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**BEHAVIORAL RESPONSES TO ADVERSE SITUATIONS IN STRATEGIC
ALLIANCES**

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BEHAVIORAL RESPONSES TO ADVERSE SITUATIONS IN STRATEGIC ALLIANCES

ABSTRACT

In this chapter, we develop a response strategy framework modeling behavioral responses to adverse situations in strategic alliances. Extant alliance literature treats behavioral responses as discrete and isolated reactions to adverse situations, which we call response strategies. Building on the results of a review of emerging literature and empirical research, we propose that seven identified response strategies should be conceptualized in a systematically integrated circumplex structure. Furthermore, we argue that response strategies are triggered by multi-level determinants generating a dynamic interaction pattern of actions-reactions between alliance partners. Building on these insights, we advance alliance development literature by opening the black box of response behavior and present directions for future research.

INTRODUCTION¹

Strategic alliances are “interfirm cooperative arrangements aimed at achieving the strategic objectives of the partners” (Das & Teng, 1998, p. 491). The past several decades have witnessed enormous growth in alliance activity (Das & Kumar, 2010), and strategic alliances have established themselves as cornerstones for the competitive strategies of many firms (Das & Teng, 2000). However, alliances tend to exhibit a mix of promise and peril. Whereas they enable firms to capitalize on opportunities, managers must remain responsive to the threat of adverse situations to avoid the premature termination of the alliance, which may hamper the realization of their firms’ objectives (Das & Kumar, 2007; Makino, Chan, Isobe, & Beamish, 2007). For example, alliance managers may need to resolve dissatisfying alliance performance issues, improve poor working relationships, and deal with the negative consequences of exit barriers, such as alliance-specific investments and a lack of attractive external alternatives (Das & Rahman, 2010; Tjemkes & Furrer, 2010). In addition, alliance managers’ responses to adversity are also triggered by their personalities and influenced by external environmental conditions surrounding the alliances. Moreover, the partner’s behavior, including opportunism, also tends to influence an alliance manager’s use of response strategies (Das, 2005, 2006; Das & Rahman, 2010). These multi-level antecedents generate a dynamic interaction pattern of actions-reactions, which, in light of the high failure rate of alliances, demands a better understanding of responses to adverse situations (Ariño & De la Torre, 1998).

Consistent with previous alliance studies (Buckley, 1999; Furrer et al., in press; Griffith et al., 2006; Tjemkes & Furrer, 2010), we define a response strategy as a reaction to an adverse

¹ Parts of this chapter build on ideas that have been outlined and empirically tested in Furrer and Tjemkes (2008), Furrer, Tjemkes, Ulgen Aydinlik, Domnez, and Adolfs, (in press), and Tjemkes and Furrer (2010).

situation. Although extant empirical research demonstrates that managers use various response strategies to overcome adverse situations (e.g., Ariño & De la Torre, 1998; Brouthers & Bamossy, 2006), a typology of response strategies in the alliance context remains a work in progress. Most alliance studies focus a single type of responses, such as alliance termination (Park & Ungson, 1997), opportunistic behavior (Deeds & Hill, 1998), or voice (Ping, 1997). Such focused approaches undermine the development of an integrative vision that might clarify alliance managers' use of alternative response strategies. To overcome this limitation, we proposed a systematic typology of seven response strategies (exit, opportunism, aggressive voice, creative voice, considerate voice, patience, and neglect) integrated in a circumplex structure along two active–passive and constructive–destructive dimensions (see Furrer et al., in press; Tjemkes & Furrer, 2010).

Furthermore, prior alliance research examining responses to adversity provides support for the importance of alliance-level variables, such as economic and social satisfaction, alliance specific investments, and alternative availability (Das & Rahman, 2010; Tjemkes & Furrer, 2010). For example, Tjemkes and Furrer (2010) found that economic and social satisfaction with the alliance and exit barriers, such as asymmetric alliance-specific investments and the availability of attractive alternatives influence managers' response strategy preferences. In addition, Das and Rahman (2010) argue that partner firm's deceitful behavior, such as opportunism, is influenced by economic, relational, and temporal factors at the alliance-level. However, alliance developmental studies also indicate that personalities of alliance managers and leadership style, external environment, and partner behavior influence response strategies. For example, Brouthers, Brouthers, and Harris (1997) explain how managers' leadership styles influence their responses to adverse situations; Luo (2007) found that environmental volatility

influences opportunistic behavior; and Ariño and De la Torre (1998) developed an evolutionary model of alliance development derived from the interaction between partners. However, to date a coherent framework recognizing the relevance of multi-level antecedents of response strategies is lacking.

We believe that response strategies in strategic alliances deserve more research attention than given to them thus far in the alliance development literature. Therefore, this chapter seeks to contribute to this literature by opening the black box of alliance response behavior. To do so, we present a comprehensive response strategy framework and its key determinants in strategic alliances from which future research directions can be derived.

We divide the remainder of this chapter into five parts. First, we review the extant literature on response strategies to identify a set of seven response strategies. Second, we argue that these response strategies can be systematically organized in circumplex structure governed by two active–passive and constructive–destructive dimensions. Third, we suggest an overarching framework of determinants of response strategies, comprising three distinct levels of factors: individual-, alliance-, and environmental-level determinants. We identify and examine a list of significant determinants constituting the framework. Fourth, we examine the dynamic aspects of the framework to better understand the interaction patterns of alliance partners' behavior. Lastly, we suggest directions for further research and indicate some of the more significant implications of the proposed framework.

RESPONSE STRATEGY TYPOLOGY

In this section, we briefly review the literature on response strategies and then suggest, specific to the field of strategic alliances, a comprehensive typology of seven response strategies

to dissatisfying alliance relationships: exit, opportunism, aggressive voice, creative voice, considerate voice, patience, and neglect.

Hirschman's (1970) exit, voice, and loyalty framework provides the foundation for an important stream of research regarding response strategies. Hirschman initially represented exit, voice, and loyalty as three alternative strategies along a constructive–destructive spectrum (Leck & Saunders, 1992). Extending Hirschman's framework with a fourth strategy, namely neglect, Farrell (1983) and Rusbult and Zembrodt (1983) propose the ELVN (exit–voice–loyalty–neglect) typology, which represents a parsimonious conceptualization of response strategies and derives its strength from the underlying two-dimensional structure into which the four response strategies are organized: an active–passive dimension and a constructive–destructive dimension. The alliance context defines the four EVLN response strategies as follows:

Exit, an active–destructive response, indicates a disinclination to continue the current relationship (Ping, 1999). Alliance literature thus refers to exit as an alliance termination (e.g., Makino et al., 2007; Park & Ungson, 1997) that represents the ultimate and most destructive response to an adverse situation; once the alliance is dissolved, partner firms must find alternative ways to achieve their objectives. **Voice** is an attempt to overcome the adverse situation by considering own concerns, as well of those of the other party (Ping, 1997), such that alliance managers actively and constructively discuss the situation with the intent to develop mutually satisfactory solutions (Geyskens & Steenkamp, 2000; Hibbard, Kumar, & Stern, 2001). Therefore, voice represents an active attempt to change, rather than escape from, the situation by contacting the partner in a relationship-preserving manner and cooperatively discussing the problem (Ping, 1999). However, in silently abiding issues, with the confidence that things will improve in the future (Geyskens & Steenkamp, 2000; Hibbard, et al., 2001; Ping 1993), **loyalty**

(also called patience²) provides a constructive–passive response. Managers voluntarily ignore the issue and hope that the adverse situation resolves by itself, so they consider undesirable circumstances transitory phenomena that will dissipate over time (Ping, 1993). Finally, **neglect**, a passive–destructive response, involves allowing the relationship to deteriorate (Ping, 1993, 1999). A neglectful manager expends little effort to maintain the alliance (Pressey & Qu, 2007), and possible ways to solve the situation get ignored, such that the relationship eventually dies (Ping, 1993).

Over time additional response strategies have been added to the EVLN typology: aggressive voice, creative voice, and opportunism (Ping, 1993; Tjemkes & Furrer, 2010; Zhou & George, 2001). Hirschman (1970, p. 39) initially conceptualized voice in a relatively neutral manner as “any attempt at all to change, rather than to escape an objectionable state of affairs.” In the EVLN typology, voice mostly suggests a positive approach, involving the constructive discussion of issues with the intent to find mutually satisfactory solutions (e.g., Ping, 1993). Following Hagedoorn and colleagues (1999), Tjemkes and Furrer (2010) labeled the EVLN type of voice “**considerate**” and define it as a manager’s active efforts to seek to resolve an adverse situation by contacting a counterpart in a relationship-preserving manner and cooperatively discussing the problem to improve the situation. However, empirical studies (e.g., Rusbult et al., 1988; Withey & Cooper, 1989) report low internal consistency for voice, suggesting that it might be a more complex construct with several subcomponents (Withey & Cooper, 1989). In addition to its positive dimension, voice may have a negative connotation, such as direct aggressive criticism or coercion (Hagedoorn et al., 1999; Hibbard et al., 2001). Moreover, expressions of

² Leck and Saunders (1992) propose the term “patience” to refer to loyalty as a behavioral response and reserve the term “loyalty” for the attitudinal component of the construct, in line with Hirschman’s (1970) original conceptualization.

voice might be aimed at developing creative and innovative solutions (e.g., Zhou & George, 2001). We therefore distinguish this type of voice from two other forms: aggressive and creative.

Aggressive voice refers to an active–destructive response strategy that consists of persistent efforts by one partner to solve undesirable situations, regardless of the ideas and preferences of the counterpart (Hagedoorn et al., 1999). In an alliance context, aggressive voice suggests managers forcefully impose their solutions, without trying to avoid conflicts (Hibbard et al., 2001). Anecdotal evidence indicates that alliance managers may coerce partners into one-sided solutions (Ariño & de La Torre, 1998; Doz, 1996). For example, John (1984) proposes that hard bargaining, intense and frequent disagreements and similar conflictual behaviors represent various forms of aggressive voice.

Creative voice, the third type, refers to the generation of novel and potentially useful solutions to an adverse situation (Zhou & George, 2001). In an alliance context, creativity or creative voice consists of a partner trying to overcome the adverse situation through innovative solutions (Brouthers & Bamossy, 2006; Doz, 1996). For example, Ariño and De la Torre (1998) indicate that during the start-up phase of a joint venture, partners exhibit willingness to find innovative solutions, beyond the scope of their contractual agreement, to align their interests and preserve the relationship. Doz (1996) also demonstrates that partners proceed through learning cycles that enable them to develop creative solutions to deal with adverse situations. Creative voice therefore differs from aggressive voice with respect to purpose: Whereas creative voice is constructive and takes into account the counterpart's interests, aggressive voice is more destructive and focuses on the interests of the manager's own firm. Creative and considerate voices also are conceptually distinct, in that creative voice pertains to the intention to seek out-of-the-box solutions rather than cooperatively discuss the problem to improve the situation.

Opportunism as a response strategy also represents an active–destructive response (Wathne & Heide, 2000). Ping (1993) defines opportunism as the intention to increase a partner’s benefits from the relationship in ways that are explicitly or implicitly prohibited within the relationship. This type of response includes shirking, the use of the circumstances to extract concessions from the other party, the evasion of obligations, and the withholding of critical information (Das, 2005; Wathne & Heide, 2000). Opportunism occurs when a partner seeks to maximize its individual returns at the expense of its partners (Deeds & Hill, 1998; Das & Rahman, 2010), which makes it conceptually different from aggressive voice. Although both responses imply that a partner has the intention to pursue its individual interests, aggressive voice directly targets the firm’s counterpart and attempts to coerce it to complying with its demands, whereas opportunism is covert behavior aimed at deceiving the counterpart (John 1984; Joshi & Arnold, 1997).

CIRCUMPLEX STRUCTURE

In this section, we propose that the seven response strategies are organized in a circumplex structure that systematically organizes them according to their degree of compatibility and incompatibility (Fabrigar et al., 1997; Furrer et al., in press; Perrinjaquet et al., 2007). We further argue that such a circumplex structure possesses specific characteristics that need to be taken into account in future theory development and empirical research on response strategy in strategic alliances (Furrer & Tjemkes, 2008; Furrer et al., in press).

In Hirschman’s (1970) exit, voice, and loyalty typology, the three strategies were organized along a constructive–destructive dimension (Leck & Saunders, 1992). The addition of neglect by Farrell (1983) and Rusbult and Zembrodt (1983) led to a second, active–passive dimension, such that each of the four response strategies is located in one of the quadrants. In

contrast with empirical evidence (Rusbult et al., 1988), the two-dimensional structure is built on the assumption that response strategies are discrete and independent constructs. However, weak forms of exit may verge on neglect, strong forms of loyalty approach considerate voice, and so on. Therefore, the two-dimensional simple structure is not appropriate to account for these interrelationships between response strategies. Hagedoorn and colleagues (1999) and Furrer and colleagues (in press) have proposed and empirically demonstrated that a circumplex structure, which orders them according to their degree of compatibility and incompatibility, would be better suited to represent the structure of response strategy typology.

Furthermore, Furrer and colleagues (in press) empirically demonstrated that response strategies exhibit a circumplex structure in the strategic alliance context across countries. Such as, starting from exit, which depicts the most destructive strategy, and turning clockwise, the response strategies are ordered as follows: Opportunism is next to exit, because it is more active and less destructive, followed by aggressive voice, which is active but neither constructive nor destructive. Next there is creative voice, which is also active but constructive. Less active but more constructive, considerate voice comes next. Patience, which is also constructive but passive, follows. Finally, neglect appears, involving a passive–destructive response (see Figure 1).

[Insert Figure 1 about here]

A circumplex structure possesses several distinguishing characteristics, which provides a better account of the nature and interrelationships of response strategies. First, a circumplex structure postulates that the nature of the relationships among variables (i.e., response strategies) can be explained best by restricting the location of the variables to the circumference of a circle (Fabrigar et al., 1997). The seven response strategies are located in the two-dimensional space of

the EVLN typology, but in addition they are also located at the same distance from the center of the circle, which means that they have the same weight or importance in the mind of managers and therefore represent equal alternatives to overcome adverse situations in strategic alliances.

Second, a circumplex structure systematically organizes response strategies according to their degree of compatibility and incompatibility (Fabrigar et al., 1997; Perrinjaquet et al., 2007). For example, creative voice and considerate voice, which are compatible, are located close by on the circle, whereas patience and aggressive voice, which are incompatible, are located opposite each other. This important characteristic reflects how compatible strategies are likely to be perceived as close alternatives in a particular adverse situation, whereas incompatible strategies are not likely to be considered simultaneously.

Third, a circumplex structure is continuous, so there could be interstitial strategies between any pair of dimensions (Saucier, 1992). Thus, the circumplex structure can integrate new response strategies that blend the original EVLN strategies (Hagedoorn et al., 1999; Saucier, 1992), which is important as response strategies represent a broad range of related responses (Rusbult et al., 1988), which can be refined in future research. For example, we have presented three different forms of voice varying in their degrees of activeness–passiveness and constructiveness–destructiveness. Similarly, whereas opportunism may be seen as one unique response strategy, authors, such as Wathne and Heide (2000), have distinguished between an active and a passive form of opportunism. Such a refinement of the opportunism construct can easily be accommodated by the continuous circumplex structure of response strategies. In sum, a circumplex structure provides a more systematic framework for representing response strategies and provides a finer grained conceptualization for future theoretical development.

[Insert Figure 2 about here]

MULTI-LEVEL ANTECEDENTS OF RESPONSE STRATEGIES

To facilitate a better understanding of the use of response strategies and advance empirical research, we believe an analysis of the determinants of response strategies is essential. Based on a review of the literature, we propose that the use of response strategies is influenced by factors at three different levels of analysis: individual-, alliance-, and external environment-level (see Figure 2). Extant alliance research demonstrated at the alliance level the effect of exchange conditions (i.e., economic satisfaction, social satisfaction, and exit barriers) on response strategies (e.g., Tjemkes & Furrer, 2010). Managers' use of response strategies is, however, also influenced by environmental factors (e.g., technological change and competitive rivalry). Furthermore, due to managers' bounded rationality it is critical to add managers' personal characteristics (e.g., experience and personality) as antecedents of response strategy preferences. In the next paragraphs, based on a review of the literature, we proposed a description of some of the most preeminent determinants of response strategies.

Alliance-Level Determinants: The Investment Model

The bulk of research on response strategies has focused on alliance-level determinants. Building on social exchange theory (Blau, 1964) and interdependence theory (Thibaut & Kelley, 1959), Rusbult and colleagues (Rusbult & Farrell, 1983; Rusbult et al., 1988) proposed that preferences for the use of active–passive and constructive–destructive response strategies depend on alliance-level exchange variables. In the alliance context four variables have been identified: economic satisfaction, social satisfaction, alternative attractiveness, and alliance-specific investments (Tjemkes & Furrer, 2010).

Economic satisfaction pertains to managers' evaluation of the financial outcomes of an alliance (Geyskens & Steenkamp, 2000). According to Geyskens and colleagues (1999), an

economically satisfied manager considers the alliance a success with respect to goal attainment, effectiveness, productivity, and the resulting financial outcomes. Prior response strategy research has produced results indicating that economic satisfaction influences managers' response preference on the active–passive dimension but not on the constructive–destructive one (e.g., Tjemkes & Furrer, 2010). Low economic satisfaction implies that alliance managers perceive a discrepancy between prior expectations and desired financial results (Geyskens et al., 1999), which requires an active response to improve the situation rapidly (Das, 2006; Tjemkes & Furrer, 2010). However, this active response could be destructive, such as acting opportunistically to extract additional financial benefits, or constructive, such as using creative voice to find new ways to solve the situation. Regardless of how they do it, managers are more likely to “rock the boat” to restore performance and increase their economic satisfaction, instead of waiting patiently for the situation to improve (Ping, 1993). In contrast, managers who are satisfied with the economic performance of the alliance likely behave passively (Geyskens & Steenkamp, 2000; Tjemkes & Furrer, 2010); they can either be patient or neglect the issue.

Social satisfaction pertains to managers' evaluations of the psycho-social aspects of an alliance; it implies that interactions with counterparts are fulfilling, gratifying, and facile (Geyskens & Steenkamp, 2000; Geyskens et al., 1999). Managers' perceptions of relational quality affect their social satisfaction; if relational quality is poor, the alliance suffers dysfunctional conflicts, distrust, and low commitment (Anderson & Narus, 1990). Empirical results suggest that social satisfaction in turn influences the constructive–destructive dimension but not the active–passive one (e.g., Tjemkes & Furrer, 2010). Low social satisfaction creates greater suspicion about a counterpart's intentions and reduces expectations about the potential future benefits of the relationship (Geyskens & Steenkamp, 2000). Therefore, managers

dissatisfied with relationship quality within the alliance may terminate it rather than try to save it through constructive responses (Tjemkes & Furrer, 2010). To do so, they can respond destructively, either in an active way by acting opportunistically or in a passive way by exiting the relationship or being neglectful. Partners satisfied with the relationship instead appreciate the contacts with their counterparts, and the relationship likely is characterized by trust, respect, and commitment (Ariño, De la Torre, & Ring, 2001). In such a situation, alliance managers often use constructive response strategies (Anderson & Narus, 1990; Brouthers & Bamossy, 2006), whether active or passive. For example, Hibbard and colleagues (2001) found that managers with positive views of a relationship place less importance on an adverse situation and instead remain patient, believing that the transient negative situation will improve. Geyskens and Steenkamp (2000) confirm that socially satisfied managers are more likely to use creative or considerate voice.

Alliance-specific investments represent sunk costs that cannot be redeployed easily to another alliance without some sacrifice in the productivity of the assets or cost to adapt them (Das & Rahman, 2010; Ping, 1993). These investments would be lost if the alliance were dissolved, so they act as exit barriers. Their presence constitutes a source of dependence for the firm that makes them, which implies an adverse situation for managers who need to reduce the negative consequences of their firms' vulnerable position (Emerson, 1962). The presence of unilateral, alliance-specific investments triggers constructive response strategies and inhibits destructive ones (Hirschman, 1970; Tjemkes & Furrer, 2010), because constructive responses reduce the risk of losing the investments if the relationship terminates prematurely. In the case of high alliance-specific investments, constructive responses may either be active, such as using creative or considerate voices to demonstrate commitment to the relationship, or passive, such as

being patient to reduce the negative effect of the dependence. When alliance-specific investments are low though, managers have more latitude to act destructively, because their lesser dependence on their partner means they may exit the relationship, become more neglectful, or act opportunistically without fear of retaliation (Das & Rahman, 2010). The results of previous response strategy research support this logic (e.g., Ping, 1993; Tjemkes & Furrer, 2010).

Finally, **alternative availability** refers to the extent to which the firm possesses attractive alternatives outside the alliance that could enable it to attain its objectives (Ping, 1993). The presence of attractive alternatives provides firms with a source of power, whereas a dearth of alternatives increases dependence on counterparts (Emerson, 1962). In an adverse situation without alternatives, managers have strong incentives to make the current alliance work and likely respond actively to improve the situation (Buchanan, 1992). For example, they might constructively use considerate and creative voice to ensure their partner collaboration, but because they do not depend on their partner, they also can use aggressive voice or opportunism if their partner is not cooperative. Moreover, if managers perceive that they have other alternatives for achieving their objectives, they depend less on the current relationship, which increases the likelihood of exit and passive strategies such as neglect and patience (Ping, 1993; Tjemkes & Furrer, 2010).

Individual-Level Determinants

At the individual-level, alliance managers' personal characteristics influence their decision making in general, and their use of response strategy in particular. Managers are bound in their rationality and their decisions are based on heuristics and cues (March & Simon, 1958), which are partly influenced by their individual background and personality (Hambrick, 2007;

Pansiri, 2005). Thus, taking into account personal characteristics is necessary, as responses to adversity are likely to be influenced by individual traits. A large number of personal characteristics have been shown to influence manager's behavior and decision making, we focus here on two of these characteristics related to managers' personality and documented in the response strategy literature: locus of control and risk aversion.

Locus of Control is defined as a stable characteristic of people's personality that refers the extent to which they view situations as being either internally or externally controlled (James, 1957) and affects their (non)cooperative behavior (Boone, De Brabander, & van Witteloostuijn, 1999). The key difference between an internal and external personality is the degree to which individuals perceive causal relationships between their own behavior and outcomes. Internally oriented people perceive their lives as being under their control. This means that they believe that the events they experience result from their own efforts. Externally oriented people, on the other hand, believe in fate and chance, and perceive the events of their lives as beyond their control. Internally oriented alliance managers, who believe in their power over events, are more likely to adopt active response strategies, whereas externally oriented managers, believing they have little or no control over events, are more likely to use passive strategies. This is because internally oriented people tend to believe that their behavior will lead to reward payoffs compared to people with external locus of control, who do not perceive a relationship between their behavior and the potential rewards. In an empirical study, Withey and Cooper (1989) found that people with internally oriented personalities were more likely to exit and voice their concern in adverse situations, whereas people with externally oriented personalities were more likely to use loyalty and neglect.

Risk aversion reflects an individual's attitude towards risk, and influences decision making (Pablo, Sitkin, & Jemison, 1996; Sitkin & Pablo, 1992). It is a stable property of an individual, which is related to his or her personality (Atkinson, 1957). Risk propensity has been shown to be a key antecedent of risk-taking behavior (e.g., Sitkin & Pablo, 1992). Within the context of strategic alliances this suggests that risk-averse alliance managers are more likely to prefer relatively low risks and weigh negative consequences higher (Sitkin & Pablo, 1992), whereas risk prone managers are more likely to engage in more risky response strategies when facing adverse situations (Stewart & Roth, 2004). Griffith (2006) developed the argument that risk-averse managers have the intrinsic need for reducing uncertainties and are likely to employ response strategies that increase commitment in order to decrease uncertainties in the alliance by, for example, using considerate voice, creative voice, and patience. In contrast, risk-seeking alliance managers prefer relatively high risks and are willing to sacrifice some expected returns in order to increase their alliance outcomes. They may be more willing to tolerate exposure to failure with lower probability of gain in comparison with risk-avoiders (Pennings & Smidts, 2000) and accept failures more easily (Jaworski & Kohli, 1993). Risk-seeking managers are thus more likely to use strategies that may place the relationship at risk, for example threaten to exit, be opportunistic, and aggressively voice their concerns.

Locus of control and risk aversion are two personality traits which seem to be particularly important in an alliance context. Other traits, such as the Big Five, are also likely to influence the use of response strategies (e.g., Saucier, 1992). Furthermore, in an international strategic alliance context, the cultural values of alliance managers also influence their response strategy preferences, as empirically demonstrated by Furrer and colleagues (in press) across four countries.

External Environment Determinants

Drawing on industrial organization economics (e.g., Porter, 1980), alliance research has shown that the environmental context, at least in part, constitutes an important determinant influencing strategic decision-making. A firm's industry environment, in particular, is likely to influence strategic decision-making, including the use of response strategies (Ping, 1993; Luo, 2007). In the following paragraphs, we focus on two key dimensions of the industry context: competitive intensity and technological turbulence (Jaworski & Kohli, 1993).

Competitive Intensity refers to the degree of rivalry between competitors in an industry, and is characterized by an industry-wide use of tactics such as aggressive pricing, high levels of advertising, products introductions, and adding services in order to prevent the loss of customers to competitors (Porter, 1980; Jaworski & Kohli, 1993). Firms operating in industries with lower levels of competitive intensity need to preserve the quality of their existing alliances, as they need to secure the provision of resources. Due to a lack of rivalry such firms are likely to possess some power over their customers (Caves, 1970), suggesting that they can increase their margins and improve their performance without risking losing customers as these customers are "stuck" with the firm's products and services (Jaworski & Kohli, 1993). However, to ensure a continuous availability of products and services, they need to secure the provision of critical supplies, suggesting preferences for constructive strategies in alliance relationships. Considerate voice is likely to be preferred, as firms in industries with low competitive intensity have time to actively seek for solutions with their partners to realize their alliance's objectives. Similarly, loyalty (i.e., waiting patiently) is a preferred alternative, since managers have the time to wait for the situation to resolve by itself. In contrast, when firms operate in industries characterized by high competitive intensity, their customers can choose among a large number of rival firms, thereby

reducing firms' market power. To deal with this potential threat to their performance, firms must monitor and respond to their customers' changing needs and preferences. This also implies that the relative importance of preserving existing alliances diminishes, as alternative suppliers could be required to satisfactorily respond to customers' changing preferences. Thus, firms operating in industries characterized by high competitive intensity are more willing to put the alliance relationship at risk and are more likely to prefer destructive response strategies, such as exit, opportunism, and neglect.

Technological turbulence is defined as the unpredictability and rate of change of technology in the external environment (Lawrence & Lorsch, 1967). Technological turbulence poses challenges for managers because of the inability to forecast future technical requirements (Heide & John 1990). High technological turbulence limits firms' ability to internally develop all the capabilities needed for their research and development (R&D) activities, because of the complexity and rapid technological changes (Hagedoorn & Schakenraad, 1994). Therefore, firms are likely to benefit from close relationships with alliance partners and to rely on and preserve these relationships to develop and diffuse their innovations (Fynes, de Búrca, & Marshall, 2004). In contrast, in markets with low technological turbulence, product and process technologies are relatively stable. Firms in these industries are in lesser need of the capabilities of their alliance partners than firms operating in markets with high technological turbulence, suggesting preferences for constructive strategies. Thus, firms that operate in industries with high technological turbulence are more likely to prefer creative and considerate voices and loyalty, compared to those operating in industries characterized by low technological turbulence, since these response strategies are aimed at maintaining and preserving their alliance relationships. In addition, managers in high technological turbulence industries are less likely to opt for

destructive response strategies, such as exit and neglect. This is because these strategies pose a threat to the relationship they are dependent on.

INTERACTIONS BETWEEN PARTNERS' RESPONSES

In this section, we explain that the use of response strategies is not only influenced by individual-, alliance-, external environment-level determinants, but also ones alliance partner to create an interaction pattern of actions–reactions. We further argue that this interaction pattern is governed by a principle of complementarity that is bounded by the governance characteristics of the alliance design.

Alliance partners may develop dynamic interaction patterns of actions–reactions, using response strategies to respond to their partner's behavior. Developed in personality and social psychology, interpersonal theory proposes that patterns of actions–reactions are governed by the principle of complementarity within a circumplex structure (Kiesler, 1983; Leary, 1957; Wiggins, 1979). Elaborated in 1969 by Robert Carson, the interpersonal rule of complementarity specifies ways in which interpersonal behavior evokes restricted classes of behavior from an interactional partner, leading to a self-sustaining and reinforcing system. Adapted to the context of response strategies in strategic alliances, the principle of complementarity is defined on the response strategy circle, such that correspondence tends to occur on the constructive–destructive dimension (constructive strategies invite constructive strategies and destructive strategies invite destructive strategies), and reciprocity tends to occur on the active–passive dimension (active strategies invites passive strategies, and passive strategies invite active strategies) (see Figure 3).

[Insert Figure 3 about here]

Although correspondence and reciprocity are two distinct interaction patterns, it is their combination that governs strategic alliance development over time. The combination of the two patterns may lead to either a self-sustaining and reinforcing system of strengthened collaborating and commitment within the strategic alliance or may lead to a downward spiral of conflictual collaboration moving towards alliance termination.

For example, Ariño and De la Torre (1998) developed a model of the collaboration process in alliances based on earlier work by Ring and Van de Ven (1994) and by Doz (1996). The results of a longitudinal case study on two firms engaged in an international joint venture provide anecdotic evidence for the interactions between the correspondence and reciprocity principles. First, in line with the correspondence principle the introduction of a third party in the relationship caused instabilities in the alliance, which was addressed by open communication with each other about the hardware problems. The partners understood that building a relationship based on constructive correspondence was mutually rewarding. Second, consistent with the reciprocity principle, one of the partners' assessments of the situation caused it to actively engage in renegotiation of the terms of the contract in an attempt to restore balance to the relationship, whereas the other partner remained passive and waited patiently. In addition, the results also indicate that the larger (or smaller) the discrepancy in efficiency and equity perceptions, the more (or less) likely the relationship will deteriorate due to reciprocal destructive behavior.

However, in the context of strategic alliances, the complementarity principle does not operate in an institutional or governance vacuum. Strategic alliance governance structures are purposefully designed to reduce the use of destructive strategies by the partners and encourage collaboration. Research on strategic alliance design from a transaction cost theory tradition (e.g.,

Das, 2005; Hennart, 1988) has demonstrated that alliance contracts are primarily developed to curb the potential opportunistic behavior of the partners. For example, Das (2005) explain how deterrence mechanisms, such as contracts, governance structure, mutual hostages, monitoring, participatory decision making, and staffing and training could be designed to reduce the likelihood of destructive responses. Alliance design characteristics are incomplete in nature and therefore, as alliances develop and external environment evolves (Doz, 1996; Ring & Van de Ven, 1994), they leave open a space for partners' interaction governed by the complementarity principle. Fore example, the more detailed and complex the alliance contract is the less latitude is left to the alliance managers to base their behavior on the complimentarity principle (Faems, Janssens, Madhok, & Van Looy, 2008). Alternatively, the less detailed and complex the alliance contract is, the more influential will be the complimentarity principle in influencing alliance managers' behavior. In sum, the alliance design represents a constraining arena for the partners' behavior and use of response strategies.

RESPONSE STRATEGY FRAMEWORK

In this chapter, we presented the building blocks of a framework that systematically organizes seven response strategies to adverse situations in a circumplex structure. The framework also incorporates multi-level determinants including, manager traits, exchange conditions, and environmental conditions. Together, this forms the basis for dynamic interaction patterns between alliance partners constrained by the characteristics of alliance design and crafting alliance development (see Figure 4). This response strategy framework has three important implications for future research:

[Insert Figure 4 about here]

First, we identified set of seven response strategies systematically organized in a circumplex structure governed by two active–passive and constrictive–destructive dimensions. By doing so, we advance response strategy theory by arguing that the content and structure of behavioral responses to adversity are organized in a circumplex fashion. A circumplex structure possesses distinct advantages, in that it takes into account the interrelationships among response strategies (Furrer & Tjemkes, 2008). In addition, because it is continuous, a circumplex structure can integrate new response strategies. For example, prior research added aggressive voice and creative voice to the four original EVLN strategies and positioned them on the circumference of the circle according to their distinct combinations of activeness–passiveness and constructiveness–destructiveness (Furrer et al., in press). However, other new strategies could be added, as prior empirical studies, for example, indicated a gap between the adjacent response strategies considerate voice and patience, suggesting that unidentified passive responses may exist. Further research may investigate alternative strategies in more detail and extend the proposed typology.

Second, we developed an overarching framework of determinants of response strategies comprising three distinct levels of factors: individual-, alliance-, and environmental-level determinants. At each level, we explain the influence of a set of critical factors. However, to validate the circumplex structure, future research should examine the nature of the relationship. This is because a circumplex structure not only makes specific assumptions about the interrelationships between response strategies but also implies nonlinear relationships between response strategies and external variables. It stipulates that when an external variable relates to a response strategy, it also relates to the other strategies in a systematic way, exhibiting a pattern of positive and negative interrelated associations (Furrer & Tjemkes, 2008, Furrer et al., in press).

In addition, future research may also explore how determinants at different levels interactively influence response strategy use (Tjemkes & Furrer, 2010).

Third, we explained the dynamic aspects of the framework to uncover interaction patterns of alliance partner behavior based on the complementarity principle. One theoretical implication of these interaction patterns is that the use of response strategy path dependent in nature.

Alliance development is shaped by past and present response behavior (Ariño & De la Torre, 1998; Doz, 1996; Ring & Van de Ven, 1994). Future research should investigate how interaction patterns are influenced by changes in the external environment and managerial decision making in order to avoid premature alliance termination and strengthen collaboration.

To conclude, the response strategy framework presented in this chapter contributes to a better understanding of firm behavior in strategic alliances. Whereas past alliance studies have shown that firms change their behavior over time to solve adverse situations, we extend this work by providing a deeper understanding of the response strategies partners likely adopt and the factors influencing them. In addition, we also show that the interaction between partners exhibit dynamic patterns constrained by alliance design and determining alliance development. Taken together, the systematic nature of the response strategy framework implies that a firm can anticipate its partner's behavior. Anticipating partners' response behavior would enable firms to more efficiently and effectively allocate resources to restore an instable relationship or gradually disengage from the strategic alliance.

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Figure 1. Circumplex Structure of Response Strategies

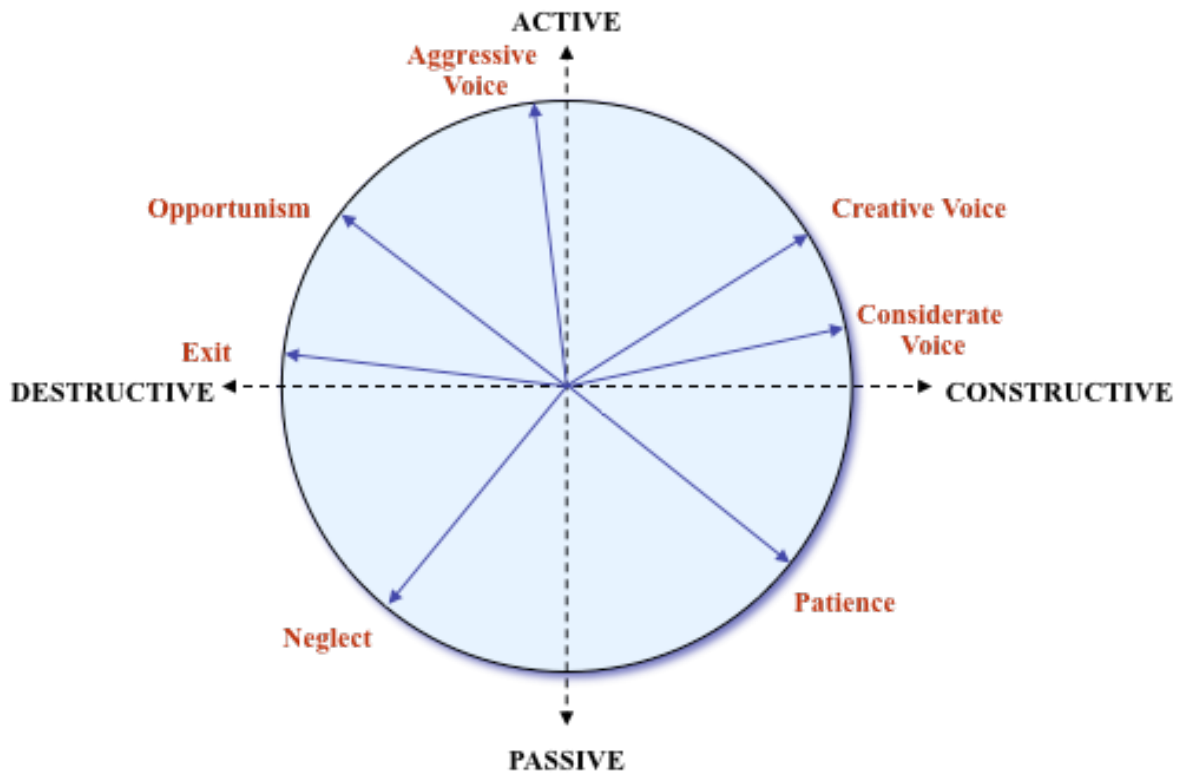


Figure 2. Multi-level Antecedents of Response Strategies

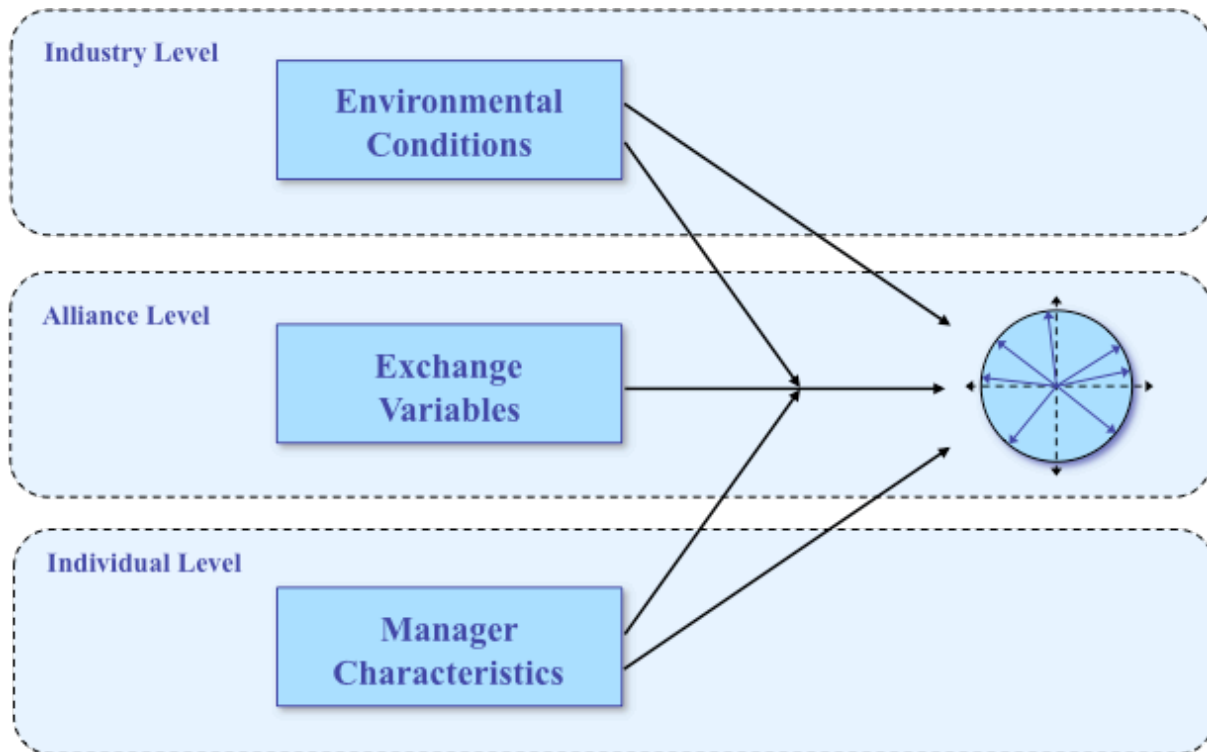


Figure 3. Partner Interactions and Response Strategies

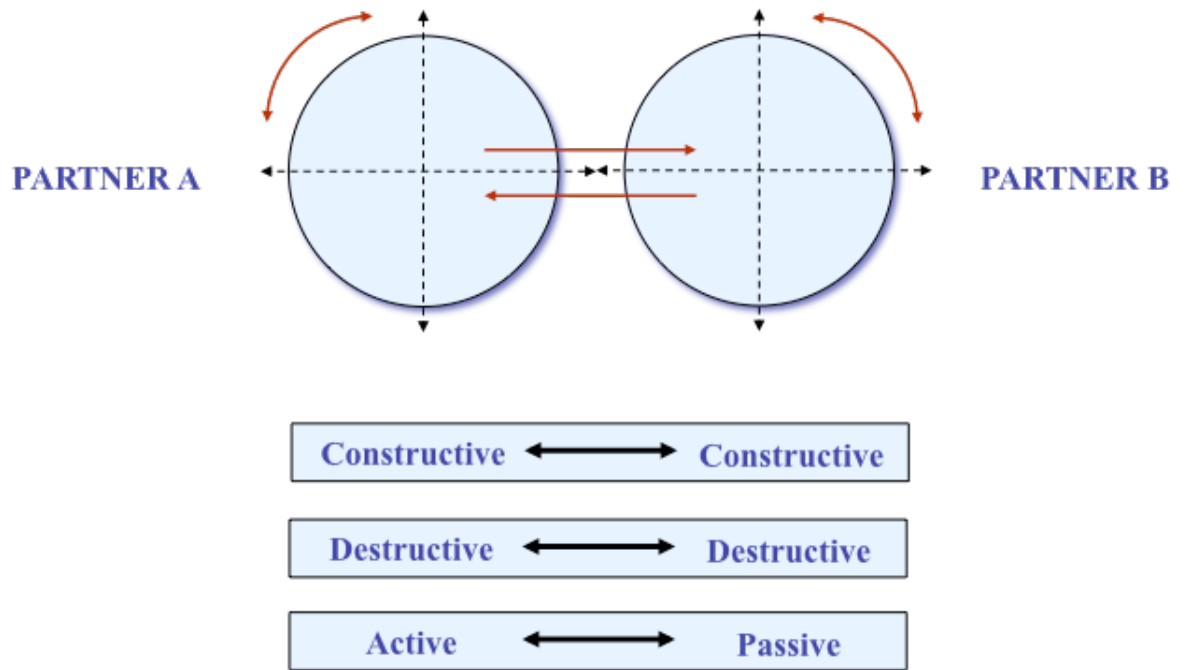
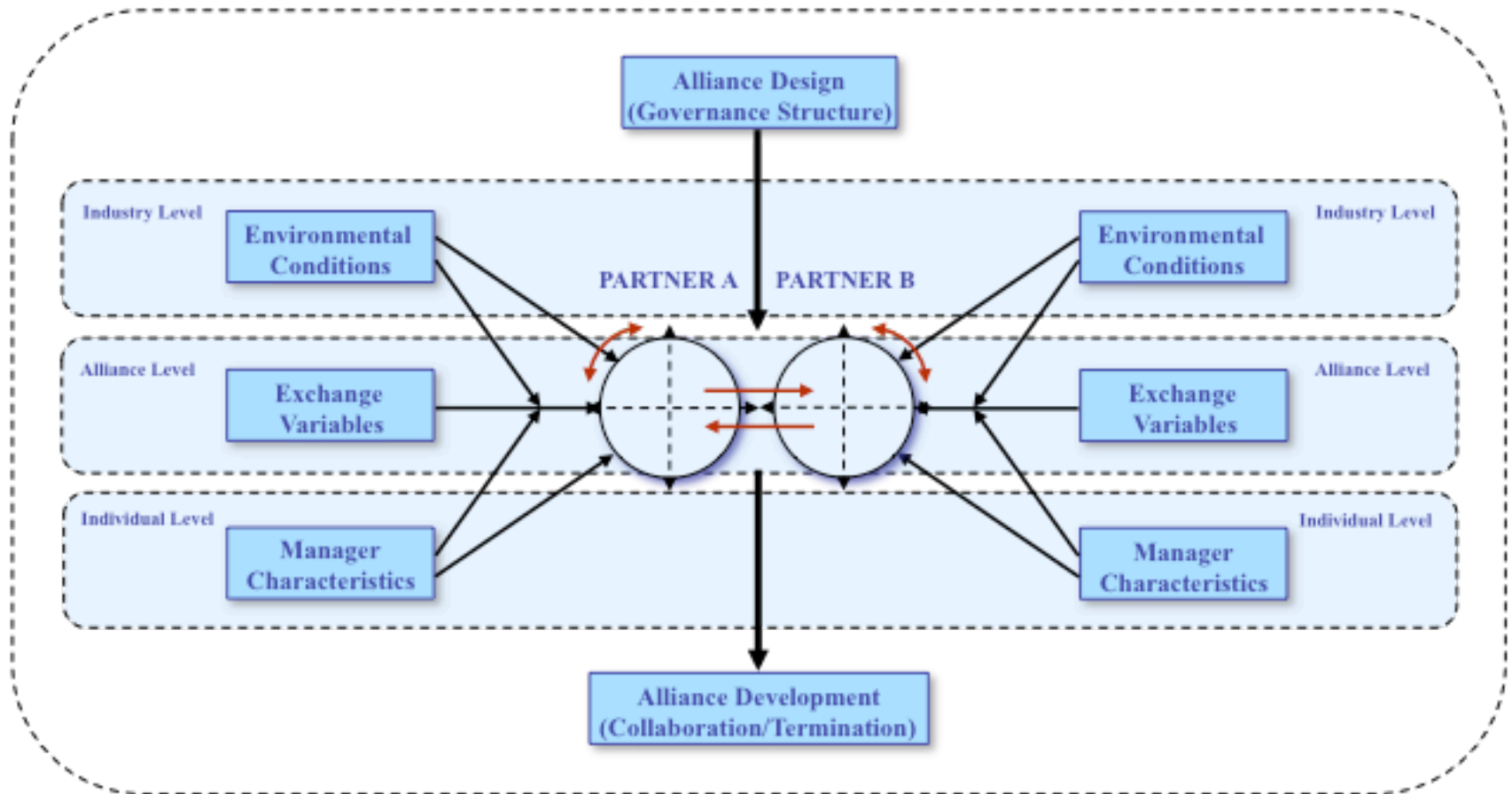


Figure 4. Partner Interactions and Response Strategies



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