Assessing the impact of psychological processes on leader alliance performance expectations and alliance structuring[*]

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Abstract

There is increasing evidence that leaders make decisions on the basis of subjective frameworks, suggesting that psychological processes play an important role in the manner in which performance expectations and the structure firms employ to meet those expectations are determined. However, despite calls for greater investigation into these processes, there has been little investigation into the psychological factors that influence the way leaders form and operate their firms' strategic alliances. Utilizing both upper echelons and goal orientation theories we discuss the manner in which leaders' orientation can influence their performance expectations and cause them to structure governance models, develop their firm's alliance capability and encourage the development of organizational cultures conducive to alliance success. This perspective offers a new way to understand the *ex ante* evaluation processes used to create alliances, leading to a number of implications for future research.

1 Introduction

Strategic alliances are voluntary relations between organizations that facilitate market entry, encourage technological exchange and promote learning (Gulati 1998)(Buckley 1988)(Dacin 2007). When possible scholars have measured the achievement of these objectives through proxies such as movements in stock price (\e.g., \Lavie 2011) or progression of a drug candidate to the next phase of a clinical trial (\e.g., \Ernst 2011). However, it has been difficult to measure directly related performance outcomes, such as the achievement of an alliance's financial objectives, because this information is often not reported outside of the partnering firms or because alliances are often in the process of accomplishing such objectives (Krishnan 2006). These limitations, combined with the finding that there is a strong correlation between financial outcomes and perceptual measures (Geringer 1991), have led to the use of subjective measures to evaluate performance in alliance studies (\e.g., \Arino 2003)(Hynes 2008)(Lavie 2012)(Schreiner 2009).

However, if it is appropriate to use subjective measures to evaluate *ex post* alliance performance, one must then ask what subjective criteria are instrumental in determining the *ex ante* performance expectations of *alliance decision makers* (ADMs), which we define as the firm's top managers who are ultimately responsible for the decision to select a partner and undertake a strategic alliance. While executives make decisions on the basis of social experiences (Salancik 1978), they have been found to rely less on direct measures of objectives than on subjective frameworks to make strategic decisions (Barr 1992)(Tyler 1995; Tyler 1998), to the point where their approaches even lead them to overlook disconfirming data and rely on pre-existing biases (Marcel 2010; Nadkarni 2008). Moreover, scholars have found that executive decisions are driven by psychological elements such as cooperativeness (Espedal 2012), attribution biases (Salancik 1984), overconfidence (Hambrick 2005b)(Malmendier 2005), narcissism (Chatterjee 2007) and pride (Hayward 1997). Not surprisingly, these findings have led to the call for greater understanding of the psychological and social processes of executives (Hambrick 2005a).

Drawing on concepts from both upper echelons and goal orientation theory, we attempt to answer this call to action by proposing that the goal orientation of ADMs has a significant effect on how a firm's *ex ante* alliance performance expectations are set as well as the type of structural elements it has developed to manage them. Upper echelons theory holds that a firm's strategy and structural makeup derive from the backgrounds, biases, values and experiences of the leaders (Hambrick 1984)(Hambrick 2005a). Empirical studies investigating upper echelons theory have shown a strong relationship between these individual characteristics and firm level outcomes (\e.g., \Crossland 2011)(Espedal 2012) (Geletkanycz 1997)(Finkelstein 1992)(Hambrick 2007\ to name a few\). This multilevel effect suggests that ADMs' orientations will influence the way in which they have shaped their firms' alliance capabilities and organizational cultures, as well as how they negotiate their alliances' governance models. We combine this with goal orientation theory, which finds that individuals have either performance or learning orientations toward their objectives and achievement of related outcomes (Brett 1999; Vandewalle 1999; Vandewalle 2001), to posit how ADMs' performance or learning orientation might influence alliance expectations.

The alliance literature has essentially considered leaders' actions in terms of style (\e.g., \Osborn 2009; Trim 2008). However, because leader behaviors are subject to values and biases (Hambrick 2005), there is reason to believe that personality characteristics also influence how ADMs set performance expectations and foster the structure under which their alliances must operate. Consideration of the personality of leaders offers the potential to determine conditions where shortcomings may be overlooked during the formation stages of the alliance due to biases against more objective decision-making criteria (Levitt 1988)(Denrell 2001)(Starbuck 2014). We therefore suggest that the dearth of attention to ADM orientation represents a gap in the alliance literature requiring examination.

This perspective offers two contributions. This is the first analysis to consider the personality of the ADM as an antecedent of alliance performance. While the literature has recognized the importance of behavioral influences on alliances, such as trust (Gulati 1995; Lui 2004; Luo 2002; Malhotra 2011), cooperation (Gulati 2012)(Schreiner 2009) and conflict handling (Mohr 1994)(Kauser 2004), individual leader behaviors have been neglected (Noorderhaven 2011). Nevertheless, there are still important questions that can be better assessed by taking ADM personality into consideration. For instance, scholars have discussed the relevance of formal versus relational governance forms in alliances, arguing that firms need to be more selective in their application of the respective types (Faems 2008; Hoetker 2009; Puranam 2009). We suggest that ADM goal orientation helps explicate reasons why some leaders, and consequently their firms, would be naturally inclined toward one of these two alternatives in their alliances.

Second, this study suggests that AMDs' personality characteristics matter. Although extant literature has held that the alliance formation process is driven by the need to fulfill strategic organizational objectives, such as efficiency, enhanced competitive position or organizational learning (Inkpen 2001), we propose that ADMs' goal orientation also plays an important role in how ADMs interpret those objectives and implement alliances to provide them. For instance, if the actors in the firm were unaccustomed to working with external partners, a focus on learning how to collaborate, which is more in line with the type of objectives a learning goal oriented leader would anticipate (Geletkanycz 1997), might initially be more necessary than a strict focus on outcomes that a performance goal oriented leader would have. However, because leaders' subjective frameworks cause them to overlook critical information in their decision making processes (Barr 1992)(Marcel 2010; Nadkarni 2008), ADMs' goal orientations might cause them

to misconstrue the alliances' actual demands. We therefore argue that goal orientation informs an important aspect of the decision-making logic employed by ADMs.

The remainder of this paper is composed of three sections. After discussing both upper echelons theory and goal orientation and their effects on decision-making and performance expectations we then consider their influence on three structural elements of alliances: alliance governance model, alliance capability and organizational culture. We conclude with research implications that flow from our propositions.

2 Alliance decision maker goal orientation and performance expectations

Despite early attempts to relate alliance performance to specific antecedents, scholars have come to define it as a multidimensional construct. Some studies have focused on financial outcomes, such as sales or profitability, but it has proven difficult to identify such information consistently for alliances since objective performance measures are not always made public (Geringer 1991). Other studies have recognized the long-term nature of alliances and have therefore focused on sustainability (\e.g., \Lu 2006), but this too has proven to be challenging since alliances are often assessed in mid-life, therefore making it difficult to gauge ultimate success or longevity (Krishnan 2006). Moreover, scholars have recognized that there is both an objective and potential aspect to alliance performance that may best be measured by satisfaction (\e.g., \Arino 2003). The combination of such factors has led scholars to argue in favor of using perceptual measures of performance that incorporate a broad range of indicators such as satisfaction, enhanced competitive position, and acquisition of capabilities Kale 2007)(Walter 2012), relational equity and learning (Nielsen 2007). (\For a review of alliance performance literature see \Christoffersen 2013\.\)

However, if perceptual measures of performance are used to evaluate *ex post* performance then it raises the question of the perceptual elements that go into setting *ex ante* objectives. The alliance process has typically been characterized as a lifecycle, with early stages associated with forming the alliance and later stages associated with managing it. (\See \Das 2002; Kale 2002; Ring 1994\ for examples of how various scholars have broken down the lifecycle into sub-stages.\) Performance expectations for the alliance are established during the selection and negotiation stages when partner characteristics are evaluated and alliance objectives are formalized respectively (Shah 2008). Assisted by specialist teams in areas such as technology/science ,(\e.g., \Klee 2004; Sims 2001), and finance and legal (\e.g., \Mascarenhas 2008), the ADM makes the final decision to undertake the alliance based on a projection of acceptable outcomes (Walter 2012) and ability to anticipate critical risks (Cummings 2012).

While alliance studies, like others in the strategy domain, have traditionally focused on firm level behaviors as antecedents of performance, there is an increasing interest in the effect of multilevel influences (\e.g., \Klein 2000)(Nielsen 2010a). As a result, there is greater appreciation for the cross-level effects of behaviors at one level of analysis on higher levels (Nielsen 2010a). This can include individual level actors such as alliance managers (Hoffmann 2005), teams (Luvison 2013a), and functional groups (Kale 2007)(Heimeriks 2007a).

One such cross-level theory is upper echelons theory, which suggests that leaders' backgrounds, biases, values and experiences have a strong influence on their decision-making processes and that their decisions in turn substantially preordain firms' strategy and structure (Hambrick 1984)(Hambrick 2005)(Hambrick 2007). Such leader characteristics, which include age and tenure (Hambrick 1984), national culture (Crossland 2011)(Geletkanycz 1997) and cooperative behaviors (Espedal 2012) to name a few, have been shown to have a significant

relationship to a firm's behaviors and performance. Similar effects have been identified when leader characteristics are aggregated to reflect the entire top management team, with the effects on strategic behaviors yielding even stronger relationships (Finkelstein 1992)(Hambrick 2007).

Where the upper echelons theory literature has tended to focus on the effect of observable leader characteristics (e.g., age, education, tenure) on decision-making, studies exploring goal orientation theory have focused on more cognitive characteristics of leader's actions. Because performance objectives are derived from a forward-looking activity undertaken by human decision-makers, goal-setting processes are subject to human characteristics and biases (Kahneman 1979a). Starting with research initially undertaken by Dweck (%Dweck 1986), goal orientation theory has identified that individuals have one of two fundamental orientations toward their objectives and achievement of related outcomes: performance and learning (Vandewalle 1997; Vandewalle 1999). Performance goal orientation has subsequently been subdivided into proving (performance prove) and avoiding (performance avoid) variants (Vandewalle 2001).

In general, performance goal oriented individuals tend to see one's ability as fixed; therefore, any attempt to further develop task mastery of such a fixed resource is to be avoided (Vandewalle 1999). Individuals with a performance prove goal orientation demonstrate their competency through normative comparisons with others; individuals with a performance avoid goal orientation seek to avoid negative appraisals of their abilities (Dragoni 2005). In order to avoid the risk of failure individuals with an avoid orientation will shun tasks that they feel require new learning and set goals in a manner to avoid negative comparisons, even to the point of task withdrawal or defensive behaviors (Brett 1999)(Dweck 1988). Performance prove oriented individuals tend to prefer situations that enable them to achieve recognition or financial rewards as a way to demonstrate their abilities relative to others (Dragoni 2012).

Learning goal orientated (or mastery oriented) individuals, on the other hand, view ability as something that can be developed through individuals' effort and experience, such that learning both activates current abilities and also fosters the development of new abilities (Vandewalle 1997; Vandewalle 1999). Because of this orientation, learning goal oriented individuals are more likely to embrace difficult, risky challenges that require capability development and involve change (Brett 1999) and, as a result, are more likely to embrace long-term initiatives (Geletkanycz 1997).

Scholars have noted that leaders not only exhibit these various goal orientations (Dragoni 2005), but that they also promote those orientations throughout the rest of their organizations (Dragoni 2012)(Yammarino 1994)(Ou 2014). This occurs because leaders model behaviors (Bandura 1986)(Schein 2010)(Santos 2012)(Bloor 1994) as well as offer tangible and intangible rewards and punishments to support such actions (Edmondson 2003)(Ostroff 2003). Consistent with the call for examining cross-level effects of alliance behaviors at one level of analysis on higher levels (Nielsen 2010a), we similarly suggest that these goal orientations have a strong influence on how ADMs set the structure for their firms' participation in alliances. In the following section we discuss how the characteristics of ADMs influence the structure under which the alliance is required to operate, thereby determining its governance model, alliance capabilities, organizational culture and, ultimately, performance expectations.

3   The influence of alliance decision maker orientation

There are a number of points in the alliance where ADMs can influence its direction. Activities taken during the formation phase of the alliance attempt to deal with the ambiguity of the partner's abilities and the achievability of the alliance's ultimate outcomes (Anand 2000). In general the decision process is one in which the firm attempts to simultaneously assess partner

potential (Zajac 1993) and fit (Cummings 2012). Under such conditions there is a greater possibility that ADMs will balance rational and political ends by utilizing self-determined rules in an attempt to arrive at acceptable conditions for the alliance (Walter 2012). These rules can invite judgmental mistakes that result in biases during the selection and formation processes that can carry over into the management phase of the alliance lifecycle (Chao 2011).

Similarly, a number of structural elements, which we will argue are subject to ADM orientation, have been shown to influence the success of strategic alliances. We define structural elements as attributes that have an influence on alliance performance but are difficult to alter in the short-run timeframe of an alliance. In this paper we discuss one alliance-level element, the alliance's governance model, and two firm-level elements, alliance capability and organizational culture. Studies evaluating the impact of an alliance's governance model have been found it to affect both performance (Hoetker 2009)(Sampson 2004)(Luo 2008a) and innovation (Sivakumar 2011)(Keil 2008). Firms with a well-developed alliance capability, either through the presence of defined alliance management tools and processes (Draulans 2003)(Heimeriks 2007; Heimeriks 2009) or a dedicated alliance management function (Kale 2002; Kale 2007; Schreiner 2009)(Hoffmann 2005), have been shown to achieve superior results. Similarly, cultural sensitivity, how supportive of alliances an organization's culture is, has been shown to improve its ability to make sense of partner motives (Das 2010; DeMan 2014; Kumar 2011; Sambasivan 2010; Vlaar 2006), and serve as an adjunct to governance efforts (Das 1998a), also improving alliance performance. Because of the difficulty in modifying governance models (Reuer 2002a), the institutionalization of alliance capability (Heimeriks 2007a), and the permanence of organizational cultures (Cameron 2011)(Deal 1982), there is a greater likelihood that over time those operating in the alliance will need to adapt to these structural elements than vice versa.

Following from upper echelons theory, which states that the firm's strategy and structure is determined by the backgrounds, biases, values and experiences of its leaders (Hambrick 1984)(Hambrick 2005)(Hambrick 2007), we argue that the three above-mentioned structural elements are strongly influenced by ADMs. We now consider how each of these is affected by ADM goal orientation.

3.1 Governance model

While alliance partners seek to cooperate to obtain common benefits through joint value creating activities (Khanna 1998)(Zhang 2010), they also put in place policies, procedures and administrative controls to prevent their firm from being exploited by their partners (Malhotra 2011) and to coordinate activities, allocate resources and implement tasks as efficiently and effectively as possible (Anderson 1986; Geringer 1989; Killing 1982). Such organizational elements make up the alliance governance model, which refers to the structures and mechanisms under which an alliance is managed, organized and regulated (Albers 2010).

Typically, firms develop letters of intent followed by memoranda of understanding and formal contracts to codify their governance arrangements. However, legal governance structures affect only a subset of firm behaviors in an alliance (Albers 2013). Alliances are in practice governed through a combination of control and trust (Das 1998a; DeMan 2009a), suggesting that relational governance and firm adaptation may have a significant influence on behaviors regardless of whether strong formal governance conditions are in place (Reuer 2007). Indeed, although partners should exhibit both forbearance and commitment if they are to be successful (Das 2009), the reality is that firms adopt different postures in alliances depending upon a number of factors. For instance, firms that have a short-term orientation are more likely to expect partner opportunism

and behave accordingly (Das 2006), regardless of any overarching governance arrangement. Similarly, the behaviors that firms are likely to carry into an alliance are affected by whether they approach the relationship with a prevention- or promotion-frame (Weber 2011).

Because alliance governance models are negotiated by ADMs, there is a strong likelihood that those models will be influenced by ADMs' values and biases. Scholars have debated whether leaders' behavioral assumptions should gravitate to formal governance processes due to the need to guard against opportunism (Williamson 1996) or relational processes flowing from a trust based motive of action (Ghoshal 1996; Moran 1996). However, both positions suggest that leaders' strategic orientation are ultimately derived from the assumptions underlying their subjective mental models (Nadkarni 2008). It is therefore likely that leaders will employ those models when negotiating their alliances' governance models. Just as biases such as overconfidence, single outcome calculation and adjustment and anchoring (Chao 2011) are components of decision-making in the formulation and management of an alliance, we suggest that goal orientation will have a strong influence on how those governance models are determined.

Leaders with a performance prove goal orientation tend to see themselves in competition with others or being judged against tangible success criteria, hence they have a tendency to devote high levels of attention to planning and work processes (Mehta 2009; Vandewalle 1999). Consequently, in an alliance they will devote a significant level of focus to anticipating areas where performance shortfalls and operational issues could occur and putting control oriented processes in place *ex ante* to manage them. This suggests that ADMs with a performance prove goal orientation will strive to negotiate highly formal governance structures for their alliances. Individuals with a performance avoid goal orientation, being more inclined to withdraw from risky situations, are less likely to take on difficult goals and will shun relationships that require them to develop new abilities (Brett 1999)(Dweck 1988). We would expect them to have higher levels of risk aversion than leaders who are able to embrace the value of adaptation over a longer term (Das 2006)(Geletkanycz 1997). Consequently, they too would seek the protection afforded by highly formal contract and governance models. Similarly, given the tendency of individuals to avoid dissonance (Festinger 1957), both types of performance goal oriented individuals should be more likely to anticipate similar orientations in others, believing they too would also be inclined to shirk alliance agreements that do not impose strong formal constraints. Thus, both types of performance goal oriented ADMs would favor more formalized governance arrangements to tie down partner commitments (Gulati 2008).

Learning goal-oriented individuals, on the other hand, believe that ability can be developed and are therefore more open to situations requiring adaptation (Bunderson 2003; Lepine 2005). As a result, they are more likely to see the value of a long-term perspective that enables them to be adaptive and undertake challenging tasks (Geletkanycz 1997). For these reasons, ADMs with a learning goal orientation should be more likely to set difficult goals and accept feedback to help them achieve those goals. Seeing such a pattern in others would make them more open to collaborative behaviors and a governance model that emphasized such behaviors. As a result, we would expect learning goal oriented ADMs to seek agreements that favor relational governance because they believe they would have greater ability to manage without strict contractual constraints (Macaulay 1963).

> *Proposition 1a.* ADMs with a performance prove goal orientation are more likely to structure agreements favoring formal governance processes for their alliances.

> *Proposition 1b.* ADMs with a performance avoid goal orientation are more likely to structure agreements favoring formal governance processes for their alliances.

Proposition 1c. ADMs with a learning goal orientation are more likely to structure agreements favoring relational governance processes for their alliances.

3.2 Alliance capability

Alliance capability is defined as a firm's ability to capture, distribute and utilize its alliance management knowledge (Heimeriks 2009). Scholars have focused on two general categories of alliance capability: tools and processes and the alliance management function. Tools and processes represent the routines that an organization develops to plan or execute alliances, such as partner selection protocols, business planning protocols, codified best practices, and specialized alliance training (Heimeriks 2007; Heimeriks 2009). The alliance management function represents the individuals responsible for the coordination and management of a firm's alliance activity (Kale 2001). These individuals are, especially when part of a formal alliance management group or department, responsible for articulation, codification, sharing and internalization of the firm's alliance know-how (Kale 2007), as well as mobilization of internal resources and systematic assessment of alliance performance (Kale 2002). Various studies have shown that alliance capability is related to overall alliance performance (\e.g., \Heimeriks 2007; Kale 2002; Schreiner 2009).

Firms develop their alliance capabilities first through an integration process in which individual experience is exchanged at a group level and then through an institutionalization process in which capabilities become embedded as organizational routines (Heimeriks 2007a). As firms increase the number and scale of their alliances institutional processes provide the structure to help ensure that capabilities are made available throughout the firm on a consistent basis, thereby improving the likelihood of their success. Manifestations of institutionalization include the creation of an alliance management group/department (Kale 2002) and the formalization of particular procedures for reporting and control (Heimeriks 2007). It is important to point out that such manifestations cannot occur without the approval of ADMs. An alliance management group requires headcount and budget approvals, which prevents it from being formed without executive authorization. Similarly, procedures used in the management of alliances are often created to facilitate reporting of alliance status to ADMs and consequently are shaped by them.

Because organizational leaders determine a firm's structure (Hambrick 1984; Hambrick 2005; Hambrick 2007), we argue that ADMs' goal orientation should likewise influence how the firm's alliance capabilities are institutionalized. ADMs with a performance prove goal orientation are likely to see organizational abilities as a vehicle to ensure desired outcomes and promote the creation of such routines. In keeping with their reliance on planning and control processes (Mehta 2009; Vandewalle 1999), they are likely to see the role of tools, processes and the alliance management function being to limit non-productive actions of partners. Conversely, performance avoid goal orientated leaders will strive to minimize risks that could lead to alliance failure, so they should be expected to promote procedures that ensure information confidentiality, provide clear conflict resolution processes, and stress reward systems that mitigate the potential for financial loss.

ADMs with a learning goal orientation, on the other hand, are likely to see organizational abilities as evolving and in need of ongoing growth. Given that they see effort as necessary to expand abilities, they likely have a greater willingness to "try and try again" than those with a performance goal orientation. As such, valued capabilities would be those that encourage idea exchange, knowledge transfer and experimentation, and might include transparent communication

routines, broad-based objectives based on a balanced scorecard framework, and programs encouraging excellence and ongoing improvement.

Proposition 2a. ADMs with a performance prove goal orientation will be more likely to promote organizational routines that stress planning and control.

Proposition 2b. ADMs with a performance avoid goal orientation will be more likely to promote organizational routines that stress conflict management and risk mitigation.

Proposition 2c. ADMs with a learning goal orientation will be more likely to promote organizational routines that stress knowledge exchange and opportunity creation.

With regard to the alliance management function, alliance managers are typically held responsible for the goals and objectives of the alliance (Spekman 1996). However, alliance managers' roles run the gamut from relationship management and coordination (Hoffmann 2005) to functional activities (\e.g., joint sales processes and project management as suggested in \Gerwin 2004)(Hoffmann 2001; Smith 1997) to sharing learning, codifying best practices, building support for alliances across the firm, orchestrating resources and measuring/monitoring performance (Kale 2001).

Because ADMs with a performance prove goal orientation evaluate their performance against tangible objectives (Dragoni 2012), they should be more likely to see alliance managers' roles as *functionally* based, that is more oriented toward fulfilling the activities that directly contribute to the achievement of requirements outlined in the alliance agreements such as revenue generation in a go-to-market alliance (Smith 1997; Smith 1999) or project development milestones in an innovation alliance (Gerwin 2004). ADMs with a performance avoid goal orientation, on the other hand, would be driven by the need to avoid negative comparisons (Dragoni 2012), so they will be more likely to see alliance managers' roles as *protection* based, that is oriented toward guarding the firm's assets and looking out for its interests. ADMs with both types of performance goal orientation would view these roles as appropriate because they expect alliance participants to prioritize the outcomes that formed the basis for the alliance.

On the other hand, learning goal oriented ADMs are more likely to promote *cooperatively* based alliance manager roles such as internal/external relationship management and best practice creation/codification because such activities promote organizational growth, learning and ultimately capability development (Dragoni 2012). This suggests that ADMs with a learning goal orientation would set objectives for their alliance managers that anticipate the need for adaptation and adjustment. In essence, alliance managers would be assessed on the basis of how well they facilitate the collaborative process. Because individuals with a learning goal orientation anticipate that problems are a necessary component of learning activities (Dragoni 2005), even though they may strive to meet performance objectives, they would nevertheless accept that alliance managers' roles in these situations will be defined less in terms of how well they execute functional tasks, such as selling or project management, and more in terms of how they are able to enable the partnering firms to adapt to one another's differences.

Proposition 2d. ADMs with a performance prove goal orientation will be more likely to define alliance management as a functionally oriented role.

Proposition 2e. ADMs with a performance avoid goal orientation will be more likely to define alliance management as a protection oriented role.

Proposition 2f. ADMs with a learning goal orientation will be more likely to define alliance management as a cooperatively oriented role.

3.3 *Organizational Culture*

Alliances bring together organizations that have different cultures. Achieving alliance success in light of cultural differences can be problematic. For example, national cultural distance, as captured by uncertainty avoidance and long-term orientation, has been found to disrupt alliances (Barkema 1997), though studies investigating the effect of overall cultural distance have produced mixed findings (\see \Christoffersen 2013a\ for a review and evaluation) with some studies finding that organizational cultures can override national cultures in some contexts (Heuer 1999) and others suggesting that integrative activities can bridge national cultural distances (Arjen H.L. Slangen, "National cultural distance and initial foreign acquisition performance: The moderating effect of integration" Journal of World Business 41 (2006) 161–170). This has led scholars to suggest that differences in organizational rather than national culture may more accurately explain variance in alliance performance (Merchant 2000), which has been borne out in a variety of studies (\e.g., \Beugelsdijk 2006; Creque 2011; Leisen 2002; Wang 2014). These studies have pointed out the need for participants in an alliance to have sufficient sensitivity to differences in organizational culture in order to ensure each can properly interpret the other's motivations (Das 2010).

When an orientation toward sensitivity is lacking there is a danger that motives will be misinterpreted and the alliance's performance will suffer (Kumar 2011). Such an orientation is embodied in an alliance mindset (Spekman 2000)(Sluyts 2011) or an alliance supportive culture (DeMan 2014); these reflect a culture that is more conducive to working with partners. Studies have shown that some types of organizational culture are more likely to prove successful in alliances than others (Leisen 2002), such as those stressing openness, mutuality, trustworthiness and a learning orientation (Sambasivan 2010)(Barney 1994)(Yeung 1999)(DeMan 2014).

Unlike national cultures, which derive from the specific country context in which an organization is located (Hofstede 2001)(Dorfman 2012), organizational cultures are derived from the actions of organizational members. Organizational cultures are formed through a combination of experience and the influence of the leader and/or founder (Schein 1990; Schein 2010). Culture is the result of ongoing organizational sensemaking in which various alternatives are experimented with until a set of normative values and behaviors emerge (Schein 1984). However, leaders affect that process in various ways. As has been noted above, leaders' subjective frameworks determine their strategic decision making processes (Barr 1992), and these are influenced by their cultural values (Barr 2004)(Geletkanycz 1997). Leaders have a number of ways of projecting these values down through the rest of the organization. First of all, as models of shared meaning (Smircich 1982) their values are indirectly conveyed to other organizational members (Yammarino 1994)(Ou 2014). Secondly, their support for initiatives serves as a visible signal of the importance of specific values and behaviors (Jassawalla 2001). Finally, leaders' modeled behaviors lend implicit endorsement of how members of the organization should act (Schein 2010) (Santos 2012)(Bloor 1994).

ADMs that encourage more collaborative values are likely to foster more open pathways for their firm to interact internally and externally (Ibarra 2011) and to promote learning exchange (Ng 2009)(Lopez 2004). Further, such organizations are more likely to delegate responsibilities, tolerate creative mistakes, provide slack time to work on new ideas (Davenport 1998), and be willing to accept their partners' ideas (Hayes 1985; Katz 1982). In doing these things they would

help foster a supportive culture toward alliances. Conversely, ADMs that consider interorganizational relationships to be subject to calculative partner behaviors (Williamson 1993) and appropriation risk (Dyer 2008) will be more likely to promote a more closed culture across the organization, emphasizing values that guard against opportunism (Das 2005; Das 2006).

Because leaders with a performance prove goal orientation are driven toward the accomplishment of financial or other objectives, they emphasize refined work processes in order to increase their opportunity for success (Mehta 2009; Vandewalle 1999). As a result, ADMs with this orientation should be more inclined to promote cultural values that support partner interests since that creates a greater opportunity for the alliance's success. However, their emphasis on achieving their own objectives should cause them to ultimately offer limited flexibility in instances where their objectives are not met by the partner. Consequently, such support will be conditional. On the other hand, leaders with a performance avoid goal orientation avoid feedback (Cron 2002), making them ill-suited to situations that are subject to trial and error. ADMs with this orientation are likely therefore to encourage the firm's culture to be less open to challenges posed by conflicting cultures of partners and therefore less supportive of partner cultural differences. ADMs with a learning goal orientation are more likely to encourage the organization to act in a culturally sensitive manner because they are more willing to undertake activities that challenge their existing mores. They would also be more willing to accept difficult challenges that involve change and require long-term commitment to an initiative. Because they are more open to the opportunity for development and feedback, ADMs with a learning goal orientation are likely to foster a more supportive culture toward their alliances.

> *Proposition 3a.* ADMs with a performance prove goal orientation will be more likely to foster a conditionally supportive culture toward alliances.

> *Proposition 3b.* ADMs with a performance goal orientation will be more likely to foster a less supportive culture toward alliances.

> *Proposition 3c.* ADMs with a learning goal orientation will be more likely to foster a more supportive culture toward alliances.

Table 1. Summary of propositions

Goal Orientation	Leads to	Governance Model	Alliance Capability Orientation	Alliance Management Orientation	Organizational Culture
Performance Prove		Formal	Planning & Control	Functional	Conditionally Supportive
Performance Avoid		Formal	Conflict Management & Risk Mitigation	Protection	Less Supportive
Learning		Relational	Learning & Knowledge Creation	Cooperative	More Supportive

4   Discussion and research implications

In this paper we have employed upper echelons and goal orientation theories to assess the behavior and expectations of ADMs in strategic alliances. These theories suggest that leaders' decision-making processes are influenced by their backgrounds, biases, values, experiences and orientations, which in turn substantially preordain firms' strategy and structure. The propositions that follow from these theories suggest that performance goal oriented ADMs will favor formal governance, frame alliance capabilities in terms of risk-controlling processes and be less sensitive to other firms' cultures than learning goal oriented ADMs, who will instead be more likely to favor relational governance and to promote routines that foster knowledge sharing. In addition, we propose that ADMs with performance goal orientations will assess their alliance managers' roles in terms of functional or protective behaviors, as opposed to learning goal oriented ADMs, who will tend to frame alliance managers' roles as supporting cooperative behaviors. This study contributes to the literature by being the first to highlight the relevance of these two theories to alliance decision-making processes and by providing a basis to further evaluate psychological antecedents to alliance performance.

4.1   Research implications

This analysis offers a number of implications for future alliance studies. While we have argued that *ex ante* performance expectations for an alliance are influenced by the ADM's goal orientation, it should also follow that *ex post* performance evaluations are influenced by the same ADM's goal orientation, since those individuals ultimately decide whether a given alliance is successful. As was noted in the introduction to this paper, scholars have relied on perceptual measures of performance in evaluating alliance success (Gulati 1998a)(Kale 2007). The purpose of our analysis is not to refute existing practice supporting the use of such perceptual measures, but rather to argue that goal orientation is an additional component of ADMs' assessment heuristic. This suggests that scholars should also be taking the assessor's expectation frame into consideration when evaluating alliance performance. Future research should consequently explore the relationship between goal orientation and performance evaluation to better understand the objectivity of the perceptual measures currently being used.

A second research implication involves alliance formation. Because of ADMs' role in forming alliances, the inclusion of goal orientation as a component in the alliance decision-making process also broadens the discussion of alliance strategy and partner selection criteria. We would suggest that ADMs with a particular goal orientation would be more comfortable with particular types of alliances and thereby gravitate to them. For example, executives with a higher tolerance for ambiguity have been shown to be more effective in managing growth oriented rather than "harvest" oriented business units (Gupta 1984). It would consequently be useful to understand whether performance goal ADMs are more likely to create and/or effectively manage exploitation alliances whereas learning goal oriented ADMs are more likely to create and/or effectively manage exploration alliances. Similarly, additional studies could probe the likelihood that goal orientation would be related to the negotiation style used to formalize the alliance agreement.

A third implication involves the opportunity to better understand issues associated with performance across the alliance lifecycle based on the goal orientations of the respective partner firms' ADMs. The alliance dynamics literature identifies various ways in which alliances move from alignment in the selection phase to misalignment in the management phase, such as through cooperative/competitive behaviors (Das 2000a), interpartner conflicts (Das 2002),

outcome/process discrepancies (Kumar 1998), imperfect handoffs between the selection and management phases (Nielsen 2010), and unilateral actions (Arino 1998)(Ariño 2008). Similarities and differences in goal orientation between respective firm ADMs could have implications on alliance success over and above what has been written about asymmetrical alliances (\e.g., \Contractor 2009; Das 2010b; Faems 2012), which focus on firm level differentials. On the one hand, alliances formed by ADMs with similar performance goal orientations might be created more quickly due to the shared emphasis on achieving a defined result but might offer limited sustainability due to the decreased emphasis on learning from one another. On the other hand, differences in goal orientation between respective firm ADMs could cause complications in the formation phase due to dissimilar emphases, but could result in enhanced performance and longevity based on the overriding efforts of the learning goal oriented ADM being able to adapt and adjust to new opportunities. Just as context plays a key role in determining whether firm level complementarities improve or complicate alliance coordination (Gulati 2012), it is likely that similarities and dissimilarities in respective ADM goal orientation will result in mixed effects on performance. Consequently, there is opportunity for future research in this area.

Future researchers should be able to employ a range of methods to test these and subsequent propositions. While previous qualitative studies have considered leader behaviors in alliances (\e.g., \Arino 1998) (Doz 1996), there is still the opportunity to understand the psychological profile of ADMs in terms of their goal orientations in relation to their firms' structural elements. These investigations could also be done as mixed method studies, taking advantage of extant instruments that measure goal orientation (\e.g., \Chen 2008; Vandewalle 1999); those instruments would also facilitate quantitative studies considering the goal orientations of respective firm ADMs suggested above.

Among the limitations in this analysis, perhaps the most noteworthy is the lack of operationalization of the structural elements we have identified. While this was done to achieve theoretical parsimony it is understood that for future testing it will be necessary to define these elements more precisely. For example, governance can refer to both the contents of a formal contract and the management model in place to oversee the alliance (DeMan 2013). Yet, using contractual conditions as a proxy for governance is likely to produce different insights than operationalizing it as a management model. We have therefore left operationalization for follow-on empirical researchers. A second limitation is that our identification of governance, capability and culture as structural elements quite possibly omits other equally valid elements. As we have argued above, each of these elements were chosen because there is a theoretical grounding for the influence of leaders on them in alliances and because they are both difficult to change and have been shown to affect performance. However, we acknowledge that this list is not exhaustive and that future researchers may be able to identify other, equally appropriate structural elements that are influenced by ADM goal orientation.

5 Conclusion

In trying to understand the factors that contribute to poor alliance performance outcomes, scholars have turned to three culprits— the quality of the partner(s) engaged, the quality of the alliance managers involved, and the hospitality of the broader industry and technological contexts—as all that matters. Yet, as we have argued above, ADMs can also have a profound influence on alliance performance. ADMs matter because, in addition to being involved in the initial alliance choice and partner selection processes, they also set the performance goals for the alliance, define the governance model through which the alliance operates, and nurture and support

different capabilities-development processes and partnering cultures. This paper contributes to our understanding about how ADMs affect all of these variables and, ultimately, alliance performance.

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