and its sharing is effective in innovation and product development and thus improving organizational performance. In other words, the integration of organizational knowledge can lead to product development, defects reduction and organizational efficiency increase. In a study by Salim titled "The Strategic Impact of New Product Development on Export Development", he discussed the importance of new product development cycle time for companies that follow pursuing export strategy as a means of maintaining success and competitive advantages. Researcher tested the following hypotheses in this study: measured variables are knowledge sharing, trust, strategic alignment and competition during collaboration. To measure each of the variables, a questionnaire was used.

Despite competition, great economic achievements such as economic development, increasing economy efficiency, reducing the costs of production,

industrialization, increasing the quality of customer interests and ultimately order happened. In addition, institutional collaboration became as one of the most important business management tool to improve the competitiveness of enterprises, especially in complex and chaotic environments. And the ability to manage effectively is a competitive advantage. Collaboration, fills the gaps between existing resources and future requirements. And by creating synergies it promotes learning and rapid change and competitiveness in organizations.

Knowledge management is also defined as a strategy that should be developed in a company. So, we can be sure that knowledge is shared to the right people at the needed time and they share their knowledge and they use of information to improve organizational functions (O'Dell and Grayson, 1998). Knowledge management means expertise storage and collective intelligence and its use to promote innovation through continuous learning organization. Sharing or knowledge sharing means to exchange knowledge and experience among different organizational units. Knowledge sharing, according to Davenport and Prusak is defined as "knowledge exchange activities between organizational units for current and future interests".

Tacit knowledge is a knowledge that is obtained by internal individual processes and is stored in one's own existence. Sometimes such knowledge is defined as experience, reflection, individual talent or introversion (Mowen, 2000). This knowledge is unstructured and is not based on tangible evidence. It has personal and inner state so, it is difficult to formalize and transfer it to others. Studies have shown that there is a positive correlation between knowledge management and organizational performance (Wang and Wang, 2012).

Knowledge sharing as a complex activity but valuable one is a basic for most strategies in many organizations (Riege, 2005). Studying knowledge sharing is rooted in innovation, technology transfer and strategic management literature. The power of people in the exchange of knowledge, experience and skills increases their production growth and new services. Hence, knowledge sharing is considered a prerequisite for the development of technologies or new products. Therefore, given the importance of knowledge sharing and its role in strategies, exchange of knowledge and technology development in organization seems to play an important role in strategic alignment and competition the collaboration.

Discussing organizational strategic alignment and competition during the collaboration, regardless of the term trust is impossible. Among the variables that play a vital role in international relations is trust. Trust is known as a determinant of successful relationships. Trust is a prelude to a successful collective action and also the

product of successful collective, working groups that successfully finish a project are likely to show more trust. This in turn leads to more and more complex efforts in groups. Trust is created through interactions between individuals and other groups or organizations. Abrams *et al.* (2003) emphasize that informal interpersonal networks is the main tool for finding data and solving complex problems. They believe that interpersonal trust is an important mechanism for sharing knowledge.

Theoretically, trust in management inspires individual conscience in corporate environments (Deluga, 1995). Trust is important in interpersonal and commercial relations. The importance has been emphasized in various research areas such as psychology (Lindskold, 1978) sociology (Strub and Priest, 1976) economy (Dasgupta, 1988) and marketing (Moorman *et al.*, 1992). There are actually many definitions of trust. Trust is defined as follows: "the tendency of an individual to be involved in actions of another individual; based on the expectation that the trusted person will do a certain action which is important for a person who has trusted him (Regardless of the ability to monitor or control the trustee)" (Miller, 1992). In this study, we assume that trust affects strategic alignment and organizational competitiveness.

## **RESEARCH IMPORTANCE**

One of the reasons for the importance of knowledge sharing is to reduce costs, improve performance, reduce new product development time and ultimately reduce costs to find and access a variety of valuable knowledge within the organization (Alavi and Leidner, 2001; Dyer and Nobeoka, 2000). In the realm of strategic management, with a view to the importance of knowledge as the most important strategic resource in the development of organizational innovation, knowledge sharing is in a high position. As knowledge sharing improves the development of skills, capabilities, creating added value and the development of innovative activities and strategies, it is important for organizations. In addition, in resource-based view, knowledge is the most important strategic resource in an organization. Managing this resource is one of the most important challenges that organizations face, especially military organizations. Trust is known as a good predictor of behavior in researches such as the adoption of e-Commerce (Pavlou and Fygenson, 2006), trade cooperation relations (Pavlou and Gefen, 2004) and individual or group performance (Paul and McDaniel Jr., 2004).

## **COMMENTS AND OPINIONS ABOUT INTERNATIONAL TRADE**

International marketing is identifying the needs and demands of consumers in different markets and cultures,

providing products, services, technologies and ideas that give companies a competitive marketing advantage as well as advertising these products services and their international distribution and exchange them through one or a combination of methods to enter foreign markets.

#### **BITAM ALIGNMENT MODEL**

Business IT Alignment methodology = BITAM Model, presented in 2002 along with its methodology by Kazman and Chen. They criticized the previous alignment models and frameworks and pointed out that these models are often related to in the concept of strategic-level alignment and communication between different parts of the model. They believe that these models do not express how to measure and correct the inconsistency which has always been very important. They also believe that the IT has created amazing changes on environment over time. And after the Internet revolution and its globalization, information technology is an essential factor for business success and it is an integral part of business planning. Due to advances in technology and changes in the business environment, organizations need to find and match methods for continuous innovation in alignment process.

They believe that previous models of alignment with respect to the changes that happened in the business environment, not suitable. In fact, these models often expressed the strategic level and conceptual alignment and connecting different parts of the model and they did not review alignment issues in the IT architecture which is essential for alignment. Kazman and Chen suggest the following IT and business alignment model based on IT architecture. This model has specified layers of business models, business architectures and IT architectures.

#### **C4 ALIGNMENT MODEL**

A study conducted in 2004 on alignment strategies in which 21 senior director of information technology and business in 15 major organizations were surveyed and interviewed. Analysis of the results of this study suggest that most respondents whose organizations were more aligned, expressed 4 major topics in order to achieve alignment that are:

**Clear direction, commitment, communication and cross-functional integration:** Clear direction means to provide a clear and determined strategy for the near and long term future. IT and business strategies of organizations need to be created in close partnership with each other and coordinate with each other. Many organizations have developed certain standard plans and an integrated macro architecture to enhance alignment. Commitment is IT support from the highest management

levels. Part of this process involves IT managers' participation in organization planning, along with the participation of business managers in IT planning. In order to implement the desired integration, we need mutual respect and trust in the organization.

Communications is defined as a key factor in the success or failure of the organization's alignment. This begins with a clear and detailed statement of the main expectations of organization from alignment. Then strategy, objectives and expectations of organization is transferred to business managers and staff.

It seems that as long as bilateral discussions between IT managers and business managers are not done, efforts by IT unit for alignment will be rejected by business managers. When business managers understand the reasons of IT unit for alignment, both units, accept the alignment process risks and share it.

Cross-functional integration can be a result of alignment. In order to successfully align IT and business strategies in organizations, boundaries between departments and functions of the organization should be removed. Staff should be encouraged to create proper ways of using technology to create value and achieve organizational goals. Finally in order to achieve alignment, a broad regulatory structure need to be created and implemented across the organization. A central core and multitasking and multi-sector teams need to be created to manage IT and business alignments and run the developed integrated strategy.

#### **THE CONSEQUENCES OF STRATEGIC ALIGNMENT**

The strategic alignment of business and IT arises from cognitive development of strategies that reflects IT and business managers' knowledge combination. Higher strategic alignment of business and IT as a consequence of knowledge integration between business and IT, improves planning different IT projects. Higher strategic alignment of business and IT enables the business requirements so that technologies and systems change more effectively. Low strategic alignment of business and IT may lead to waste of valuable IT resources (Kearns and Raylv, 2006).

#### **COMPETITION DURING COOPERATION**

All types of organizations may be considered as a set of organizations with objectives that members communicate with each other for several reasons but the main motivation for participation is that organizational and personal goals are not achievable through separated individual performance. But they can be fulfilled by a group performance; so communication in organizations can be considered as a factor to achieve organizations'

goals. In fact, through this essential process the exchange of information in the organization can be done and the organization earns the ability to take advantage of information and achieving its objectives. Effective communication in an organization increases efficiency, employees' satisfaction, motivation and helps to reduce conflicts caused by lack of communication. Communications in organizations with a formal structure of can be subdivided as follows:

**Formal communications:** Some communication channels are formally designed and run by managers and other stakeholders. Such channels are designed for downward, horizontal and upward information flows. These channels are essential to organize and coordinate people activities in different positions of that structure.

**Informal communications:** Many people in organizations do not limit their communication to determined formal channels but they desire to communicate with their colleagues more than that prescribed in formal channels. Such trends leading to the emergence of various communication channels is called informal communication channels. Competing is interconnected with knowledge management and innovation. Organization's resources is divided into two groups: physical resources (including money, equipment, materials, facilities and time) and conceptual resources (data, information and knowledge). According to new approaches, knowledge management is considered as a key factor in organizational performance. Organizations should seek knowledge that will enable them to create value. In fact, innovation and competitiveness are functions of knowledge management. However, it seems that any activity for creating value for an organization increases competitiveness through improved efficiency, agility, reputation and innovation but the identified activities are not the only determining factors that lead to competitiveness, in fact there are other forces that affect how knowledge management activities are done. These include: resources effects and environmental effects.

## **KNOWLEDGE MANAGEMENT**

Currently, there are a lot of debates on how to define the knowledge management. Here we discuss some ideas about knowledge management and we believe that the best way to define concepts is by analyzing how it is used by individuals. So, we try to define knowledge management by looking at what people do in this area. Knowledge management means expertise storage and collective intelligence and its use to promote innovation through continuous learning organization. In another definition knowledge management is a process that includes knowledge creation activities through discovery

and acquisition of valuable knowledge from outside resources, choosing required knowledge from internal resources, changing knowledge resources state and integrating knowledge in organization's data. According to this definition, the main purpose of knowledge management is to ensure that the right knowledge is available with right staff and the right time for all processes.

## **SIEMIENIUCH AND SINCLAIR ORGANIZATIONAL READINESS MODEL (2004)**

Siemieniuch and Sinclair defined readiness as an essential prerequisite for a person or organization to be successful when facing organizational change. Readiness for knowledge management is a series of essential prerequisites for the successful implementation of knowledge management. Siemieniuch and Sinclair also emphasized the fact that organizations with any level of capability need to be prepared and ready for preliminary knowledge management and use their ability best in knowledge system. Siemieniuch and Sinclair considered 8 factors for organizational readiness for the adoption of knowledge management. Eight factors of Siemieniuch and Sinclair model are as follows:

- Create trust through leadership: this principle is especially true at the management level but is used at other levels of the organization. An obvious commitment to the philosophy of partnership in external relations in regard to performance quality is needed
- Without this directive, there is always the risk that the process teams develop their culture too much to cover gaps and in this case there is a risk that such cultures be obsessed with current dilemmas and lack enough focus to the needs of long-term business strategies
- Identify and expand good tiding roles: this step is essential, however, leaders should be known as leaders but this principle may not be true everywhere, so necessary actions are needed to be done to create the sense of commitment in followers
- Determine knowledge ownership policies: important roles in this regard are process owners, content owners and process operators
- Determining and implementing efficient security policies is key organizational issue here. Security should not jeopardize performance because it will not last for a long time that security will be endangered. It should be noted that the security system is only as secure as the people who use them are. Let's assume the purpose of security is to reduce the rate of data insertion but not to keep it secret and coded for ourselves

- Creating processes and general procedures; this provides the company's operations framework so that's how it manages and supplies
- Modify the structures and technical processes to allow easy access, search, dissemination and use of knowledge
- Review incentive policies: there is a vast literature on the field again. If an action by people does not be encouraged, a difference or loss or bad thing will happen. So, appropriate metrics and performance measures, incentive structures and educational forecasts is essential to encourage people to work in accordance with organization goals. It should be for all people within organizations. In addition, rewards and incentives should not necessarily be financial

### METHODOLOGY

**Knowledge sharing:** To measure knowledge sharing, a questionnaire developed by Wang and Wang was used. The questionnaire consists of 11 questions. The 6 questions for explicit knowledge and 5 questions about tacit knowledge. The questions were measured according to 5-point Likert scale from strongly disagree to strongly agree.

**Trust:** To measure the trust, a questionnaire developed by Leonido was used. The questionnaire consists of 4 questions based on 5-point Likert scale.

**Strategic alignment:** To measure the strategic alignment, questionnaires developed by Grainger and Herbert and Kwok and Hampson was used. This questionnaire has 16 questions based on five-point Likert scale.

**Competition during collaboration:** To measure competition during collaboration, the questionnaire of researcher was used. The questionnaire contains 8 questions based on 5-point Likert scale.

**Confirmatory factor analysis:** The oldest and most well-known statistical methods to investigate the relationship between observed and latent variables is factors analysis. In this approach, researchers study the covariance between a set of observed variables in order to gather information about their infrastructure or their factors. Confirmatory factor analysis is used when the researcher has high knowledge of the underlying latent construct. Based on theoretical knowledge, empirical research and previous studies, the researcher assumes that there is a relationship between the observed variables and the fundamental factors. Then he tests this hypothesis.

### RESEARCH HYPOTHESES TEST

**First hypothesis (knowledge sharing affects strategic alignment):** The results show that the impact factor of explicit knowledge sharing on strategic alignment is  $\beta = 0/19$  and the impact factor of tactic knowledge sharing on strategic alignment is  $\beta = 0/22$  in  $p < 0/05$  level is positive and significant. Thus, the first hypothesis was confirmed and knowledge sharing has positive effect on strategic alignment.

**Second hypothesis (knowledge sharing affects competition during collaboration):** The results show that the impact factor of explicit knowledge sharing on competition during collaboration is  $\beta = 0/26$  and the impact factor of tactic knowledge sharing on competition during collaboration is  $\beta = 0/33$  in  $p < 0/01$  level is positive and significant. Thus, the second hypothesis was confirmed and knowledge sharing has positive effect on competition during collaboration.

**Third hypothesis (trust affects strategic alignment):** The results show that the impact factor of explicit trust on strategic alignment is  $\beta = 0/23$  in  $p < 0/01$  level is positive and significant. Thus, the third hypothesis was confirmed and trust has positive effect on strategic alignment.

**Fourth hypothesis (trust affects competition during collaboration):** The results show that the impact factor of trust on competition during collaboration is  $\beta = 0/26$  which is not significant. Thus, the fourth hypothesis was not confirmed and is rejected.

### CONCLUSION

The results showed that when employees transfer their knowledge to others and expand organizational knowledge base, they provide alignment through in regard to changes and organizational goals and therefore affect strategic alignment. The main points in the knowledge exchange are as follows: employees be motivated and be willing to offer their knowledge, systems and structures support knowledge transfer process and knowledge exchange be recognized and supported in the entire organization. This enables stakeholders and users of knowledge so that they can use the created knowledge to solve the organization's problems. Utilization of knowledge in order to solve a particular problem or issue may lead to the creation of new knowledge; thus this new knowledge will be stored and analyzed. Generally, organizational knowledge should be applied to establish processes, services and products of organization. If an organization fails to establish its knowledge for practical use, then it will not be able to achieve a competitive advantage.

Knowledge and intellectual capital are the basis and core of main competencies as well as a strategy for better performance. Knowledge plays the strategic role only if the organization can use it in creating valuable activities and only if enjoy it to exploit the opportunities in a competitive market. Because it is no longer possible for companies to maintain their competitive advantage by doing things faster and better; the competitive advantage is feasible when the work is done and cannot be imitated by others. To achieve sustainable competitive advantage, attention to the available knowledge and its effective use and creating a framework for using new knowledge is very important. Organizations should pay attention to everything because knowledge management as a business strategy, operates in the organization operates at the same time and is considered as general application development tool in an organization. In addition, trust makes strategic alignment between different parts of trading companies.

### LIMITATIONS

The major limit in any research project may be the inability to generalize the results to other statistical populations. So, this research is not an exception and its results cannot be generalized except its own the location and population in the study. This limitation is due to considering an international clothing center as a sample. Restriction in using the questionnaires such as: unwillingness to respond by some of the participants, lack of sufficient accuracy and bias in response to questions and some possible misunderstandings from participants

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