Casual games: time to get serious.

A study into strategic alliances in the Dutch casual gaming industry.

Master of Science in Business Administration
Strategy & Innovation

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Abstract.

This thesis revolves around the question: ‘What is the function of the strategic alliance capability at Banana Games?’. The focus of this thesis is on the Dutch casual gaming industry, in which strategic alliances are prominently present. The focal firm is Banana Games, a casual games company, located in The Netherlands. In answering these questions, an approach is chosen which combines routines, complementary assets and dynamic capabilities. The thesis tries to explain the role of strategic alliances in the gaming industry, followed by an investigation into which strategic alliances are relevant for the focal company. After establishing what those are, it looks into the link between strategic alliances and complementary assets. It concludes with looking at the role routines have in the managing of strategic alliances. During the research, a distinction is made between scale and link alliances according to which the alliances in this research are classified (Mitchell et al., 2002). Complementary assets are distinguished into generic, specialized and cospecialized as suggested by Teece (1986). The routine framework is constructed by the work of Nelson & Winter (1982). The results indicate that strategic alliances are of importance, depending on the goals that are established. They are relevant for the industry as a whole and for Banana Games in specific. Alliances are used to decrease dependence on certain assets and are transformed into unique assets through the use of routines in the managing of strategic alliances.

This version has been censored on request of the focal company. Banana Games is a fictional company. The transcripts have been removed due to privacy issues.

Key words: routines, complementary assets, dynamic capabilities, strategic alliances, video games.
Preface.

The master of Strategy & Innovation sparked my enthusiasm for doing business research in the creative industries. When looking for a subject to write my thesis about, I thought about how I interact with these industries in daily life. I came to the conclusion the one of my main interests is playing and reading about video games. A survey in several academic databases displayed that there is little scientific information about this industry. Smith (2001) even goes as far as to describe video games as ‘the medium that got forgotten’ in scientific research. I decided to write about my hobby, hopefully having a good time and extending the scientific knowledge about this industry at the same time.

In order to select a topic within the industry to investigate, I thought about which subjects I liked the most during the master. One really sprung to mind: strategic alliances and complementary assets and how these concepts influence the success of companies’ in an industry. Because of my fondness for the creative industries and a love for video games in particular, I decided to study these concepts in the video games industry.

It has been an interesting journey, with lots of bumps in the road, moments of complete astonishment, feelings of being lost and, of course, victories. I have learned a lot during the writing of this thesis. Not just on scientific writing, interviews techniques and the video games industry, but also on how to persist, to keep focused, how to remain motivated and how to battle self-imposed deadlines. With this thesis, my time as a student draws to an end. But before I go on with the next exciting part of life (‘working’), there are some people who I need to thank. In the first place, my girlfriend Floor who had to put up with me being caught in my own world of thoughts and did her best to keep my feet on the ground. I would like to thank Wilfred Dolfsm for having constructive meetings and showing me how an academic talks, walks and functions. I own gratitude to Thijs Broekhuizen, who inspired me to choose this master and who had to put up with my countless emails regarding strategy & innovation subjects. Then there’s Joost Rietveld, my fellow nerd, who offered not only substantive talks, but also a couple of good laughs. Thanks mom and dad, for making this all possible for me. And last but not least, thank you Banana Games (especially the interviewees) for allowing me to write my pièce de résistance!

‘If you don’t care where you want to get to, it doesn’t really matter which way you go…’
The Cheshire Cat, from Alice in Wonderland (1951).
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Chapter 1. Introduction.

The video games industry consists of several branches. The focal branch regarding this thesis is that of casual games. The casual gaming industry is relatively young (it started gaining momentum in 2001), which makes it interesting to research. This makes it a difficult choice at the same time, because most of the scientific research on video games deals with console-based gaming or ‘traditional’ PC-gaming (Kutinnen et al., 2007). The studies that are available on the subject of video games are often about violence in games, narrative aspects or the social impact of games. Business research in this field is hard to find. This industry is still struggling with defining its products (Kutinnen et al., 2007) and research into the different business aspects, let alone alliances, is sparse in numbers. This appears as strange, since the casual video games industry is one of big numbers in terms of profit, range of advertisement and players/consumers (ESA, 2008).

Casual gaming as a general phenomena and casual games in specific are innovative ways of looking at video games. Casual games have opened up video gaming to a large (and sometimes new) audience, by doing things differently from the traditional video games industry. It has spawned new kinds of business models, created new technologies, changed games design, offers new marketing approaches and so on (IDGA, 2009). It is changing the perception of video games around the world because of its easy access and the large number of games that are available. It is an industry in which there is a lot of collaboration, because it is still young. ‘There is not one company that possesses all steps in the value chain’ (Transcript Banana 2) and therefore, alliances are formed to gain access to these assets. Or as Child & Faulkner (1998) put it, strategic alliances (or strategies as they call them) can: ‘offer significant advantages for companies lacking in particular resources or competencies to secure these through links with others possessing complementary assets or skills’. While this is true for most industries and their various life-cycle stages, alliances are especially important for young industries, since these alliances are of the utmost importance when a company is either (a) in the start-up phase of its existence or (b) is changing the way it is operating fundamentally (e.g. opting new business models or activities) (Rasmussen, 2007, Rothmaerl, 2005). In the casual gaming industry, the formation of alliances between different companies can be viewed as a key to success (Casualgaming.biz, 2008. Hardwick et al., 2009, Wang et al., 2007). Therefore, this thesis will provide an analysis of how a successful casual gaming company manages strategic alliances. This study
The purpose of this thesis is threefold. This thesis will:

1. Provide an extension to the general research fields of strategic alliances and strategic alliance capability.
2. Provide insight in the managing of strategic alliances within the Dutch casual gaming industry.
3. Provide an extension of the business research field of video games.

The main research question is:

What is the function of the strategic alliance capability at Banana Games?

The sub-questions research questions are:

1. What are the most common formed strategic alliances in the Dutch casual gaming industry?
2. What kind of strategic alliances are relevant for Banana Games?
3. What role do strategic alliances have with regards to the dependence on the necessary complementary assets for Banana Games?
4. How are the functions of routines filled in at Banana Games in order to manage strategic alliances?

This thesis is structured as following:
Chapter 2 provides a context description in which the differences between the traditional and casual gaming industry are explained. Chapter 3 provides a theoretical framework that discusses the theories that are relevant for this thesis. Chapter 4 describes the way the research is structured and how the research has been performed. Chapter 5 gives insight into the results of the research. Chapter 6 provides the conclusion and limitations of this thesis.
Chapter 2. Context.

In order to make a decent study on the subject of video games in general and casual games specifically, it is important to define these terms. In this chapter, a short overview will be given of what a video game and a casual game is, what the videogame industry and casual gaming industry look like and what the differences are between these industries. This aim of this chapter is to provide the reader with a distinction of what the casual gaming industry is. This is done by illustrating the differences between the traditional and the casual gaming industry. An overview of the main players in the industry is then presented and the chapter is concluded with an overview of strategic alliances in the casual gaming industry.

2.1 Definition of a video game
Research into several articles (Grenville, 2008, Nielsen, 2008) shows that a clear definition of video games is lacking. Newman (2004) states that the lack of in-depth studies has created a situation in which the definition and demarcation of video games are a matter of debate. Jenkins (2001) claims that the definition of video games depends on the theorists describing the object. Since the industry cannot agree on a definition for its products and scholars claim to see different aspects as important depending on the background of the disciplines they study, it is hard to describe what a video game truly is. Newman (2004) continues to describe different ways to classify and identify video games. Because the subject of this thesis is not to establish a clear definition of what a video game is, the definition as noted by Newman (2004) is adopted, which he bases on Frasca (2001). In this thesis, a video game is perceived as ‘any form(s) of computer-based entertainment software, either textual or image-based, using any electronic platform such as personal computers or consoles and involving one or multiple players in a physical or networked environment’ (Frasca, 2001).

2.2 Definition of a casual game
In order to understand what casual gaming is, a description of some of the roots of this industry will be given. While video games had been around for quite some time (i.e.: Pong on the first arcade machine in 1972) the foundation for the casual games industry was created by a large number of people going online in the late 90s (Kent, 2001). The ability of the general public to access the Internet created a new market where consumers could go and find new kinds of video game entertainment. As the Internet
started to take its current form and browsers started to become more advanced, developers found out that these trends could offer tremendous opportunities. It sparked the development of simple games that used early HTML-code to the games currently available that are based on software like Flash and Java (Casualwiki, 2009). As the number of games kept growing, some developers started to offer games that were created by other developers, creating the first online casual games portals. Quite a few of the new developers were spin-offs from upcoming Internet companies like RealArcade (spin-off from RealNetworks, Inc). Since 2001, these companies started to develop and distribute downloadable games by using the, now classic, ‘try and buy’ model (IDGA, 2009). This model allows players to download and play a game for a limited time-period or with a limited set of features. If a player wants to unlock unlimited time play or all features, a small fee is paid (usually between $15-20) which grants access to the full game. Primarily aimed at mature women, these games put emphasis on different aspects than traditional video games¹.

In 2009, the term casual has become very broad, ranging from the Wii and DS consoles to (downloadable) Flash games, mobile games and non-traditional games like Rock Band/Guitar Hero on the traditional gaming consoles (Xbox 360, PS3) (The State Of Casual Games, 2008). This makes the industry hard to define as it is struggling with its identity. Kuittinen (2007) has made some effort, but a definition that is accepted by both the community and scholars has not been created yet. As for this thesis, casual games can be described as games that are developed for the mass consumer, even those who would not normally regard themselves as gamers (CGA, 2007). This definition may seem all-including and vague, but it describes exactly the audiences that casual games target. Casual gamers are played by everybody, from teenagers to adults, from consultants to working mothers. They can be played on a large variety of platforms, using the well-known portals. The forms these games come in are numerous and go far beyond the 3-in-a-row-based puzzle games (such as the famous Bejeweled), that have become key examples of the genre. The international gaming developers association (IGDA) state in their white paper on casual games that there are seven characteristics the most casual games share. These are:

1. Low barriers of entry for new players – easy to learn how to play the game.

2. Simple controls - for example, most hit PC casual games feature a simple point and left-mouse click control scheme.

3. Game play that is addictive, but still is able to be consumed in short increments.

4. Forgiving, non-punishing game play - for example, most hidden object games allow you to make several false clicks before any penalty occurs.

5. Carefully crafted ramp in game play complexity - for example, in HipSoft’s Build-a-Lot, the city mayor guides you through the first levels and gradually introduces you to more depth in the game play.

6. Casual Games tend be inclusive, rather than exclusive - for example, Mystery Case Files employs a gender neutral, mainstream mystery-solving theme, and many other games feature an entrepreneurial theme which resonates with most people.

7. Casual Games tend to speak to a player’s desire for fun and relaxation, rather than the desire for adrenaline or sensual stimulation typically served by traditional video games. (IDGA White Paper, 2008)

The existence of the market for casual games is very well illustrated in a Cnet.com article called ‘Casual games get serious’, from 2006. This article draws a comparison between games and movies. It states that if you imagine that Hollywood only produced action movies, the theaters would be filled with young men. There are many people who steer away from these types of film (including many women) and would find something else to do in their spare time and thus spend their money somewhere else. Appealing to broad audiences was one of the main problems in the video games industry. However, as there are different types of films, there are different types of video games. As stated in the same article: ‘Casual games are a step in the direction of coming up with (the equivalent of) comedies and romantic comedies’. By doing this, the video game industry targets new audiences and generate revenues, now often lost to other forms of (multimedia) entertainment.

2.3 Overview of the traditional video game industry

Born in the 1970s, the industry has grown in both size and scope. The phenomena has spread to multiple platforms and is not longer restricted to the desktop-computer. Video games are played on home consoles, desktops, hand-held consoles, arcades, mobile telephones and even calculators. According to data compiled by the NPD Group, a global market research company, released by the ESA (Entertainment Software
Association), computer and video-game companies posted record sales in 2007. The industry sold 267.8 million units, leading to $9.5 billion in revenue in just the U.S (ESA, 2008). In comparison, the same research showed that the best selling video games title of 2007 (Halo 3), generated more revenue in its first day of sales ($170 million) than the biggest opening weekend ever for a movie (Spider-Man 3, $150 million) and the most successful Harry Potter book on it’s first day of sales ($160 million) (IGN, 2009). Some sources even go as far as to predict that the video games industry will generate over $21.6 billion in terms of sales in the year 2013 in just the US (Gamasutra, 2009a, 2009b).

The traditional games industry aims for the traditional, often stereotyped, gamer: a (white) male, in the age-category of 16 through 30.

There is still much debate about what the video game industry is. According to Nielsen et al. (2008) the video games industry occupies a cultural niche which is competing (most directly) with the movie and music industry. They state that comparing the video games industry with the movies and music industry in terms of business models is unfair since the industries use different business models to generate value. As an example, he writes the following about the movie-industry: ‘Movie businesses profits are comprised of box office earnings, DVD sales, rental licenses and sales to television broadcasters, while the music industry has secondary income such as the licensing for use in commercials and movies’. When looking at the video games industry, this industry generates money by selling its products directly to the customers (through retail outlets or direct downloads) and/or by asking for subscription fees for online games. There are little secondary incomes, although the translation of a video game into a movie is done more regularly (see the Tomb Raider, Far Cry or Resident Evil movies). Williams (2000) analyzes the video games industry in terms of industry structure and competition. He distinguished three segments to analyze, which are the home consoles, handheld and PC segment. He describes how the value chain in the video games industry is constructed. Traditionally, 5 stages can be described in this chain.
Figure 1 displays these stages. The first stage in the chain is the development of the game brand and the game itself, the so-called, intellectual property (IP). This development process can be categorized into three types:

1. First party development (developers who are internal to the publisher).
2. Second party development (contracted developers who create games for the publisher’s label).
3. Third party development (unaffiliated outside firms that create games for a platform).

The publishing stage follows the development phase. Publishers are the right-holders for games developed in the prior step. They attain these rights by co-developing the IP or by buying the right to publish an IP. During this stage, publisher is responsible for marketing, product launch and streamlining the manufacturing process with regards to production. Most large publishers have their own manufacturing facilities, while smaller publishers need to outsource their manufacturing. For a detailed overview regarding the difference in publishing/manufacturing between consoles, handhelds and PC-games, please see Williams (2000). After the game has been manufactured (e.g. placed on a medium, provided with manuals, packaged, etc), it is distributed. Distributors are responsible for the (physical) storage and delivery of the game and (usually) for the sales efforts. Finally, when a game enters the retail stage, it is delivered to consumers and is ready for use. In this overview, every stage can be (but not necessarily) represented by a different company or physical representation of a company.
2.4 Overview of the casual gaming industry

When looking at the gaming industry, one can conclude that casual online gaming is a relatively new segment of the video games industry. From 2001 to 2006, the business was straight-forward. The majority of the industry was focused: most products that were created consisted of small games, available for download, designed to appeal to audiences so far neglected by the traditional videogames industry. The games were delivered over the Internet and played on a computer. The most common genres of these games were simple puzzle, word and action games with an emphasis on the word simple. Consumers downloaded a game they liked from a variety of portals and play for a limited amount of time free of charge. If the game satisfied their gaming needs, they would pay about $15-20 and the developer and distributor would split the money. If the consumer did not like the game enough to pay, he/she went on and played something else. This scenario occurred with about 99% of all downloads (i.e. the conversion rate was 1%) (IDGA, 2009). Using this business model, the casual gaming market grew from about $25 million in 2002 to a $600 million business in 2006 (IDGA, 2009). This growth occurred without major hardware or software developers for consoles noticing the potential value that could be captured in this industry (Munz et al., 2009).

In 2007 and 2008, the industry started to change. Through development in business models and advertising abilities the industry started to produce high revenues. Products like advergames started to appear and ad-supported online casual games were becoming the industry standard. A new development in the shape of micro-transaction (players pay a small fee to gain access to additional content or extra aesthetic features) begins to gain a foothold in both Asian and North American markets. This form of gaining income has proven to be successful, drawing in even more companies into the industry. The traditional game consoles created download services for their users and greeted the casual game developers with open arms (Goodgearguide, 2009) and the casual game developers were all too eager to accept this new platform (Gamedaily, 2009). For example, the Nintendo Wii transferred the casual gaming concept to their Wii-channel, creating a packaged product for the casual gaming industry. As of 2008, major players in the game console industry have started to take notice and try to take a piece of the casual gaming pie (Joystiq.com, 2007).² Currently, the overall casual game

² For an overview of the most often used business models in the casual gaming industry, I refer to:
http://www.casualgaming.biz/news/category/what-is-casual-gaming
industry is worth about $2.25 billion a year (CGA, 2008) and is growing by 20% annually (CGA Market Report, 2007). According to comScore, over 25% of internet users worldwide now play online games every week – which equates to over 200 million users worldwide (CGA Market Report, 2007). Many of the major portals now host several thousand of casual games, with over 30 new game launches a year per portal.

### 2.5 Differences between traditional video games and casual games industry

While there is some overlap between the traditional video games and casual games industry, there are also some clear differences. The most noticeable differences while examining both industries will be discussed here.

The most visible and written-about difference between traditional and casual games is that the nature of casual games has allowed companies to draw the attention of consumers that do not match the traditional average male of 25 years old, but opens up a whole new range of target audiences (Beck, 2004). A quick survey of the industry shows that casual games focus on girls, moms with kids and teenagers (both males and females between the age of 8 to 15 years old) (BANANA Games, 2009). IDGA reported the following in 2006: 'When you are in the business of casual games, you are reaching virtually all demographic sectors. Women in their forties comprise the typical casual game players – but so do men, teens, kids, college students, seniors and international audiences. Even hardcore game players take a break every now and then to play free online poker games and online pool.'

Another difference lays in the way each industry deals with advertisement. Within the traditional video games industry, revenues are not created by delivering audiences to advertisers as noted by Picard (1989). While this is also the case of a small part of the casual games industry, most games are played through online portals. These portals use advertisements to gain profits from users. So while it is not casual games themselves who lead users to advertisers, the way in which the larger part of the casual games are distributed does. Casual games can even be constructed to promote a certain product or brand. These games are called advergames (Edery et al., 2008).
The vertical chain in the casual games industry is different from the traditional video games industry. This is illustrated in figure 2. Developers and publishers often belong to one and the same party. Sometimes, they also produce the games they want to get out onto the market, but often, these activities are outsourced which explains why it is an independent step in the value-chain. The next step consists of the aggregators. Aggregators are companies that collect all kinds of (quality) content in order to select and sell the best products. The reason that aggregators exist is because not every developer/publisher/manufacturer has a way of delivering the product to consumers. Aggregators use marketing and distribution channels to place their products onto the market. These marketing and distribution channels often consist of so-called game portals, which are a place where game content and consumers get together. Sometimes a casual game sells so good in the market, it leads to a release of the game into retail channels. Consumers can then buy a boxed copy in retail stores like Walmart. However, this is more often an exception than regular business.

When looking at the vertical chain in the casual games industry, a few differences start to appear. In the traditional video games industry there is often a strong relationship between the developer and publisher. In casual games a similar relationship can be established between the developer and distribution. However, there is a difference between these relationships. In the traditional video games industry, developers and publishers often share financial risks (IDGA Website, 2009). With casual games, distributors typically do not share the financial risk of development. In this case, the developer takes on all the risks, with a distributor not being involved until later in the development cycle (IDGA Website, 2009). In the traditional video games industry, the difference between a publisher (i.e.: Konami) and a distributor (i.e.: Free Record Shop) is clear. In the casual games industry, this line is vague.

Figure 2. Stages in the vertical chain of casual games production.
Online portals often function as both distributor and publisher. For example: RealGames creates games but also distributes these games through their own portal\(^3\). IDGA (2009) expects this trend to grow over the next couple of years. If a developer does not have an exclusive distribution agreement with a portal, they can still publish the game on their own website. Beside a strong cooperation between complement parties (such as the portal and a developer), strong links are found between companies that develop the same economic activities. E.g. games developed for one portal can be played on other portals as well.

A visible difference between the two industries is the number of games produced and the associated long tail effects. A large traditional video games studio, such as Valve, releases an average of 4 titles a year (Valve.com). A large casual studio, such as Banana Games, releases an average of 30 games a year (Bananagames.com). An important reason for this difference in number of releases can be found in the difference in costs between a traditional and casual video game. Whereas it is not uncommon for a traditional video game to have a development budget of €3-7 million, casual games are typically produced for approximately €10,000 to €100,000 (IDGA Whitepaper, 2008). Since casual gaming portals have almost unlimited shelf-space, it is possible for them to offer an almost unlimited number of games. The long tail effect focuses on selling a huge amount of unique products (online games) on a small scale to a large number of people instead of the more traditional sale of large quantities of a limited set of popular products\(^4\). In the case of the casual gaming industry, portals offer a limited set of popular products (e.g. bubble shooter), but also provide players with a near endless range of other games that might not be popular amongst everyone. However, these ‘less-popular’ games provide, in the long run, more traffic than the popular games. On a higher level, portals that provide a large number of games that are played by a fewer number of people or which are not popular among players, can account for a bigger market share than those who focus on a couple of hit-games that can be found on any portal. Long tail effects are not noticeable in the traditional video games industry, since most of the sales still occur through retail stores, which have limited shelf-space. However, since there is a rise in the number of games bought through digital distribution channels (such as Steam), there difference is becoming smaller (Tweakers.net).

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\(^3\) [http://www.onlinerealgames.com](http://www.onlinerealgames.com)

\(^4\) For more information on the Long Tail, see The Long Tail, by Chris Anderson. Wired, October 2004.
2.6 Main players in the industry and attractiveness

While there are a lot of small companies active in this market, the largest part is taken by a few large companies. The Dutch-based Banana Games is currently market leader, with almost 100 million unique visitors each month, followed by the US-based Yahoo! Games and Microsoft Games. These companies focus on getting as much unique visitors to their sites as possible. These visitors are important because the main source of income for these companies is advertisement. More unique visitors results in a higher market penetration and a larger possible target audience for advertisers. Because of the increasing availability of Internet, the number of potential players keeps increasing, with some estimations of over 1.5 billion potential players. An overview of the developments in terms of unique visitors per month for the ten companies in the industry is given in figure 3. Expectations are the both the number of users and organizations will only increase, due to the low barriers for both playing the games as well as creating them.

2.7 Strategic alliances in the casual gaming industry

Rasmussen (2007) and Rothmaerl (2005) argue that alliances are of importance when (a) a company or industry is in its start-up phase and/or (b) when the way the company or industry is operating is different then usual (or when the industry or company is fundamentally changing). In this case, both circumstances are present.

As described earlier, the industry is still quite young (started in 2001) and is still struggling with the way it should make money (monetization strategies), content production, how to deal with advertisers, etc (Transcript Banana 2). At this moment, there are no large players that dominate the industry (Transcript Banana 1) or that possess all the steps that are present in the vertical chain (Transcript Banana 2). This requires companies to work together, in order to not only generate profit for themselves, but to ‘extend the industry as a whole, making it better for everyone involved’ (Transcript Banana 2). Besides being young, the casual gaming industry works differently compared to the traditional video games industry. When looking at the vertical chain, more collaboration takes place between publishers and developers, the dividing line between producer and distributor is not black and white and the retail channel is more often neglected than used (Wikipedia, 2009). This has forced the companies in the casual
gaming industry not only to develop new business models, but to form more alliances than compared to the traditional gaming industry (Transcript Banana 1, 2) (Independent, 2009). An example of this is the founding of the PC Gaming Alliance, an alliance that aims to improve PC gaming as a platform in general, but also to promote and stimulate (the creation of) casual games specifically (Playbbg.com, 2009). Alliances have been an important factor in this industry and are still seen by many parties as a driving force behind the success of the casual gaming industry. (Transcript Banana 1,2,3) (Playbbg 2009., Reuters, 2009., Business Wire, 2007., CasualGaming.Biz, 2009a).
Chapter 3. Theoretical framework.
In this chapter, an explanation is given of the different theories that are of importance in answering the research questions. The chapter starts with explaining which theories are of importance and how they are connected. The theories focus around dynamic capabilities, complementary assets and routines. The final part of this chapter gives a description of strategic alliance capabilities, which is the main topic in this thesis.

3.1. Introduction
A common goal seen amongst (most) commercial organizations is the creation and maintaining of a (sustainable) competitive advantage. This advantage is created when an organization can ‘acquire or develop an attribute or series/combinations of attributes that allows it to outperform its competitors’ (Porter, 1998). Through these attributes, the organization can continue to make a profit and sustain and/or protect its position in the market from competitors, creating success in the long term. Success is defined in this thesis as the ability to create autonomous growth and be able to gain and retain a (large) portion of the total market. There are several ways how a competitive advantage can come into existence, one being that a company uses dynamic capabilities to stay ahead of its competitors. Dynamic capabilities are ‘organizational and strategic routines by which managers alter their resource-base…to generate new value creating strategies’ (Eisenhardt et al., 2000). They can be described as ‘the way things are done in the firm, known as routines of current practice and learning’ (Teece et al., 1997). Two theories that make up the basis on which the dynamic capabilities are founded are those regarding complementary assets and routines. Complementary assets are those assets or capabilities that allow the successful commercialization of an innovation (Teece, 1986). Routines focus on how companies use resources and capabilities to create strengths or weaknesses or how to transform general assets and capabilities into creative, idiosyncratic aspects of the firm. Through the application of dynamic capabilities, the configurations of resources that can be made using these capabilities and/or in the capabilities themselves a competitive advantage can be created. This means that while dynamic capabilities are essential for such an advantage, without the proper resources (such as complementary assets) and the proper organizational processes (such as routines), companies are not able to create a (sustainable) competitive advantage.
In this thesis, the dynamic capability that will be analyzed is part of the strategic alliance capability of the focal firm. This function can be broken down into two parts: 1. the creation of strategic alliances 2. the managing (or maintaining) of strategic alliances (Heimeriks, 2005). This thesis will focus on the second part, by analyzing the dynamic capability and the underlying routines and complementary assets. The author will not try to explain the competitive advantage of the focal firm through this capability. The reason for this is that there are many other aspects that influence the competitive advantage, with the managing of strategic alliances being just one of the many. Figures 4 & 5 explain how the general theories are linked and how these are adapted to this thesis. Figure 5 also shows the borders of this thesis. In the following text dynamic capabilities, complementary assets, routines and the strategic alliance capability will be explained. While this remainder of this chapter may be excessive at certain parts, the goal of the author is to inform the reader on these (often ill-defined) concepts.

Figure 4. General theory.

Figure 5. Theory adapted to this thesis.
3.2 Dynamic capabilities

Quite a few authors have written about dynamic capabilities. This has resulted in a large and extensive number of definitions on what dynamic capabilities are. Winter (2003) states that dynamic capabilities are based on the broader concept of an organizational routine. He describes it as a (collection of) high-level routines that ‘confers upon an organizations management as a set of decisions options for producing significant outputs of a particular type’. Teece et al. (1997) make a distinction in the dynamic and the capability part of the definition. According to these authors, capabilities emphasize the key role of strategic management when it comes to adapting, integrating and reconfiguring ‘internal and external organizational skills, resources and functional competences to match the requirements of the changing environment’ (Teece et al., 1997). The term dynamic refers to the capacity to renew the competences of the business, in order to achieve congruence with the changing business environment. (Teece et al., 1997). When examining several other definitions (Helfat et al., 2007), it occurs that these have one thing in common: dynamic capabilities allow companies to change, extend, protect or reject their asset base in order to sustain a competitive advantage. Or as Eisenhardt et al. (2000) puts it: ‘dynamic capabilities are the antecedent organizational and strategic routines by which managers alter their resource-base – acquire and shed resources, integrate them together and recombine them – to generate new value creating strategies’. Teece (2007) backs up the three main functions that dynamic capabilities should allow a company to posses. He states that dynamic capabilities can be disaggregated into the functions of a company to:

1. Sense and shape opportunities (Variation).
2. Seize opportunities (Selection).
3. Maintain competiveness through reconfiguring the business enterprises intangible and tangible assets (Retention).

Zott (2003) describes these capacities in a simulation study he executed on dynamic capabilities. He classifies dynamic capabilities in terms of variation, selection and retention of resource configurations. When looking at Teece’s (2007) definition more closely, one can classify his three functions into these terms. Helfat & Lieberman (2002) state that firms need complementary capabilities to profit from their core knowledge and/or technology. Generalized capabilities are those capabilities that can be applied
more broadly; including general organizational resources and capabilities, such as skills for organizing multiple business units, and for transferring knowledge between units (Helfat & Lieberman, 2002). Specialized capabilities can be viewed as functional activities, such as R&D and marketing, which tend to be tailored in important ways to the technologies, operations and products of the business in which the firm participates. According to Helfat & Lieberman (2002), these two kinds of capabilities could lead to a whole range of capabilities that are different for every firm. This is contradicted by Eisenhardt et al. (2000). They state that when comparing dynamic capabilities across firms, it can be concluded that while dynamic capabilities are idiosyncratic in their details, they display common features that are associated with effective processes across different firms. They also address the competitive advantage that can be created by dynamic capabilities. The competitive advantage is created by companies who use dynamic capabilities 'sooner, more astutely or more fortuitously than that of the competition.' (Eisenhardt et al., 2009). However, Teece et al. (1997) state that while the essence of capabilities are embedded in organizational processes, the content of these processes and the opportunities that accompany them are 'shaped significantly by the assets the firms possesses.'

Following this reasoning, in order for a company to achieve a competitive advantage, a company has to examine what value each asset has in the gaining of a competitive advantage. The next step would be to analyze if these assets are in possession of the company, whether or not they should be and how access to these assets can be gained (Teece, 1986). One way of gaining access to these assets is through strategic alliances (Parise et al., 2003, Borket et al., 2004). The managing of strategic alliances is viewed as a part of the dynamic capability by itself, since it allows the company to perform the three functions as described by Teece (2007). The managing of strategic alliances by itself can also be seen as a general capability as described earlier. In order for this capability to become a source of advantage, the idiosyncratic routines that are used in such a capability should be analyzed since routines focus on how companies create strengths or weaknesses or how to transform general assets and capabilities into creative, idiosyncratic aspects of the firm. Therefore, when looking at a specific dynamic capability of the firm, it is important to analyze both the complementary assets the firm has or needs access to and what routines are involved in creating a specific dynamic capability.
3.3 Complementary assets

One of the factors that determine whether or not dynamic capabilities lead to a competitive advantage is the access to and usage of proper resources. In the value appropriation literature, one of the dominant factors that can be distinguished with regards to the successful commercialization of an innovation is the ability of companies to gain access to and exploit complementary assets (Teece, 1986). Complementary assets are those assets or capabilities that allow the successful commercialization of an innovation (Teece, 1986). A firm may find itself in a position where complementary assets required to strategically appropriate the benefits of its innovation are in the possession of other firms. In this case it may need to acquire such capabilities / routines or it may need to seek an alliance with other firms. Alternatively, a firm can find itself being active in areas that are non-core. Such activities it may want to outsource to outside parties that will offer these services as (long-term) outside partners. Teece (1986) highlights the importance of these assets in order to create a better understanding of the performance implications of a new technology. He examined why many innovators are unable to capture the economic rents flowing from their innovation. He makes a distinction into 3 types of assets, which are:

1. Generic assets.
2. Specialized assets.
3. Cospecialized assets.

Generic assets are assets that are used for general purposes, which do not need to be tailored to a specific situation. They are commodity-type assets, have multiple applications (Tripsas, 1997) that can be transacted for in the open market (Hall & Rothaermel, 2005). An example of such an asset could be the manufacturing facilities needed to make shirts. Generalized equipment can be used to shape the clothing in a certain shape, the exception being certain stitches or symbols/signs. Specialized assets are assets where there is a one-way or unilateral dependence between the innovation and the complementary asset. These are unique assets that are critical to the commercialization of an innovation (Hall & Rothaermel, 2005). These assets are frequently built over extended periods of time and are therefore path-dependent (Hall & Rothaermel, 2005). Tripsas (1997) writes that these assets are only useful in the context of the given innovation. An example of a specialized asset is when an innovator has an
idea for a new software service, but relies on programmers with knowledge of a specific computer language to create the service. Cospecialized assets are assets where there is a two-way dependence between the innovation and the complementary assets. This occurs when, for example, an innovator has to invest in a factory in order to get his product produced, but at the same time the factory is dependent on this production to generate a profit. Lieberman et al. (2002) state that beside these three kinds of assets, a fourth kind is present. They address these assets as core assets, because these refer to ‘knowledge that fundamentally underlies and is required to create a product or service, including technical knowledge and knowledge of the customer needs’. The complementary assets (resources) are those required to profit from core knowledge, including finance, manufacturing, sales and distribution. This is confirmed by Hall et. al. (2005) who state that ‘successful commercialization can only occur when the required know-how in question is utilized in conjunction with other assets or capabilities’. Therefore, a fourth type of assets can be identified:

1. Generic assets.
2. Specialized assets.
3. Cospecialized assets.
4. Core assets.

Christmann (2000) states the complementary assets are required to capture the benefits associated with not only an innovation or technology, but with strategies as well. Complementary assets have value when they are associated with capabilities that provide the basis for competition in an industry. The value of complementary assets is linked to the way in which the firm competes and they thus provide the basis for competition in an industry (Taylor et al., 1997). Empirical support for the importance and value of complementary assets can found in studies of new entrants and incumbents in the medical imaging industry (Mitchell, 1989, 1991), the typesetter industry (Tripsas, 1997) as well as in a study of competitive effects of information-technology implementation (Powell & Dent-MiCalief, 1997). Swann & Gill (1993) reported the importance of complementary assets in their study on small biotech startups in the early nineties. Tripsas (1997) notices that when incumbents posses specialized assets that are critical for commercialization and new entrants are unable to contract, access or posses these assets, the entrants may be at a disadvantage, despite their technological
superiority. These assets can be described as capabilities that are needed to support the successful commercialization and marketing of an innovation (Teece, 1986). Teece (1986) uses the label of complementary assets to describe factors, such as specialized manufacturing, access to distribution channels, service networks, brand names or innovative capability (Chatterjee et al., 1991) and complementary technologies.

By analyzing companies at the asset level, instead of the market level, it becomes clear that availability of alternatives and/or the ease of replicability becomes an important strategic factor (Teece, 2007). This is in line with what Barney (1991) described in his resource-based view of the firm. Competitive advantage, however, requires more than the ownership of these assets. The control of assets does not imply control of a market, unless those assets in a way define the market. As stated in paragraph 3.1, companies should assess which assets are of value and how these can be secured. In this thesis, the dynamic capability used for this purpose is managing of strategic alliances. Since it has been established what the function of this capability is, the next step is to analyze what routines are and how they are involved in creating a specific dynamic capability.

3.4 Routines
Winter describes dynamic capabilities as ‘higher level, meta- or second order routines’ (Winter, 2003) or, in cooperation with Zollo (2002) describe dynamic capabilities as ‘a learned and stable pattern of collective activity through which the organization systematically generates and modifies its operating routines in the pursuit of improved effectiveness’. When looking at the functions of dynamic capabilities described by Teece (2007) and their classification by Zott (2003), one can see the overlap between the routines of an organization on one side and dynamic capabilities on another. This is consistent with the findings of Felin et al. (2009) who write that routines are the building blocks for higher-level concepts, such as organizational capabilities. From this point of view, routines form (part of) the dynamic capabilities. When analyzing the dynamic capabilities of a company, it is important to get a clear view of the routines that form the basis for the dynamic capabilities that a company excels in and can leverage into a competitive advantage. Dynamic capabilities come into existence as ‘the result of a change in routines, either through acquisition of new routines, or through a change in the relationships within existing clusters of routines.’ (Lampel et al., 2003). Wang et al. (2007) reveal that dynamic capabilities should be viewed as a extension of the resource-based view (RBV) (Barney, 1991) because it goes beyond the static view the RBV has and tells something about the transformational processes that are used to gain a competitive
advantage. By their definition dynamic capabilities are not processes, but they are embedded in ‘processes, known as routines’. The work of Nelson & Winter in 1982 called ‘An evolutionary theory of economic change’ introduced routines as the main unit of analysis. Their work presents routines as vehicles to gain knowledge about the evolution of organizational processes and the success of an organization with regards to survival in competitive markets. Nelson & Winter (1982) distinguish six functions that routines can have:

- Routine as organizational memory (organizations remember knowledge by inserting knowledge into routines)
- Routine as truce (routines create a status quo between how things are done and how they should be done)
- Routine as control (routines formulate an IST and SOLL state at the same time, which allows measurement of output)
- Routine as replication (routines that are developed in one department can be transferred to another)
- Routine as contraction (creative destruction of routines, replacing old and outdated ones with new routines)
- Routine as imitation (creating new routines based on knowledge outside of the firm)

Since the (revolutionary) introduction of routines, many researchers have used the term to explain various phenomena. The increase in popularity of the term has sparked many different definitions, leaving the term somewhat inconsistent behind. Narduzzo et al. (2000) state that it is impossible to define a once-for-all definition, because the concept of routines is being described as a ‘set of properties one learns to associate with the subject’. The attempts of authors to provide a uniform description of routines has been mildly successful at best (Becker, 2004). However, as Cohen et al. (1996) write, the ambiguity of the concept might be part of its strength. They state that the concept is tacit and can be seen as ‘a truce among the different and sometimes conflicting aims students make on the definition of organizational capabilities’ (Narduzzo et al., 2000). While several authors focus on the replicable nature of routines (Reynaud, 1996, Pentland et al., 1994), on its ‘automatic nature’ (Cohen et al., 1994, Postrel et al., 1992) or on its cognitive versus codified dimensions (Coriat et al., 1998, Mangolte, 2000), one
thing becomes clear: routines find their true nature in the ability of a company to learn. They are just like dynamic capabilities, while idiosyncratic in their details they display common features that are represented differently across firms (i.e. every company learns different, but they all learn). Routines focus on how companies use resources and capabilities to create strength or weaknesses or how to transform general assets and capabilities into creative, idiosyncratic aspects of the firm, thereby contributing to or creating a competitive advantage.

3.4 Strategic alliance capabilities
An important trend in industrial organization of the past decades has been the growth in relationships between two or more independent companies. These relationships can be placed in a continuum ranging from ‘infrequent arms length transactions, to closer long-term relationships and to fully integrated relationships, involving mergers and acquisitions’ (Statford, 1994). Strategic alliances form the middle ground in these types of relationships. They can be described as an agreement which excludes both mergers and acquisitions and spot market arrangements, for they are integrative of nature (Heimeriks, 2005). Strategic alliances are an often discussed and visited subject in the (scientific) business research literature. Some authors go as far as to call such this type of relationship a ‘critical element of a corporations business network’ or even ‘the most important strategic weapon for competing with a firm for core markets and technologies’ (Insch et al., 2006). Early strategic research (also know as traditional or inter-firm research) has its roots in the structure of alliances, type of contract and degree of partner fit (Heimeriks, 2005), while the current emphasis (known as intra-firm research) lies in the experience of companies with alliances (Doz, 1996), knowledge of alliances (and the institutionalizing of this knowledge) (Mowery et al., 1995) and the tools that management can use to leverage these alliances (Heimeriks, 2005). In the same dissertation, Heimeriks (2005) explains that not every alliance formed between companies has to be strategic. The term strategic rather refers to ‘alliances that are geared towards realizing an improved product market combination for any of the firms involved as well as to the shared goals and objectives or mutual benefits.’ Or as Teece (1992) dubs it: ‘agreements characterized by the commitment of two or more firms to reach a common goal entailing the pooling of their resources and activities ‘The definition of strategic alliances used in this thesis will be that of Heimeriks (2005): ‘contemporary cooperative agreements in which two or more firms share reciprocal
inputs to realize improved competitive positions for the partners involved, while maintaining their own corporate identities’ (Heimeriks, 2005).

Alliances may take a variety of forms and may occur at many different points in the organizations vertical/value chain (Amaldoss et al., 2000.). Rasmussen (2007) and Hill (2005) stress that strategic alliances are of the utmost importance when a company or industry is in either (a) in the start-up phase of its existence or (b) is changing the way it is operating fundamentally (e.g. opting new business models or activities). Both situations require new (complementary) assets in order to survive or facilitate transformation. Therefore, an important reason for managing strategic alliances is to gain access to the required complementary assets (Mitchell et al., 2002). This is confirmed by Child & Faulkner (1998) who state that strategic alliances are often part of ‘cooperative strategies’. These strategies are viewed as ‘strategies that can offer significant advantages for companies that are lacking in particular competencies or resources to secure these through links with others possessing complementary skills or assets’ (Child & Faulkner, 1998). Besides gaining access to such assets, protection of the companies own assets can also be a motive. Jorde et al. (1990) explain that an alliance can be a way for companies to protect their resources by using financial and organizational safe-guards against ‘opportunistic behavior’, such as ‘taking or stealing certain resources from or by an alliance partner’. This behavior exists because alliances allow organizations to ‘add and extract value from underutilized resources they posses, by more efficient use or by creating new resources’ (Mitchell et al., 2002). However, companies cannot provide iron-clad protection for these resources from appropriation by a partner, since it are the same processes (both organizational and individual) that help to concentrate the company’s resources also expose these resources to the partner (Mitchell et al., 2002). Strategic alliances are becoming an increasingly important success factor for companies. This can be concluded from research done by Margulis et al. (2001) who state that not only the total number of alliances in industries is increasing, the percentage of revenues and value-adding activities as a result from these alliances are also on the rise. This creates a paradox for companies. While companies rely more than ever on alliances as a mean of enhancing their competitiveness and growth (Kale et al., 2009.), at the same time they are vulnerable to opportunistic behavior as described by Jorde et al. (1990). Rangan et al. (1996) address this issue by assessing alliances on two dimensions: the level of conflict potential and the extent of
organizational interaction. They state that alliances while idiosyncratic in their details, they often display the following common goals:

1. Adding value to an activity (being implicit that a firm must earn more value from cooperating then from working solely).
2. Augmentation of core competencies/technology by learning from a partner.
3. Ensuring of continued strategic flexibility (one company should not be overly reliant on a particular partner).
4. Guarding of appropriation by a partner of core competencies or strategic advantages.

It has been established that while most companies have a set of alliances, it is the mix of the different types of ties that result from these alliances that make the difference between average and high performing companies (Rowley et al., 2000). The different types of ties that result from these alliances can be viewed as strong ties (which enables rich and efficient exchange) and weak ties (which allow greater flexibility and exploration) (Rowley et al., 2000, Granovetter, 1983). A similar distinction is made by Mitchell et al. (2002). They see alliances as two possible types, namely scale and link alliances. This distinction is made because of the (a)symmetry of partners contribution to the alliance and because each has a different strategic goal. According to them, scale alliances are alliances where partners contribute similar types of resources (for example, two car manufacturers using the same production facilities), while link alliances focus on the partners contributing different types of resources (for example, one partner delivers R&D capabilities, while the other partner takes care of the distribution channels). Scale alliances allow partners to become better at the exploitation of resources, where link alliances allow exploration through a combination of resources, as described in the seminal article by March (1991) on exploration and exploitation. Child & Faulkner (1998) distinguish a similar difference. They state that there are two distinct rationales with regards to strategic alliances: ‘strategic alliances are at base, about organizational learning in order to… enhance the company’s capabilities to deliver value-adding services or products… Besides learning, another important aspect is skill substitution. Where the first type of alliance gains its strength from the learning that can be afforded by both partners, the second type gains strength from their specializations in certain areas.’ Therefore two types can be viewed as the arch-types of alliances, one focusing
on linking/learning/exploration (link alliances) and one focusing on scale/substitution/exploitation (scale alliances). While numerous authors write about many types of alliances, such as: same-function alliance, cross-functional, alliance, competitive, non-competitive, pre-competitive, non-competitive and parallel development alliances (for a full overview, see Amaldoss et al. (2000) and Rangan (1996)) their basic function comes down to the two arch-types as described above.

Recent research by Heimeriks (2005) indicates that the theoretic base of strategic alliances can be found in six fields of scientific business research, of which three are interesting for this thesis. These are 1. dynamic capabilities view 2. the resource-based view and 3. the organizational learning view. The dynamic capabilities view is explained above. The resource-based view is interpreted in this thesis as gaining access to and/or having control over certain complementary assets. The organizational learning view is interpreted in this thesis as the routines that companies use to manage these alliances, how they transform general assets and resources into creative, idiosyncratic aspects of the firm, thereby contributing to or creating a competitive advantage. Gulati (1998) states that in an environment where alliances are an important part of a companies strategy, having a high-level alliance capability to manage alliances would indeed be a source of competitive advantage. While experience is important in managing alliances (Borker et al., 2004, Doz, 1996), the adoption of higher-order organizing routines, such as those described by Nelson & Winter (1982), is even more critical (Kale et al., 2009). A separate organizational unit designed to manage alliances, commonly referred to as a “dedicated alliance function” (Kale et al., 2009), is vital to building an organizational alliance capability. This is confirmed by Parise et al. (2003) who observe that successful firms install (vice-) presidents of alliances or alliance departments. The goals of this function can be described as (Kale et al., 2009, Eisenhardt et al., 1996):

1. Being the focal point for capturing and storing alliance knowledge and the best practices from the companies’ own and prior experiences.
2. Enhancing visibility and awareness of a firms’ alliances among the external stake holders and thereby freeing up more resources.
3. Providing legitimacy and support for a firm’s alliances and helps gaining internal resources necessary for alliance success.
4. Acts as a mechanism to monitor the performance of the firms alliances in order to identify potential trouble spots.

Because the formation of alliances requires the firm to have access to certain bundles of assets and the inherent nature of alliances requires firms to learn (Child & Faulkner, 1998), the building and management of alliances can be viewed as a dynamic capability. This thesis will however, limit its scope to the management of alliances. From here on, this capability will be referred to as strategic alliance capability. Heimeriks (2005) and Eisenhardt et al. (2000) describe that an important aspect of the strategic alliance capability is the firms ability to share, capture, disseminate, internalize and apply alliance know-how (Heimeriks, 2005. Eisenhardt et al., 2000). This capability can therefore be referred to as the extent to which a firm can ensure that knowledge becomes embedded in repeatable patterns of action and refers to identifiable and specific routines (Heimeriks, 2005). Therefore, when looking at dynamic capabilities of a company with regards to alliances, it is wise to not only look at complementary assets but at routines as well.
Chapter 4. Methodology.

The aim of this chapter is to describe the design of the research and to explain the choices that were made during the writing of this thesis. According to Yin (2003) and Braster (2000) the design of research depends on the research questions that have to be answered. The goal of the design is therefore to provide a guideline that allows the author to connect the generated empirical data to the research questions of this thesis and, in the end, draw conclusions (Yin, 2003). This chapter mainly follows the research path as described by Yin (2003). First, a short description of the focal firm in this thesis, Banana Games, is given. Second, an explanation is given why the case study method is chosen and how this case is designed. Third, the general analytic strategy and techniques are explained. Finally, the data collection and its structure are explained.

4.1 Focal Firm Information (Banana Games)

At this moment, Banana Games is worldwide market leader in generating online traffic to gaming portals. They provide over 100 million unique users with casual gaming services every day (Banana Games, 2009). They position themselves as ‘the world’s ultimate online game destination’, as they provide portal services through more than 50 portals, which are localized in 20 languages. Their portfolio consists of over more than 4,000 free-to-play online games in all kinds of genres. The company targets three specific segments since 2004, which they call ‘Family, Girls, and Tweens’. The Tween audience consists of people (male and female) in the age of 8 to 15 years old, the girl audience consists of females in the age of 8 to 12 years and the Family audience consists of people who are over the age of 20 and have children under the age of 8. Besides operating portals, Banana Games create their own games by partnering with game developers and publishers and by using their own in-house game studio (located in the Netherlands). Currently, Banana Games employees 200 employees, worldwide.

Banana Games create sales/profit by using advertising on their websites and portals. Advertisements are displayed on the portals and video-advertising is presented while the selected game is loading. They also create adver- or branded games in order to attract traffic to their portals. The company has established memberships with the Interactive Advertising Agency of the Netherlands (IAB), Dutch Games Association (DGA), Casual Games Association (international trade association for casual games professionals) and
Casual Connect (educational component of the Casual Games Association). Currently they are finishing their transformation from a pure internet trafficking company to a portal / gaming focused company.

4.2 Motivation for a case study
The aim of this thesis is to gain insight into strategic alliances in the Dutch casual gaming industry in general and the strategic alliance capability of a successful firm in this industry specifically. This is done by analyzing the strategic alliances that are managed by the focal company from three viewpoints: dynamic capabilities (referred to as the strategic alliance capability), complementary assets and routines. Because of the sparsely availability of scientific research into this industry, it is wise to take an exploratory approach (Yin, 2003). A case study facilitates such an approach. Since the author has no control over the behavioral events at Banana Games as they take place and these events take place in a contemporary setting, Yin (2003) advices a case-study. The research questions focus mainly on ‘what’ types of questions and the nature of the events that are described can be classified as socially complex (Yin, 2003). Braster (2000) describes that if these are the conditions under which research takes place, a case study is a correct choice. This is backed up by Yin, 2003. As a result of doing this case-study, the author hopes to gain a deeper understanding of strategic alliances, complementary assets, dynamic capabilities and routines.

4.3 Case design (single case-study)
The focal company is Banana Games, located in the Netherlands. As a result, the design of this study will focus on a single case-study. According to Yin (2003), there are 5 rationales that explain why a single case-study is relevant.

These rationales are:

1. the case represents a critical case in testing a well-formulated theory.
2. the case represents an extreme or unique case.
3. the case represents a typical or representative case.
4. the case is revelatory in nature.
5. the case is used in a longitudinal case.
When looking at Banana Games, 2 of the 5 rational apply. Banana Games is a casual gaming company, of which there are many others out there (e.g. RealGames, Zylom, and Miniclip). They produce the same type of games and provide (largely) the same type of services. At the same time, Banana Games is market leader in terms of unique hits, giving them an unique position among competitors in this market. They are also unique because they try to be the best of two worlds: the creation of games and the directing of web-traffic. So in terms of justification, Banana Games can be viewed as both an unique case and a typical case at the same time. Another reason for selecting a single-case study is the timeframe in which the author is to write this thesis. Because of the limited time that is available, doing multiple case-studies is not an option. While a single-case study is a valid research method and is able to provide greater depth in respect to multiple case-studies (Voss et al., 2002), it is vulnerable. By looking at just one object to study, it may turn out that the case is not what it thought to be at the outset (Yin, 2003). A single case limits the possibility to generalize the conclusions that are drawn and is more open to biases than a multiple case-study.

4.4 General analytic strategy
According to Yin (2003), the formulation of a general analytic strategy is imperative when dealing with case studies. The formulation of such a strategy allows the researcher to focus his efforts into thinking about how the collected data is used to advance the research, prior to collection. This can save the researcher a great deal of time and resources and it contributes to a more clear formulation and answering of the research questions.
Yin (2003) explains that there are broadly thee strategies:

1. Relying on theoretical propositions
2. Thinking about rival explanations
3. Developing a case description

The first strategy ‘Relying on theoretical propositions’ is noticed as the most preferred strategy by Yin (2003). In this strategy, theoretical propositions can be followed that guide the case-study. Because these propositions are based on research questions, reviews of literature and hypotheses (Yin, 2003 p. 112), the original objectives and design of the case study can be achieved more easily. The ‘Thinking about rival explanations’ strategy focuses on defining and testing rival explanations. Several rival explanations (hypotheses) are formulated and tested in the case study. The hypothesis that explains the observed outcomes the best is the explanation that is adopted as true. The last strategy ‘Developing a case description’ focuses on developing a descriptive framework for organizing the case study (Yin, 2003 p. 114). While this is considered by Yin (2003) as the least preferable of the three, it is useful when a researcher has to work with a descriptive approach and is ‘confronted with difficulties in making the other two strategies work’ (Yin, 2003 p. 114).

This thesis will follow the first strategy, ‘Relying on theoretical propositions’. While there have not been formulated explicit hypotheses, the author of this thesis is convinced that the research questions that have been formulated (combined with the theoretical framework) will be sufficient to guide the research. This strategy seems to suit the research better than the two alternatives. Since there is not much information on the research subject of this thesis, it is hard to formulate rival explanations/hypotheses. While this thesis is limited in scope, it deals with a sufficient number of subjects and themes, which gives this thesis a sufficient level of multiplicity. This in term makes it hard to accept or reject hypothesis (Yin, 2003). While the ‘Developing a case description’ is an option, the ambiguity of such an approach does not contribute to a speedy research.
4.5 Analytic technique

After selecting a general analytic strategy, it is important to select a technique that can be used to analyze the case study. Yin (2003) distinguishes five different techniques, which are: ‘pattern matching’, ‘explanation building’, ‘time-series analysis’, ‘logic models’ and ‘cross-case synthesis’. ‘Pattern matching’ compares empirically based pattern(s) with a predicted pattern(s). If these patterns coincide, the results can help a case study to strengthen the internal validity (Yin, 2003 p. 116). ‘Explanation building’ can be described as a special type of pattern matching. This technique is used to explain a phenomenon by stipulating a presumed set of casual links about it. The ‘Time-series analysis’ technique focuses around finding a trend in a number of time (data) points over a period of time. The essential logic in this design is finding a match between a trend of data points compared to several theorized trends (Yin, 2003 p. 124). After examination of the actual data points is, it is determined which of the proposed time series best matches the empirical evidence. ‘Logic models’ deliberately stipulate a complex chain of cause-effect-cause-effect events over time (Yin, 2003 p. 125). This technique focuses on matching empirically observed events to theoretically predicted events. The final technique of ‘Cross-case synthesis’ can only be applied when analyzing multiple cases. The technique takes several studies, treats every study as a individual case study and through certain techniques cross-case conclusions are drawn. (Yin, 2003 p. 134).

The most suitable approach for this thesis is the ‘explanation building’ approach. The theoretical framework that is presented in this thesis describes certain aspects that may contribute to competitive in the casual gaming industry, without stating how these aspects contribute to a competitive advantage. This makes the ‘explanation building’ technique applicable to this thesis, because it is exploratory in nature and therefore the final explanation regarding the research questions cannot be formulated up front. This distinguishes the technique from the ‘pattern matching’ technique, as explained by Yin (2003, p.120)

4.6 Data collection

Because there is not much information available on this subject in academic (or other) databases, most of the data will be collected through interviews at Banana Games. Because of the focus of this thesis, one of the first main questions was: what are BANANA games main strengths? What is their core business? An extension of this question could be: why are they better/faster/stronger in these things then their
competitors? These questions could be a guiding line during the first series of interviews. After establishing the core business of Banana Games, the next interviews are used to establish which complementary assets are of importance at Banana Games and how these are accessed or used. Finally, interviews were conducted to establish the role of strategic alliances in the industry and for Banana Games, especially in relation with the complementary assets. During these interviews, the role of routines in the management of strategic alliances was also discussed. The type of interview that was used consisted of a mix of the open-ended and focused interviews (Yin, 2003). The interviews have been transcribed and took place on location in the Netherlands. Each interview lasted between 1½ and 3 hours. Potential candidates for interviewing have been identified through a thorough use of the websites LinkedIn.com, Gamesindustrie.nl, the use of personal connections and connections at Banana Games. The response rate was around 30%. The following people have been approached for an interview:

- **Green** = contacted, accepted and interviewed.
- **Yellow** = contacted, accepted/waiting for accepting and not yet interviewed.
- **Red** = contacted, refused an interview.

<table>
<thead>
<tr>
<th>Company</th>
<th>Name</th>
<th>Position</th>
<th>Reason to interview</th>
</tr>
</thead>
<tbody>
<tr>
<td>Banana Games</td>
<td>Banana 1</td>
<td>Chief Marketing Officier (CMO)</td>
<td>To gain a better understanding of what Banana Games does, to accentuate the importance of strategic alliances, gain an understanding of the important functions of the organization and to find leads who to interview next.</td>
</tr>
<tr>
<td>Banana Games</td>
<td>Banana 2</td>
<td>Web-Trafficker</td>
<td>To gain an insight into how value is created in this industry, to look at the reason of why important alliances are made, what Banana Games does different and gain information on the importance of advertisement.</td>
</tr>
</tbody>
</table>
### 4.6. Data measures

Before entering the interviews, definitions were established of the main concepts as described in the theories mentioned in chapter 3. The questions that are asked during the interviews were a product of data that was collected from the established definitions and several sources such as financial reports, professional gaming magazines, industry reports, gaming websites and scientific papers. The information that is provided during these interviews was checked through source material studies, in which the sources that are mentioned earlier will be the central point of focus. This is done in order to triangulate the data towards the research questions and improving the validity of this the case-study. Triangulation of the data collected from multiple sources strengthens confidence in the accuracy of the findings (Jick, 1979).
Chapter 5. Results.

In this chapter, the results from the data collection are presented. First, a description is given of the findings with regards to strategic alliances in the Dutch casual gaming industry. It will be explained which alliances are most occurring and with which goals in mind. Second, the main strategic alliances that Banana Games has formed are examined. Third, the role of strategic alliances and complementary assets will be discussed. Fourth, and last, the role of routines at Banana Games with regard to the managing of strategic alliances is discussed.

5.1 Strategic alliances in the Dutch casual gaming industry

With the arrival of the Internet, the sharing of information, collaboration on problem solving and alliances between companies have reached an all-time height in almost every industry. It would appear strange if this wasn’t the case for the casual gaming industry (an industry which has its roots in online activities). By analyzing the interviews that were held and several other sources (for a full review, see the references chapter) it becomes clear that (a) companies are actively searching and forming strategic alliances in this industry (‘If in this industry a company does not form an alliance, they will earn sub-optimal profits and/or perish’. Transcript Banana 3) and (b) the nature of these alliances is found in the production of content and marketing (for gaming portals) (‘Our most important alliance partners are on the content side, with marketing being a close second’ Transcript Banana 1/2/3). From these interviews, it can concluded that three most occurring strategic alliances are:

1. A well-known, non-casual (traditional) publisher have an interesting IP-portfolio, forms an alliance with a casual games developer to convert some of its IP’s into casual games. (Transcript Banana 2)

2. A (collection of) online casual gaming site(s) (including portals) and companies that are specialized in search engine advertisement and/or optimalization form an alliance. These companies create a search engine optimalization (SEO) strategy (such as Netsociety) or advertisement opportunities (Google). (Traffic 4 U, 2008, Transcript Banana 3.)

3. An alliance is formed between casual game portals to deliver content to each others portal. (Transcript Banana 1/2/3)
The main driver behind the first alliance form is mostly a lack of expertise. Most of the large, traditional publishers have focused their efforts on producing content solely for consoles and/or traditional PC-gaming. This content was focused on the traditional target audiences, as mentioned in chapter 2. Nowadays, it appears that there is a lot of money to be made in the casual gaming industry (for an indication, see chapter 2). Traditional publishers therefore seek out knowledge partners with regards to casual gaming in order to expand or convert their traditional portfolio to a more casual-oriented one. An example of this is Banana Games producing a casual game for the Playstation 3 game inFamous (Banana Games, 2009f). Looking at the theory as described in chapter 3, this kind type of alliance can best be described as a link alliance. This type of alliance is not based around creating scale advantages (as is the case with scale alliances), but by bringing together different types of resources in order to enhance the product market combination of one or both companies. Casual games that are developed this way are often used to direct the casual gamers attention to the other IP’s in the portfolio of the traditional publisher and vice versa. Another advantage that game publishers hope to achieve is to create new (marketing) channels to sell their products. Therefore, when looking at the goals of this type of alliance, it seems that the augmentation of core competencies, guarding of appropriation from partners and adding value seem to be priority goals. The traditional publishers hope to learn how to create a casual gaming buzz for their products, while the casual gaming companies learn how to transform traditional games into casual games (Transcript Banana 2). By partnering with these companies, the traditional publishers make sure that they appropriate a large amount of their IP on both casual and traditional platforms. The casual gaming companies therefore add value to the non-casual publishers and vice versa. However, they often rely on one or two companies to create the needed games (Transcript Banana 2). This makes the maintaining strategic flexibility not a priority goal for this type of alliance.

The second alliance form is about generating the attention of key audiences towards the portals that host casual games and the casual games themselves. As stated in an interview (Transcript Banana 1,3), this is an important aspect for a casual gaming portal to posses. The abundance of casual gaming sites and games makes it difficult for players to find that which suits their gaming needs the best (Gamasutra, 2007). This fragmentation of supply results in the creation of several niches, which are all filled with
even more gaming sites. A good example of this is the Girlsgogame sites\textsuperscript{5} that all interviewees (Transcript Banana 1/2/3) referred to. Because of the extensive number of portals, search engine marketing can help to guide gamers to specific portals. That is why these parties form an important alliance partner. This type of alliance is formed by most casual gaming companies (Transcript Banana 1,3) for reasons described above. This type of alliance can be described as a link alliance. It involves two companies, having largely different business orientations and different strategic goals coming together and helping each other to create (autonomous) growth. In this case, the casual games partner delivers a supply of content and distribution channel and the SEO partner tries to make sure that the content and distributional channels are found by the correct audiences. By working together in this way, they increase the reputation of both companies and its products/services. It allows the casual games partner to attract a larger number of interesting advertisers, while the SEO partner can boost its client portfolio and gain more clients. The core of this type of alliance is the adding of value to one activity, so both partners can prosper, which is in line with Ranang et al. (1996). This collaboration also allows both parties to gain knowledge of each others core competencies, allowing the casual games partner to create games that are more attractive and can be found quicker through a search engine. It allows the other partner to gain knowledge on what casual games are interesting for what audiences and how these games should be marketed. Since most casual gaming companies rely on more then one company to do the optimalization for them (Transcript Banana 1), strategic flexibility seems to be a priority goal as well. The guarding of appropriation from the casual games produced through this alliance by alliance partners seems to have less priority, since both companies specialize in very specific business areas which are not competing (directly).

\textsuperscript{5} http://www.girlsgogames.com/ http://www.girlsgogames.co.uk
The third form of alliances has to do with the production of content for third parties. As noticed in chapter 2, one of the distinctive characteristics of this industry is that developers, publishers and distributors are often one and the same company. Because the core business of most companies in this industry is to link the content of their sites to players and therefore to advertisers, attractive gaming-content is necessary. Every portal is specialized in attracting a certain crowd, is specialized in a certain niche (see the first form of alliances/Transcript Banana 3). The appearance of these niches has created so-called long tail effects, as stated in chapter 2. By linking to each others content, both parties can create more profit than each party could do on their own. The nature of these alliances are both ‘competitive and complementary’ (Transcript Banana 3). Complementary means that these third parties provide you with content that creates a better ‘content-proposition for Banana Games’ (Transcript Banana 1). Competitive means that ‘alliances are formed, but not at all costs. We do not want to make do not want to make a competitor bigger than is necessary’. (Transcript Banana 3). These alliances can be classified as a scale alliance. The partners contribute largely similar resources (gaming content) and try to gain a certain level of scale, in order to attract a large crowd. It is very focused on the exploitation of content (more of the same) instead of exploration of content (new, original content). When looking at the goals of this type of alliance, it becomes clear that the most important aspects are adding value and guarding against appropriation by a partner (Ranang et al., 1996). By linking to content from partners, the company is able to become a more valuable ‘brand’ (Transcript Banana 3) for gamers and therefore gain more traffic which equals, more or less, increased profits. By linking to the content of their partners, casual gaming companies are able to earn profits that otherwise would be appropriated by their competitors (or partners in this case). By forming an alliance, there are able to gain ‘at least part of the pie’ or in other words: still make a profit from popular content provided by partners. Portal owners do not only want have as much traffic as possible, but also not be too reliant on one party (Transcript Banana 3). Whenever a partner providing a ‘hit game’ leaves a portal, its owner should be able to fall back on different partners in order to fill the gap (Transcript Banana 3). Strategic flexibility is therefore important. The augmentation of core competences is not a priority goal in this type of alliance, since most partners posses the, more or less, same set of core competences (they all produce the same types of games) (Transcript Banana 2,3). Table 1 sums up the findings with regards to the type of alliances and common goals.
<table>
<thead>
<tr>
<th>Nature of the alliance</th>
<th>Type of alliance</th>
<th>Common goals for forming and maintaining an alliance</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Adding value</td>
</tr>
<tr>
<td>Alliance between non-casual publisher and casual games developer</td>
<td>Link</td>
<td>+</td>
</tr>
<tr>
<td>Alliance between casual games developer and search engine partners</td>
<td>Link</td>
<td>+</td>
</tr>
<tr>
<td>Alliance between casual gaming portals/content providers</td>
<td>Scale</td>
<td>+</td>
</tr>
</tbody>
</table>

Table 1. Types of alliances and goals in Dutch casual gaming industry. 
+ = score is positive (priority goal)  - = score is negative (not a priority goal)

5.2 Strategic alliances at Banana Games

The interviews did not only establish that strategic alliances are of importance in this industry, they are of importance to Banana Games as well. During the interviews, the 7 pillars of success were presented that Banana Games created (see appendix A). and the participants were asked to create their top 3. The forming/managing of alliances was always placed in this top 3, often at spot 1 or 2. From these interviews, it could be deduced that the most engaged alliances are those that result in the production of extra gaming content or result in the delivery of extra advertisement, as is in line with the preceding findings. Therefore, the two most important alliances focus on:

1. Dependence on the content of third parties.
2. Dependence on the delivery of advertisers.

5.2.1 Dependence on the content of third parties

The alliances that are formed by Banana Games at this moment are primarily focused on getting high quality gaming content to complement their portals. This type of alliance is mainly focused around skill substitution, as described in chapter 3 (scale alliance). An
illustration of this is a quote from an employee: ‘We are a company that is good in web-
traffic and is getting better at creating games. However, I am not sure if this is a course we will be maintaining. The creation of games is a very specific skill and in order to
compete in that market… well that would require more manpower than we can currently handle’ (Transcript Banana 3). Banana Games makes their own portals more interesting for target audiences through these alliances, but even more important: they generate revenue from them (Transcript Banana 2). A Banana Games employee (Transcript Banana 1): ‘advertising and attracting audiences are an important part of our monetization strategy’. Monetization strategy is the way in which Banana Games makes their portals profitable. Currently, this strategy focuses on a mechanism called revenue share. As an interviewee explained: ‘alliances are formed because these companies add value to our monetization strategies and enhance our content’ (Transcript Banana 3). This is line with one of the main goals that Ranang et al. (1996) describe, namely: adding value to an activity, in this case by excluding competitors from taking all the profits.

Whenever a player is linked to third party content (content not placed on one of Banana Games’ portals) through a Banana Games portal, Banana Games receives a fee from the content provider and vice versa (see figure 6). These alliance partners are called ‘frenemies’ (Transcript Banana 1) as they are a friend and enemy at the same time. One of the main questions that Banana Games is trying to answer is what they should do with such alliances. Or as an interviewee stated: ‘Well, what can we do about it? Do we want these gamers on our portal, with the risk of not making a top profit, or do we want to lose them to our competitors? We can still make good percentages off these people, so why not do it? Do we want to entertain people with our own games and get the full revenue that way? It’s a tricky situation.’ (Transcript Banana 2). The redirecting of players to other portals comes from the fact the Banana Games is not able to put all IP that is available on their portals. This is because some IP’s are too costly to purchase (such as Pop Cap Games) or because developers/publishers want to create value by using the IP on their own websites. By linking to this content, Banana Games is able to capture some of the profit from these games and therefore guards it from total appropriation by competitors, one of the goals as described by Ranang et al. (1996). Another interviewee stated that it is a question of deciding what your core-business is. ‘The question is, where do you want to invest in? The production of games is an important aspect of our
company, don’t get me wrong. But with all these different game genres, it is costly and difficult to produce a full-range of games. It is therefore better to work with a partner who is good at developing such games and take your share that way.’ (Transcript Banana 3). The development of games is a core asset or technology (see chapter 3) that Banana Games does not want to develop in full at this moment.

Another important aspect is the high number of games is produced in the casual gaming industry when compared to the traditional industry (Transcript Banana 1). This is possible because the developing costs per game are low (around 10,000 euros per game) (Transcript Banana 1) as compared to the traditional game (several million euro per game) (Ars Technica, 2003., BBC, 2007). The costs for producing a casual game are quite low because they do not require expansive development kits and because the costs can be divided among the large number of games that are produced by a studio each year (see chapter 2). Because so many games are produced, the number of ‘traffic-generating games is increasing exponentially’ (Transcript Banana 2). However, because the switching costs of gamers in this industry is practically zero (it is a free product after all), portals have selected a scale alliance form as a solution. By giving gamers the option to play games of competitors on their websites (exploitation of the number of games), casual gaming portals can still gain a piece of the profit that is generated by the competitors game (see figure 6) and therefore guard it from total appropriation by rival companies. Because there are many providers of casual games, Banana games does not rely on one partner, but on several to supply content. This is done in order to retain their strategic flexibility. The reason for this are the same as described above, Banana Games ‘does not want to be dependent on just one provider, because you never quite know which game will be successful and what partners will add most value’ (Transcript Banana 1).

5.2.2 Dependence on the delivery of advertisers
At this moment, Banana Games is using a network of advertisers. Within the portals of Banana Games are several spots which can be sold to advertisers. Most of these spots are sold by the direct sales force of Banana Games. However, there are often spots that cannot be sold directly. These spots are filled by a network of advertisers, who can always serve an advertisement that is more or less suitable (Transcript Banana 2,3). An illustrative example of such a network with which Banana Games collaborates is Google. ‘Google gets money if an ad is clicked, the advertisers are happy
its being clicked and we receive money from Google, so we are happy as well. By collaborating with Google, we make sure that our games are found and that Google knows where premium content is found.’ (Transcript Banana 1). As with the content of third parties, there are also two sides. ‘On one side, Google functions as a supplier of advertisements and advertisers, so we make money of them. On the other side, we need to buy ads from Google, so we appear in their search results’ (Transcript Banana 1). This is displayed in figure 7. This is important to Banana Games since an ‘important part of our users come from SEO and advertisements’. (Transcript Banana 1). Therefore, this network of advertisers is an important part of Banana Games monetization strategy. It comes close to being a ‘critical element in the business network’, as described by Insch et al. (1996). It can be classified as a scale network, since it can be viewed as an important function of the company’s business model that is substituted by an external firm. When asked why Banana Games does not perform these activities by themselves, two interviewees answered: ‘In this business, it is all about scale. Why try to develop something if someone else can do it better and cheaper for you? Besides, Google is the number one when it comes to this field of expertise, why should we try and develop this function ourselves? It would be an endless money-pit. You don’t see Google try and make casual games, so why bother?’ (Transcript Banana 3). Guarding of core competencies does not seem to have a priority in this alliance. None of the interviewees stated that there was any form of explicit learning from the alliance with Google. It was stated that Google was ‘one of the parties we work with to sell these advertisements. Just one party would provide too many limitations.’ (Transcript Banana 3), so strategic flexibility is an issue in this alliance. Table 2 sums up the findings with regards to the type of alliances and common goals Banana Games has with regards to the two dependences.

<table>
<thead>
<tr>
<th>Nature of the alliance</th>
<th>Type of alliance</th>
<th>Common goals for forming and maintaining an alliance</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Adding value</td>
</tr>
<tr>
<td>Dependence on the content of third parties</td>
<td>Scale</td>
<td>+</td>
</tr>
<tr>
<td>Dependence on the delivery of advertisers</td>
<td>Scale</td>
<td>+</td>
</tr>
</tbody>
</table>

Table 2. Dependence and goals of alliances.
5.3 Strategic alliances and complementary assets.
In order to analyze the role of strategic alliances with regards to complementary assets, the core business of Banana Games should be defined. From this definition, it becomes clear which motives are behind the alliances that are being managed. The core business of Banana Games is described by interviewees at Banana Games as: ‘being the producer of content that is interesting for casual gamers, to which advertisers can be linked.’ (Transcript Banana 1/2/3) They also define the role of their portals: ‘the place where advertisers and gamers meet each other’. (Transcript Banana 1,2) This can be compared to the commercial TV-industry, where production companies create content that is interesting for the viewers and therefore attract can advertisers. When looking at the core business of Banana Games, two elements can be distinguished:

1. Acquisition/production of content
2. Finding and matching advertisers to gamers.

These two elements should not come as a surprise, for they are the two subjects from which most alliances are formed as described in the previous paragraph. In terms of the value chain, Banana Games has started to move more upward, not only providing distribution and marketing services, but creating own IP’s and games as well (see chapter 2) (Transcript Banana 1). This is in line with the findings of Amaldoss et al. (2000). Until recently, the main business of Banana Games was to find and match advertisers to gamers (Transcript Banana 2). Their focus was on reaching as many people as possible, so ‘Banana Games core business was crafted towards doing so’ (Transcript Banana 2). In a way, Banana Games has acquired a second core business: producing or acquisitioning content. In the following section, an analysis is made of each element and how these are related to assets and alliances.

5.3.1 Production/acquisition of content
As written above, alliances with regards to the production and acquisition of content play an important role within Banana Games. In the past, the company linked mainly to external content on their portals because Banana Games was not able to produce their

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6 For more examples of this phenomena, see the paper of Rysman (2009) about two-sided markets.
own (quality) games. The company was very dependent on these third parties because content is ‘one of the main drivers behind portals’ (Transcript Banana 1). This type of asset can be classified as a specialized asset (Teece, 1986) as a result of the unilateral dependence the innovator (Banana Games) has on this asset. The company was dependent on the content of third parties, while ‘these third parties could also sell their content to other portals. We had no choice’. (Transcript Banana 2).

From 2008, the situation has changed. With the forming of an alliance (partnership) with game studios in China and Germany, Banana Games tries to produce and offer their own high quality content. This results in a lesser dependence on third parties and opens up the possibility to sell their own content to parties external to the company. The possession of these assets allows Banana Games to capture the benefits of the innovation itself, but to realize a change in the strategy of the company as well (from web-trafficker to the producer of games). Interesting to notice is that the alliancing with each studio was done with a specific goal in mind. The game studio in China is mainly used to do ‘pure production’ or the programming of games, while the German studio is specialized in developing so-called MMO (massive multiplayer online) games, which forms an important part of the (future) casual gaming industry (Transcript Banana 1). The studio in the Netherlands is charged with the task of developing innovative concepts. By the partnerships with these studios, Banana Games has managed to turn their dependence (weakness) on a specialized asset into creating their own cospecialized assets (strength). This asset is cospecialized because a reciprocal relation is established between the company and the studios. It can even stated that the studio in China can be viewed as a transformation from a generic asset to a cospecialized asset (Teece, 1986). This studio contained mainly knowledge with regards to the programming of video games, but with the alliance formed with Banana Games it has begun to focus on producing casual online games (Dutch Cowboys, 2008).

Banana Games has an interest in getting high quality games and the game studio’s benefit from having a partner that can make sure that their games can be found in the ‘mass that is casual gaming’ (CasualGaming.biz, 2009b). This cospecialized asset allows Banana Games to form new alliances in order to extend their ‘content-proposition’ (Transcript Banana 1). An example of this can be found in the collaboration between Banana Games and Real (Zylom, Gamehouse). As an interviewee stated: ‘Now that we
are becoming self-sufficient on the content side, interest in our company has increased. Besides gaining more independence, we have gained more bargaining power to form new alliances’. (Transcript Banana 1). ‘It changes the way in which we manage alliances with other partners, we do not have to be overly reliant on them for content’. (Transcript Banana 3).

5.3.2 Finding and matching advertisers to gamers
An important part of the monetization strategy of Banana Games is finding and matching advertisers and gamers. This occurs through general advertisements that are placed on the portals, making casual games that are crafted around a certain product/brand (Advergames) and placing specific advertisements that are focused on specific target audience.

Prior to 2008, Banana Games employed their monetization strategy as following. They made use of direct sales activities, offered so-called ‘blind’ networks of advertisers (advertisements that do not target a specific audience and generate an income per click, see earlier this chapter) and ‘premium’ networks of advertisers (advertisements that do target a specific audience). The main distribution channel consisted of the, recently dubbed, family portals. These are portals that attract a very broad and general audience (Transcript Banana 2). These marketing activities and distribution channel can be viewed as generic assets. They are assets used for general purposes and are not or slightly tailored to a specific situation in the market (Teece, 1986). They can also be transacted for in the market (Hall & Rothaermel, 2005). The main reason for this is that there are other portals available that offer access to the target audiences that are also available through Banana Games Family portal. Besides having the same audience, these portals are widely available and not very diverse. Advertisers can go to these general portals and get access to (a part of) their target audiences (Transcript Banana 3).

From 2008, Banana Games uses more specific channels to match advertisers and gamers. By creating portals that target specific audiences, they allow advertisers to reach their audiences, while maintaining the get-at-able feeling of the portals. While these assets are still generic according to Teece (1986), Banana Games is busy transforming them into a (co)specialized asset. As written earlier, game studios and portals are always looking for ways to reach a massive audience, while keeping their games and sites accessible and still be able to target a specific group within that
massive audience. These specific distribution channels offer this opportunity to advertisers. These channels, combined with Banana Games being one of the few companies that works with localized portals, allows this asset to transform from a generic into a specialized asset. Specialized because it establishes a unilaterally dependence on Banana Games by advertisers, which increases the bargaining power of Banana games to form new alliances. Some companies even consider Banana Games as ‘one of their primary marketing or distribution tool’. (Transcript Banana 3). However, these specific portals must be filled with specific content that targets audience groups. For this, ‘We are still dependent on third parties; while we do create some IP’s of our own, most originates outside the company.’ (Transcript Banana 2) During this research, it has become clear that Banana Games is still dependent ‘for a large part’ on activities by external firms of the Banana Games to generate traffic to their portals. This is done mainly by using ‘search engine advertisements and SEO’ (Transcript Banana 1/2/3). Loyalty of consumers is important in this aspect. ‘As soon as consumers start associating quality with Banana Games, then the URL-strategy becomes of less importance. But before this is the case, our sites need to be found and it is therefore important to invest in such things.’(Transcript Banana 3). The specific distribution channels play an important role with regards to loyalty. Suppose a gamer enters the family (general) portal through a search engine, it is not clear to which target audience this gamer belongs. By guiding gamers to a certain portal, it becomes easier for advertisers to target them. Banana Games relies on a third party to do this optimalization, in this case Netsociety\(^7\). Also by ranking up in the statistics of Google, Banana Games becomes more attractive for advertisers, because it ‘signals that we can reach a large audience easily and provide services that these advertisers want, namely: targeted advertising at low costs’. (Transcript Banana 3). Forming an alliance with Netsociety allows Banana Games to do this, as described in the first paragraph. The findings are summed up in table 3.

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\(^7\) [http://www.netsociety.nl/](http://www.netsociety.nl/)
### Acquisition/production of content

<table>
<thead>
<tr>
<th>Type of asset</th>
<th>Why</th>
</tr>
</thead>
<tbody>
<tr>
<td>Specialized asset</td>
<td>Unilateral dependence because a shortage of supply in gaming content</td>
</tr>
</tbody>
</table>

### Finding and matching advertisers to gamers

<table>
<thead>
<tr>
<th>Why</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reciprocal relation between studios and Banana Games</td>
</tr>
</tbody>
</table>

### Table 3. Assets and changing dependence.

**5.4 Strategic alliances and routines**

As Wang et al. (2007) stated, dynamic capabilities are important because they not only extend the resource-based view, but also illustrates the transformational processes that are used to gain a competitive advantage. These processes are ‘known as routines’ (Wang et al., 2007). By looking at the strategic alliance capability of Banana Games through the framework that is supplied by Nelson & Winter (1982), one is able to assess on a routine level how the strategic alliances are managed. They allow to illustrate how general assets and resources (such as the production or the marketing of casual games) can be put into creative, idiosyncratic aspects of the firm.
When looking at the types of routines that Nelson & Winter (1982) describe, one can see that there is an overlapping in the imitation, contraction and replication routine. In the model that will be presented next, these three will be combined into one type: the replacement routine. This combination is possible because these routines have a shared goal: the replacement of (old) routines. While the cause of replacement (replication versus imitation) and the origin of replacement (internal versus external) can differ, the shared goal remains the same. With the combination of these three routines, three types remain. The truce routine creates a status quo that offers a fertile ground for operation and cooperation. This status quo will be the starting point in the upcoming model. The status quo starts to change because a different routine, the routine dedicated to control, requires the company to make a constant analysis of the current (IST) situation and compare these to possible (SOLL) situations. If a SOLL situation is more appropriate (e.g. it offers a higher profit), then replacement of routines will occur. By learning (organizational memory) from this replacement and the situation as proposed by the control routine, a new status quo is established. This model can be illustrated as following:

![Diagram of routines]

Figure 8. Model of routines.
The purpose of this model is to offer a better analysis of the strategic alliance capability at Banana Games by using the theory to understand the current situation. Within Banana Games, there is a department that is in charge of the managing of strategic alliances: the business development department. This department will be the unit of analysis with regards to routines. As Banana Games stated, they view this department as “a ‘asset’ that one needs to possess to be successful in this industry. There should be a department in the organization that does a form of “account management” with regards to the alliances’ (Transcript Banana 2). When asked why Banana Games finds this important, participants answered the following: ‘If you create such a position (business development) you show your partners that you take them seriously. They will be more relaxed in sharing certain information with us or giving us a better deal because they feel they can trust you. It is also important to have a department that checks if everybody holds up his end of the deal and to keep a track if the targets that we agreed upon are achieved.’ (Transcript Banana 3). This is done to satisfy one of the goals that Kale et al. (2009) described in chapter 3: the business development department enhances the visibility and awareness of a firms’ alliances among the external stakeholders and thereby freeing up more resources.

Incentives for Banana Games to create such a function are the logical result from the theory as described by Kale et al. (2009) who state that a ‘dedicated alliance function’ is important in achieving success with alliances. The reason that Banana Games created such a function can be related to the goals as written in chapter 3, namely creating visibility and awareness of the alliances and to provide legitimacy. This department also functions as a mechanism to monitor alliances, which is also in line with the goals of such a function.

As explained in the theoretical framework, routines play an essential role in a dynamic capability. The strategic alliance capability is, like other dynamic capabilities, ‘the result of a change in routines, either through acquisition of new routines, or through a change in the relationships within existing clusters of routines.’ (Lampel et al., 2003). In the theoretical framework, the functions of routines have been described. In the following analysis, strategic alliances and the production/acquisition of content are used to make routines explicit. The main reason to analyze the content side is because the alliances on the marketing side cannot be analyzed due to information and time constraints. The
production/acquisition described earlier combined with the model displayed in figure 8 will be used to explain how the routines function.

Status Quo (Routine as a Truce). Banana Games is dependent on external content deliverers in order to achieve profits. The company is not satisfied with this situation, since it creates ‘sub-optimal profits’ for the company and ‘Banana Games can become overly reliant on third parties. However, it is something we are dealing with’. (Transcript Banana 2). The status quo revolves around the offering of own content and content of third parties in order to keep gamers satisfied. As stated by the head of business development, strategic alliances allow Banana Games to ‘become less dependent on external content deliverers’ (Transcript Banana 3). The business development department is charged with delivering new content, so they have a certain ‘frontrunner’ function (Transcript Banana 3). The department establishes what interesting content is available in the market and how this content can be acquired. They do this by holding regular meetings with the other departments. Hereby, they establish a certain truce (or balance) between the companies own production capabilities and the offering of alliance partners. These meetings are held on a regular basis in order to not only inform about possible partnerships, but also to check if the course taken for certain partners is still the right one. ‘Partners change their strategic priorities, as do we. Therefore we need to constant monitor and manage if we are still on the right track.’ (Transcript Banana 3). If additional content is needed, the business development department goes looking for potential candidates. The information written above can be stated as the truce routine, which checks if the status quo is still functioning correct. The truce in this case is the balance between content produced by the company itself and content delivered by third parties.

Control (Routine for IST/SOL). The meetings described above result in several possible scenarios. The department of business development has clear view on ‘how much games we need to acquire, how much games we need to produce, how much traffic these games generate and where gamers are coming from.’ (Transcript Banana 3). The IST-situation can be described as a situation in which Banana Games continues to offer their current content to target audiences. Often, it appears that ‘we want to increase our scale in both terms of traffic and content. We therefore go look for new sources of content in order to generate more traffic.’ (Transcript Banana 3). Potential candidates
are analyzed according to several success criteria such as ‘possible income per game, number of people that want to register in order to play the game, total number of people that want to play the content, etc.’ (Transcript Banana 3). When a minimum number of criteria are satisfied, a ‘business case per potential alliance is written’. This is done to get a better view on the possible outcome of an alliance. In such a business case, the success criteria are worked out in much more detail. By doing this on a regular base, the SOLL-state is formulated, which describes how the business should look in the (near) future. The main argument for doing this is that by formulating a SOLL-state, Banana Games can ‘assess the dependence on partners and formulate new targets for the our own game production and identify potential partners’ (Transcript Banana 3), which can be an indicator for the types of alliances that are formed in the future. The control routine checks for both IST and SOLL state which result in either continuation of the business as before or the formulation of (several) business case(s) to establish possible future alliances for Banana Games. This routine can be viewed as more important than the rest, since this routine sets the rest of the routines in motion (see figure 9). This routine partly explicates the sensing, shaping and seizing of opportunities that are linked to the function dynamic capabilities (Teece, 2007) as described in chapter 3. It analysis which opportunities are profitable and influences the rest of the routines by acting on this. This routine also satisfies one important goal as described by Kale et al. (2009) in chapter 3: the routine is acting as a mechanism to monitor the performance of the firms alliances in order to identify potential trouble spots.

Replacement (Contraction). The alliances that are formed by business development influence other departments in the company. The most obvious example of this are the targets that are formulated by business development, which are partially translated into other departments at the cost of their own routines. For example, the technology department has the function of integrating new content and the new technology associated with this content, into the portals. If content would only be produced in-house, integration would be much more efficient because it would be easier to agree upon which technology-standards to use to integrate the games into the portals. Because a large part of the content comes from alliance partners and not every partner uses the same technology to create games, the technology department has to integrate all different kinds of technology into the portals. As a result, the technology department has formulated its own set of success criteria such as a ‘difficulty rating for integrating
software (games), number of games that have to be integrated and the number of hours that can be dedicated to these tasks’ (Transcript Banana 3). The success criteria that are stated by the routines in the technology department have their influence on the business development as well. The business development department has to ‘take into account that we cannot form alliances with everyone, because we are limited by our technology (standards). That is the reason why we always involve the technology department in our meetings.’ (Transcript Banana 3). This new routine of looking at content by the technology is replacing old routines which focused on the integration of self-produced content is a result of these meetings. Because the importances of partnerships are ever-changing, the contraction of such old routines will continue. This routine partly explicates the retention function of dynamic capabilities (Teece, 2007) as described in chapter 3. This routine replaces old routines in order to maintain competitiveness by reconfiguring (replacing) (in)tangible assets.

Replacement (Replication). Business development states the targets of each alliance and therefore the expected revenues flowing from these alliances. Routines and targets that are formulated by the department of business development therefore are transferred to other departments. The advertising or web-trafficking department has the function of selling advertisement-space to potential advertisers and make sure that the advertisements are displayed correctly/reach the correct audiences. Therefore they are dependent on the content that is produced by Banana Games or is acquired by strategic alliances. Because business development has developed routines on how to assess the potential of alliances (the success criteria and business cases), web-trafficking has to change their routines as well. With the increase or decrease of content, the number of spaces that can be sold changes as well. The dependence on partners (and therefore on business development) stimulates a replication of the targets that are formulated by business development. An example of this is provided by the web-trafficking department: ‘If our business development delivers a lot of content, my job gets more interesting. I have more room to sell to our (premium) advertisers, which makes it easier to reach my target. However, since the number and potential of alliances is evaluated regularly, so are my targets. It forces me to work more like them (business development), to assess what possible advertisers can help me get my target instead of relying on the more general advertisers such as Google.’ (Transcript Banana 2). The managing of alliances therefore forces the web-trafficking to replicate certain routines, such as the way in
which they assess potential partners. This routine also partly explicates the retention function of dynamic capabilities (Teece, 2007) as described in chapter 3. Both the contraction and replication routine satisfy one important goal as described by Kale et al. (2009): by replacing routines they provide legitimacy and support for a firms alliances and helps to gain the internal resources necessary for the alliance success.

Replacement (Imitation). This type of routine focuses on the creation of new routines based on knowledge that lies outside the company. As Nelson & Winter (1982) write: ‘It often happens that a firm observes that some other firm is doing things that it would like be able to do – specifically, making more money by producing a better product or producing a standard product more cheaply. Imitation of successful routines seems therefore to be a probable action’. During the interviews at Banana Games, hard evidence could not be found that these processes are occurring at the company. If they copied certain routines from successful competitors, they were reluctant to give information about such a move or deny access to it (e.g. not answering certain questions). This could demonstrate that the imitation of successful routines happens at Banana Games, but it is not able to determine where in the company this occurs or which routines are copied. It could be stated that Banana Games copies routines from external companies because of their alliance with e.g. Google. Google works with other companies as well, so some of the routines that are present at those companies can influence Google, which influences Banana Games. Hard evidence for this could not be found and is therefore discarded.

Learning (Organizational Memory). By working together with new content partners, Banana Games can generate knowledge with regards to which alliances can lead to popular casual games, which lead to more traffic and ultimately: more profit. By having a department that monitors such alliances, Banana Games is able to store knowledge about ‘alliances that did not work out for us (Banana Games) or did not work out well enough’ (Transcript Banana 3). They help to create a new status quo because Banana Games can remember and learn from its successes and mistakes. It allows Banana Games to ‘create new alliances that score a higher ROI or technological achievements. We need to know what works and what doesn’t and how this influences our competition. If an alliance partner becomes more of a competitor then a contributor, it would be best to stop working with them. We then know what to look for in the future partners.’ (Transcript Banana 3) As stressed by an interviewee, the most important
aspect of the learning routine is associated with the strategy of the company. ‘The formation of alliance allows us to change our strategic priorities (as with the change from pure web-trafficker to casual games producer).’ (Transcript Banana 1). The learning routine therefore satisfies one important goal as described by Kale et al. (2009) in chapter 3: being a focal point for capturing and storing alliance knowledge/best practices. Table 4 sums up the types of routines and how there are associated with the managing of strategic alliances at Banana Games. Figure 9 displays how the routines are connected and how the function at Banana Games.

<table>
<thead>
<tr>
<th>Type of routine</th>
<th>Theorized role</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Truce</td>
<td>Creates status quo.</td>
<td>Creating a balance between content produced by Banana Games and the dependence on content of third parties.</td>
</tr>
<tr>
<td>Control</td>
<td>Formulate IST and SOLL.</td>
<td>Stating the current and future situation by measuring the performance of each alliance.</td>
</tr>
<tr>
<td>Contraction</td>
<td>Creative destruction.</td>
<td>Focus on new routines at the cost of old routines as the dependence on alliance partner’s changes.</td>
</tr>
<tr>
<td>Replication</td>
<td>Transfer of routines.</td>
<td>Routines existing in business development are copied to other departments such as web-trafficking.</td>
</tr>
<tr>
<td>Organizational memory</td>
<td>Remember knowledge.</td>
<td>Generate knowledge with regards to which alliances do/do not lead to popular games.</td>
</tr>
<tr>
<td>Imitation</td>
<td>Creation of new routines.</td>
<td>No evidence found.</td>
</tr>
</tbody>
</table>

Table 4. Types of routines at Banana Games.
Chapter 6. Conclusion & discussion.

In this chapter, an answer is provided regarding the research questions. The findings are discussed, the limitations of the research are stated and proposal regarding future research are given.

6.1 Conclusion.

The conclusion of this thesis will be constructed by answering the research questions. First the sub-questions will be answered, in order to build up to answering the main research question. The first sub-question is answered is: ‘What are the most common formed strategic alliances in the Dutch casual gaming industry?’. When looking at the Dutch casual gaming industry, it becomes clear strategic alliances are an essential part of in the creation and appropriation of value as companies actively search and use these alliances. The most often occurring forms of strategic alliances are those where:

1. Non-casual gaming companies work together with casual gaming companies to create new products and/or expand their distribution channels.
2. Casual gaming companies and marketing company’s alliance in order to promote products and services of both partners.
3. Casual gaming companies deliver content to each other.

The first form of strategic alliance focuses on the lack of expertise at non-casual gaming companies. This alliance can be classified as a link alliance. Its priority goals are the adding of value, augmentation of core competencies and guarding of appropriation from the partner. The second form focuses on generating traffic/attention and the promotion of services. Its priority goals are adding value, augmentation of competencies and strategic flexibility. It can be classified as a link alliance. The third form focuses on the casual gaming companies using each others gaming content. This type of alliance can be seen as a scale alliance and its priority goals are adding value, strategic flexibility and guarding of appropriation. Alliances in this industry are formed with different goals in mind and therefore different types of alliances are formed. Strategic alliances allow casual gaming companies to add value to their products, expand into niches and to survive in a relative young and hostile industry. Strategic alliances have allowed rapid growth of the industry as a whole. The main reason for this is that not every start-up
company has to do all the activities in the vertical chain, which is presented in chapter 2. By specializing and using alliances, companies can differentiate themselves and through this differentiation survive.

The second sub-question is ‘What kind of strategic alliances are relevant for Banana Games?’ The strategic alliances that Banana Games creates and maintains flow from two dependencies:

1. Dependence on the content of third parties.
2. Dependence on the delivery of advertisers.

Since Banana Games is at this moment not able to produce enough high quality content by themselves, content for their portals has to come from somewhere else. Companies that are specialized in the creation of casual games (such as Zylom) are therefore important alliance partners for Banana Games. By linking to the content of partners, Banana Games can still appropriate some of the value that is created by these games. And since scale is important in this industry (see chapter 2 and 5), the more content, the better. This type of alliance is a scale alliance and its priority goals are the adding of value, strategic flexibility and guarding of appropriation. The second dependence deals with potential gamers finding the Banana Games portals, in order to allow Banana Games to gain more profit from advertisements. This type of alliance deals with scale and its priority goal is to add value for Banana Games sites and their products. Strategic alliances of both the scale and link type are relevant for Banana Games. The link alliances have allowed the company to differentiate itself from its competitors through new services (such as the specific portals) and new types of games. The scale alliances have allowed Banana Games to get enough content to attract large audiences, which allow a higher profit.

The third sub-question involves complementary assets and is as following: ‘What role do strategic alliances have with regards to the dependence on the necessary complementary assets for Banana Games?’ The core business of Banana Games focuses around two elements:

1. Acquisition/production of content.
2. Finding and matching advertisers to gamers.

Because Banana Games has started to move up the vertical chain (see chapter 5), the dependence on certain assets has changed. Strategic alliances formed by Banana Games are a way of dealing with this change. Where their early focus was on creating traffic and gaining income from advertisers, Banana Games has started to produce its own games and IP. The production/acquisition of content was focused on the linking to external content, making it a specialized asset. There was a unilateral dependence on high-quality gaming content, created by forming an alliance with casual gaming developers/publishers. By starting to produce their own content by managing alliances with casual game studios, Banana Games changed their dependence from specialized to cospecialized. They have created a reciprocal relationship between themselves and the game studios. On finding and matching advertisers to gamers, Banana Games used several sales mechanisms to generate profit through one distribution channel. This was classified as a general asset, because it is used for a general purpose, can be transacted for in the market and is not tailored to the specific situation/innovation. This has changed since Banana Games created specific channels that, in combination with SEO partners, has allows the company to create its own niches. It has changed the asset type from general to specialized, since this combination has created a unilateral dependence of advertisers on this asset. The strategic alliances have allowed Banana Games to decrease the dependence on certain assets, transforming them into cospecialized or specialized assets. It has allowed Banana Games to gain more bargaining power and to capture more value and profit then without these alliances.

The final sub-question handles routines and is formulated as: ‘How are the functions of routines filled in at Banana Games in order to manage strategic alliances?’. It has been established that managing of strategic alliances is a dynamic capability. Routines play an important role in such capabilities. The framework by Nelson & Winter (1982) provided a lens through which routines associated with strategic alliance managing could be analyzed. By using a self-created model to analyze these routines, evidence for five types could be found, with the exception of imitation. The routines used in the strategic alliance capability allow Banana Games to establish a balance between content produced by Banana Games themselves and by alliance partners (truce routine). Which alliances can truly add value by remembering and adapting alliances (and/or products)
that are successful are part of the organizational memory or learning routine. The control routine is described as helping creating an IST and SOLL state in which the current and future states of the company with regards to alliances are described. Routines formulated by business development are used to set the bar for routines in other departments, through the replication of routines of one department by the other. With a continuously changing dependence on alliances, focus on new routines at the cost of old routines will continue. These steps create a new status quo, from which the cycle begins anew.

The main research question remains: ‘What is the function of the strategic alliance capability at Banana Games?’ As the answering of the sub-questions has shown, Banana Games puts large amount of time and energy in the strategic alliance capability. The first sub-question showed which alliances are most present in the industry, while the second sub-question showed which of these alliances influence Banana Games. The third sub-question showed the dependence of Banana Games on these alliances with regards to complementary assets, while the fourth sub-question showed how Banana Games manages these strategic alliances from a routine-level view. As stated by the interviewees, Banana Games is dependent on strategic alliances because these provide not only a large amount of traffic to the portals, but provide many of the games that are promoted on the sites. Banana Games has formed a business development department that deals with all the benefits and complications that arise from alliances. From the interviews, it can be concluded that business development also scans the industry for potential alliances and makes an (implicit) assessment of the dependence on current and possible future alliances. They keep track of complementary assets that are needed in order for Banana Games to create profit and how the dependence changes on these assets by forming alliances. By looking at how business development manages alliances from a routine level, it can be concluded that this department influences most other departments in the organization. The strategic alliance capability is therefore not only important to Banana Games, it has an influence on how the different departments function and work together.

The answer to the main research question can therefore be formulated as following: In an industry where strategic alliances play an important role, the strategic alliance capability allows Banana games to scan, monitor, engage and forfeit these alliances thereby achieving the establishing of an increasing scale for its product(s), changing the
dependence on certain complementary assets and ultimately creating an uniqueness that allows creating and capturing of value.
6.2 Discussion

When the author was starting to write this thesis, it was noticed that the theory on routines, complementary assets and dynamic capabilities is very broad and widely dispersed. While this is helpful in getting to understand the basics of these fields of theory, they often left me with more questions than answers. All theories are quite general, which made it sometimes difficult to put the data into the correct perspectives. The outcomes of this thesis may therefore not be a 1 on 1 copy of the theories as noted in the references.

While doing the interviews at Banana Games, especially with regards to routines, they stated that their company is truly original. However, the author cannot believe that there is not even a very mild form of the imitation of routines present at the company. There are so many producers of casual games and larger number of portals, that the chance that nothing has been imitated appears very small. Especially if you consider that Banana Games works pretty close with a large number of partners and some of these alliances have learning as a goal. The author cannot imagine that some of the routines that are learned or the knowledge that has been picked isn’t a spill over from a partner.

This thesis presents the most visible and noticeable trends in the industry while answering the first sub-question. However, there are of course several other trends that were identified, but the decision was made not to elaborate on them. For example, there is an increase in the spending of producers of consumer products (such as cars or food) on advergames. While choosing the trends to analyze, this thesis focused on trends that were relevant to most players in the industry (most companies create casual games, but not all produce advergames) and in particular the focal firm of this thesis.

During the classification of the alliances, the choice was made to divide them into either scale or link alliances. In retro perspective, this distinction is not always that black and white (as with many aspects of the casual gaming industry). It depends on what goals a company has in mind during the creation and managing of the strategic alliance.

With choosing Banana Games as a focal firm, the author committed this thesis to a specific kind of business model, that of advertisement-supported games. There are however, much more types of business models (such as transaction or micro-payments
based models) and every one of those business models presents its own unique problems and benefits. Since this thesis focuses on a primarily advertisement-support based model, some of the findings in this thesis will not be applicable to companies using different business models.

6.3 Limitations
During the writing of this thesis, it was not possible to interview a content or marketing partner of Banana Games. The reason this was not accomplished was mainly due to the fact that they could not supply information because it was confidential or because they feared a conflict of interest. This is disappointing, since it could have allowed this thesis more detailed, especially with regards to the routines to marketing side of strategic alliances.

This thesis promotes strategic alliances and focuses mainly on the positive sides of such alliances. There are enough reasons to also look at the more negative side of these alliances, since alliances do not always work out well. A limitation of this thesis could therefore be that the perspective on strategic alliances is somewhat biased and future research could focus on the more negative sides of strategic alliances.

As stated in the chapter on methodology, this research was performed on the basis of one case-study. While this case provided extended evidence to answer my research questions, the question is to what degree my findings can be generalized to other companies or industries. Banana Games is one of the largest casual game companies in the world, which makes this case even more unique and therefore harder to generalize to other companies. The research may therefore be biased towards the focal company.

While the author tried to contact several experts and other casual gaming companies, the responses have been disappointing. In order to increase the validity of my thesis, it would have been of great value if more people were interviewed. However, since the industry is quite young, there is not a large amount of people that are interesting to interview for this thesis. Especially if you look at the topics that are handled in this thesis, which require a certain degree of company size in order to be interesting.

The people that were interviewed explained that the casual gaming industry is one which exists due to the grace of partnerships and that companies like to work together.
However, several companies and people working in various positions were approached in order to be interviewed. Almost every company that was contacted responded negatively. The most heard response was that they wanted to keep the information to themselves and that they feared that information would spill over to the competitors. For an industry which should be known for its helpfulness, this is very peculiar.

6.4 Future research
There are a number of topics that are interesting for future research. The first one would be the increasing number of so-called 'networks of advertising networks’ that allow casual gaming companies to become less dependent on SEO partners in terms of finding the correct advertisers (IDGA Casual Games White Paper, 2008). An ever increasing number of online advertising networks are available for casual gaming portal owners. These advertising networks can automatically place advertisements where they reach the most suitable audience. This creates a constant flow of profits for the portal owners. Within this style of advertising, the networks of advertising networks are increasing in popularity. These networks have the purpose of placing even more hand-tailored advertisements to the specific interests of gamers. An algorithm understands which networks work in which countries and in which genres. It can therefore send the best advertisement based on the audience of the portals and the players location (IDGA Casual Games White Paper, 2008). The main reason that these networks will become important in the future, is because portals would like to place an advertisement that is as specific as possible, while keeping the portals get-at-able (i.e. no registration in order to play) and costs down. It would be interesting to look at this development and investigate how this effects the alliances that Banana Games has with their current partners.

The second topic that could be interesting to investigate would be the role that social networks will play in the (near) future of casual games. Social networks such as Facebook and Hyves are still gaining momentum, which makes them an interesting party to invest in for advertisers. The proprietary software that runs these networks will soon be opened up, allowing casual game creators and portals to place their games on these sites. The range of these sites, combined with the possibility to reach a more specific target audience, can make them important, potential alliance partners in the near future. It is important that these social networks have high-quality gaming content available, which leads to more users of the social networks on one side and an increase of
reputation regarding a certain game or brand. Noted by all interviewees as a potential growth market, this could be an interesting topic to investigate.

The third topic to investigate is the current clustering that occurs in the industry. Parties in the casual gaming industry start to cluster. The base of competition shifts from a large number of small parties to a small number of large (larger) parties. (Transcript Banana 1). One of the main reasons for this is, according to Banana Games, the general rise of MMO’s and virtual worlds. Virtual worlds (such as Second Life or World of Warcraft) are beginning to take a foothold among casual gamers, in a somewhat different form (Disney’s Club Penguin for example). The current state of virtual worlds is about the same as the state of the casual gaming industry in the beginning of 2001, at its introduction stage. This trend requires companies like Banana Games to form new alliances of not only the fact that monetization is very different in this industry, it also requires new (technical) knowledge and know-how in order to perform optimal as is often the case in new industries or start-ups. It would be interesting to see how this affects strategic alliances, since the main motivation to cooperate is disappearing.

The fourth and final topic to investigate is whether or not a company like Banana Games should keep forming and managing these alliances. The author of this thesis thinks they should. The monetization strategy is an important reason for forming these alliances, but it resolves around something else: creating uniqueness. By creating a combination of in-house produced games with third party content, it is possible for a portal like Banana Games to differentiate itself from others. The strategic alliance capability has allowed Banana Games to become unique and gain a competitive advantage over their competitors. One could wonder that if a start-up company would form the same alliances, if it would be just as successful as Banana Games. The routines that are associated with the strategic capability will probably prevent this, since they create not only the circumstances under which Banana Games can flourish, but also provide a level of ambiguity which prevents an exact copy (especially in terms of knowledge). Further research into this topic could therefore prove interesting.
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Websites.


Academic sources.


