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# On the role and nature of alliance management capability in family business: Empirical evidence from a developing market

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## Abstract

Despite the research on alliance management capability (AMC) has evolved in recent years, we still lack a clear understanding of its antecedents and performance outcomes in the context of family businesses, a setting that is inherently different from a typical firm-to-firm corporation. Collecting data from the Libyan family firms sector, we found that alliance experience, family culture (as internal antecedence), and political instability (as external antecedence) are crucial for AMC development, where the latter has a significant effect on the alliance performance of these firms. We also discuss the theoretical and practical implications of our study.

KEYWORDS
alliance experience, alliance management capability, alliance performance, family business, political instability

## 1 | INTRODUCTION

Over the last decades, alliance has become a prevailing strategic act for organizations. Accordingly, scholars have sought to untangle its complex dynamics, especially when many of these collaborative linkages do not live up to expectations. Amid these efforts, there is a growing research that alliance management capability (AMC) act as a significant driver of alliance success (Feller, Parhankangas, Smeds, & Jaatinen, 2013; Rothaermel & Deeds, 2006).

Realizing the progress in this respect, two important gaps remain. First, most studies on AMC have been widely associated with publicly listed companies (Hohberger, Almeida, & Parada, 2015), which implies a limitation in our understanding of this capability within the family business sector. The family business is fundamentally different from other types of organizations as members of the family are heavily involved in the decision-making process (Madanoglu, Memili, & De Massis, 2020), thus are most likely to incorporate the values and aspiration and the first generation of the family business (including the founders) would be the source of values and aspirations for later generations (Al-Tabbaa, Nasr, Zahoor, & Silva, 2022). The values characterizing the shared objectives of a family business usually result in a higher degree of cohesiveness and commitment in the workforce, which adds to creating possible advantages over non-family businesses, which in turn can influence their potential in building and managing alliances (Koka & Prescott, 2002). These characteristics can yield well-prepared managers who have experience with partners in the past and facilitate for them to build alliances in the future. In this respect, research shows that family relationships tend to generate trust in the alliance setting (Wang & Rajagopalan, 2015). However, issues such as the domination of control and insularity of family members, which are typically associated with family business management (Garcia-Castro & Aguilera, 2014), suggest that establishing alliances by these firms can also be problematic. Combining these two perspectives highlights the need to investigate and understand the nature and relevance of AMC in the family business as these organizations are different from mainstream businesses due to their unique structural, social, and cultural attributes.

Second, previous research on AMC has been conducted mainly in developed countries, including the United States (Hohberger et al., 2015), the United Kingdom, and Australia (Salunke &

Weerawardena, 2014). Therefore, we have limited understating of the relevance and antecedents of AMC in the developing economies domain (Weerawardena & Mavondo, 2011), whereas Feller et al. (2013) suggest that future research should explore the emergence of collaborative routines in alliances outside the geographical scope of developed countries. Generalizing the results of western countries to less-developing countries can be questionable, as the stage of economic development and institutional sitting can affect how alliances are formulated and managed (Feller et al., 2013). For example, the social environment and the nature of the organization's decision-making process tend to be different in developing countries, mainly due to cultural characteristics (Welsh & Raven, 2006). For instance, the culture in the Arab countries is unique in many aspects (Welsh & Raven, 2006), as the family firms in the Arab countries are there to enhance the family's social standing rather than being regarded only as a source for wealth-generating. This is why the ownership of family business tends to vary between Western countries and developing ones; in the former family, businesses are not 100% owned by the family, in contrary to the latter, where most family firms are fully owned by the founding family (Alwafi, 2013). Furthermore, political instability is a common feature in developing economies (Luo & Tung, 2007), whereas Al-Hyari, Al-Weshah, and Alnsour (2012) found that this feature has a negative effect on international business and alliance performance.

In this article, we address these two gaps, setting our research question: what are the determinants of AMC effectiveness in the family business domain? In answering this question, we draw on the resource-based view (RBV), AMC theory, and family business literature to develop a conceptual model that explains the nature and dynamics of the AMC concept. The model takes into consideration the idiosyncrasy of the family business and the developing economies contexts. We test this model using a unique primary dataset collected from Libyan family firms.

In answering the above question, our study offers three key contributions. First, this research contributes to the AMC theory by conceptualizing and empirically testing the AMC construct and its dimensions in the family business when operating in developing economies; a unique context that is still underexposed (Kauppila, 2015; Leischnig, Geigenmueller, & Lohmann, 2014). Second, we advance the family business research by providing new insights into the particular management routines (i.e., the AMC) that are fundamental to the success of family businesses engaged in strategic alliances. As such, we identify two significant determinants of this capability including family business culture and alliance experience (Ingalsuo, 2014). Third, we add to the broad alliance literature by introducing and testing a new factor (political instability), explaining its effect on alliance performance. Capturing such an effect is particularly critical as family firms have to cope with constant and significant risks of institutional turbulence, similar to the Arab Spring where there is a partial or complete breakdown of state authority (Brenner & Keat, 2010). This is an important contribution, as to date, we lack systematic studies that investigate strategic alliances and AMC through and post-war periods (periods of political and institutional uncertainty).

## 2 | ALLIANCE MANAGEMENT CAPABILITY: A SOURCE FOR THE RELATIONAL ADVANTAGE

Over the past several years there has been a growing interest in alliances as a strategic option for growth and gaining competitive advantages. Through the alliance, firms can combine their resources, capabilities, and knowledge while sharing costs and risk, which eventually can build competitive advantages and drive performance (Kale, Dyer, & Singh, 2002; Lin, Yang, & Arya, 2009). Therefore, it can be defined as the cooperation between at least two independent companies that will manage one specific project, for which they will work together for the co-development of products and technologies (Gulati, 1998) during a specified period (Das & Teng, 1998; Heimeriks & Duysters, 2007). In other words, a strategic alliance is a voluntary agreement among enterprises involving sharing and exchange of intangible knowledge, capabilities, and tangible resources (Dyer, 1997). In short, the establishment of a strategic alliance is typically driven by two motives: capability learning and the acquisition of new resources (Jiang, Li, Gao, Bao, & Jiang, 2013; Li, Roberts, Yan, & Tan, 2014).

Similarly, the alliance is a popular strategic option in the SMEs sector (van de Vrande, de Jong, Vanhaverbeke, & de Rochemont, 2009). In changing environmental conditions, and in the presence of giant companies, these small businesses have started looking for ways to survive in the marketplace (Abosede, Obasan, & Alese, 2016). This is because these small enterprises (including family and nonfamily businesses) have limited access to capabilities and resources when compared with larger firms; hence they are severely threatened by competition (Lu & Beamish, 2001). During the financial crisis of 2007, SMEs were among those firms that suffered the consequences of economic hardship (Williams & Schaefer, 2013). By collaborating and sharing resources and technology/market knowledge, SMEs can reduce the risk and costs in areas such as relationships with suppliers and the development of new products and technologies (Schreiner, Kale, & Corsten, 2009; Wehinger, 2014). As such, research shows substantial growth in alliance use among SMEs (Dickson & Weaver, 2011; Lohrke, Kreiser, & Weaver, 2006) as a means of building resilience and driving performance (Zhao, 2014).

Despite the promising benefits of alliance, this organizational structure suffers from different challenges, including asymmetry of collaborators' motives, uncertainty of outcomes, unpredictability of partner behavior, and opportunism (Gulati, Wohlgezogen, & Zhelyazkov, 2012). These issues can affect the alliance success (Dyer & Singh, 1998; Koka & Prescott, 2008), leading to high failure rate (Godley & Hamilton, 2020), whereby many companies fail to get the hoped-for outcomes from their alliances (Lokshin et al., 2011). As such, researchers have shown that between 30 and 70% of alliances do not live up to expectations (Lhuillery & Pfister, 2009; Park & Ungson, 2001). Similarly, Kaplan, Norton, and Rugelsjoen (2010) found that about half of all alliances yield returns over the input of capital cost.

Against this backdrop, and by focusing on the success cases, researchers were able to identify a particular set of capabilities that are essential for developing effective and sustainable strategic alliances (Cummings & Worley, 2014); labeled as AMC. AMC can be considered as cognitive and organizational skills that can offer the basis to effectively establish and manage an alliance (Dyer & Singh, 1998; Schreiner et al., 2009). Firms that developed AMC can become more effective in coordinating their alliance activities and building organizational routines needed throughout the alliance life cycle (Wang & Rajagopalan, 2015). Conceptually, AMC comprises a constellation of skills that enable the organization to exchange credible and relevant information, to harmonize the relationship, and to build social capital with their partners, which all are necessary to find appropriate partners, negotiate, coordinate, and terminate the alliance (Kale & Singh, 2009; Lavie, 2007).

## 3 | THE IDIOSYNCRASY OF FAMILY FIRMS: AN OVERVIEW

In general, family firms can refer to companies "whose policy and directions are subject to influence by one or more family units… This influence is exercised through ownership and sometimes through the participation of family members in management" (Davis, 1983, p. 47). This implies that these firms, are different from a typical enterprise/firm (that has no family ownership or involvement) in the sense that the family would influence the strategic orientation and operations of the business (Chang, Zare, & Ramadani, 2022; Kellermanns, Eddleston, Sarathy, & Murphy, 2012). Moreover, in these firms, family-transmitted tacit knowledge is regarded as a latent strategic asset (Craig, Dibrell, & Garrett, 2014), as it brings uniqueness to the company (i.e., given the difficulty of imitating this asset as it is embedded in the heritage of the family) (Dana & Ramadani, 2015). Also, the influence of family reinforces and shapes a set of culture-rooted beliefs that drive values and internal consistency, which can be translated into business value (Schuman, Stutz, & Ward, 2010; Sorenson, Goodpaster, Hedberg, & Yu, 2009). Therefore, the family effect can create a distinctiveness that, if leveraged adequately, can contribute to building competencies that enhance the functioning of the business (Frank, Lueger, Nosé, & Suchy, 2010; Pearson, Carr, & Shaw, 2008).

On the other hand, succession (or the process of transitioning the management and the ownership of the family business from the first generation to the following generation/new managers) (Toska, Ramadani, Dana, Rexhepi, & Zeqiri, 2021) in family firms has been regarded as a critical issue (Carlock & Ward, 2001). Therefore, successors in the family are carefully prepared for leadership over a generation through in-depth learning and capacity building (Daspit, Holt, Chrisman, & Long, 2015; Fiegener, Brown, Prince, & File, 1996; Joseph, 2014) so that in the future they will be experienced and sufficiently skillful to manage and sustain the firm. Accordingly, family firms value the transfer of knowledge between generations that can be achieved by building the relationship between the predecessor and successor (Sharma, 2004). In effect, relationships based on respect and mutual understanding are said to make individuals feel trusted, create a virtuous circle of reaction, recognized, and supported (Ramadani & Hoy, 2015). Learning could then develop by a procedure of evolution, which starts at the beginning of human life at home and continues in the business relationship (Griffeth, Allen, & Barrett, 2006). According to De Massis, Frattini, and Lichtenthaler (2012) losing significant strategic resources through succession might negatively affect the development prospects of the family business after succession, since innovation and market capabilities could disappear.

## 4 | CONCEPTUAL BACKGROUND AND HYPOTHESES

In general, the RBV suggests that possession of valuable, rare, inimitable, and non-substitutable resources can lead to a firm's competitive advantages which result in superior performance (Barney, 1991; Bromiley & Rau, 2014). Accordingly, the accumulation and trading of such resources are strategically crucial for firms' survival and growth (Lavie, 2006). However, in most cases, trading these resources from external sources cannot be achieved perfectly as they are unavailable for direct acquisition via typical market transactions (Das & Teng, 2000), or because of the difficulty of transferability due to their stickiness and embeddedness in a firm's core internal structure, processes, and culture (Chi, 2015).

Thus, strategic alliances have been regarded as instrumental for accessing resources, needed for building competitive advantages (Yang, Lin, & Lin, 2010), but reside outside the boundaries of a firm (Eisenhardt & Schoonhoven, 1996). Combining these externally sourced resources, with others' internal resources can maximize the value of output and achieve optimal returns (Heimeriks & Duysters, 2007; Karsmakers, Duysters, & Snijders, 2010; Lütjen, Tietze, & Nuske, 2014). Moreover, and consistent with the RBV, Das and Teng (2000) explained that partners can develop idiosyncratic resources, which may create a synergistic effect that can add more value (e.g., sustain the resilience and inimitability of the resource advantage), as compared to separate value created by individual firms (Hunt, Lambe, & Wittmann, 2002).

However, and as discussed in the previous section, firms need to develop specific relational capabilities in order to effectively tackle the complexity of establishing and managing their strategic alliances. In effect, the primary challenge lies in the effective management of activities between partners (Flatten, Greve, & Brettel, 2011). To overcome this challenge, a firm requires AMC to build, maintain and monitor alliance activities to realize potential alliance benefits. These capabilities (i.e., AMC) are unique (Rothaermel & Deeds, 2006), rare and non-substitutable (Crook, Ketchen, Combs, & Todd, 2008), as organizations vary in how they build, utilize and develop these capabilities either individually (i.e., as one AMCs) or in combination. Therefore, and consistent with the RBV, they are an important source for building competitive advantages (i.e., by enabling firms for developing successful alliances that enable accessing of external resources). This is why Kale and Singh (2007) have regarded AMC as a higher-order dynamic capability that can facilitate the reconfiguration of resources in alliances. This means that AMC can be considered as "higher-order resources that influence the lower-order alliance level resources" (Niesten & Jolink, 2015) by assisting collaborators to reconfigure, seize and sense their resource base. Similarly, Kale et al. (2002) assert that AMC must be perceived as a superior set of skills in enhancing the capabilities of firms to assist them to share opportunities, and learning from their alliance experiences.

## 4.1 | The model

Swoboda and Olejnik (2013) assert that the survival and growth of a family firm is based on the exploitation of opportunities in their domestic marketplace. However, family firms are usually at a disadvantage due to their limited resource base (Fernández & Nieto, 2005). In this vein, prior research suggests that felicitous cooperation with external partners can be conducive to their survival and success (Fernández & Nieto, 2005; Flatten et al., 2011), but at the same time, warns that these alliances are challenging (Kale et al., 2002). The primary challenge lies in the difficulty of enacting effective management routines that underpin the activities between partners (Flatten et al., 2011). Accordingly, we argue that family firms would need AMC to build, maintain and monitor alliance activities to realize potential alliance benefits.

Consistent with prior research (Schilke & Goerzen, 2010; Schreiner et al., 2009), we view AMC as a multi-dimensional construct consisting of various routines including alliance proactiveness, alliance coordination, and alliance learning. Alliance proactiveness refers to a firm's capacity "to identify potentially valuable partnering opportunities" (Sarkar, Echambadi, & Harrison, 2001). It acts as a sensing mechanism and enables a firm to identify collaborating opportunities and potential partners by scanning the market (Yang & Meyer, 2019). Alliance coordination refers to the governance of an individual alliance (Leischnig et al., 2014). Alliance coordination allows a partner to develop a consensus about the required tasks in an alliance and the nature of independence among partners (Schreiner et al., 2009). It involves practices directing the company's sequential activities, and the capacity for adaptation to achieve the objective of the alliance (Gulati et al., 2012; Zollo & Singh, 2004). Finally, alliance learning refers to the transfer of knowledge across organizational boundaries (Dyer & Nobeoka, 2000). Because transferring knowledge is a primary objective of family firms' alliance, the alliance learning capability is central to success (O'Dwyer & Gilmore, 2018). More specifically, alliance learning involves learning routines that include systematic information processing in general and diffusion of learning effect across the collaborating partners, in particular (Feller et al., 2013; Kandemir, Yaprak, & Cavusgil, 2006).

Increasingly, a growing body of research is directed toward the effect of AMC for alliance success (Schilke & Goerzen, 2010; Sluyts, Matthyssens, Martens, & Streukens, 2011). However, a small body of literature showed interest in determining the antecedents of AMC development (Kohtamäki, Rabetino, & Möller, 2018). More importantly, the research in the context of family firms remained limited to examine the determinants of AMC for alliance performance (Feranita, Kotlar, & De Massis, 2017). To address this gap, we draw on the family business literature and complement it with research on the strategic alliance to investigate how alliance experience and family culture (as internal antecedent) and political instability (as external antecedent) affect the development of AMC, and how AMC can be translated into alliance performance in family firms. Figure 1 illustrates the research framework of this study.

### 4.1.1 | Alliance management capability internal antecedence (experience and culture)

According to the RBV, prior alliances' experience can generate AMC that allows firms to shape new alliances, thereby creating higher relational rents (Anand & Khanna, 2000; Dyer & Singh, 1998). Alliance experience describes the collaboration activity of an organization, and typically defines the quantity and quality of alliances which a company was involved with through a specific period (Sluyts, Martens, & Matthyssens, 2010). As companies gain experience, they learn how to identify those unique kinds of knowledge that can be simply transferred to, and efficiently used in, another context (Kavusan, Noorderhaven, & Duysters, 2016). In fact, lack of experience can contribute to alliance failure as coordination and communication between partners become more difficult (Park & Ungson, 2001); firms with a lack of experience tend to be unable to afford to solve a particular problem between partners regarding alliance (Heimeriks & Duysters, 2007). However, research on the relationship between alliance experience and alliance performance shows mixed results. On one hand, experience seems to play a major role in alliances, particularly in R&D joint ventures, where companies with more alliance experience are found to make additional value than companies without (Anand & Khanna, 2000). Yet, others report that the alliance-outcome does not increase continuously by the increase of the in alliance experience (Rothaermel & Deeds, 2006).

To address this inconsistency, research suggests that the relationship between experience and performance is leveraged by the possession of AMC. In fact, the literature suggests that alliance experience plays an important role in developing AMC, as alliances experience enhances learning (i.e., learning from partners) and coordination skills that are central components of the AMC (Schilke & Goerzen, 2010). In other words, organizations are able to exploit their accumulated alliance experience by using this experience to develop a set of organizational skills (i.e., AMC) that are necessary to start and manage the alliance (Levitt & March, 1988; Maskell & Malmberg, 2007). As Allen, Strathern, and Baldwin (2007) assert "the seeds of today's capabilities are sewn in yesterday's experience".

Extending the previous argument to the family business domain, experience accumulated from previous alliances is likely to affect how family businesses can evolve their AMC. In family businesses, family members are better integrated into the company and information is freely shared in comparison to non-family firms (Carlock &

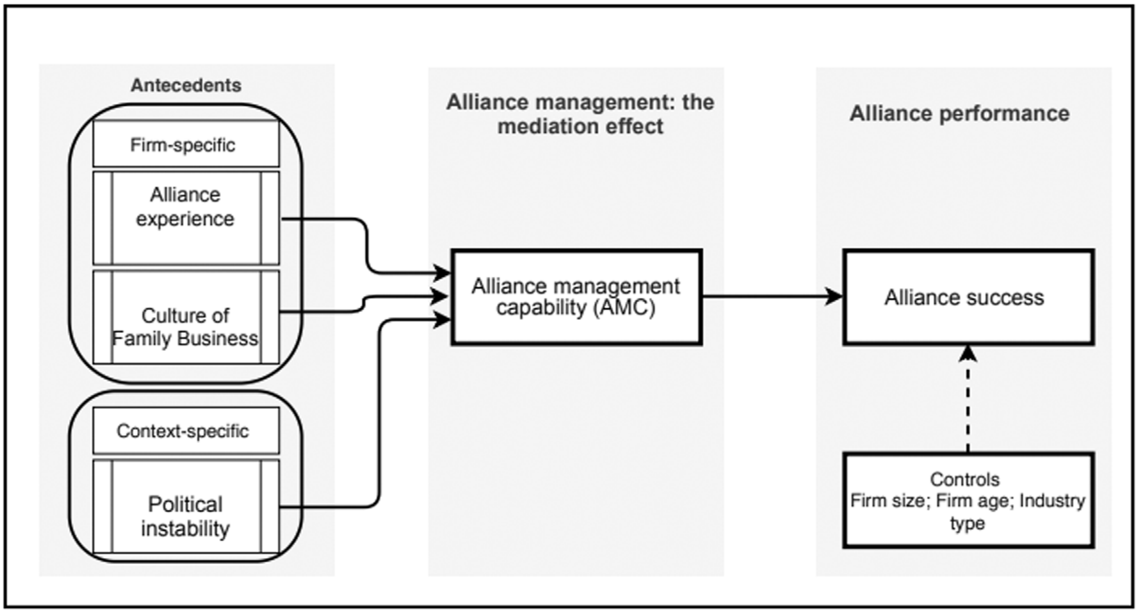


**FIGURE 1** The research model

Ward, 2001). For instance, "discussion at home," in addition to "meeting in the office," can speed experience transfer and used as meetings are a powerful learning mechanism (Duh & Letonja, 2013). Therefore, they (i.e., family members) would absorb more effectively accumulated alliance experience (Chirico & Nordqvist, 2010), in the form of tacit and explicit knowledge, and utilize it to enhance their alliance skills. In this respect, participating in acquisitions was found to be useful for family businesses to learn new skills in resource configuration (Chirico, Sirmon, Sciascia, & Mazzola, 2011). Furthermore, and as Bhat, Shah, and Baba (2013) suggest, succession is the critical issue facing family businesses. Therefore, in family businesses, founders/owners are typically keen to transfer their experience and skills to new generations (Santiago, 2000), for example by teaching them how to build and maintain inter-organizational relationships. Accordingly:

> **H1:** *Alliance experience has a positive effect on the development of AMC in family firms that operate in developing markets.*

The propositions that underlie an organization are included in its culture, many of which are "deeply embedded to be unconscious, hidden, and taken for granted" actions (Barbera, 2014). The RBV views organizational culture as a strategic resource (Barney, 1986; Zahra, Hayton, & Salvato, 2004), and a source of competitive advantage as the set of shared norms and values held by employees "guide their interactions with clients, peers, and management" (Craig et al., 2014). This in turn, can promote learning, risk-taking, and innovation (De Long & Fahey, 2000).

In the family business context, culture is introduced as "a personal belief and support of the organization's goals and visions, a willingness to contribute to the organization, and a desire for a relationship with the organization" (Astrachan, Klein, & Smyrnios, 2002). According to Fletcher, Melin, and Gimeno (2012), the culture of the family business is a significant family firm endowment that determines how values and assumptions are shared by the systems of business and family. The culture of the family business is in which a higher level motivates the key personnel, and family members need to work for the collective good (Craig et al., 2014).

Moreover, prior research has characterized the family-owned firm as a company highly influenced by values created across generations (Merino, Monreal-Pérez, & Sánchez-Marín, 2015). Family firms, thereby, adopt a culture that is greatly rooted in the values and traditions (Daspit, Long, & Pearson, 2019) believing that family members have the power to make organizational decisions either as managers or owners (Sánchez-Marín, Carrasco Hernández, del Valle, & Sastre-Castillo, 2016). These firms adopt the early values established by the founder who takes the role of manager or owner and creates the foundation of organizational culture (Denison, Lief, & Ward, 2004; Laforet, 2016). It can be argued that a family's values and traditions will have an impact on the development of AMC. In this vein, Schein (1983) contends that the values and traditions of family managers and owners can promote the development of resources for a family business. The unique background and character of managers-owners of family firms lead them to establish a culture that is not only rich in core values, but also conducive to flexibility and learning (Laforet, 2016). Such a commercial environment, therefore, provides both the motivation and ability to assure a long-lasting external relationship through the development of AMC. Also, strong relations among family members might deliver many of the benefits associated with the management of external relationships, including coordination, learning, and transformation of skills (Anderson, Jack, & Dodd, 2005). Therefore, we hypothesize:

**H2:** *Family business culture has a positive effect on the development of AMC in family firms that operate in developing markets.*

### 4.1.2 | Alliance management capability external antecedence (instability)

Political instability refers to a "situation, activity or pattern of behavior that threatens to change or changes the political system of a country in a non-constitutional way" (Gyimah-Brempong & Traynor, 1999). This sets the period for the occurrence of instability events such as public demonstrations, coups, riots, strikes, and civil wars (Elbahnasawy, Ellis, & Adom, 2016; Kieh, 2009). Political instability gives rise to economic uncertainty and mismanagement, which poses a direct challenge for firms' survival (Chikweche, 2013; Saadatyar, Poursalimi, Al-Tabbaa, & Iannotta, 2020).

In general, there are three major causal derivatives of political instability in developing countries, especially in Africa: regime performance, ethnic polarization, and political factionalism (Kieh, 2009). During the Arab Spring in 2011, political systems in some Arab countries have been changed (Libya, Egypt, Tunisia, and Syria) which led to changing of institutions and affect all types of firms including the family businesses (Abdelzaher, Latheef, & Abdelzaher, 2017; Bekaert, Harvey, Lundblad, & Siegel, 2014; Darendeli & Hill, 2016). In specific, the Global Competitiveness Report 2014–2015 identified the top six most problematic factors for business in Libya: inefficient government bureaucracy, access to financing, corruption, government instability, an inadequately educated workforce, and policy instability (Almutairi, 2014). These factors reflect the challenges to private sector enterprises in general and are likely to be even more severe for family businesses (Storey, 2016).

Particularly, political instability makes it difficult for small resource-constrained family firms to survive in the marketplace (Battisti & Deakins, 2015; Fernández-Olmos & Ramírez-Alesón, 2017). Additionally, political instability implies increased uncertainty and risk. In such a situation, family firms (and other smaller enterprises) would seek strategic alliances to access knowledge and resources for business development and recovery from political crises (Fernández-Olmos & Ramírez-Alesón, 2017; Herbane, 2019).

However, Srivastava, Moser, and Hartmann (2018) contend that alliances must be configured correctly to cope with political uncertainty. Thus, it can be argued that the condition of political instability is likely to promote the development of AMC, and the argument is threefold. First, the opportunistic behavior of partners is likely to increase in such a situation due to the weak legal and regulatory systems that would typically monitor and regulate the market (Delios & Henisz, 2003). As a result, family firms would demand more the capability of scanning the marketing and other identifying and negotiating skills to find and evaluate the most appropriate partners (Todeva & Knoke, 2005). In addition, according to McCarthy, Lawrence, Wixted, and Gordon (2010), choosing partners under uncertainty is based on heuristics by having access to external information to allow firms to address some of the complexities of decision-making. So the family firms would develop capabilities to proactively scan the opportunities (Sluyts et al., 2011) and coordinate the activities with their potential partners (Srivastava et al., 2018). Second, in political instability setting, "there is obviously value in the ability to sense the need to reconfigure the firm's asset structure, and to accomplish the necessary internal and external transformation, this requires effective coordination between partners" (Schilke & Goerzen, 2010). Therefore, because of the rapid change in such an environment, firms need to strengthen their position through alliance but also need to coordinate it effectively to avoid immature termination of the alliance (Wang & Rajagopalan, 2015). In this regard, communication is also a fundamental requirement as it enables partners to pre-empt potential conflicts and disputes (Culpepper, 2005). Finally, in a politically unstable market, obtaining, interpreting, analyzing, and verifying reliable information from external partners will be a challenge (Hitt, Ahlstrom, Dacin, Levitas, & Svobodina, 2004). This implies, that family firms will incur additional transactional and information processing costs because firms would operate under circumstances of uncertainty and institutional voids (Luo, 2007). Moreover, when legal ordering is absent, and market information is unverifiable the risk of opportunistic and exploitive before of partners will increase (Delios & Henisz, 2003). Therefore, the family firms, that seek alliance, will need capabilities to, not only identify the right partners and coordinate the interaction with them, but also to *learn how to learn* from these partners safely and efficiently (Kujala & Törnroos, 2018). Taken together, it is proposed that:

**H3:** *Political instability has a positive effect on the development of AMC in family firms that operate in developing markets.*

### 4.1.3 | Alliance management capability and alliance performance

When referring to and analyzing firms from the RBV perspective, AMC can be viewed as a heterogeneous resource and under the control of the company, hence serving as a base for higher performance (Barney, 1991). Kale and Singh (2007) find AMC to be particularly valuable as it increases the overall collaboration success, while in the view of Ireland et al. (2002) and Rothaermel and Deeds (2006) it helps the realization of partnership benefits.

AMC can be perceived as a set of relational skills, where these skills can be distilled into three key dimensions: proactiveness, coordination, and learning. These dimensions are vital for starting and managing the alliance process (Kandemir et al., 2006), and would typically have a positive influence on alliance performance (Schilke & Goerzen, 2010). In fact, studies examining AMC have found an association between the possession of these relational capabilities and outcomes such as above-normal stock market returns, alliance success (Kohtamäki et al., 2018), and enhanced market knowledge (Kohtamäki et al., 2018; Schreiner et al., 2009). The theoretical conjecture is that dimensions underpinning AMC would enable partners to harmonize the relationship by adjusting the attributes of the alliance in response to the environment and partner-related changes (Heimeriks & Schreiner, 2010). Extending the previous logic to the family businesses, we contend that AMC will affect positively the performance of their alliance attempts. We justify this argument by discussing the effect of AMC dimensions on alliance performance.

Alliance proactiveness refers to a firm's "efforts to identify potentially valuable partnering opportunities" (Sarkar et al., 2001). Firms with sensing skills are able to identify and classify new alliance opportunities to gain resources and market requirements (Schilke & Goerzen, 2010). The sensing skill is also important to identify suitable alliance partners that have the competencies and resources which a firm needs (Zahra & George, 2002). Companies that are capable of sensing alliance opportunities of alliance tend to enjoy initial first-mover advantages on the market to find partners, which can be translated into a higher alliance performance (Schilke & Goerzen, 2010). Alliance coordination describes the skills to coordinate resources and activities with partners (Gulati, Lawrence, & Puranam, 2005). It aims to "identify and build consensus about task requirements in a given alliance, the nature of the associated interdependence between partners, and the specification of working procedures for task execution" (Schreiner et al., 2009). Moreover, Leischnig et al. (2014) are of the view that alliance coordination enhances alliance governance and trust among partners. More specifically, the justification for the role of alliance coordination in driving alliance performance is twofold: (a) the presence of dependencies among partners demands coordination so resources and task dispersed over different individuals in organizations can be co-managed (Schilke & Goerzen, 2010), (b) firms, through communication and negotiation, need to reconcile and balance between the collective versus individual interests to pre-empt any potential conflict (Todeva & Knoke, 2005). Finally, alliance learning defines firm's ability to facilitate knowledge articulation and transfer from partners (Dyer & Nobeoka, 2000), which is widely regarded as a key advantage of intergenerational relationships (Al-Tabbaa, Leach, & Khan, 2019). This is why any strategic alliance would involve a learning aspect, where the learning can be either explicit (e.g., as in the case of an R&D alliance) or implicit (i.e., co-learning through social interaction between partners) or a mix of both (Schreiner et al., 2009). By utilizing the learning skills, empirical evidence shows that firms are able to expand the scale of resource appropriation from alliances (Schilling & Steensma, 2001).

Building on the previous reasoning, we propose that AMC would advance alliance performance in the family businesses. Some of these advantages are the facilitation of knowledge transfer, alliance strategy execution, promoting and developing of new practices, and ensuring that the alliance operation is successfully executed. Because firms benefit from these advantages at many levels, high levels of alliance capability are likely to have improved entire alliance performances (Schilke & Goerzen, 2010) of the family firms. Therefore:

**H4:** *AMC has a positive effect on the alliance performance in family firms that operate in developing markets.*

## 5 | METHOD

### 5.1 | Research context

Over the last two decades, the Libyan public sector has been witnessing a remarkable change reflected in the process of involving and changing the public sector into a private sector (Sehib, 2013). Over a short period, more than 196 public companies were privatized, and 7,483 new SMEs and family businesses emerged (Aboujdiryha, 2011). However, the new owners severely lacked the necessary knowledge and experience (Elmadani, 2015), which gave more momentum to the formation of strategic alliances with more experienced partners, local or foreign (Mezran, 2016; Nasr, 2019). Moreover, following the privatization, the role of government has changed in many cases from owner to partner offering support to family businesses through organizations such as the Development Bank, the Agricultural Bank, Countryside Bank, and the Centre of Export Development (Organisation for Economic Cooperation and Development [OECD], 2014).

On the other hand, due to the political and institutional instability following the Arab Spring (Gedefaw Birhanu & Wezel, 2020), Libya has experienced massive changes. More specifically, following the collapse of the Gaddafi regime, Libya has begun the transition from a socialist system to a free market system which required a change in the laws and regulations such as partnership law (Haeussler & Higgins, 2014). After 2011, Libya became politically divided between three governments seeking and demanding legitimacy, the Government of National Reconciliation, the Salvation Government, and the parliament government (Lacher, 2016). This uncertainty and turbulence in the Libyan environment, in turn, has encouraged the family firms to seek external knowledge, such as crisis management (OECD, 2016), to cope with constant and significant risks of social capital and political instability during and following the Arab Spring where there is a partial or complete breakdown of state authority. Similarly, these companies have become more interested in strategic alliance as an option to manage the uncertainty that increased for Libyan family and nonfamily businesses after 2011 (Abdesamed, 2014) and strengthen their position in the market (Al-Tabbaa, Nasr, Zahoor, & de Silva, 2022; Nasr, 2019). In effect, the Libyan firms would typically have a complementary and idiosyncratic form of market knowledge, a network of operational support and contacts which play an important role in developing and sustaining success in the Libyan business sector (Mansour, 2015).

Drawing on the above discussion, we chose the Libyan family business sector as our research setting for multiple reasons. First, Libya is an emerging market where the alliance management and performance theses are directly applicable (Darendeli & Hill, 2016). Second, after the 2011 revolution, the Libyan economy had seen reform in the form of privatization (Cole & McQuinn, 2015). As a result, the

**TABLE 1** Items for survey variables

| Variables and items | | α | CR | AVE |
|---|---|---|---|---|
| Alliance performance | | 0.77 | 0.77 | 0.53 |
| 1 | Our alliances have met the objectives for which it was established. | | | |
| 2 | The alliance has been a profitable investment. | | | |
| 3 | The company's competitive position has been significantly enhanced due to the alliance. | | | |
| Family business culture | | 0.78 | 0.81 | 0.52 |
| 1 | We agree with the family business goals, plans and policies | | | |
| 2 | I understand and support my family's decisions regarding the future of the family business | | | |
| 3 | We really care about the fate of the family business | | | |
| 4 | There is so much to be gained by participating | | | |
| Political instability | | 0.76 | 0.79 | 0.56 |
| 1 | Theft and crime can substantially increase the costs of doing business. | | | |
| 2 | We are not confident that the state authorities protect my person and my property from criminal actions. | | | |
| 3 | We have to cope with unexpected changes in rules, laws or policies which materially affect our business. | | | |
| Alliance proactiveness | | 0.90 | 0.90 | 0.70 |
| 1 | We actively monitor our environment to identify partnering opportunities. | | | |
| 2 | We are alert to market developments that create potential alliance opportunities. | | | |
| 3 | We often take the initiative to approach companies that have proposals similar to the business of our company. | | | |
| 4 | We are proactive and responsive in finding and "going after" alliance partners. | | | |
| Alliance coordination | | 0.84 | 0.84 | 0.56 |
| 1 | Our activities across different alliances are well coordinated. | | | |
| 2 | We have processes to transfer knowledge across alliance partners systematically. | | | |
| 3 | We ensure an appropriate coordination among the activities of our different alliances. | | | |
| 4 | There is a great deal of interaction with our partners on most decisions. | | | |
| Alliance learning | | 0.84 | 0.84 | 0.57 |
| 1 | We have the capability to learn from our partners. | | | |
| 2 | We have the managerial competence to absorb new knowledge from our partners. | | | |
| 3 | We have adequate routines to analyses the information obtained from our partners. | | | |
| 4 | We can successfully integrate our existing knowledge with new information acquired from our partners. | | | |

environment approached economic stability, but also faced the cusp of significant political and social stability (Busnaina & Woodall, 2015). In such a situation, Libyan firms have strong motivation to tap into external sources of knowledge to extend their resources and gain necessary profit benefits (Busnaina & Woodall, 2015). Therefore, it is important to study the factors that lead to the development of AMC and alliance success in Libyan firms. Third, the Libyan economy is characterized by the presence of family-controlled firms (Shareia & Irvine, 2014) and the dominant role of founding families in relationship building and management. The decision of the establishment of alliances with major tribes and businesses has been made by founding members throughout their history (Lacher, 2011). Hence, the Libyan family business revealed the most prominent characteristics that prior research has used to characterize the control of the family (Chung & Luo, 2008).

### 5.2 | Data collection and sample

The questionnaire was used to collect the study data. To test the face validity, the questionnaire was assessed in a pilot study with academics in the field of strategic alliances, and managers of family firms. Accordingly, the questionnaire was modified based on the participants' feedback and suggestions. The data was collected in Libya in 2017. The population of Libyan family-controlled firms meeting the selection criteria was retrieved from the Ministry of Economy and Trade database and the Centre of Export Development database. From this population, a sample of 1,000 family-controlled firms was randomly selected, and a standardized questionnaire was distributed to the key respondents of the whole sample using an online tool Bristol online survey. The questionnaire was sent to the managers/or owners as these are considered the most knowledgeable about alliance practices of the firms. After 2 weeks, we received 150 responses and a reminder email was sent to increase the response rate. Overall, we collected 302 completed responses with an effective response rate of 30.2%. This is an acceptable response rate and consistent with previous studies (Herbane, 2019).

The non-response bias was tested using the method as recommended by Armstrong and Overton (1977). To do this, the respondents were classified into two groups based on response time: early respondents (no reminder was sent), and late respondents (a reminder was sent). Next, a range of demographic questions were used to ran *t* tests of group means, and the results revealed no significant difference between the two respondent groups, suggesting that non-response bias was not an issue in our study.

Our sample represents family business from different industries including Manufacturing (10.3%), Construction (10.9%), Service (20.9%), Retail (27.8%), Agricultural (17.9%), Transportation (7.0%), Tourism (3.6%), and others (1.7%). The size of these firms (measured in number of employees) varies: 1–4 (11.3%), 5–9 (24.5%), 10–49 (32.5%), 50–99 (18.9%), and 100–250 (12.9%). These firms also vary in age (measured in number of years since establishment): <5 (5.6%), 5–10 (28.1%), 11–20 (36.8%), and >20 (29.5%). Moreover, it should be noted that 80.8% of the respondents were either owners (52%) or senior managers (28.8%) of the firms while the remaining 19.2% held middle management. Regarding respondents, the work experience averaged 12 years and the median age was 17 years.

### 5.3 | Measures

The validated scales from the literature were used to measure the variables of our study (see a summary in Table 1). Except alliance experience, all other variables employed a five-point scale anchored by 1 = "strongly disagree" and 5 = "strongly agree."

*Alliance experience* refers to the extent to which a firm has been involved in strategic alliances (Schilke & Goerzen, 2010). Consistent with previous studies (Heimeriks & Duysters, 2007; Zollo, Reuer, & Singh, 2002), alliance experience was measured by asking the respondents to report the number of alliances that a firm formed during the last 5 years.

*Family business culture* is defined as "a personal belief and support of the organization's goals and visions, a willingness to contribute to the organization, and a desire for a relationship with the organization" (Astrachan et al., 2002). As a family business endowment, it defines the assumptions and values shared by family and business systems (Fletcher et al., 2012). To measure family business culture, four items were adopted from Klein, Astrachan, and Smyrnios (2005) and Craig et al. (2014).

*Political instability* refers to the events that generate uncertainty about the stability of the political system and/or government (Gyimah-Brempong & Traynor, 1999). To measure the political instability, three items were adopted from Brunetti, Kisunko, and Weder (1998).

*AMC* is the ability of a family firm to form, manage and monitor alliance relationships. It was modeled as a three-dimensional reflective second-order construct including alliance proactiveness, alliance coordination, and alliance learning (Schilke & Goerzen, 2010; Schreiner et al., 2009). Alliance proactiveness was measured using four items as adopted from Sarkar et al. (2001) and Schilke and Goerzen (2010). Alliance coordination consisted of four items that were adopted from Pavlou and El Sawy (2006), Schilke and Goerzen (2010), and Schreiner et al. (2009). Finally, alliance learning was measured using four items and adopted from Pavlou and El Sawy (2006) and Matusik and Heeley (2005).

*Alliance performance* is defined as the accomplishment of goals in an alliance relationship (Al-Tabbaa, Lopez, Konara, & Leach, 2021; Khalid & Larimo, 2012). Based on Schilke and Goerzen (2010) and Jiang, Jiang, Cai, and Liu (2015), three items were used to measure alliance performance.

Several control variables were included as they have been shown to influence alliance performance (Fang, Lee, Palmatier, & Guo, 2016; Heimeriks & Duysters, 2007; O'Dwyer & Gilmore, 2018). Therefore, we control for firm size (in numbers), firm age (1 = <5 years, 2 = 5–10 years, 3 = 11–20 years, and 4 = >20 years), industry type (1 = manufacturing, 2 = construction, 3 = service, 4 = retail, 5 = agricultural, 6 = transportation, 6 = construction, 7 = tourism, and 8 = others) and managerial experience (1 = <5 years, 2 = 5–10 years, 3 = 11–20 years, and 4 = >20 years).

## 6 | ANALYSIS AND FINDINGS

Structural equation modelling (SEM) was used using AMOS graphics 26. The advantage of SEM is that the hypothesized model (as in Figure 1) can be tested simultaneously in an analysis of the whole model of variables (McLean, Al-Nabhani, & Wilson, 2018).

**TABLE 2** Statistics for convergent and discriminant validity

| | M | SD | 1 | 2 | 3 | 4 | 5 | 6 |
|---|---|---|---|---|---|---|---|---|
| 1. Family business culture | 3.27 | 0.87 | **0.72** | | | | | |
| 2. Political instability | 3.84 | 0.85 | 0.11 | **0.75** | | | | |
| 3. Alliance proactiveness | 3.30 | 0.95 | 0.14 | 0.24 | **0.84** | | | |
| 4. Alliance coordination | 3.38 | 0.92 | 0.21 | 0.04 | 0.34 | **0.75** | | |
| 5. Alliance learning | 3.31 | 0.94 | 0.25 | 0.20 | 0.28 | 0.39 | **0.75** | |
| 6. Alliance performance | 3.90 | 0.84 | 0.04 | 0.16 | 0.44 | 0.08 | −0.06 | **0.73** |
| 7. Alliance experience | 3.21 | 1.032 | 0.01 | 0.01 | 0.04 | 0.03 | 0.07 | 0.01 |

Bold indicates square root of the average variance extracted (AVE).

**TABLE 3** Mediation effect (bootstrapping and Sobel's test)

| Paths | Boot SE | 95% CI | Z |
|---|---|---|---|
| Alliance experience → AMC → alliance performance | 0.03 | [0.03, 0.11] | 2.90** |
| Family business culture → AMC → alliance performance | 0.02 | [0.02, 0.10] | 2.67** |
| Political instability → AMC → alliance performance | 0.02 | [0.01, 0.08] | 2.56** |

Abbreviations: AMC, alliance management capability; CI, confidence interval; SE, standard error.
*$p < .05$.
**$p < .01$.***$p < .001$.

### 6.1 | Assessing the measurement model

The first step in SEM is to test the confirmatory factor analysis (CFA) measurement model. The CFA model was specified by modeling the causal relationships between each of the observed variables and their latent variables. The fit statistics of the model suggest a good fit to the data ($\chi^2 = 303.96$; df $= 193$; $\chi^2$/df $= 1.56$; GFI $= 0.92$; CFI $= 0.96$; RMSEA $= 0.04$), and the measurement weights were all statistically significant ($p < .001$).

The convergent validity of all the constructs in the measurement model was assessed by following a comprehensive procedure proposed by Hair, Black, Babin, and Anderson (2015). First, factor loadings for all the items were above 0.60, which is well above the threshold of 0.50. In addition, the value of Cronbach alpha for all the constructs exceeds the cut-off point of 0.70, as in Table 1 (Nunnally, 1978). As in Table 1, the results show the satisfactory level of composite reliability tests as the value of composite reliability for each construct was above 0.70 (Fornell & Larcker, 1981), suggesting that variables are reliable. Analysis of discriminant validity as suggested by Fornell and Larcker (1981), indicates that the average variance extracted (AVE) for any two constructs is greater than the squared correlation between the two factors (Table 2). Thus, all constructs in the measurement model show adequate discriminant validity.

To ensure an appropriate sample for our study, common method bias test was conducted. Harman's (1976) single-factor test was conducted to test the method variance in the data using exploratory factor analysis and CFA. First, we constrained the factor analysis to one factor, and the single factor explained 25% variance. This is well-below the threshold of 50% of variance (e.g., McLean et al., 2018). Second, in the CFA, we compared our theorized multi-factor measurement model against a single-factor model. The single factor solution produces inadequate fit ($\chi^2 = 1{,}875.46$; df $= 209$; $\chi^2$/df $= 8.97$; GFI $= 0.58$; NFI $= 0.36$; CFI $= 0.39$; RMSEA $= 0.16$) compared to multi-factor measurement model. The $\chi^2$-difference test suggests that multi-factor measurement model fits the data significantly well as compared to single-factor model. As a result, common method bias is not an issue in this study.

### 6.2 | Assessing hypothesized structural model

We test the SEM containing all the hypothesized relationships, along with all control variables using AMOS graphics 26. The structural model provides a good model fit ($\chi^2 = 6.01$; df $= 3$; $\chi^2$/df $= 2.01$; GFI $= 0.97$; NFI $= 0.92$; CFI $= 0.94$; RMSEA $= 0.04$). We also assessed the multicollinearity using multiple regression. The variance inflation factors (VIF) range from 1.20 to 1.60 which is well below the threshold of 3 (Hair et al., 2015). Multicollinearity, therefore, does not pose a threat in our model. The hypothesized paths are statistically significant and in the expected direction. First, alliance experience positively effects AMC ($\beta = 0.23$, $p < .001$) in support of H1. Secondly, family business culture has positive impact on AMC ($\beta = 0.18$, $p < .001$), in support of H2. Thirdly, we found evidence to support H3 as political instability has positive impact on AMC ($\beta = 0.19$, $p < .001$). Finally, we found support for H4 as AMC positively impacts on alliance performance ($\beta = 0.23$, $p < .001$).

The results of control variables are noteworthy. Though not formally hypothesized, firm size is positively and significantly associated with alliance performance. While firm size is negatively and significantly related to AMC, firm age is positively and significantly related to AMC.

As additional testing, we examined AMC as a mediator (between antecedence and alliance performance) using the bootstrapping procedure. Table 3 presents the estimates, standard errors, and corresponding lower and upper level of confidence intervals (CIs). The 95% bias-corrected CI for the indirect effect via bootstrapping 5,000 samples is positive and excludes zero (Preacher & Hayes, 2008). These results support the mediation effect of AMC. Moreover, we used Sobel test to further validate the results. The results in Table 3 indicate that the indirect effects of alliance experience, family business culture, and political stability on alliance performance via AMC are both significant at the 5% level, confirming the mediation effect of AMC.

## 7 | DISCUSSION

In this study, we examined the relevance of the AMC concept, and identified its antecedence, in family business in the domain of developing economies, a setting that received limited scholarly attention. So we respond to calls for investigating the extent to which these capabilities are sensitive to the collaboration setting (Al-Tabbaa et al., 2019; Schilke & Goerzen, 2010), including the discrepancy between partners' motives and characteristics (Vandaie & Zaheer, 2014). This represents an important research need as the nature and relevance of these capabilities may vary due to context; "alliance capabilities that are valuable in one setting may become less valuable in another" (Wang & Rajagopalan, 2015, p. 255).

### 7.1 | Theoretical contributions

Combining our conceptualization and the result of empirical testing, our study makes different contributions. *First*, we identify two significant internal determinants of AMC: family business culture and alliance experience. For the former, our results show that the culture of the family business affects alliance performance indirectly through the AMC. This finding is in agreement with Gupta, Iyer, and Aronson (2000) who showed that organizational capabilities, such as learning, require a significant shift in organizational culture and a commitment at all levels of a firm to make it works. Similarly, Janz and Prasarnphanich (2003) found that organizational culture is positively connected with higher levels of knowledge-related activities like coordination and learning. More specifically family businesses can outperform non-family owned firms, despite the quality of the success of the "familiness" (succession, shared stories, interactions, trust, language, values, and norms) family businesses characteristic(Sorenson et al., 2009). Family harmony assists in the alliance since it ensures mutual understanding, more knowledge and trust between the partners (Breton-Miller, Miller, & Steier, 2004; Pardo-del-Val, 2009). Hofstede and Hofstede (2001) note that Libya as an Arab country, in general, is a collectivistic country where individuals have a strong commitment to their families and tribes. In such an environment, it would be easy to gather and share information depending on the trustworthiness of families and their businesses. Therefore, the trust and reputation part of Libyan culture has reflected the culture of family businesses, where alliance-specific studies have found that a firm's cultural orientation can affect its ability to collaborate with other firms (Graca, Barry, & Doney, 2015). Instituting an effective relationship between firms is usually a difficult operation. This is further exacerbated when firms are situated in different locations, and, for example, differ regarding culture, policies, language, customs and traditions (Nayeem, 2012). As alliance arrangements between companies with similar cultures evolve more easily, this facilitates alliance with other family firms (Clash, 2011).

On the other hand, alliance experience emerged an important internal antecedent as it enhances co-learning and coordination skills that are central components of the AMC (Schilke & Goerzen, 2010). Importantly, this confirms the significance of dispersing gained experience through the learning mechanisms to create firm-wide routines, therefore developing the firm's AMC (Heimeriks & Duysters, 2007; Rungsithong, 2014). However, alliance experience in family business does not rely on explicit procedures and rules only (Gersick, 1997). Rather, learning in family business occurs through implicit approaches, for example, by learning from parents Dyer and Nobeoka (2000). In addition, the capabilities such as coordinating and negotiating can be passed on by generations, in this case, the managers of family businesses could have characters advantage such as their personal relationships to grow as a close-knit family unit (Kellermanns & Eddleston, 2006). As such, members of family businesses acquire alliance experience through the succession of generations, thus, gaining the experience and knowledge of coalition partners (Coutinho & Moutinho, 2012).

*Second*, we add to the broad alliance literature by introducing and testing a new environmental factor (i.e., political instability)—a common feature in developing economies (Luo & Tung, 2007), as an external antecedent. Thus, this study advances the literature by testing empirically the link between political instability and alliance performance through the leveraging of AMC. Chaharbaghi, Adcroft, Willis, Todeva, and Knoke (2005) Found that under political instability conditions, many family businesses might seek alliances to strengthen their positions in the market, thus maintaining their competitive position and minimizing environmental-related risk. Therefore, they would need capabilities to succeed in the alliances. Family businesses that operate under political instability face uncertainty in the market as well as have difficulty obtaining and analyzing market information. Accordingly, family businesses would evolve AMC to increase the chance of their alliance success. Under these conditions, companies must have negotiating capabilities to strengthen their competitive position in the market (Barney, 1999). According to Schneckenberg et al., (2017), choosing partners under uncertainty is based on heuristics by having access to external information to allow firms to address some of the complexities of decision-making. Hence there is a much greater need for more capabilities such as scanning the market for appropriate new alliance opportunities to assisting firms to select partners Smith (2013) reports that in turbulent environments, managers need to make more consistent and less erratic decisions and tune out distractions more readily and which signals their trustworthiness and as a partner in collaboration increases their chance of being selected. The present finding also supports Schilke and Goerzen (2010), which concluded that in environmental change, "there is obviously value in the ability to sense the need to reconfigure the firm's asset structure, and to accomplish the necessary internal and external transformation, this requires effective coordination between partners". According to Johnson, Sohi, and Grewal (2004), the more complex the environment, the more organizations need to be able to coordinate their alliances. The family business needs high capabilities of alliance coordination between partners under the political instability, due to the degree of risk increased in the market (Culpepper, 2005). According to (Johnson et al., 2004), during periods of high environmental change, family business needs to access knowledge externally in order to reduce uncertainty about the environment, through alliances, firms can learn how to acquire information from the market. Carmines and Zeller (1979) found that in a changing environment such as political instability one could create more appropriate learning opportunities and influence knowledge improvement between partners. The result is in line with the earlier literature (Pheng Low, Ying Liu, & Wu, 2009) that found in environmental change, organizations that learn from their partner are able to improve their sources of competitive advantage and mistakes are translated into valuable alliance experiences.

*Finally*, we contribute to the AMC theory by conceptualizing and empirically testing the AMC construct and its dimensions in the family business when operating in developing economies. In specific, this study found that AMC has a positive effect on alliance performance in the Libyan family business. AMC improves alliance success because these organizational capabilities (mainly communication, coordination and learning) enable partners to adjust the attributes of the alliance relationship based on environmental change.

## 7.2 | Study limitations and future research directions

Despite these contributions, our study has some limitations. As we have explored one developing country (Libya), it is possible that firms in other settings differ from their Libyan counterparts. This may be so because of the size of the Libyan economy, the economic uncertainty, nature of politico instability and dynamics of market competition, national culture, economic structures or policies, regulatory constraints, and legal which might differ between developing countries. These institutional and environmental differences demand further investigation. Also, when measuring the AMC, we used three variables as suggested in most literature. However, other researchers have suggested further variables. This creates an opportunity to replicate our study using these variables. Finally, in our model, we have focused on alliance success as our dependent variable. The AMC and strategic alliance literature, however, suggests other related variables that should be explored, such as firm overall performance, alliance portfolio success, and long-term strategic performance (e.g., market share). Examining these outcomes can offer new insights into the role of AMC in enabling firms to create more value from their involvement in strategic alliances.

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