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Exploring Dark Corners: An Agenda for Organizational Behavior Research in Alliance Contexts

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EXPLORING DARK CORNERS:
AN AGENDA FOR ORGANIZATIONAL BEHAVIOR RESEARCH
IN ALLIANCE CONTEXTS

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ABSTRACT

Research on alliances and in alliance contexts has been dominated by strategy researchers with a focus on structural features and task-related performance. This paper argues that research in organizational behavior, with a more social cognitive focus, could enrich our understanding of the dynamics and performance of alliances. Alliances also represent a rich yet largely ignored context for studying a range of phenomena central to organizational behavior. To address these shortcomings and missed opportunities, we draw on organization behavior research to propose an expanded range of variables and processes salient in alliances and review the limited existing research that begins to explore some of these issues. We then propose an agenda for further research, including a behavioral model of alliances in which integration vigilance is introduced as a key moderator.

INTRODUCTION

As a context for organizational behavior phenomena, alliances remain largely unexplored territory. To date, alliance research has been dominated by strategy scholars drawing primarily on economics and focusing on structure and control as antecedents and intermediary outcomes, and alliance or partner performance as the dependent variable of interest. Even studies of trust and cooperation are actually extensions of the structure and control focus (i.e., what types of structures create or support interorganizational trust), and justified by their impact on alliance performance in terms of achieving one or both partners' task objectives for the alliance.

The resulting list of explanatory and outcome variables and the underlying processes is relatively limited. The most typical variables are fundamentally structural (see Table 1), such as organization form, ownership (equity and non-equity alliances) and control (e.g., Dyer, 1997; Gulati & Singh, 1998; Reuer, Zollo & Singh, 2002), task interdependence and division of labor (e.g., Bensaou & Venkatraman, 1995; Garrette & Dussauge, 1995; Gulati & Singh, 1998), prior relationships between the partners (e.g., Gulati, 1995; Gulati & Gargiulo, 1999), and goals of the alliance and/or partners. Outcomes are largely limited to alliance formation, achievement of alliance or partner goals, and alliance termination. Processes are also limited, including exchange, reciprocity, opportunism, trust and negotiation of contribution and distribution of outcomes. As a result, in spite of decades of research, alliances remain unexplored in terms of the cognitive, social-psychological phenomena falling under the broad category of organizational behavior (OB).

Insert Table 1 about here

Research on pre-alliance negotiation and partner selection has explored a number of social and cognitive variables. As our following literature review shows, however, existing research on post-formation alliances is surprisingly circumspect in its consideration of OB variables and processes as either antecedents or outcomes. Even when they are included, such as "trust", they are pitched at the group and organization levels of analysis, not at the individual

level. Indeed, there seems to be a tacit view among many alliance scholars that analysis at the individual or interpersonal level is not necessary for understanding phenomena and outcomes at the alliance, firm and interfirm levels. In the rare cases in which OB variables are included in research designs and analyses, such as when culture is used as predictor of outcomes, conceptualization is usually simplistic compared to OB-based research, and measures are only rough proxies (e.g., Anderson & Gatignon, 1986; Barkema et al., 1997; Li & Guisinger, 1991). Although strategy process researchers often go the farthest in incorporating OB constructs and phenomena into their models of alliance formation and post-formation dynamics (e.g., Ariño & de la Torre, 1998; Doz, 1996; Hamel, 1991; Kumar & Nti, 1998), the range of constructs they draw on is still quite limited compared to those available in the OB literature, and outcomes are typically restricted to task performance variables.

The purpose of this paper is to build on de Rond's (2003) broad thesis that alliances are inherently social phenomena and, to better understand their dynamics and performance, stimulate further research on and in alliances that draws on OB research literature's rich stock of constructs and processes. Strategy-based research on alliances so far has been largely ignoring the interpersonal dynamics that underlie any alliance or interorganizational relationship, although a number of strategy scholars have ventured further afield into OB phenomena in their analyses of alliances, addressing such issues as the "social fit" and affective elements of relationships (Artz & Brush, 2000; Child & Faulkner, 1998; Mohr & Spekman, 1994; Jemison & Sitkin, 1986; White, 2005; Lui & Ngo, 2005), as well as dependence, conflict and perceptions of equity (Ariño & de la Torre, 1998; Das & Teng, 2000; Doz, 1996; Kogut, 1989; Inkpen & Beamish, 1997; Madhock & Tallman, 1998; Ring & Van de Ven, 1994). While such work is in the right direction, there are still great conceptual and phenomenological expanses that remain largely unexplored. At the same time, we also identify features of alliances that constitute particularly rich contexts for studying variables and processes central to OB research. After reviewing the dimensions defining the alliance context, we review literature that has explored OB variables and processes in this context and suggest a research agenda to address the under- or unexplored "dark corners". We bring together constructs and issues suggested by the albeit limited past research and this research agenda in the form of a behavioral model of alliances in

which integration vigilance plays a key moderating role between diverse antecedents and outcomes that are salient in an alliance.

ALLIANCES AS CONTEXTS: STRUCTURAL AND SOCIAL COGNITIVE DIMENSIONS

Although scholars have proposed various definitions of alliances or cooperative interorganizational relationships (e.g., Parkhe, 1993; Ring & Van de Ven, 1992; 1994), two features are common to them all. First, they involve two or more organizational actors, and separately defined identities, interests and power are either implied or explicitly stated. In other words, each actor is able to make decisions regarding the formation of and behavior within an alliance. Second, the partners form an alliance in order to achieve specific goals, which may be the same for all partners, or different across partners and of varying degrees of compatibility. These two features of alliances—relationships and goals—have been central to management research in alliances, and that research has been the nearly exclusive domain of strategy scholars. As discussed before, their primary interest in alliances has been the performance implications of alliance structures and, subsequently, the structuring and management of alliances relationships as antecedents to goal achievement.

Alliances, however, present a much richer area for research than that already charted by strategy and a few OB scholars. The first and most obvious area for expanding our research horizons vis-à-vis alliances emerges once we recognize the range of relationships within an alliance. Strategy researchers typically limit their analyses to two types of relationships: between parent organizations, and between the parent and the alliance (***g*** and ***h*** in Figure 1). As Figure 1 shows, however, there are nine additional relationships that are relevant for alliances when different levels of analysis (individual, group, organization) and boundaries (organization, various subunits) are considered. At the individual and group levels, they include relationships among individuals from the same parent (***b***), different parents (***a***), and outside of either parent organization (***c***), or among all three (from either parent or outsiders; i.e., the alliance, ***e***). This may also include interpersonal relationships between the leader of an alliance and a senior executive to which they report in a parent organization (***k***). At the intergroup level, there are

interactions between groups from the different parents (***d***), and between the alliance (or subgroups within the alliance) and groups within either parent organization (***f***). Finally, an alliance may also affect the relationship between a parent organization and another (non-partner) organization (***i***), and the alliance itself may have important interactions with non-parent organizations (***j***). The number of relationships is even greater if we include those across levels of analysis; i.e., between an individual and a group or organization, or between a group and an organization.

Insert Figure 1 about here

The nature, quality and dynamics of each of these relationships may themselves be important focal issues, in addition to their potential impact on a focal alliance's dynamics and outcomes. Accordingly, each of these relationships and levels of analysis represents possible areas of study within a widened definition of "alliance" research. However, such complex intergroup dynamics have rarely been addressed in OB research. Alliances therefore provide an excellent context for examining these complex issues which, in the end, could deepen our understanding of the dynamics associated with complex interpersonal and intergroup relationships.

In addition to recognizing a broader range of salient relationships, a second way to expand our alliance research horizons is to recognize a broader range of variables and constructs. As already discussed, alliance research is now largely restricted to what may be categorized as structural variables describing the antecedents, processes and outcomes of interest (Table 1). OB research, however, suggests a much broader range of variables and processes that could help understand alliance outcomes, and most of these are unexplored by existing alliance research (Table 1). The impact of multiple role identities among individuals in an alliance, for example, will influence both the interpretation and effort exerted towards achieving diverse goals, in addition to communication among individuals who must collaborate, as well as attributions made of other individuals' actions. A number of OB outcome variables, such as motivation, commitment and identification, could also be important mediating variables affecting alliance performance or goal achievement of partner organizations. Such social cognitive characteristics

of individuals and groups, and the processes and outcomes resulting from them, are largely unexplored in existing alliance research.

In the following section, we review the albeit limited research that has incorporated OB variables into studies of alliances, or investigated OB phenomena in alliance contexts. We find that the key themes and foci of these studies fall into a limited number of categories: identity and intergroup dynamics, culture clash, third culture emergence, and interunit conflict (between partner organizations and between alliance and parent). These categories actually correspond to the categories of specific problem issues that Bailey and Shenkar (1993) identified in their earlier review of research on international joint ventures (IJVs), a formally structured and integrated alliance form. Intergroup issues they identified included staffing friction, blocked promotions, split loyalties, compensation gaps, and blocked or incomplete information. Cultural issues arose from blurred organizational cultures and lack of familiarity with a new culture. Finally, interunit conflict was identified in the form of limited delegation by the parent to the alliance. Our review casts a wider net by reviewing work done in diverse forms of alliances, not just international joint ventures, in order to identify areas into which a few scholars have tentatively entered, as well as the major gaps in research in and about alliances.

TAKING INVENTORY OF OB RESEARCH IN ALLIANCES

As mentioned above, most research involving alliances is at the alliance, firm or inter-firm level, and we know relatively little about behavioral issues within an alliance, such as decision making, communication, and conflict processing. Werner's (2002) conclusion from his review of international management research trends from 1996-2000 in 20 top management journals reflects this lack of attention and understanding. Of the twelve major categories he identified, only two categories pertain to our review: IJVs and strategic alliances, and networks. The research in these two categories is primarily at the firm level, addressing such issues as partner selection and relations and outcomes of alliances. In two other categories that have some relevance to our review—subsidiary and multinational team management and expatriate management—there is some research on organizational behavior, but many gaps are evident. Werner concludes, "international micro level research seems to be overlooked in the leading

management journals" (2002: 293). While no one has undertaken a systematic analysis of research on domestic alliances, a casual scan of the literature suggests that the conclusion of Werner applies equally well to this area of enquiry. In short, we know surprisingly little about how interpersonal processes play out in an alliance context.

The lack of organizational behavior research in an alliance context is unsettling. So much is at stake in an alliance, as reflected by the voluminous firm-level research on this topic, but we know so little about the relevant people issues that may make or break an alliance. The complexity and difficulty of managing an alliance is widely acknowledged, and there are many books detailing the do's and don't's in managing people issues in alliances (e.g., Spekman, Isabella, & MacAvoy, 2000; Yoshino & Rangan, 1995), but this advice rests primarily on conjectures rather than on empirical evidence.

The following sections present the results of our inventory of the existing literature on organization behavior in alliance contexts, drawing on firm-level findings as well as theoretical and empirical work in intergroup behavior, social identity, and diversity management. The aim is to provide a coherent account of what we know about the people issues involved in alliances and to develop a framework for guiding future research in this important but under-developed area. We focus on the processes and dynamics of on-going alliances, for the purposes of this analysis excluding behavioral research on pre-formation processes, such as the negotiation of an alliance contract.

Identity and Intergroup Issues

As already introduced, a major challenge in alliances emerges from the fact that two or more distinct groups of employees from parent firms must work together. Drawing on prior work on intergroup behavior and social identity (Ashforth & Mael, 1989; Sherif & Sherif, 1953; Tajfel, 1978; Turner, 1987), many researchers have studied the sources and impact of mistrust, ingroup favoritism and rigid group boundaries on collaboration. For example, in a survey of a multi-ethnic company in the US, Barak, Cherin and Berkman (1998) identified two diversity dimensions: fairness, which refers to the fairness with which management treats different ethnic groups, and inclusion, which refers to the inclusion of different ethnic groups in management processes. These two dimensions highlight the intergroup tension salient in a multi-group

context, in which people worry about injustice and exclusion as a result of negative intergroup dynamics.

Identity issues. Empirical findings in an alliance context generally corroborate the hurdles suggested by intergroup, social identity, and diversity management theories. Salk and Shenkar (2001), for example, found that identities were fixed relatively early in the life of an alliance and persisted as a frame through which individuals interpreted others and events in the alliance. In a survey of local and expatriate members of the management teams of IJVs located in Canada and the US, Johnson (1999) found that they were more committed to the IJV than to the parent firms. However, about 32% of the respondents reported conflicting loyalties, with 21% showing high commitment to the IJV, but low commitment to the parents, and 11% showing high commitment to the parents, but low commitment to the IJV. In a multi-group context, split loyalty is always an issue that may stifle commitment and productivity. Based on a case involving the alliance of three American companies for designing advanced robotics devices, Gould, Ebers and Clinchy (1999) note that the intergroup dynamics inherent in alliances are often characterized by anxiety and defensive reaction to such anxiety, including rigid group boundaries and outgroup distrust.

Trust. Madhok (1995) argues that trust is important to the continuation of an alliance, and further suggests that there are two components of trust in this context: structural and social. The structural component of trust refers to the complementarity and synergy of the resources contributed by both sides, and the social component refers to the quality of the relationship between employees of the two sides. Rephrased, structural trust relates to the task interdependence between the partners, while social trust is interpersonal and affective. Consistent with the social trust argument, in a survey of local managers of IJVs in China, Chen and Boggs (1998) found that perceived mutual trust between the partners was related to the possibility of continued cooperation. Similarly, in a survey of managers who worked for alliances in the US, Kale, Singh, and Perlmutter (2000) found that relational capital defined in terms of respect, trust, friendship, and reciprocity was related to learning between the partners. Luo (2001) ascribed these outcomes as dependent on the development of "personal attachment" between individuals in an alliance, in turn dependent on factors at the individual, organizational and environmental levels.

Trust and relational capital do not arise spontaneously (Inkpen & Beamish, 1997). Indeed, it should not be surprising that mistrust is common in alliances, especially when goals and objectives are different or competing (Zeng & Chen, 2003). Research has shown that one reason that alliances are shaky is the inherent difficulty in building trust among individuals and groups in an alliance. In a survey of local employees of four JV factories in South China, Wong, Ngo, and Wong (2003) found that job security was related to trust in the organization, whereas supervisor-subordinate *guanxi* was related to trust in supervisors. Their findings suggest that job security and positive superior-subordinate relationships contribute through different processes to building trust among individuals in an alliance.

Currall and Inkpen (2002) propose that trust should be conceptualized as multilevel: personal, group and firm, resulting in nine types of trust when these three types of trust for the trustors and trustees are crossed. They also propose ways to measure these nine types of trust, providing a useful starting point for future research to decipher the precise nature of trust in an alliance context.

Ingroup favoritism. The tendency to favor employees of one's side, or ingroup favoritism, is another common problem in alliances. In a study of managers in a Japanese-German IJV in Germany, Salk and Brennan (2000) identified ingroup favoritism as leading to more advice-related and task-related ties with co-workers of the same national background. Furthermore, the Japanese managers had a better connected network for private communication than the German mangers, which seems consistent with the clear distinction between work and private life salient in the German culture. In another alliance, Salk and Shenkar (2001) show the deleterious effects that ingroup favoritism and bias can have on collaboration and alliance outcomes when it challenges notions of fairness in, for example, personnel appointments.

Divergent perception. Differences may be manifest as divergent perceptions by individuals within an alliance, and these may (but not necessarily) lead to significant intergroup problems. In a study of American expatriate and local Chinese managers in American multinationals in Taiwan, Chang (1985) found that compared with local employees, American expatriates were more satisfied with job security, prestige inside the company, autonomy in decision making, personal development, and chances for advancement, but were less satisfied with physical surroundings. In addition, American expatriates reported higher satisfaction

toward friendliness of colleagues and friendship with people of different nationalities, while Chinese managers reported higher satisfaction toward friendship with people of the same nationality. At-Twaijri (1989) replicated this study with managers from fifty US joint business ventures in Saudi Arabia, and found that, compared with Saudi managers, American expatriates were more satisfied with pay and benefits, prestige inside the company, autonomy in decision making, personal development, and chances for advancement, but were less satisfied with physical surroundings. In addition, American expatriates reported higher satisfaction toward friendship with people of different nationalities, while Saudi managers reported higher satisfaction toward friendliness of colleagues and friendship with people of the same nationality. Expatriates in these two studies were generally more satisfied with their compensation, status, and job content than local employees, and this could further accentuate the boundary between them in an alliance and become an impediment to collaboration.

It should be noted that these problems do not necessarily plague all alliances, even if there are distinctions between groups, such as asymmetries in outcomes. Cheah-Liaw, Petzall and Selvarajah (2003), for example, studied six Australian-Malaysian joint ventures in Malaysia and found that the compensation gap between the two groups of staff was problematic, but it did not seem to be a major problem in these alliances' performance, and other problems were seen as mild.

Positive Interaction and Alliance Performance

Because identity and intergroup issues may threaten the viability of an alliance, an obvious prediction from this perspective is that alliances that are able to avoid or overcome these divisive forces are more likely to be successful. In line with this reasoning, Aulakh, Kotabe, and Sahay (1996) argue that positive interaction is conducive to the success of IJVs. Li, Xin, Tsui, and Hambrick (1999) analyze the problems in joint venture leadership teams in China, and propose a number of practical guidelines for effective team building. Many of their suggestions center on the idea of enhancing a strong team identity and improving the group dynamics within the team. In a survey of alliances in the US, Saxton (1997) found that prior relationships between the partners were associated with initial satisfaction with an alliance, but not with alliance outcomes. While prior relationships likely reduce mistrust and group

boundaries separating the partners and contribute to initial satisfaction, alliances outcomes are probably more dependent on subsequent interactions between the partners.

A number of studies suggest that positive interaction and engagement in the form of communication and commitment to the partnership are effective in breaking down the intergroup barriers. In a study of CEOs in IJVs in China, Gong, Shenkar, Luo, and Nyaw (2001) found that communication within an IJV and between an IJV and its parents was negatively related to role conflict and ambiguity of these CEOs. In a study of a retail network resulting from the merger of two different firms in Norway, Nygaard and Dahlstrom (2002) found that personal communication was associated with low role ambiguity, but no such effect was found for group and impersonal modes of communication. In a survey of computer dealers and suppliers who formed a strategic partnership in the US, Mohr and Spekman (1994) found that trust, commitment to the partnership, coordination, communication, and participation in planning were associated with partnership success. In a survey of alliances in the US, Saxton (1997) found that the degree of shared decision making was associated with successful alliance outcomes. Lin and Germain (1999) surveyed a group of Chinese and American managers from Sino-American JVs in China and found that, at the firm level, relationship commitment—the desire to maintain a relationship—was positively related to cross-cultural adaptation and interaction frequency. Luo (2001) found that personal attachment and positive working relationships developed as the individuals worked together longer, parental goals were congruous, and cultural gaps were smaller. He also found that environmental factors that challenged the alliance (market disturbances and regulatory deterrence) also enhanced personal attachment. Finally, Brannen and Salk (2000) found that although differences in identity persisted across groups, in the German-Japanese joint venture that they studied the individuals were able to develop shared work norms that facilitated their collaboration.

As in overcoming negative intergroup dynamics, studies have also shown the benefits of commitment, trust and cooperation for conflict resolution and, subsequently, for alliance performance. In their study of computer dealers and suppliers, Mohr and Spekman (1994) found that in resolving conflicts, problem-solving was related positively, and severe resolution (harsh words and domination) and smoothing over problems were related negatively, to partnership success. In a survey of managers who worked for alliances in the US, Kale et al.,

(2000) found that a communication- and contact-intensive conflict management process was positively related to learning between the partners. In a survey of US and Chinese managers in IJVs in China, Lin and Miller (2003) found that commitment to the partnering relationship was positively related to problem-solving and compromising, but was negatively related to forcing and legalism in resolving a conflict between the two partners. Lui and Ngo (2005) similarly found that the degree of trust is an antecedent to conflict response modes and outcomes. Specifically, in relationships characterized by high trust, the cooperation process was characterized by more acquiescence to a partner, a more limited range of actions, and less of reciprocal, tit-for-tat behavior.

In contrast, perceived power asymmetries seem to suppress productive conflict resolution approaches. In their survey of US and Chinese managers in IJV's in China, Lin and Germain (1998) found that a high level of perceived relative power was related to less compromising and more forcing. They also found that perceived power was related to higher satisfaction with the partnership.

Promoting justice is a powerful way to reduce the intergroup schism in an alliance. Perceptions of justice corresponded with positive job attitudes, positive evaluation of expatriate managers, and low intention to quit among local employees working for IJVs in China (Leung, Smith, Wang, & Sun, 1996; Leung, Wang, & Smith, 2001). Wong, Ngo and Wong (2002) found that for local employees in IJVs in China, procedural and distributive justice was associated with more trust in the IJV. Johnson, Korsgaard, and Sapienza (2002) surveyed senior management teams of IJVs located in the US and Canada and found that perceived procedural justice and the extent of decision control by the IJV were related to organizational commitment to the IJV by the management team. Interestingly, the positive effect of procedural justice on organizational commitment to the IJV was more pronounced when decision control was perceived as low. In other words, if managers in an IJV cannot make decisions on their own, justice becomes even more important in elevating commitment to the IJV. In a survey of local employees who worked for IJVs in China, Chen, Choi and Chi (2002) found that they perceived their compensations as unfair when compared with expatriates. However, if they perceived expatriates as beneficial to China as a whole and recognized that they deserved a higher pay because of higher living standards at home, the perceived fairness of the compensation of expatriates was higher. These

findings suggest that it is essential to maintain a high level of justice perception in an alliance context to minimize the negative reactions to injustice, which can swiftly drag an intergroup relationship down in a negative spiral (Salk & Shenkar, 2001; Leung & Stephan, 1998).

Cultural Clash

It is well-known that clashes in organizational, national or other spheres of culture (e.g., Schneider & Barsoux, 2003) may pose a serious threat to an alliance, and cultural dissimilarity between the partners is usually assumed to be detrimental to an alliance as incompatible values, priorities and practices clash. For example, Hitt, Dacin, Tyler and Park (1997) found that Korean and American executives used different criteria in decision-making. Koreans emphasized growth and hence emphasized industry attractiveness, sales and market share, whereas Americans emphasized profitability and hence emphasized projected demand, discounted cash flow, and ROI. In a scenario study of US-Japanese joint ventures, Sullivan, Peterson, Kameda and Shimada (1981) found that Japanese managers preferred conferment to resolve a conflict, whereas American managers preferred binding arbitration. In a survey of managers working for American MNCs in Taiwan, Chinese managers were found to endorse paternalistic values more than American managers, believing that firms should take care of employees both inside and outside of the workplace (Chang, 1985). At-Twaijri (1989) conducted a similar survey in US joint business ventures in Saudi Arabia and found that Saudi managers also endorsed paternalistic values more than American managers. Local employees were also likely to expect more care, concern and help than what their expatriate managers would provide, and disappointment due to higher expectations of this type may lead to dissatisfaction among local staff.

In line with the cultural dissimilarity argument, Hambrick, Li, Xin, and Tsui (2001) advance the notion of a compositional gap—resulting from diversity among managers—to explain the problems confronting management groups in IJVs. A compositional gap emerges from a number of compositional characteristics, such as demographics, values, personality and cognitive styles. These compositional differences of management groups in IJVs are likely to lead to relationship and substantive conflict. On the positive side, these compositional differences may stimulate cognitive diversity that is beneficial to the effectiveness of IJVs, but

these authors suggest that the relationship between compositional differences and cognitive diversity is unstable and may not occur regularly.

The empirical literature provides considerable support for the detrimental effects of cultural dissimilarity. In their study of CEOs in IJVs in China, Gong et al. (2001) found that role conflict was positively related to objective distance between the two partners in terms of goals. Lyles and Salk (1996) found that, at the firm level, cultural conflict was related to lower knowledge acquisition from foreign parents and hence low performance of IJVs in Hungary. In structured interviews with executives in IJVs in India, Pothukuchi, Damanpour, Choi, Chen and Park (2002) found that differences in organizational culture between the two partners based on the dimensions of organizational culture identified by Hofstede, Neuijen, Ohayv, and Sanders (1990) were negatively correlated with their satisfaction with the JV. In a survey of alliances in the US, including some multinational firms, Saxton (1997) found that similarity in strategic content (e.g., technology and marketing) and organizational processes (e.g., structure and human relations) between the partners was associated with initial satisfaction with the alliances, although no such effect was found for alliance outcomes. Perhaps alliances outcomes are influenced more strongly by variables other than similarity in these two domains.

Empirical results from studies addressing national culture have also found a positive correlation between cultural similarity and collaboration. The value of similarity is demonstrated in a study of managers in a Japanese-German JV in Germany by Salk and Brannen (2000). They found that the factors determining one's influence in this setting were quite similar for both the Japanese and German managers, and this similarity was attributed to the high performance of this IJV team. In a survey of local managers in IJVs in China, Chen and Boggs (1998) found a positive relationship between cultural similarity (defined by the foreign partner being from a Chinese society: Hong Kong, Singapore, and Taiwan) and likelihood of continued cooperation. In a survey of US and Chinese managers in IJV's in China, Lin and Germain (1998) found that in resolving intercultural conflict, perceived cultural similarity between the two conflicting parties was associated with the use of problem-solving and with satisfaction with the partnership.

Other studies suggest that the relationship between (national) cultural similarity and conflict or other outcomes is not straightforward. For example, Shenkar and Zeira (1992) found

that the role conflict and ambiguity of CEOs of IJVs in Israel were not related to characteristics of the parent firms of the IJVS, such as the number of parent firms involved and their size. Rather, differences in power distance and masculinity/femininity of the parent firms was positively related to role ambiguity, but differences in collectivism/individualism and uncertainty avoidance were negatively related to role ambiguity. Such results suggest that cultural differences may not always lead to problems in an alliance. We revisit the cultural dissimilarity argument with regard to national culture in a later section as we propose a behavioral model of alliances to try to reconcile such complex and sometimes inconsistent empirical results.

Third Culture

Some scholars have argued that one way to minimize cultural clash in an alliance is to form a new culture for the alliance. Brannen and Salk (2000) propose that the organizational culture of an IJV should be conceptualized as a "negotiated culture", which results from the cultures of the two parents, the idiosyncratic elements of the IJV, and negotiations and compromises of senior members of the IJV. Dynamic and emergent in nature, this negotiated culture does not relate to the culture of the parents in a simple, mechanistic way, and is subject to the influence of a whole host of contextual factors. This view of a negotiated culture is supported by results obtained in semi-structured interviews of the top management team of a German-Japanese joint venture located in Germany. The negotiated culture of this IJV was well-defined and widely shared by both Germans and Japanese. While this emergent culture shared elements of German and Japanese cultures, it also differed in many features that the authors traced to salient contextual factors impinging on this IJV. A number of strategies were adopted to forge endorsement of this culture, involving compromise by one group (one group adopted the norms of the other group), meeting in the middle (compromises by both sides), innovation (new for both groups), and division of labor (one group was responsible for a particular task).

In analyzing Sino-American joint ventures in China, the idea of a third culture is also proposed by Hui and Graen (1997). They suggest that the best integrative strategy for these IJVs is to combine elements from both cultures. Specifically, the Chinese concept of *guanxi* (relationships), which is holistic and emphasizes loyalty, should be integrated with the American

notion of leader-member exchange (LMX), which is work-oriented and emphasizes performance. For American managers to succeed in these IJVs, emphasizing both a long-term relationship (*guanxi*) and competence (LMX) is important and represents an endorsement of a third culture derived from the two constituent cultures.

Parent Firms, Alliances and Their Relationships

The complexity of an alliance goes beyond typical intergroup issues because there are two parent firms with impinging influences on the alliance. For example, based on a detailed analysis of four Sino-US JVs in China, Yan and Gray (1994) found that the relative bargaining power of a partner was related to management control of the IJV, such as the nomination of directors to its board of directors and the general manager as well of the adoption of management systems from the parent.

Ring and Van de Ven (1992) propose four types of governance structures for cooperative relationships based on the degree of risk involved and the reliance on trust. When risk is high but trust between the two sides is low, hierarchical governance structures with clear authority lines are likely to be adopted and the autonomy accorded to an alliance is likely to be low. In contrast, if the risk involved is low and the trust is high, a governance model based on recurrent contracting transactions that involve repeated exchanges with moderate degrees of transaction specificity is likely to be adopted. The autonomy accorded to such an alliance is likely to be high.

Several studies have focused on the relationship between risk, especially in the form of asset specificity, and governance structure. In their study of architect and contractor relationships, Lui and Ngo (2005) found that asset specificity and governance mechanism had an effect on relationship quality (e.g., trust) and type of response to conflict. These findings are similar to those of Dyer's (1997) study of supplier relationships among Japanese firms.

Other studies have focused on the nature of the relationship between parent and alliance. In a detailed analysis of a US-European JV by means of interviews and archival data, Lyles and Reger (1993) found that JV managers employed a variety of tactics to obtain autonomy from their parents. The process was complex, dynamic and non-linear, and much of it was unplanned and opportunistic. Leadership of the JV also played a significant role in shaping the degree of

autonomy granted by its parents. JV managers are accountable to two parents, and their skill in balancing the demands of the parents and maintaining positive relationships with them helps increase their autonomy.

It would seem that as long as there is agreement regarding the degree of control over the alliance by the parents, and in the goals and directions between the parents and alliance, then the rift between the parents and an alliance should be immaterial. However, we know very little about how these agreements come about and the factors that influence these agreements, an area urgently in need of research.

RESEARCH AGENDA

Our review of the OB literature in alliance contexts suggests clear directions for future research on and in alliances. First, there is a need to expand the range of relationships studied under the rubric of "alliances". Besides the relationships between partners and parent-alliance (***g*** and ***h*** in Figure 1), we have identified nine others that represent either potentially important antecedents to alliance performance or performance itself.

Second, there is a need to explore and incorporate more social cognitive variables and processes in studying alliance phenomena. Those listed in Table 1 are only for illustrative purposes, and more constructs will certainly emerge as more OB research is undertaken in alliance contexts. We have also argued that a number of these variables are not alliance or partner firm performance outcomes themselves, but are antecedent and intermediary variables and processes that we should expect to have an impact on performance outcomes. Examples include satisfaction (with relationships, personal goals, etc.), stress, affectivity, work motivation, commitment, attitudes towards the partner organization and its members, salient bases of identity, and interpersonal and intergroup dynamics.

More specifically, the integration of constructs from OB with strategy researchers' concern for task performance holds particular promise. For example, issues of identities and roles are critical for understanding alliance performance because they have a direct impact on cooperation and goal attainment, and the alliance context creates strong forces affecting these issues. Individuals must manage multiple identities and roles, a task that is especially

challenging when those are in conflict (dissonance). As two individuals and groups come together, their respective identities may clash or overlap to varying degrees, their identities evolve, and new identities possibly emerge.

Other OB variables that are important in an alliance context include the distribution and bases of power among individuals and groups in an alliance, which have clear implications for cooperation and goal achievement. How these actors perceive, respond and attempt to gain power interacts with the quality of their interaction and ability to achieve their goals. Similarly, perceptions of equity and fairness regarding processes and outcomes also affect relationship quality and ability to work together. The frames and schema that participants bring to an alliance and develop during the course of an alliance drive interpretation and sense-making, and the outcomes of these processes have a direct impact on interactions among alliance participants. These issues represent an important set of antecedents for alliances, as well as a set of outcomes as they evolve in the process of interaction among participants in an alliance and in response to external changes in the alliance.

Finally, the complexities of alliances make them fertile but virgin territory for leadership research. Leadership in such contexts may be by a representative from one partner, by a top management team representing each parent organization, or by an outsider without prior ties to either partner organization. A leader will face the challenge of managing multiple and sometimes conflicting identities and goals among representatives of each partner as well as relationships between the alliance and the parent organizations. There is a clear need to have a better understanding of the types of leaders who can manage such challenges effectively, or what kinds of leadership structures are most effective.

In addition to being a source of new research topics, research from OB traditions could enrich research on and in alliance contexts in more general ways. First, there should be more models that include feedback loops, building on insights from case study-based process studies and perhaps incorporated into statistical models predicting various outcomes. For example, performance at a prior point in time may be an important predictor of alliance restructuring or interpretation of performance (and thereby motivation or other intermediary outcomes) at a subsequent point in time. This analysis also suggests that multiple time-point sampling of alliances and participants in alliances is preferable to one-time sampling.

Second, political perspectives on organizational dynamics suggest research designs that account for the various stakeholders in an alliance, not just the parent or partner firms. Examples of stakeholders defined by interpersonal, inter-group and interorganizational relationships are suggested by Figure 1, which depicts formally defined stakeholders. Others may be identified by particular interests vis-à-vis an alliance, and they may not correspond to any formal groups. These stakeholders use their power to pursue their interests, and this in turn drives alliance evolution and whether (or which) goals of an alliance are achieved. At the same time, these stakeholders may change over time (in terms of their interests, power, coalitions, and new emergence) in response to external events as well as developments within the alliance.

Third, alliances also represent a key context for studying interface processes as two or more individuals, groups and organizations interact, both as phenomena of interest in themselves as well as drivers of collaboration and performance. For example, as Brannen and Salk (2000) found, cultures change as they interact, either by a merging of the cultures, creation of a "third" culture, or hardening of boundaries between the original cultures. Similarly, identities of individuals and groups may blend and combine, or they may harden and form impenetrable intergroup boundaries. Diversity and cohesiveness within a group may also affect the interaction between groups, and have important implications for cooperation as well as management across such groups.

Understanding such interface processes, however, requires a deeper understanding of negotiation processes in alliance contexts. While there is some OB research on negotiation between potential partners at the search and formation stages of an alliance, there is little such research on the post-formation stage of an alliance. For example, how do partner characteristics (e.g., gaps and overlaps in cognitive and cultural variables, definitions and perceptions of risk, conflict resolution approaches, and others) interact and affect the formal and implicit negotiation processes? We would also expect fundamental differences between negotiating a market transaction and negotiating a relationship, extending the extensive research on the difference in governance structures among different types of relationships.

INTEGRATION VIGILANCE
AND A BEHAVIORAL MODEL OF ALLIANCES

As a first step in exploring the dark corners that we have identified, we introduce and develop the construct *integration vigilance*, placing it within the context of a behavioral model of alliances and making specific recommendations for further research. Integration vigilance is meant to capture the awareness and extra effort that prior literature (e.g., Draulans, deMan & Volberda, 2003; White, 2005) suggests may enable managers to balance the tensions and overcome the challenges inherent in alliances. The model also draws attention to the range of outcomes—affective, relational and task performance—that is salient in practice and, as our review suggests, understudied.

Researchers have identified elements that contribute to integration vigilance, which may be broadly categorized as cognitive and manifest vigilance. Kale, Dyer, and Singh (2002), for example, found that alliance experience and the existence of a dedicated alliance function (a formal position within a firm to manage issues related to alliances) were positively related to the long-term success of the firm's alliances. Such structures represent not only the cognitive aspect; namely, the recognition that such preparation and processes are necessary, but also the manifest aspect, which refers to conscious effort to facilitate the functioning of an alliance. It is conceivable, however, that some firms are high in cognitive vigilance, but lack concrete initiatives for promoting the success of an alliance.

We expect managers and parent organizations with higher integration vigilance to structure a relationship ex ante in a way that would reduce the likelihood of subsequent conflict, whether by reducing competing interests or role ambiguity. This is one way to frame the findings of Gong et al. (2001), in which the completeness of the contract for an IJV was negatively related to role conflict and ambiguity of the CEOs of IJVs in China, and the degree of the parents' formalization of management structure and regulations was also negatively related to their role conflict. We argue that the completeness of an IJV contract and the formalization of management structures and regulations are indicators of a higher level of integration vigilance on the part of the senior management of the parent firms, and that these vigilant executives are in turn more effective in helping the CEOs of their IJVs reduce and cope with role ambiguity

and conflict. Integration vigilance is related to competence, as suggested by findings from research on mergers and acquisitions. For instance, Nygaard and Dahlstrom (2002) studied a retail network resulting from the merger of two different firms in Norway, and found that managerial competence was related to lower role ambiguity. Perhaps integration vigilance is able to enhance managerial competence capable of enhancing performance in an alliance context.

A few studies also show that extra effort can reduce the intergroup friction between different groups in an alliance. In a survey of local employees who worked for IJVs in China, Chen et al. (2002) found that they perceived their compensations as unfair when compared with expatriates. However, interpersonal sensitivity shown by expatriates toward locals moderated the negative influence of compensation disadvantages vis-a-vis the expatriates on perceived fairness of their compensation. In other words, when interpersonal sensitivity of expatriates was high, the negative effect of compensation disadvantage vis-a-vis the expatriates was reduced. Doucet and Jehn (1997) found that American expatriates working in IJV's in China reported more hostile conflict with other American expatriates than with Chinese employees. Intercultural accommodation seems to be able to explain why the American expatriates behaved less aggressively toward Chinese because they seemed to accommodate the Chinese cultural norms of harmony and face-saving in interacting with Chinese.

In contrast, the insensitivity of some expatriate managers to accommodate local norms is demonstrated by a survey of American and Chinese managers working for MNCs in Taiwan by Chang (1985). He found that Chinese managers perceived a higher need to accommodate local needs in management issues than did American expatriates. For example, compared with American expatriate managers, Chinese managers were more likely to agree with the view that expatriates would be more effective if they were familiar with Chinese culture. Such results suggest integration vigilance in terms of the accommodation of local norms and practices is not always easy, even if obvious.

Particular approaches to conflict resolution between partners are another example of the manifestation of integration vigilance that could have a positive impact on alliance outcomes. In their scenario study of US-Japanese joint ventures, for example, Sullivan et al. (1981) found that Japanese managers perceived more future trust if the American partner requested conferment to

resolve a conflict than binding arbitration. However, if an American partner was the president of the IJV, the Japanese managers perceived more future trust if binding arbitration rather than conferral was used in conflict resolution. This latter finding suggests that the Japanese managers were willing to accommodate the preferences of the American president.

Cultural Distance and Integration Vigilance

Integration vigilance may provide an explanation for the inconsistent findings regarding the relationship between cultural dissimilarity and alliance effectiveness. Although some have questioned its validity as a construct and its measurement in practice (Shenkar, 2001; Veiga et al., 2000; Au, 2000), *cultural distance* has been proposed to capture the difference between partners from two countries in terms of national or society-level differences along demographic as well as cultural dimensions, including values and norms. Much of the research we have reviewed earlier did find that cultural dissimilarity had negative consequences for alliances.

Those findings, however, are not always supported. Li, Karakowsky and Lam (2002), for example, failed to find any greater success among Japanese firms in China when compared with UK and US firms, despite the smaller cultural distance between Japan and China. In a survey of US-Japan and US-US joint ventures, Park and Ungson (1997) even found that US-Japan joint ventures lasted longer than US-US joint ventures. The authors argue that trust, learning and a long-term perspective may be more prevalent in cross-border alliances, which explains their higher stability.

Gong et al. (2001) were also surprised to find that, contrary to their prediction, cultural distance was negatively related to role conflict and ambiguity. That is, the greater the cultural distance, the lower the role conflict. These authors speculated that cultural distance may lead to complementarity effects between the two partners, which reduces role conflict and ambiguity. Similarly, in structured interviews with executives of IJVs in India, Pothukuchi et al. (2002) found that, contrary to their expectations, differences in the national culture of the two partners based on Hofstede's four dimensions of national culture were positively related to efficiency and competitiveness of the JVs. Finally, Leung and his associates (Leung et al., 1996; 2001) surveyed local employees of IJVs in China who worked with different groups of expatriate managers. Locals who worked with Chinese expatriates from Hong Kong and Taiwan reported

less positive job attitudes than locals working for expatriates from the West and from other parts of Asia. Their results also show that the fairness of the expatriate managers, not the cultural distance, was important in influencing the job attitudes of locals.

Pothukuchi et al. (2002) argue that how cultural distance is managed affects the outcome of the performance of an IJV, and a simple relationship between cultural distance and IJV performance is unlikely. Building on this, we propose that integration vigilance may moderate the relationship between cultural distance and alliance outcomes. Leung et al. (2001) argue that when managers need to work with colleagues who are culturally different, the cultural distance perceived may trigger anticipatory adjustment behaviors, which render them more effective in a culturally diverse environment. Cultural distance, coupled with high integration vigilance, can actually lead to better alliance outcomes. Cultural distance takes its toll on an alliance only when integration vigilance is low.

Behavioral Model

We propose a behavioral model of alliances (Figure 2) that takes into account the findings, as well as the gaps, identified in the course of our review, and that also incorporates specific propositions about the role of integration vigilance. Central to our model is interpersonal and intergroup collaboration, which we maintain is the cornerstone for alliance success. Positive interpersonal and intergroup collaboration engenders a high level of trust, good communication and flow of information, mutual support and teamwork, and productive conflict resolution. Specifically, collaboration has an impact on three different types of outcomes—affective, relational, performance—that are salient in alliances. Affective outcomes refer to job affect variables such as satisfaction, work motivation and stress. Interpersonal and intergroup outcomes refer to quality of interpersonal and intergroup relationships and satisfaction with these relationships. Performance outcomes refer to joint or individual task performance and productivity. We expect a positive relationship between interpersonal and intergroup collaboration and these three types of outcomes.

Given the central role of interpersonal and intergroup collaboration on alliance outcomes, the natural question is what factors are critical antecedents to collaboration. As the studies in our review have shown, collaboration is challenged by the interpersonal and intergroup tensions

inherent in an alliance (e.g., Das & Teng, 2000; de Rond & Bouchikhi, 2004; Zeng & Chen, 2003). Prior research, not only from alliance contexts, suggests three major antecedents of interpersonal and intergroup collaboration. First is identity conflict, referring to an individual's split loyalty to a parent firm and to an alliance. Strong identification with the parent firm and weak identification with the alliance will result in unfavorable interpersonal and intergroup collaboration. Second is incompatible goals, referring to unaligned or competing goals for employees from the two sides of an alliance, which inhibits information sharing and other activities necessary for effective collaboration. Third is cultural dissimilarity, refers to the degree of difference between employees of the two sides of alliance in terms of their values, norms, beliefs, assumptions and practices (whether representing national, organizational or other sphere of culture). Greater cultural dissimilarity would likely result in unfavorable interpersonal and intergroup collaboration.

We propose integration vigilance to be a critical moderator, mitigating the negative impact of these three major impediments to interpersonal and intergroup collaboration. Integration vigilance provides the knowledge and motivation to exert the appropriate effort and introduce the appropriate mechanisms to reduce the destructive impact of identity conflict, incompatible or competing goals, and cultural dissimilarity. We also expect a direct, positive effect of integration vigilance on interpersonal and intergroup collaboration. Finally, we argue that integration vigilance is, in turn, influenced by the stakes involved (e.g., Ring & Van de Ven, 1992) and the amount of experience with alliances (e.g., Kale et al., 2002).

Insert Figure 2 about here

The constructs and relationships included in our model are grounded in the OB and strategy literature related to alliances. To develop and test the construct of integration vigilance further, the next step is to develop an operationalization and method for measuring it. A valid instrument will provide the basis for assessing its impact on processes and outcomes in alliances, as well as for identifying its antecedents.

CONCLUSIONS

Research on alliances and in alliance contexts has been dominated by strategy researchers with a focus on structural features and task-related performance. This paper argues that research in organizational behavior, with a more social cognitive focus, could enrich our understanding of the dynamics and performance of alliances. Furthermore, alliances also represent a rich yet largely ignored context for studying a range of phenomena central to organizational behavior. To further such objectives, and based on a review of the existing research on alliances, we propose a research agenda that incorporates a wider range of OB constructs. We also introduce the construct of integration vigilance within a behavioral model that relates OB variables to collaboration and, subsequently, an expanded range of outcomes that are salient in alliance contexts.

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FIGURE 1

SALIENT RELATIONSHIPS IN AND SURROUNDING AN ALLIANCE

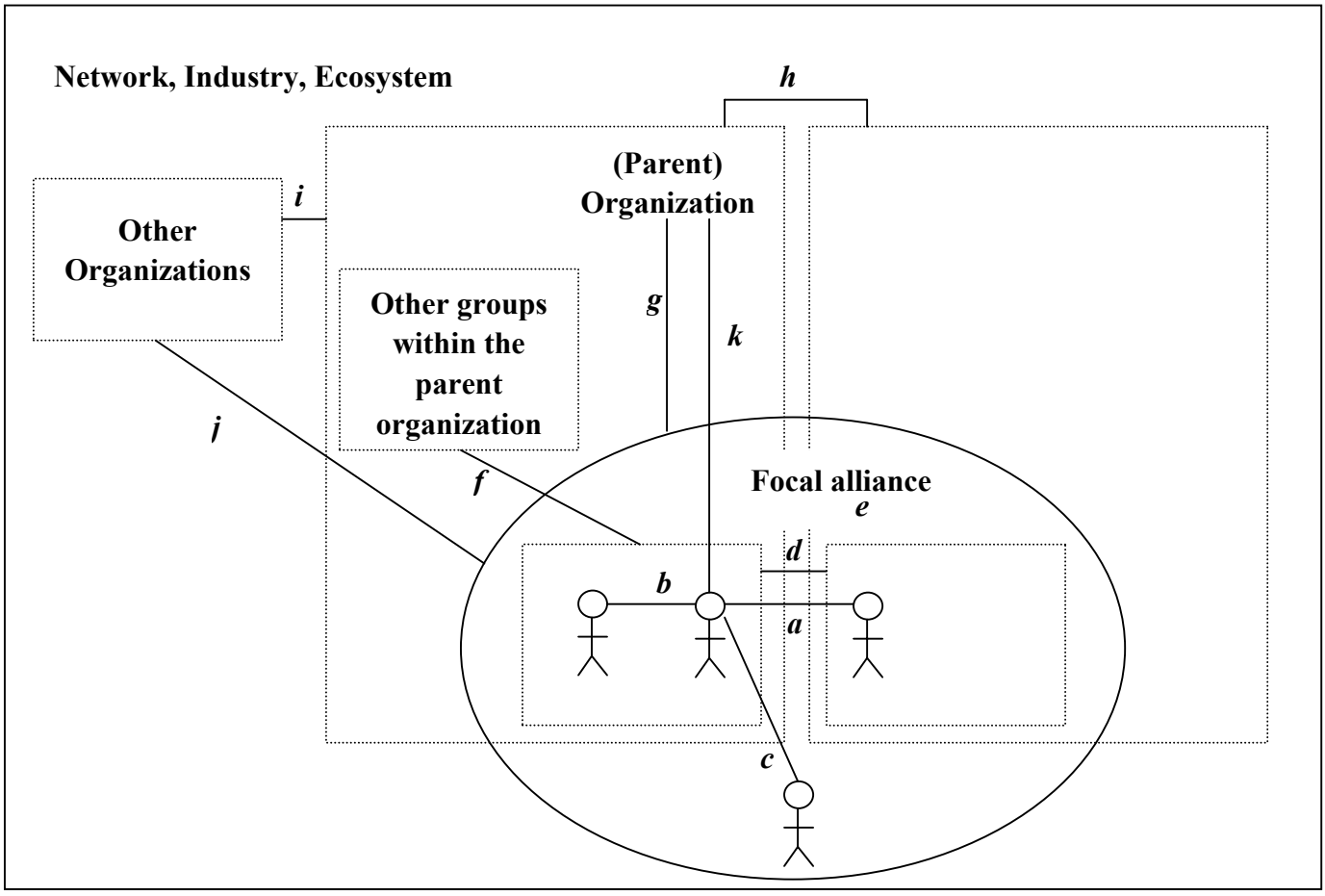

FIGURE 2
A BEHAVIORAL MODEL OF ALLIANCES

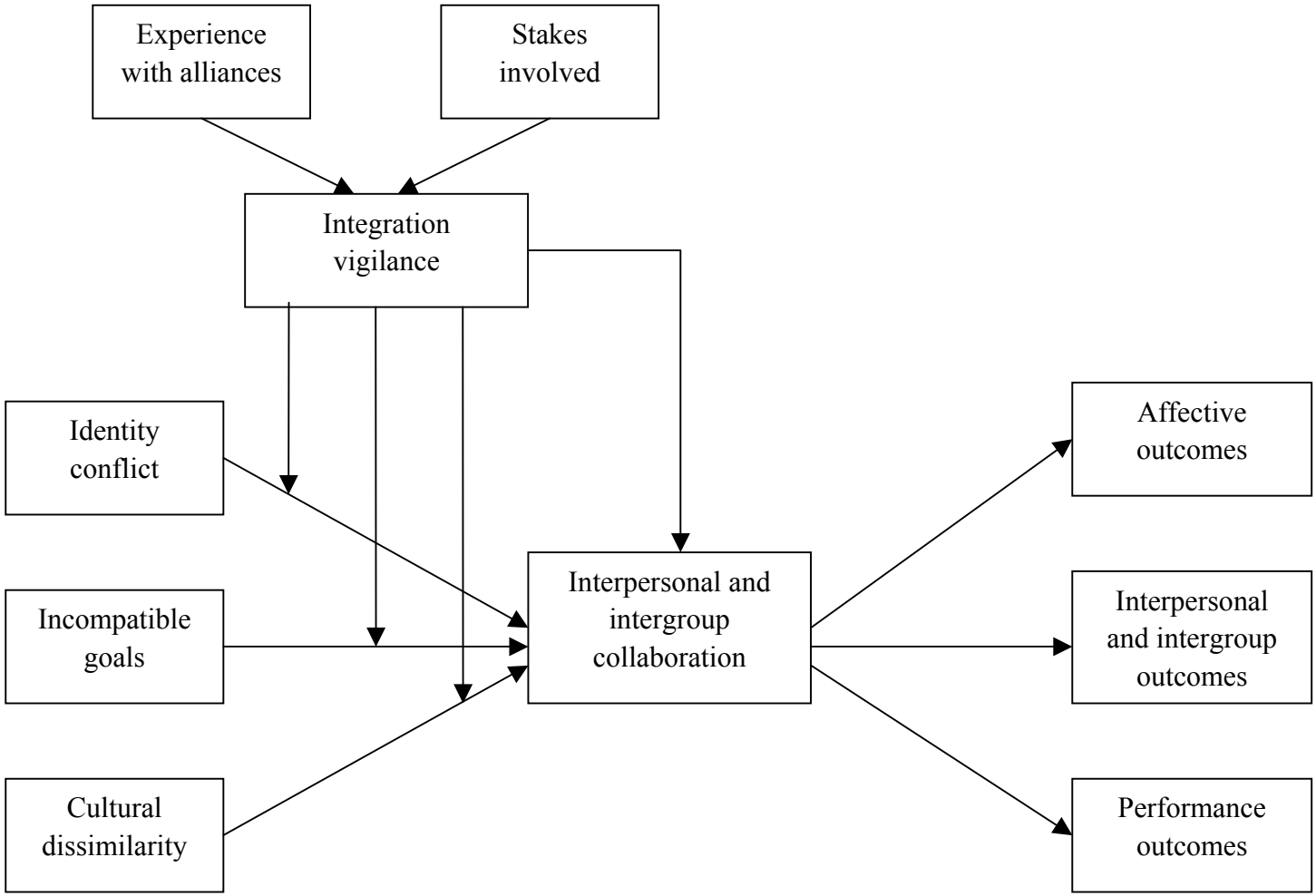

TABLE 1

EXPANDED LIST OF SALIENT VARIABLES IN ALLIANCE CONTEXTS

	Antecedents	**Processes**	**Outcomes**
Structural (strategy)	Resources, power, dependence, (a)symmetries, knowledge, goals.	Exchange, reciprocity, trust (as predictable behavior), opportunism, control, learning, collaboration, (re)negotiation (of structural features).	Task accomplishment, alliance formation, and termination.
Social Cognitive (OB)	Personality traits, cognitive style, frames and schemata, (sub)cultures, individual and group identity, goals, and affectivity.	Interpretation, sense-making, dissonance, attribution, (re)negotiation (of culture, values, and objectives), interpersonal and intergroup dynamics such as trust, communication, and leadership behavior.	Job attitudes and performance, work motivation, commitment, emotional and affective quality of relationships, changes in identities and cultures, group (re)definition.