BEHAVIORAL PERSPECTIVES ON STRATEGIC ALLIANCES

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FOREWORD TO THE SERIES

Relationships have been important to commercial activity and economic transactions for thousands of years. Yet, the development of a global competitive landscape has substantially enhanced the importance of partnerships between economic entities. These partnerships, referred to as strategic alliances, provide access to resources and capabilities that allow firms to gain economies of scope and to increase their productivity and innovation. The economies, productivity and innovations are necessary to at least maintain competitive parity and especially to achieve a competitive advantage in the often highly competitive global markets. Strategic alliances have also become a prominent means of entering new markets, especially foreign markets. Therefore, alliances and the networks of firms of which they are a part have become essential for the conduct of business for all types of firms, large, small, established and new.

Because of their growing importance, research on strategic alliances has increased markedly in the last two decades. Yet, there is need for an authoritative compendium of strategic alliance research and knowledge. This book series on *Research in Strategic Alliances* fills this critically important gap in our field. It provides a thorough examination of significant topics that provide complete and up-to-date knowledge on strategic alliances. This book series will serve as a catalyst for more effective management of strategic alliances and will guide future research on them. I commend it to you.

—Michael A. Hitt

Distinguished Professor and Joe B. Foster Chair in Business Leadership at Texas A&M University, and Past President of the Academy of Management and the Strategic Management Society.

ABOUT THE SERIES

The globalization of markets has led to increased interdependence among business firms, leading to an explosion in the number of strategic alliances. Strategic alliances, briefly, are cooperative arrangements aimed at achieving the strategic objectives of two or more partner firms. These interfirm arrangements can range from joint R&D to equity-based joint ventures. However, the scholarship relating to strategic alliances remains largely dispersed in the literatures of traditional academic disciplines such as strategic management, marketing, economics, and sociology. This book series on strategic alliances will cover the essential progress made thus far in the literature and elaborate upon fruitful streams of scholarship. More importantly, the book series will focus on providing a robust and comprehensive forum for new scholarship in the field of strategic alliances. In particular, the books in the series will cover new views of interdisciplinary theoretical frameworks and models (dealing with resources, risk, trust, control, cooperation, learning, opportunism, governance, developmental stages, performance, etc.), significant practical problems of alliance organization and management (such as alliance capability, interpartner conflict, internal tensions, use of information technology), and emerging areas of inquiry. The series will also include comprehensive empirical studies of selected segments of business, economic, industrial, government, and nonprofit activities with wide prevalence of strategic alliances. Through the ongoing release of focused topical titles, this book series will seek to disseminate theoretical insights and practical management information that will enable interested professionals to gain a rigorous and comprehensive understanding of the field of strategic alliances.

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CHAPTER 1

ENACTING THE ALLIANCE

Towards a Role-Based Theory Of Alliance Implementation

Niels G. Noorderhaven,
Thijs J. G. Peeters, and John van den Elst

Alliance research has tended to neglect the roles of individual managers and employees. However, firms are no unitary actors but complex social systems comprising individuals whose mindsets and interests influence an alliance. Building on organizational role theory we distinguish between three types of role enactment: in-role behavior, extra-role behavior, and perfunctory role behavior, and put forward that these role enactments can have important consequences for interfirm alliances. We use a detailed case study of an alliance between two high-tech firms to explore role enactment of boundary-spanning managers and employees. Our study suggests that individual role enactment can indeed influence alliance implementation in important ways, and we formulate some first theoretical conjectures regarding the antecedents and consequences of in-role, extra-role, and perfunctory role behaviors in interfirm alliances.

1

INTRODUCTION

Alliances are essential elements of the strategies of many firms (Doz & Hamel, 1998; Kale, Singh, & Bell, 2009; Rothaermel & Boeker, 2008). As a consequence, academic studies of interfirm alliances have flourished (for overviews see Contractor & Lorange, 2002; Ireland, Hitt, & Vaidyanath, 2002; Kale & Singh, 2009). In spite of the wealth of insights generated by this literature, we think that there is a set of questions that tends to remain neglected: questions pertaining to the roles of individual employees and managers in alliances. For instance, when Hennart and Zeng (2005) state that "structural solutions consist in manipulating the individual's payoff matrix for cooperation and defection so as to increase the former relative to the latter" (p. 108), "individual" refers to the allying firms as unitary actors, and not to the individual managers and employees who decide to cooperate or defeat. This is in line with many other studies in which psychological concepts are applied at the level of the firm, for example, "a-priori conceptions" (Kumar & Das, 2007), "psychological commitment" (Kumar & Nti, 1998; Medcof, 1997), "frame of mind" (Kumar & Andersen, 2000) or "identification" (Cullen, Johnson, & Sakano, 2000). However, firms are no unitary actors, but complex social systems comprising individuals and groups whose mindsets and interests influence the alliance (De Rond & Bouchikhi, 2004). It is generally understood that referring to a firm as a unitary actor is a shorthand for the assumption that decisions and activities in firms are organized in such a way that firms act as if they were rational actors striving after certain goals (Foss, 2007; Simon, 1957). Likewise, even if we acknowledge that interorganizational relationships are both shaped and maintained by individual boundary spanners (Inkpen & Curral, 1997; Nooteboom, Berger, & Noorderhaven, 1997), we could still analyze firms engaging in alliances as unitary actors by taking the perspective of top managers who are responsible for the overall strategic direction of the firm (Janowicz-Panjaitan & Noorderhaven, 2009; Prahalad & Bettis, 1986). Top management in this view represents the interests of the firm in the alliance, and selects a governance structure that disciplines the behaviors of the individual boundary spanners through whose actions the benefits of the alliance need to be realized.

However, we know little about the extent to which, or how, these governance structures influence actual post-formation behaviors of managers and employees (Bresnen & Marshall, 2000; Contractor, 2005; Schaan, 1987). The managers interviewed by Hamel (1991), for instance, denied the importance of the formal alliance agreement, "the greater [their] experience [...] in administering or working within collaborative arrangements, the more likely were they to discount the extent to which the for-

mal agreement actually determined patterns of learning, control and dependence within their partnership" (Hamel, 1991, p. 89). Instead, more personal ambitions and interests play an important role in alliance-related behaviors (Delios, Inkpen, & Ross, 2004; Inkpen & Ross, 2001). Formal arrangements such as alliance contracts often have side-effects and unanticipated effects (Vlaar, van den Bosch, & Volberda, 2007) that also influence behavior in the alliance. And any alliance contract is by necessity incomplete, meaning that issues coming up during the operation of the alliance have to be dealt with in collaboration between alliance managers and employees (Hyder & Eriksson, 2005).

Moreover, what is assumed to "motivate" an alliance partner conceived of as a unitary organizational actor may not motivate the individual managers and employees who must bring the planned alliance to life. Sometimes behaviors that are not in accordance with the formal arrangements may actually be necessary to make an alliance successful, as observed by Doz (1996) in the alliance between Ciba Geigy and Alza, where "champions" of the alliance "were fortuitously able to step out quickly from and to transcend their organizationally specified roles" (Doz, 1996, p. 66).

Hence, we argue that more attention is needed for the roles of individual organizational boundary spanners in alliances. Interactions between individuals play a central role in the evolution of cooperative interorganizational relationships (Irrman, 2005). An alliance becomes an operational reality only through actions by managers and employees acting upon their own interpretations of both the alliance agreement and their individual or role-related interest in the alliance. We use the concept of "enactment" in this context as shorthand for these actions and interpretations. For Weick (1988) the term "enactment" refers to the idea that when people act they bring into existence structures and events. "Managers construct, rearrange, single out, and demolish many 'objective' features of their surroundings. When people act they unrandomize variables, insert vestiges of orderliness, and literally create their own constraints" (Weick, 1979, p. 164).

If we want to understand how and why employees and managers interpret and act upon an alliance in specific ways, these individuals themselves are the best source of information (Mantere, 2008), and therefore we explore in this chapter how a particular alliance agreement is interpreted and acted upon by managers and employees of two collaborating high-tech firms. Following Doz's (1996) terminology we draw on the concept of "organizational role" (Katz & Kahn, 1978) for our theoretical and empirical exploration of the roles of individual managers and employees in alliances. How do managers and employees define their own alliance-related roles, and how are these role definitions related to their formal roles and the perceived organizational goals of the alliance? How do vari-

ous types of "role enactment" (Fondas & Stewart, 1994) contribute to alliance implementation processes and alliance outcomes? We conduct an explorative case study to help us set the directions for further theory development.

This chapter is organized as follows. Below we first discuss organizational roles and role enactment in the context of alliances. Next we present our case study, in which we empirically explore instances in which formal organizational roles and actual role enactment coincide, overlap, or diverge. What are the consequences of more or less coherence between formal roles and actual role enactment for the way in which individuals involved in the alliance perceive and act upon alliance goals and processes? Based on the observations in our case we subsequently formulate preliminary propositions for a role-based theory of alliance enactment.

ALLIANCE RELATED ORGANIZATIONAL ROLES AND ROLE ENACTMENT

Alliances may be designed according to rational principles and explicitly negotiated between partners, they also "emerge, grow, and dissolve over time" (Ring & Van de Ven, 1994, p. 90), through cycles of formal as well as informal processes. As Kaulio and Uppvall (2009) note, there is "almost a complete lack of empirical studies that investigate the role of key individuals and operative leaders in the alliance process" (p. 197). Below we will discuss the roles managers and employees play in alliances. We will argue that in particular in an area where role expectations are relatively ambiguous, like in interfirm alliances, the individual role enactment of incumbents is important. Hence, individual agency needs to be taken into account when explaining success or failure of alliances.

Role Theory and Alliance-Related Roles

Organizations comprise and are managed by individuals (Aulakh, Kotabe, & Sahay, 1996), and it is also through individuals that interfirm relations come into effect (Inkpen & Curral, 1997; Nooteboom et al., 1997). Individuals involved in an interfirm alliance engage in boundary-spanning activities. We will employ the concept of "organizational role" in discussing the activities of these interorganizational boundary spanners.

The concept of "role" is used to refer to the behavior expected of individuals who occupy particular social positions or categories (Montgomery, 1998). These roles of individuals are embedded in an environment or network of roles of people connected to them, determining the "role set" of

the individuals (Das, 2001). Those connections leading to inclusion in the role set of an individual can be within organizations as well as across organizations. Role sets of individuals are of high importance for directing an individual's behavior as people in the role set create the "role expectations" (beliefs and attitudes of how a role should be fulfilled) of an individual's role and, moreover, can exert formal or informal "role pressures" to let the individual conform to her/his role (Das, 2001). Hence, roles help creating order by bundling expectations concerning the behavior of particular individuals in particular situations; role incumbents conform either because the person holding the expectations is in a position of power, or because the incumbent has internalized the expectations (Jackson, 1998).

Katz and Kahn (1978) were among the first to describe the organization as "a system of roles" (p. 187). Organizational role theory has focused most on cases in which the system of roles is disrupted, for example, because of "role conflict" (incompatible expectations or pressures from the role set with regard to the behavior of the role incumbent) or "role ambiguity" (unclear expectations with regard to the behavior of the role incumbent).

The concept of "organizational role" is intuitively appealing and it is also part of everyday organizational discourse and practice (Mantere, 2008). We employ the role concept in this chapter without adhering to the emphasis placed in classical organizational role theory on the passive acceptance of a given role by an individual actor (Wickham & Parker, 2006). Fondas and Stewart (1994) note that role theorists adopting a symbolic interactionist stance have shifted attention from "role taking" to "role making", indicating a much stronger attention to the ways in which individuals, in interaction with others, actively shape their roles. This conceptualization of organizational roles resonates with our interest in how individual managers and employees enact interfirm alliances. Hence we assume that the roles we study are the product of interactive, creative role-making processes (Lynch, 2007).

Role Enactment in Alliances

Role theory in general, and more specifically the classic functionalist branch of role theory that we have very briefly described in the beginning of this section, has been criticized for fostering a static description of behavior that fails to provide a satisfactory account of human agency (Jackson, 1998; Lynch, 2007; Rodham, 2000). For this reason Côté and Yehle (1991) state that the role concept has failed to live up to its promise, and the use of role theory in organizational analysis has declined in recent

years. Contributions to role theory from the perspective of symbolic inter-
actionism, emphasizing the social construction of roles, are more promis-
ing in this respect. Proponents of this view emphasize that role making is
a continuous process (Stryker & Statham, 1985). This perspective also
acknowledges that role incumbents, and especially those higher in the
managerial hierarchy, do not passively accept role expectations people in
their role set send to them, but often act as "entrepreneurs" in negotiat-
ing the demands and constraints of their jobs (Fondas & Stewart, 1994).

Hence, in contrast with the rather static and passive picture of role-
based behavior that can be drawn from classic role theory, we consider the
possibility that organizational boundary spanners in alliances actively
shape their roles. This leads us to the concept of "role enactment." The
word "enactment" in this term captures the notion of a role incumbent
actively creating the environment (including role expectations) rather
than solely responding to it (Fondas & Stewart, 1994). This perspective
brings to our attention, firstly, that roles need to be conceptualized as sub-
ject to dynamic interactions between the role incumbent and the environ-
ment, and, secondly, that different role incumbents can perceive and act
upon a role differently.

The first observation accentuates the active, "entrepreneurial" involve-
ment of individual actors (Fondas & Stewart, 1994, p. 94). An alliance is
given shape through the role fulfillment of many different managers and
employees at different levels. Clearly human agency as expressed in role
enactment in this sense can lead to unexpected outcomes (Giddens, 1984;
Mantere, 2008). Hence the alliance as it unfolds in processes of enact-
ment may end up differing substantially from the alliance as planned ini-
tially (see, e.g., Doz, 1996).

The second observation mentioned above, namely, that role incum-
bents can perceive and act upon a role differently, resonates with a grow-
ing recognition of the importance of bringing the individual back into
organizational analysis (Jarzabkowski & Spee, 2009). De Rond and Bou-
chikhi (2004, p. 67) call for more attention to the "interests, mindsets,
strategies, loyalties, prejudices and preferences" of individual actors in
alliances. Pansiri (2005) calls for the exploration of the impact of differ-
ences between managers' cognitive bases on decisions related to alliance
practices. Generally speaking some employees view their jobs more
broadly than others do (Morrison, 1994), and this may have important
implications for alliance-related behavior. Individuals do not simply play
the roles that are handed to them, they "make" the roles they enact
(Stryker, 1991). We can make a schematic distinction between in-role and
extra-role behavior (Van Dyne, Cummings, & McLean Parks, 1995). In-
role behaviors are the behaviors required or expected within the purview
of the duties and responsibilities of a given job. These behaviors are often

linked to formal reward systems as well as to non-financial inducements (Uen, Chien, & Yen, 2009). Extra-role behaviors go beyond existing role expectations. These behaviors are not formally required for a work role, and often are also not formally rewarded. Extra-role performance can be evoked by positive experiences with the organization, and is associated with positive attitudes towards the organization, like organizational commitment (Organ, 1990). A third possibility is perfunctory, ineffective, or incomplete role fulfillment (cf. Roberts, 1971). In that case the incumbent would not perform, or only marginally perform, some behaviors that are part of the formal role expectations. These different forms of role fulfillment are pictured in Figure 1.1.

The upshot is that the literature on boundary-spanning roles points at the importance of the set of expectations that define the roles of the managers and employees who act at the interface of allying firms. But the literature also indicates that role-incumbents can creatively enact their roles, by displaying extra-role behaviors that defy organizational expectations, engaging in only perfunctory role performance, or refusing to fulfill (part of) their alliance-related role. We think that boundary spanners in interfirm alliances may in particular be expected to have leeway for such behavior, as expectations with regard to their roles are more likely to be ambivalent and contradictory. Seo and Creed (2002) argue that the likelihood of agency (they speak of "praxis") increases as actors are confronted with misaligned interests and incompatibilities of institutions. These conditions are likely to be more prominent in interorganizational settings (such as alliances) than in intraorganizational settings. Every alliance has its proponents and detractors in the constituent organizations (Kumar & Nti, 1998). Actors will be inclined to enact the alliance in a way that fits their view of their organization as well as their perceived self-interests. Top management can influence but never completely control this process.
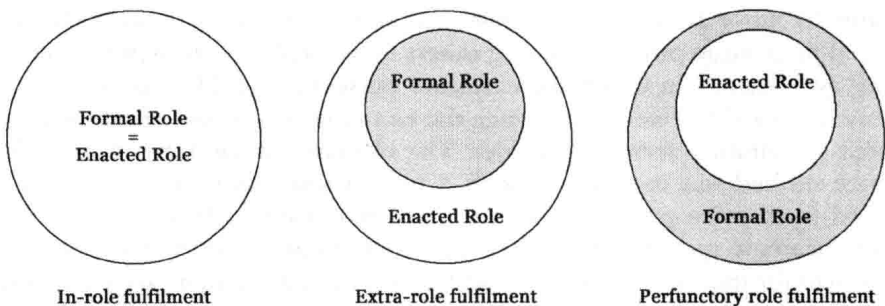

Figure 1.1.   Role fulfillment pictured.

In the next section we explore how a particular alliance agreement is interpreted and acted upon by managers and employees in two collaborating high-tech firms in the IT sector.

AN EMPIRICAL EXPLORATION OF ALLIANCE ROLE ENACTMENT

In order to provide meaningful insights into the role of individuals in alliance implementation given the modest theoretical underpinning in the literature, we designed our research as an inductive exploratory approach. This meant that our data collection was based on a general perspective rather than on a preconceived theoretical framework (Glaser & Strauss, 1967).

Research Setting

We studied an alliance between two companies in the IT industry. Innovation Partner (a pseudonym) is an R&D service organization in the IT industry, offering advanced development services for first generation new products. It has a narrow customer base, with a relatively high turnover per customer. At the time of our study Innovation Partner (IP) foresaw a declining demand for its core activity, advanced development services. At the same time it expected an increasing demand for product maintenance, support and release management. The strategic objective of IP with the alliance was to offer maintenance through a partner. At the same time the company planned to enter new markets in order to expand their customer base for advanced development services.

IT Services (also a pseudonym) is an IT organization offering consultancy services and general development services (both advanced development and maintenance). It has a large customer base and is present in numerous markets. IT Services (ITS) continuously strives for growth and aims to move from relatively low-risk consultancy services to high-risk fixed price large projects. Among others this is realized through outsourcing agreements, in which the customer outsources an IT department or function to ITS. Five years earlier the company was a one hundred percent consultancy services provider. The objective at the time of the alliance studied was to move towards a mix of one third consultancy, one third fixed-price projects, and one third outsourcing. In the context of this strategic goal ITS identified the opportunity to start maintenance services for the customers of IP and to offer the complementary advanced development services of IP to its own customers, which would enable ITS also to do the maintenance and support of new products.

IP and ITS therefore decided to form an alliance consisting of the following parts:

1. *Outsourcing agreement.* The maintenance, support, and release management services for mature products was outsourced from IP to ITS. This outsourcing agreement includes a transfer of undertaking (including the transfer of 32 employees) with a guaranteed workload for a period of 15 months.
2. *Business agreement.* IP and ITS agree on developing joint value propositions and to perform joint portfolio management in order to acquire joint market opportunities. This part of the agreement has a duration of 5 years, and the estimated yearly volume of turnover generated would be 4 million euros for each company.

The alliance was formalized in a strategic partnership agreement and a steering committee was assigned to manage it. A dedicated group of employees from both companies was assigned the task of working on the alliance as part of their daily job.

Although the planned cooperation sounds straightforward and the complementarities were expected to lead to customer value and growth, the reality turned out to be different. On the operational level, people were confronted with job insecurity and disagreements regarding the execution of the outsourcing contract. Therefore the realization of the transfer of undertaking attracted most attention, while the business agreement seemed unsupported by both parties. The latter was also caused by the failure of a first joint market opportunity (identified during the construction of the alliance). On the corporate level the vision of the business agreement was still endorsed, it was said to be more important than the transfer of undertaking. But the mechanisms for making the business deal work were unclear, as was the commitment within both firms.

This was the moment when we started our interviews with the key stakeholders in the alliance, including top-level managers (CEO and business managers), lower-level managers (like group leaders and project managers) and functional specialists (HRM, accountancy, product architecture).

Data

Our empirical study is based on company documents and interviews. A key document we analyzed was the formal alliance agreement. We were particularly interested in the specification of duties and responsibilities,

and in the incentives the agreement provided for both companies for implementing both the outsourcing agreement and the business agreement. The outsourcing agreement was defined in much detail, including hourly rates and payment schedules. Also the workload guarantee specified in detail which activities would fall under the guarantee and which not, and under what conditions the guarantee (and the associated hourly rates) could apply to ITS employees who were not former IP employees.

The business agreement part of the alliance contract was very different. This part formulated a number of "Partnership Principles," the most important of which were the specification of the tasks of both parties in "joint opportunities" (IP's task being initial software development, and ITS' task being software maintenance), and the "active promotion" of the other company in negotiations with external customers. However, actual contracts with customers were to be negotiated by IP and ITS separately. And although the potential turnover from joint opportunities was estimated at 4 million euros yearly for each company, the agreement also warned that neither of the parties made an "express or implied warranty" that such turnover would actually be generated.

Regarding the governance of the alliance, the main provision was the installation of a Steering Committee (as mentioned above). But the tasks of the Steering Committee were described in broad terms, like "overall supervision" and "yearly evaluation." The agreement did not provide for the installation of a joint sales team. These details were also not arranged for in the outsourcing part of the agreement. But (as became clear in the interviews) the outsourcing agreement and the workload guarantee attached to it simply demanded attention because of the associated 32 employees and their immediate need for billable hours. Other internal documents we analyzed pertained to internal organization and strategy, and to the formal descriptions of responsibilities associated with particular (boundary-spanning) positions.

We interviewed 20 managers and employees, 10 from each of the 2 allying companies. The 20 interviewees were selected with help of contact persons at both companies, on basis of the criteria of knowledge of and involvement in the alliance and achieving a spread across hierarchical levels and functional areas. The interviews were semistructured with open-ended questions pertaining to the formal organizational position of the interviewee, his or her own role in the alliance, the perceived goals of both alliance partners, the interviewee's interpretation of the alliance agreement, experiences with and activities in the alliance implementation to date, and the expected results of the alliance. We were guided by a social-constructionist perspective, that is, the interviews are not used to reconstruct an objective reality but to explore how our interviewees constructed