

Alliance Process: A Micro Behavioral View

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Abstract

Alliances are subject to heightened instability and while process based explanations are attracting increasing attention (e.g., Ring & Van De Ven, 1994), process based theorizing continues to remain an emergent field of study. In this paper I articulate a process based perspective of alliance instability that is rooted in the motivational orientation of the alliance boundary spanners (Das & Kumar, 2011). The process based perspective exemplifies the micro behavioral view which highlights the importance of individual's cognitions and actions in shaping alliance outcomes. The paper explicates the linkages between the alliance boundary spanners motivational orientation, the alliance discrepancy model, and legitimacy repair strategies. I postulate that alliance boundary spanners may possess either a promotion focused or a prevention focused self-regulatory system. Alliance boundary spanners with a promotion focus are geared towards maximizing positive outcomes whereas alliance boundary spanners with a prevention focused self-regulatory system are geared towards minimizing negative outcomes. Alliance partners with a promotion focused self-regulatory system will detect outcome discrepancies sooner whereas alliance partners with a prevention focused self-regulatory system will detect process discrepancies sooner. Unfavorable outcome discrepancies are associated with a crisis of pragmatic legitimacy whereas unfavorable process discrepancies are associated with a crisis of moral legitimacy. I discuss the alternative ways in which alliance partners can seek to repair legitimacy. Implications for research and practice are discussed.

Keywords: alliances, discrepancies, legitimacy

1. Introduction

Strategic alliances are an important vehicle by which firms seek to realize their strategic objectives and their popularity has increased over the past few decades (e.g. Das & Kumar, 2011; Kale & Singh, 2009; Yoshino & Rangan, 1995). Firms enter into alliances to learn from their partner (e.g., Hamel, 1991; Inkpen, 2005); gain access to new markets; lessen costs and/or share risks (Lasserre, 2007). Although alliances have become an important repertoire in each firm's arsenal they are often difficult to manage (Kumar, 2014), and demonstrate a high failure rate (Kale & Singh, 2009). Estimates vary but the failure rate of alliances can range from 30% to 70% (Kale & Singh, 2009). We define failure as a premature termination of an alliance.

Alliance failure has been linked to differences in national, organizational, and/or professional cultures (e.g., Kumar & Nti, 2004); ineffective governance mechanisms (e.g., Doz, 1996; Dyer & Singh, 1998; Faems, Janssens, Madhok, & Van Looy, 2008; Gulati & Singh, 1998; Kumar & Nti, 1998); opportunistic behavior on part of partners (e.g., Das & Kumar, 2011; Das & Teng, 1998); inadequate sense making (Kumar & Patriotta, 2011); perceptions of unfairness (e.g., Luo, 2008); and/or clashing/conflicting strategic objectives (e.g., Beamish & Lupton, 2009). The identification of the variables that influence alliance performance is undoubtedly important but of equal importance is an understanding of the inter-partner alliance process that determines the eventual success or failure of the alliance. The inter-partner alliance process encompasses negotiations, commitments, and the execution of those commitments (Ring & Van De Ven, 1994). An understanding of the alliance process is important for a number of different reasons. First, it is during the alliance process that the impact of the different variables manifests themselves. The precise impact and the mechanisms through which the variables exert their influence can only be delineated if we study the alliance process. Second, an alliance is an exchange relationship whose future development is shaped by the interactions among the alliance partners. Each alliance partner makes a decision or decisions which intendedly or otherwise impact their partner. The partner then makes a decision that will either reinforce their commitment to the alliance or will cause them to

step back. The alliance process captures the sequence of events that critically condition the trajectory of the alliance. An emphasis on the alliance process also brings to the fore the role of the individuals in shaping the alliance process. Alliances are managed by boundary spanners acting on behalf of their organizations (Zaheer, McEvily, & Perrone, 1998) and their perceptions and behavior may be important in shaping how the alliance evolves over time. Alliance boundary spanners are individuals whose fundamental task is to liaison with their counterparts in the partner firm. They are conduits for the exchange of information and for facilitating interaction among the alliance partners.

I seek to develop a process based explanation of alliance evolution and in developing this explanation I highlight the criticality of the role of alliance boundary spanners in shaping alliance development. The unit of analysis is a dyadic alliance i.e. an alliance between two partners but the analysis presented here is applicable to multi party alliances as well. I begin with the presumption that the alliance boundary spanners differ in their motivational orientation (Das & Kumar, 2011). The alliance boundary spanners may have either a promotion focus or a prevention focus (Higgins, 1998). Promotion focused boundary spanners are geared to maximizing positive outcomes whereas prevention focused boundary spanners seek to minimize negative outcomes. Differences in the motivational orientation of the alliance boundary spanners will generate unfavorable process and/or outcome discrepancies (Kumar & Nti, 1998). This creates a legitimacy crisis for the alliance and the partner firms must engage in legitimacy repair to salvage the alliance. The paper outlines the various types of legitimacy repair strategies that are open to the alliance partners. I begin by sketching out the basic outlines of the model. This is followed by a discussion of the different components of the model beginning with the motivational orientation of the alliance partners. I then highlight the key elements of the discrepancy model (Kumar & Nti, 1998) and show how conflicting motivational orientations drive discrepancies. The paper concludes by discussing the relevance of legitimacy repair and how best it might be accomplished by the partner firms.

2. Understanding Alliance Process

As partner firms enter into alliances they do so on the basis of motivational orientations that may either mesh with each other or be in conflict with each other (Das & Kumar, 2011). Alliance boundary spanners may either be driven by the need to maximize positive outcomes or to minimize negative outcomes (Higgins, 2000; 1998, 1997). Alliances are also subject to experiencing process and/or outcome discrepancies (Kumar & Nti, 1998). A discrepancy represents a deviation between an actual and an expected event. I posit that similarities as well as differences in motivational orientation will generate process and/or outcome discrepancies. The emergence of discrepancies whether they are process or outcome threatens the legitimacy of an alliance (Kumar & Das, 2007). The concept of inter-partner legitimacy refers to the appropriateness of the alliance. If one or all of the alliance partners begin questioning the legitimacy of the alliance, the partners will have to engage in legitimacy repair strategies. If legitimacy repair is successful the alliance is strengthened but if unsuccessful the alliance partners may seek to exit the alliance. The framework that is being postulated here demonstrates how the motivational orientation of alliance boundary spanners can profoundly shape the directional trajectory of the alliance.

2.1 Alliance Partners Motivational Orientation

I draw upon regulatory focus theory in delineating the motivational orientation of the alliance partners. Regulatory focus theory is now emerging as a dominant theory of motivation and it begins on the presumption that individuals are motivated to approach pleasure and avoid pain (Brockner & Higgins, 2001). An individual's regulatory focus is dependent on the individual's needs, and goals and the psychological situations that are highly salient to them (Brockner & Higgins, 2001). Individual needs may center around growth or alternatively the need to maintain security. Goals may focus on the need for accomplishment or the need to avoid failure. Psychological situations may be construed in two alternative ways. They could be defined either by the presence or absence of a negative outcome or the presence or absence of a positive outcome. Higgins (1998) uses these dimensions to differentiate between a promotion focused and a prevention focused self-regulatory system.

The notions of gains/advancement are central to a promotion focused self-regulatory system. Individuals who are promotion focused have the goal of moving from the existing state of 0 to a state of +1. These individuals are highly sensitive to the presence or the absence of a positive outcome. The prevention focused self-regulatory system is concerned with the maintenance of the status quo. Their fundamental objective is to maintain the status quo and avoid slipping from a state of 0 to a state of -1. Prevention focused individuals are highly sensitive to the presence or absence of negative outcomes.

Promotion and prevention focused individuals differ along a number of dimensions. A first point of contrast is that promotion focused individuals pursue the strategy of an eager approach whereas prevention focused individuals pursue the strategy of vigilance (Higgins, 1997, 1998, 2000). Secondly, promotion focused

individuals have a more experimental and entrepreneurial type of mindset, and are more willing to initiate changes, accept failures, and entertain many hypothesis in order to reach the +1 outcome. They are more inclined to engage in exchange relationships to utilize the opportunities they might offer. In contrast, prevention oriented individuals rather prefer safeguarding the status quo, and therefore they are less likely to initiate changes, as that could lead to failure. They are circumspect about entering into exchange relationships as it could include interacting with opportunistic partners.

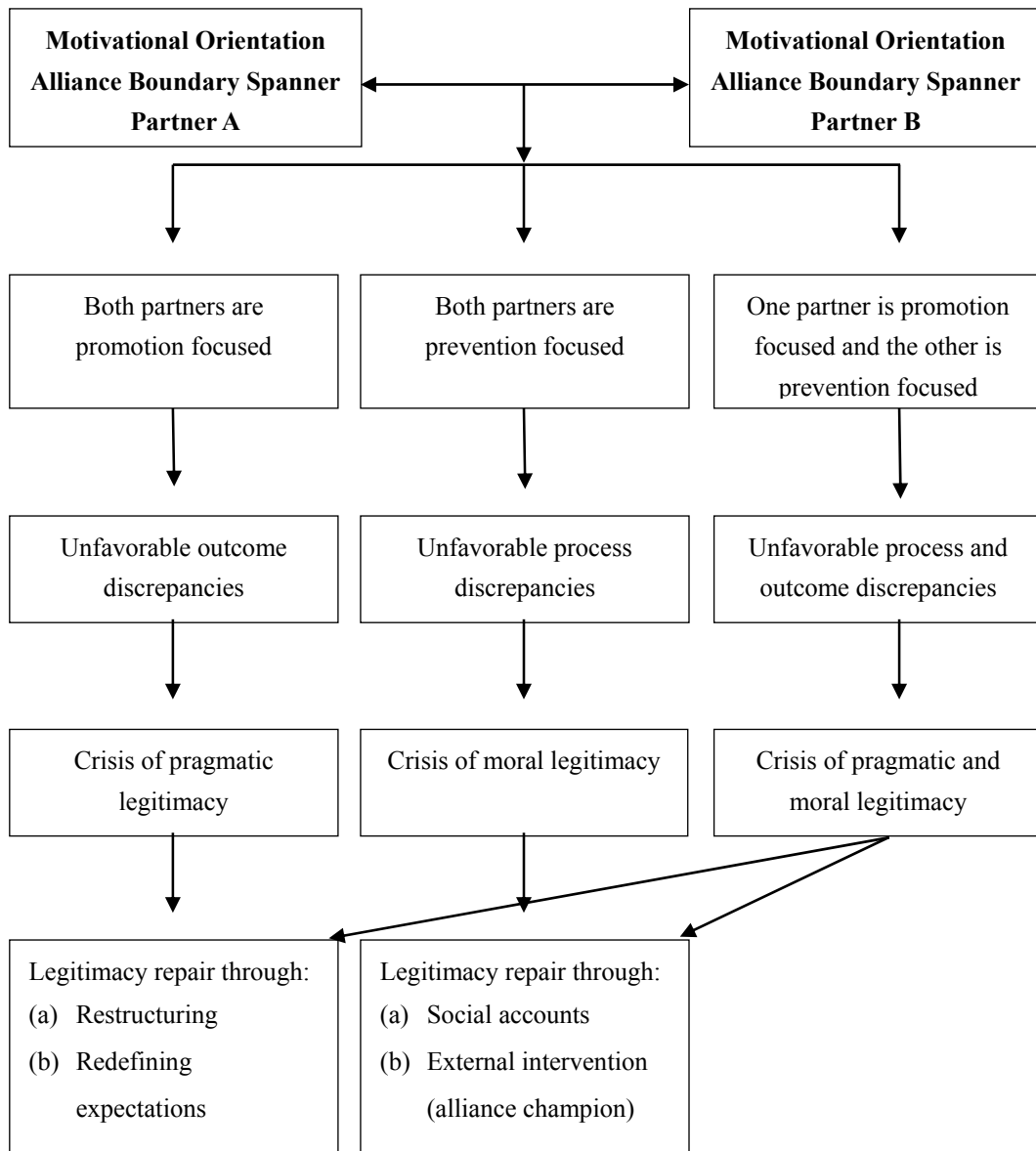


Figure 1. Motivational orientation of alliance partners and inter-partner legitimacy dynamics

2.2 Alliance Discrepancy Model

The alliance discrepancy model as developed by Kumar and Nti (1998) posits that during the operational phase of an alliance it may be subject to either favorable and/or unfavorable discrepancies. Our focus in this paper is on unfavorable discrepancies as they threaten alliance success. Alliance managers will need to undertake corrective action to rectify the discrepancies. As favorable discrepancies strengthen the alliance managerial intervention will not be required and for this reason our focus is on unfavorable discrepancies. A discrepancy represents a deviation between an actual and an expected outcome. Alliance stability is critically dependent on the ability of the alliance partners to effectively manage unfavorable discrepancies. The unfavorable discrepancies may either

be process and/or outcome discrepancies. Process discrepancies are indicative of the fact that the alliance partners are not interacting as effectively with each other as they could. A multitude of reasons could explain the emergence of this type of discrepancy. Partners may be inexperienced in managing alliances and this may give rise to poor communication. Alternatively, the alliance partners may not demonstrate a similar level of commitment to the alliance. The partner which is more committed may be frustrated by the slow progress on the part of one's partner. Conflicting national/organizational cultures are likely to amplify the problem. If the discrepancies and the problems associated with them are allowed to fester the relational quality (Arino, Ring, & De La Torre, 2001) among the partners is likely to deteriorate. It is to be noted that process discrepancies are recognized as such once a critical barrier has been crossed. Once this occurs the alliance partners will begin to perceive the emergence of these discrepancies.

Outcome discrepancies suggest that the alliance has been unable to achieve its goals. The specific goals will vary depending upon the type of alliance under consideration. Depending upon the type of the alliance this could imply a low level of profitability or a low level of market share, and/or an inability to meet product development goals. Outcome discrepancies may either be a product of a shift in the external environment and/or the inability of the alliance partners to work well in tandem. It might also be the case that the alliance partner's expectations were unrealistic or the partners were not as effective in coordinating their activities as they could have been. It is to be noted that although analytically distinct the two discrepancies are interlinked in that unfavorable process discrepancies will give rise to unfavorable outcome discrepancies and vice versa. In some alliances unfavorable outcome discrepancies may be initially salient, in others process discrepancies and in others both.

I recognize that alliance partners may differ in their perception of and reaction to the discrepancies. It is conceivable that one of the partners perceives the existence of a discrepancy (be it process or outcome) whereas the other partner does not perceive such a discrepancy to exist. The partners will need to find a common ground about the presence or the absence of discrepancies. If a common ground is found then the partners can work together to rectify the discrepancies. The absence of a common ground may imply that at some point one or all of the partners seeks to exit the alliance.

3. Motivational Orientations and the Emergence of Unfavorable Discrepancies

In a dyadic alliance, the alliance partners may be confronted with one of the following three possibilities, namely: (a) both partners possess a promotion focus; (b) both partners are prevention focused, and (c) one of the partners has a promotion focus and the other partner has a prevention focus. I will now sketch out the implications of the different self-regulatory combinations on the emergence of unfavorable process and/or outcome discrepancies.

3.1 When Both Alliance Boundary Spanners Are Promotion Focused

Boundary spanners with a promotion focused self-regulatory system are geared towards maximizing positive outcomes. They are willing to engage in experimentation and innovative behavior to realize their strategic goals. At the same time they may also be willing to take short cuts if that facilitates their goal attainment. They make decisions expeditiously and as they are so sensitive to the realization of their goals the promotion focused partners are also likely to be monitoring their progress rather frequently. The strong emphasis on goal attainment is no doubt beneficial for alliance success but the urgency and the mechanisms by which the promotion focused partners deal with the alliance may impede alliance harmony. The harmony may be negatively impacted for a number of different reasons. Promotion focused boundary spanners may be impatient and demand changes in how the alliance is being managed to enhance its effectiveness. This may or may not sit well with their counterparts who may view this as both unnecessary and perhaps premature. Promotion focused boundary spanners may also be inclined to commit passive acts of opportunism (Das & Kumar, 2011) to further their self-interests. Passive acts of opportunism relate to acts that should be performed by the alliance partner but are not (Wathne & Heide, 2000). Promotion focused partners are geared towards making changes and making them expeditiously if required and this too may undermine the relational quality among the partners (Arino, Torre, & Ring, 2001). This leads to the following propositions:

Proposition 1(a): If, in a dyadic alliance, the alliance boundary spanners possess a promotion focused self-regulatory system they will detect the existence of outcome discrepancies sooner rather than later.

Proposition 1(b): If, in a dyadic alliance, the alliance boundary spanners possessing a promotion focused self-regulatory system are confronted with outcome discrepancies they will seek to eliminate them at the earliest possible.

Proposition 2(a): If, in a dyadic alliance, the promotion focused alliance boundary spanners seek to redress unfavorable outcome discrepancies they run the risk of generating unfavorable process discrepancies.

Proposition 2(b): If, in a dyadic alliance, the alliance boundary spanners are promotion focused, but are confronted with unfavorable process discrepancies, they may ignore them so long as the unfavorable process discrepancies do not exceed a critical threshold.

3.2 When Both Alliance Boundary Spanners Are Prevention Focused

Alliance boundary spanners with a prevention focused self-regulatory system seek to minimize negative outcomes. They are risk averse and avoid taking any shortcuts towards realizing their strategic goals. Decision making is slow as they need to gather and assess all of the information before making any decision. The strong emphasis on avoiding negative outcomes means that they might let potential opportunities slip under their radar. It also means that they are very sensitive to actions that are threatening an alliance's harmony. Furthermore, prevention focused partners are hugely sensitive to inter partner conflicts and will seek to resolve them at the earliest possible opportunity (Das & Kumar, 2011). They are also very sensitive to opportunistic behavior and will do whatever is necessary to avoid falling a victim to opportunism. One key implication being that they will be very cautious and guarded in dealing with any potential change that the alliance may be confronted with. They are also hesitant and guarded in sharing information. If, the promotion focused partners challenge an alliance's harmony, the prevention focused partners will be so desirous of maintaining the alliance harmony that they will hesitate from making changes that while beneficial to the alliance may negatively impact its harmony. This leads to the following propositions:

Proposition 3(a): If, in a dyadic alliance, the alliance boundary spanners possess a prevention focused self-regulatory system they will detect the existence of process discrepancies sooner rather than later.

Proposition 3(b): If, in a dyadic alliance, the alliance boundary spanners possessing a prevention focused self-regulatory system are confronted with process discrepancies they will seek to eliminate them at the earliest possible.

Proposition 4(a): If, in a dyadic alliance, the prevention focused alliance boundary spanners seek to redress unfavorable process discrepancies they run the risk of generating unfavorable outcome discrepancies.

Proposition 4(b): If, in a dyadic alliance, the alliance boundary spanners are prevention focused, but are confronted with unfavorable outcome discrepancies, they may ignore them so long as the unfavorable outcome discrepancies do not exceed a critical threshold.

3.3 When One of the Partners Is Promotion Focused and the Other Partner Is Prevention Focused

The behavior of the alliance boundary spanners will be very much at odds with each other for a multitude of reasons. Their strategic objectives are different, the methods by which they seek to realize their goals also vary, and their ability to deal with the problems confronting the alliance will also be sub-par given the differences in their strategic orientations. The promotion focused boundary spanner is keen on achieving his/her goals whereas the prevention focused boundary spanner is primarily oriented to security i.e. the situation should not deteriorate further. While the promotion focused boundary spanner is likely to be proactive, the prevention focused boundary spanner is likely to be reactive and very concerned that any new initiative that is now being undertaken not make the situation even worse. The prevention focused boundary spanner may find it difficult to elicit trust with his promotion focused counterpart. Indeed, the difficulties may worsen the relationship rather than improving it due to the emergence of negative emotions (Kumar et al., 2014). This leads to the following propositions:

Proposition 5(a): If, in a dyadic alliance, one of the alliance boundary spanners possess a prevention focused self-regulatory system and the other boundary spanner possesses a promotion focused self-regulatory system they may differ on the relative importance of process and outcome discrepancies.

Proposition 5(b): If, in a dyadic alliance, the alliance boundary spanners possessing a promotion focused self-regulatory system and a prevention focused self-regulatory system are confronted with unfavorable process and outcome discrepancies conflict will escalate among the alliance partners.

Proposition 6(a): If, in a dyadic alliance, the prevention focused alliance boundary spanners seeks to redress unfavorable process discrepancies and the promotion focused alliance boundary spanners seek to resolve unfavorable outcome discrepancies they run the risk of escalating both types of discrepancies.

Proposition 6(b): If, in a dyadic alliance, one of the alliance boundary spanners is prevention focused and the other is promotion focused but are confronted with unfavorable process and outcome discrepancies, they may ignore them so long as the unfavorable discrepancies do not exceed a critical threshold.

4. Motivational Orientation of Alliance Partners and the Inter-Partner Legitimacy Dynamics

In the previous paragraphs I have shown how differences in motivational orientations among the alliance partners give rise to unfavorable process and/or outcome discrepancies. The existence of discrepancies generates a legitimacy crisis for the alliance. Legitimacy is defined by Suchman (1995, p. 574) as 'a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate' (Suchman, 1995, p. 574). Kumar and Das (2007, p. 1426) define inter-partner legitimacy as 'the mutual acknowledgment by the alliance partners that their actions are proper in the developmental processes of the alliance'. Legitimacy crisis occurs when 'inter-partner legitimacy' is absent among the alliance partners. Kumar and Das (2007) have pointed out that inter-partner legitimacy is important for a number of different reasons. Most fundamentally inter-partner legitimacy facilitates cooperation, lessens transaction costs, and increases the reputational capital of partners (Kumar & Das, 2007). A distinction has been drawn between the three different types of inter-partner legitimacy, namely pragmatic, moral, and cognitive legitimacy. Pragmatic legitimacy implies that the involvement of the partner firms in the alliance is beneficial both for them as well as for the larger alliance. Moral legitimacy refers to the behavior of the partner firms during the course of the alliance. If their behavior has been appropriate then the alliance may be said to possess moral legitimacy. Cognitive legitimacy implies that the alliance has a 'taken for granted character' i.e. as something which is natural for the partner firm's to do.

When an alliance experiences an unfavorable outcome discrepancy it threatens the pragmatic legitimacy of the alliance. Member firms may consider that given the inability of the partner firms to achieve their goals it may not be beneficial to continue with the alliance. When an alliance experiences an unfavorable process discrepancy it calls into question the moral legitimacy of the alliance. Justice norms may have been violated as the partners may have been behaving opportunistically. When an alliance experiences both an unfavorable process as well as an unfavorable outcome discrepancy it calls into question the cognitive legitimacy of the alliance. This is so fundamental that given the presence of a multitude of problems it may not make sense for the partner firms to continue with the alliance.

4.1 Inter-Partner Legitimacy Dynamics When the Alliance Boundary Spanners Are Promotion Focused

The central challenge for the alliance boundary spanners when they are promotion focused is to deal with pragmatic legitimacy. The pragmatic legitimacy of an alliance is called into question because of the presence of unfavorable outcome discrepancies. The danger is that in trying to overcome pragmatic legitimacy problems they may generate problems of moral legitimacy. Moral legitimacy problems arise as member firms perceive their counterpart's behavior to be inappropriate. It could be that information sharing is not occurring in a timely way or alternatively that misleading information is being given. Alternatively, the partner firms are behaving in a defensive way and trying to shift the blame to their partner. A lack of moral legitimacy may lessen the partner firm's commitment to the alliance (Kumar & Andersen, 2000). The critical challenge for the alliance boundary spanners is to navigate the issues of pragmatic legitimacy without overly negatively impacting moral legitimacy. The degree to which they are able to do this depends on the alliance boundary spanners experience in managing ambiguity (Kumar, 2014), the preexisting level of outcome discrepancy, and the strategic fit of the alliance. Ambiguity implies that a given situation lacks clarity of interpretation (Forbes, 2007). There may be more than one way by which the situation could be viewed. Under these conditions alliance boundary spanners who have a high tolerance of ambiguity are likely to be well placed to navigate the intricacies of maintaining pragmatic legitimacy while not compromising cognitive legitimacy. The lower the level of outcome discrepancy the less of a threat it poses to pragmatic legitimacy. A key implication is that under these conditions an attempt to resolve pragmatic legitimacy will not threaten the moral legitimacy of the alliance. If the strategic fit of the existing alliance is good with the member firm's overall strategy then they might be more motivated to resolve the pragmatic legitimacy in a way that does not compromise the moral legitimacy of the alliance. This leads to the following propositions:

Proposition 7(a): For promotion focused boundary spanners attempts to repair pragmatic legitimacy may undermine the moral legitimacy of the alliance.

Proposition 7(b): The greater the tolerance of ambiguity among promotion focused alliance boundary spanners the more successful they will be in resolving pragmatic legitimacy without compromising moral legitimacy.

Proposition 8 (a): For promotion focused boundary spanners the lower the level of outcome discrepancy the less of a threat it will be to a firm's pragmatic legitimacy.

Proposition 8(b): For promotion focused boundary spanners the greater the level of strategic fit between the alliance experiencing a pragmatic legitimacy crisis and the firm's overall strategy the greater their motivation in seeking to resolve pragmatic legitimacy without compromising moral legitimacy.

4.2 Inter-Partner Legitimacy Dynamics When the Alliance Boundary Spanners Are Prevention Focused

The dominant concern for prevention focused boundary spanners is to deal with the moral legitimacy crises that may arise when an alliance is experiencing an unfavorable process discrepancy. Prevention focused boundary spanners are extremely sensitive to actions or behavior performed by their partners that are inappropriate. Prevention focused alliance boundary spanners will devote a considerable amount of effort to try to resolve moral legitimacy issues failing which they may seek to exit the alliance at a certain point in time. The lower the level of process discrepancy the less of a threat it poses to the alliance's moral legitimacy. The critical problem confronting the prevention focused alliance boundary spanners is that this resolution may be both costly and the outcome uncertain. In the interim, problems are likely to accumulate and unresolved issues pertaining to moral legitimacy may create pragmatic legitimacy problems. Prevention focused individuals are guarded in sharing information and building or repairing trust may not be so easy for them. A natural inclination for these boundary spanners is to withdraw which may further lead to a deterioration of the communication quality between the alliance partners. Prevention focused individuals also have a low tolerance of ambiguity which may limit their possibility to improvise. External intervention mechanisms are one possible vehicle for the alliance partners to resolve the problems of moral legitimacy. This leads to the following propositions.

Proposition 9(a): For prevention focused boundary spanners attempts to repair moral legitimacy may undermine the pragmatic legitimacy of the alliance.

Proposition 9(b): For prevention focused boundary spanners the lower the level of process discrepancy the less of a threat to a firm's moral legitimacy.

Proposition 10(a): For prevention focused alliance boundary spanners external intervention mechanisms may be a good vehicle for resolving issues of moral legitimacy.

4.3 Inter-Partner Legitimacy Dynamics When One of the Alliance Boundary Spanners Is Promotion Focused and the Other Is Prevention Focused

The alliance boundary spanners will differ in terms of which legitimacy crisis they seek to prioritize. Promotion focused boundary spanners will seek to resolve the crisis of pragmatic legitimacy whereas the prevention focused boundary spanner will be more concerned with the crisis of moral legitimacy. The conflicting priorities imply that the boundary spanners will be talking past at each other rather than talking to each other. In doing so the discrepancies may intensify and the crisis of legitimacy may be escalate. The prevention focused boundary spanner will be unhappy that moral legitimacy concerns are not being addressed by his/her counterpart whereas the promotion focused boundary spanner will be dissatisfied that pragmatic legitimacy is being ignored by his/her counterpart. As the crisis of legitimacy escalates more issues may come into the frame and it may challenge the alliance boundary spanners to resolve the conflict between them. The more salient the process and the outcome discrepancies the greater the challenge in repairing pragmatic and moral legitimacy. This leads to the following propositions:

Proposition 11(a): For prevention and promotion focused boundary spanners attempts to repair pragmatic and moral legitimacy may escalate the legitimacy crisis.

Proposition 11(b): For prevention and promotion focused boundary spanners the lower the level of process and outcome discrepancies the less of a threat to a firm's pragmatic and moral legitimacy

Proposition 12(a): For prevention and promotion focused alliance boundary spanners external intervention mechanisms may be a good vehicle for resolving issues of pragmatic and moral legitimacy.

5. Legitimacy Repair Strategies

Legitimacy repair represents a reactive response to an existing situation which is becoming untenable. It is imperative that the alliance managers directly confront and manage the crisis of meaning that they are now confronted with (Suchman, 1995). The repair needs to be done expeditiously for in its absence there is the danger that the intensity of the crisis will escalate and as it does so the support for the alliance at all levels between as well as within the partner firms may evaporate. If repair is essential then how is this to be accomplished? It has been argued that there are three alternative mechanisms for repairing legitimacy (Suchman, 1995). They are (i) use of normalizing accounts; (ii) restructuring; and (iii) avoiding panic (Suchman, 1995). A normalizing account is an explanation that will seek to differentiate the current alliance predicament from the overall state of the alliance as a whole (e.g., Scott & Lyman, 1968). Normalization may occur either through a denial (i.e., the alliance is not facing a problem), shifting blame (the alliance partner/s are not responsible for the problem), justification (the problem that the alliance currently faces is inevitable), or through an explanation for the problem that minimizes the ongoing problem. Restructuring is an attempt to make changes either in the

alliance's goals/objectives or the mechanisms by which it operates. The third approach is to avoid panic i.e. to make decisions in haste that they might rue down the road.

5.1 Alliance Boundary Spanners Are Promotion Focused

I have noted that when the alliance managers are promotion focused the fundamental problem that they face is of reestablishing pragmatic legitimacy. However, in the process of reestablishing pragmatic legitimacy they may threaten the moral legitimacy of the alliance. How is legitimacy repair to take place under these conditions? The issue of sequencing becomes particularly relevant here and the first task for the alliance managers would be to avoid panic. The fact that a new legitimacy crisis has occurred does not mean that the alliance is in danger of disintegration. The crisis of moral legitimacy is an unintended side effect of dealing with the problem of pragmatic legitimacy. It is imperative that the alliance managers make the appropriate attributions i.e. an explanation as to why a given outcome has occurred. There is the natural tendency for the individuals to make an internal as opposed to an external attribution (Ross, 1977) and individuals need to guard against this bias. Making an internal attribution would shift the blame to one's partner and except in extreme cases this may be unwarranted. Once the threat of overreaction has passed the alliance partners must then seek to deal with the fundamental problem of pragmatic legitimacy that the alliance is confronted with. This will either call for restructuring the alliance, redefining the expectations that the partner firms had about the alliance, and/or a strategic shift. Restructuring the alliance may involve enlarging or reducing its scope, and/or recalibrating the governance mechanisms of the alliance. This involves delicate negotiations and the success is by no means assured given that the partners may have different perspectives on the situation. The success of restructuring is dependent on the strategic compatibility between the partners, the level of preexisting trust between them, and the strategic significance of the alliance for the partner firms.

5.2 Alliance Boundary Spanners Are Prevention Focused

Prevention focused alliance boundary spanners have as their main priority the need to repair moral legitimacy. Moral legitimacy may be regained through the use of social accounts (e.g., Scott & Lyman, 1968). This may involve some combination of justification, promises, and/or apologies. Justification seeks to make clear that the violation in question is perhaps not as severe as might have been thought otherwise. A promise is to convey to the other party that a similar violation will not occur. Apologies involve acknowledging errors with the implicit proviso that these will not be repeated down the line. Although the mechanisms for repairing moral legitimacy are fairly clear cut, they may not be easy to implement, and especially for prevention focused boundary spanners. Attributional biases coupled with face loss (Goffman, 1959), and power differential between the alliance partners (Pfeffer & Salancik, 1978) make the resolution difficult. This is aggravated by the fact that the prevention focused boundary spanners are slow in exchanging information and trusting their partner (Das & Kumar, 2011). As the partners struggle to cope with issues of moral legitimacy, the pragmatic legitimacy of the alliance may also erode. Partner's focus and attention may be diverted towards moral legitimacy and this may come in the way of preventing the decline of pragmatic legitimacy. How can legitimacy repair occur under these conditions? First of all there is the need for some external intervention and most notably in the nature of an alliance champion. An alliance champion is an individual who is an enthusiastic proponent of the alliance (Brown & Hogg, 2012). He/she may not be directly involved in the alliance on a day to day basis but is an enthusiastic supporter of the alliance. Such an individual can create the foundation for the partners to repair the moral legitimacy of the alliance by facilitating the use of social accounts. The individual may also suggest a shift in the personnel if the relational quality between some of the personnel has deteriorated. The alliance champion will also help in reframing the situation and in the process provide a mechanism by which the parties can move on.

5.3 One Alliance Boundary Spanner Is Promotion Focused and the Other Is Prevention Focused

This is a particularly difficult situation as the alliance is simultaneously confronted with two distinct legitimacy crises and the partners differ in their assessment of them. The promotion focused boundary spanner will want to deal with the problem of pragmatic legitimacy whereas the prevention focused boundary spanner will wish to deal with the problem of moral legitimacy. Those focusing on pragmatic legitimacy may wish to engage in restructuring whereas those focusing on moral legitimacy may wish to rely on social accounts. The partners will be talking past each other rather than talking to each other. This may further erode the relationship between them and perhaps exacerbate the legitimacy crisis that the alliance is faced with. The key to repairing legitimacy in this context is bringing in an outside third party who can engage in sense giving. Sense giving is a process by which the various actors make sense of the various situations (e.g., Gioia & Chittipeddi, 1991; Maitlis & Lawrence, 2007). When confronted with a crisis of both pragmatic and moral legitimacy sense giving is indispensable. It will help the parties in framing the problem in a manner that will be often enough, if not always,

conducive to alliance success. The process of sense giving also gives the partners a breathing space which will help them to overcome the pressures of the immediate situation and in doing so taking a longer term view.

6. Conclusion

Alliances have become an integral part of a firm's strategy and yet they remain elusive to manage. The starting point of this paper is the recognition that there is a need to develop a finer grained explanation of the alliance process if we are to get a more nuanced view as to the most effective way of managing alliances. I believe that the current paper takes an important step in this regard. I begin from the premise that the alliance boundary spanners differ in their motivational orientation (Higgins, 1997). Alliance boundary spanners who are promotion focused wish to maximize positive outcomes and those who are prevention focused wish to minimize negative outcomes. All alliances are potentially subject to unfavorable discrepancies (Kumar & Nti, 1998) but which sets of discrepancies become salient is dependent on the motivational orientation of the alliance boundary spanners. Outcome discrepancies are associated with the crisis of pragmatic legitimacy, process discrepancies with a crisis of moral legitimacy, and when both outcome and process discrepancies arise then the alliance is faced with both types of crisis.

The theoretical framework that is advanced in this paper is subject to both theoretical refinement as well as empirical testing. The current framework has, for example, not drawn a distinction between different alliance types. Alliances could either be of the 'exploration' or the 'exploitation' type (Koza & Lewin, 1998). Exploration alliances involve the construction or creation of new knowledge whereas exploitation alliances call for intensive utilization of the existing knowledge. Could the inter-partner legitimacy dynamics outlined in this paper vary as a function of the alliance type? Are certain types of discrepancies (process vs. outcome) more likely to emerge in some kinds of alliances as opposed to others? Many alliances involve crossing national boundaries. Are cross national alliances subject to the same set of inter-partner legitimacy dynamics as are within country alliances? From an empirical standpoint the paper offers a number of propositions that are potentially subject to empirical testing. The framework has a number of different components that could be tested individually. For example, we posit that if the alliance boundary spanners possess a promotion focused self-regulatory system it may generate unfavorable outcome discrepancies. I also suggest that unfavorable outcome discrepancies give rise to a crisis of pragmatic legitimacy. The different components of the framework that are outlined can be tested separately. Quasi experimentation coupled with qualitative based case studies of alliances will be helpful in deepening our understanding about alliance dynamics. It is our hope that the theoretical framework outlined in this paper will provide a fruitful avenue for the alliance researchers to build upon and deepen our understanding about alliance process.

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