Interpartner harmony in strategic alliances: managing commitment and forbearance

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Abstract: We propose a framework to understand interpartner harmony in strategic alliances. Interpartner harmony in strategic alliances denotes the mutual understanding that alliance members accomplish by managing commitment and forbearance in the context of their interdependence. We proceed from the notion that the pervasive conflict-based view of alliances has clouded the consideration of the quest for harmony as a significant factor in alliance dynamics. We believe that alliances have an inbuilt resilience that makes the emergence of harmony a natural outcome, through the joint exercise of commitment and forbearance, even as conflict and opportunism persist as inevitable challenges. We describe the four kinds of interpartner harmony in alliances – superficial, specious, constrained and communal – based on the degrees of commitment and forbearance. We also discuss the salience of each of these interpartner harmony types in the three principal types of alliances (equity joint ventures, minority equity alliances and nonequity alliances). Implications of the analysis are discussed for further research as well as managerial practice.

Keywords: strategic alliances; interpartner harmony; commitment; forbearance.

Introduction

The globalisation of markets and technological advances have combined to heighten the interdependence among business firms. This interdependence is prominently reflected in the rapidly growing number of strategic alliances, which can range from joint R&D to equity-based joint ventures. Inevitably, partner firms in alliances need to effectively control the ever-present potential for interpartner conflict and decide upon the level of their own commitment in the alliances. The management of interdependence also necessitates negotiations, whereby alliance partners seek to resolve the incompatibility of their goals. The backdrop to such negotiations may be contentious or harmonious, depending on the motivations of the alliance partners and the strategies they employ to manage conflict. Scholars note that failure rates in strategic alliances, excluding pre-determined terminations, are as high as 50% or more (Das and Teng, 2000). It has also been argued that conflicts in alliances are a result of the inherent opportunistic tendencies of partner firms.

We contend that the same motivation that prompts the formation of alliances among firms engenders the quest for interpartner harmony. Whereas alliances are fraught with potential and actual conflict between the partners, it nevertheless remains true that the foundation of the relationship is one of cooperation and harmony. In other words, although conflicts do happen in the warp and woof of interactions between partners in the normal course of alliance functioning, the original motivation to cooperate in conditions of harmony remains pervasive. How else is it that strategic alliances survive despite the acknowledged endemic conflicts among alliance partners? Our thesis is that alliances persist despite conflicts because there is the foundational attribute of interpartner harmony. The fact that such conflicts lead to alliance failures – in substantial numbers too – does not negate the existence and potency of the quest for interpartner harmony.
Although it would be simplistic to deny the presence of opportunism among alliance partners (Das and Rahman, 2009), it needs to be acknowledged that opportunistic inclinations are neither always present in interorganisational interactions nor always a contributor to conflicts among alliance partners (e.g., Chen et al., 2002; Park and Ungson, 2001; Zajac and Olsen, 1993). Furthermore, even if opportunistic inclinations are present, scholars note that their impact is often mitigated by the presence of control systems (Das, 2005; Das and Rahman, 2001, 2002). For instance, Coletti et al. (2005) demonstrate, through experimental simulations, that control systems can facilitate collaboration provided that the participants are able to witness the cooperative benefits of control systems. Hence, whereas one cannot deny the potential for opportunism, it would be equally unrealistic to suggest that alliance dynamics necessarily and always involve the presence of opportunism. This suggests that conflict may be less prevalent than is generally assumed, given that the disposition of alliance members is ordinarily one of seeking harmony through reciprocal commitment. In related research, scholars have also drawn a distinction between weak and strong reciprocity (e.g., Kahan, 2003). Weak reciprocators are concerned only with maximising their own gain whereas strong reciprocators demonstrate a much higher level of commitment. As Kahan (2003) notes, strong reciprocators “will condition their contribution to collective goods on the contributions of others even in fleeting transactions with multiple actors whose behaviour they cannot keep track of and whose identities they can’t even discern” (p.73).

We divide the remainder of the article into several parts. We begin by noting that harmony in alliances is often given less attention than conflict in the literature. Second, we discuss the conflict-based view that pervades a good part of the alliance literature. Third, we briefly assess the interdisciplinary literature on harmony. Fourth, we put forward the concept of interpartner harmony in strategic alliances and suggest a definition. We next propose that interpartner harmony comprise both commitment and forbearance and follow up with a four-part typology of interpartner harmony in strategic alliances. We also comment on the nature of interpartner harmony in different types of alliances. We conclude with suggestions for further research and discuss the implications of our analysis here for practice, suggesting ways to foster and manage greater interpartner harmony in alliances.

2 Conflict and harmony

The idea that harmony may be more prevalent in alliances than is traditionally assumed is supported by both qualitative studies of alliances (e.g., Frey and Schlosser, 1993; Korine et al., 2002; Yoshino and Fagan, 2003) and a few theoretical contributions to the literature (e.g., Zajac and Olsen, 1993). Yoshino and Fagan (2003) provide an illuminating case study of the alliance between Renault and Nissan that by all accounts is doing fairly well. The success of the alliance is well captured in a quote by Carlos Ghosn, the president and CEO of Nissan Motors:

“In the alliance our principle is not to impose things. You have to create the eagerness in each company to boost their performance. And when this eagerness is strong enough, then Nissan people will go by themselves to see what Renault is doing and vice-versa. Everything which is imposed has limits. Everything which comes from eagerness and motivation from people has no limits” [Yoshino and Fagan (2003), p.15].
Although case studies may not capture the full range of characteristics of alliances in general, they provide us with a reasonable basis to raise some issues. First, if conflict is assumed to be such a major aspect of alliances, why is it the case that the companies continue to form these alliances? Ireland et al. (2002, p.439) note that ‘more than 80% of surveyed top level managers view strategic alliances as a primary growth vehicle’. Consistent with this, an experimental study involving MBA students by Dollinger et al. (1997) demonstrated that decision makers are not averse to forming alliances with competitors even though this may potentially lead to loss of confidential and sensitive information.

Secondly, the level of conflict in alliances may not necessarily be higher than what one might encounter in other intra-organisational or interorganisational interactions. Finally, conflicts in alliances, as and when they occur, are not necessarily intractable. A shadow of the future, the presence of an intermediary, and competitive pressures, may all induce the alliance firms to contain conflicts. The firms are likely to be concerned about their reputation and the economic value that may be at stake in the alliance, creating pressures for maintaining harmony through judicious commitment and overlooking their partners’ indiscretions. For example, evidence from buyer-seller relationships suggests that not all contractual violations are necessarily detrimental to the relationship (Kingshott, 2006).

Furthermore, not all such conflicts are rooted in self-interested partner behaviour, because some may spring from elements of national and organisational cultures, different goals and, more broadly, in the inherent complexities of managing an alliance (Das and Teng, 2000). The view that we wish to advance in this paper is that while conflict may very well be an inevitable by-product of interdependence among alliance members and while interdependence clearly has the potential for creating dissatisfaction and resentment toward one’s partner, such conflict is not necessarily overwhelming, or always predominant, in strategic alliances.

Scholars point out that interdependence has consequence not only for immediate behaviour and outcomes but also for future behaviour and outcomes and this temporal linkage may also shape actors’ behaviour (Rusbult and Van Lange, 2003). We know that when partners enter into a relationship they exchange information, technologies, personnel, etc. These exchanges may engender reciprocal behaviour, strengthening the relationship among the partner firms (Cropanzano and Mitchell, 2005). Over time the ensuing relationship may influence the pattern of subsequent exchanges. In other words, we would suggest that there are built-in mechanisms that fortify the alliance relationship. Alliances are thus also the arena where partners seek to foster conditions of harmony even though that endeavour is not always explicitly or publicly evident or always successful. It is this theme of seeking harmony, even if in silence or unacknowledged, that we wish to explore and develop here, considering interpartner harmony in terms of the mutual understanding that alliance members accomplish by managing commitment and forbearance in the context of their interdependence. It is also worth pointing out at the outset that from our perspective harmony is a state that emerges from the commitment and forbearance of the alliance partners and the manner in which conflict is managed. Harmony and conflict are therefore different constructs, with harmony representing a higher order construct vis-à-vis conflict.
3 The conflict-based perspective of alliances

A selective review of the vast literature on strategic alliances seems to suggest that most authors recognise the potential for conflict in alliances (see Table 1). While many do recognise that conflict and harmonious dispositions may coexist, very few consider the fact that the desire for harmony may be a strong orientation. As Zajac and Olsen (1993) put it, ‘Firms involved in a joint venture, for example, while obviously interested in satisfying their own interests, are also interested in maintaining the cooperative arrangement to satisfy these interests – which requires some consideration of the satisfaction of their partner’s valued interests’ (p.134). The disposition to collaborate in harmony even in the presence of dissatisfaction is not simply motivated by the costs of terminating a relationship, even though that may be a factor. We would suggest that the threshold for such drastic action could be very high, given the implicit social norms of trying to make the relationship work. Implicit in this line of reasoning is the recognition that alliance firms are generally disposed to collaborating in harmony rather than to unthinkingly slide into conflict and the termination of a relationship in the event of some dissatisfaction. The inclination to collaborate in harmony rather than enter into conflicts reflects the dominance of the associative and communal systems of exchange in these relationships as opposed to the more popular conception of a price-based exchange system.

At this point, one needs to appreciate the basis for the prevailing conflict-based view of alliances, a view that proceeds on the assumption that conflict is intrinsic to all forms of interorganisational interactions. Whether or not conflict is functional or dysfunctional in any specific situation depends on how the actors deal with the situation confronting them. Conflict has been defined as the ‘perceived divergence of interest, or a belief that the parties’ current aspirations cannot be achieved simultaneously’ [Rubin et al., (1994), p.5]. Such perceived divergence of interests among actors can exist at the interpersonal as well as inter-group levels and may involve issues of task and relationship. There is also a linkage between these two dimensions, so that unresolved task-related conflicts may generate relational conflicts and vice versa (Euwema et al., 2003).

It is worthwhile to note that in most cases the perceived divergence of interests among the actors is contextual. The contextual embeddedness of conflict has a number of implications. First and perhaps most crucially, embeddedness creates its own logic for managing conflict. As McGinn and Keros (2002) note, ‘embedded transactions nearly always involved opening up, reflecting logic of full mutual honesty. Unlike the distributive and integrative logics underlying haggling and working together, respectively, a logic of full mutual honesty is seldom mentioned in the negotiation literature or in game-theoretic models of bargaining’ (p.468). Thus, while conflicts may be inevitable, dysfunctional conflicts may be precluded by the logic of exchange that emerges in embedded transactions. Perhaps even more significantly, Uzzi (1997), in a study of women’s apparel industry in New York, has demonstrated that social embeddedness leads to continuing cooperation, even if it may not be strictly rational for the firms to maintain cooperation. Consistent with this, Luo (2002) found that social embeddedness was important in enhancing the performance of international joint ventures in China and noted that ‘IJV pay-offs can only be maximised when opportunism is controlled through the incentive structure and internal reciprocity is created through social norms’ (p.917).
## Table 1  The conflict perspective in strategic alliances

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<tr>
<th>Authors</th>
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<tr>
<td>Das and Teng (1998)</td>
<td>‘Scholars often cite a lack of cooperation and the opportunistic behaviour of partners as causes for the relatively high rate of failure of alliances’ (p.491)</td>
<td>The perception of potential opportunistic behaviour may be mitigated by confidence building measures like communication, risk taking, equity preservation and interfirm adaptation.</td>
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<td>‘Firms in alliances tend to be more confident about partner cooperation when they feel they have an adequate level of control over their partners’ (p.493)</td>
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<td>Das and Teng (2000)</td>
<td>‘A balance between cooperation and competition is what importantly contributes to an enduring alliance’ (p.86)</td>
<td>There is a natural opposition between cooperation and competition in an alliance.</td>
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<td>‘All in all, the internal tensions perspective helps us understand that the inherent instabilities of strategic alliances spring from the difficult challenge of balancing many competing forces simultaneously’ (p.94)</td>
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<td>Gould et al. (1999)</td>
<td>‘A potential exists therefore in all alliances that they may have destructive characteristics, as new relationships supplant and destroy cherished, well established, and familiar ones’ (p.701)</td>
<td>The initiation of new relationships is fraught with ambiguity and tension and the latent tension, if not appropriately managed, may exacerbate conflict among partners.</td>
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<td>‘In sum we argue that the organisational configuration of the ‘Design Group’ was a defensive structural enactment of the deep ambivalence the partners felt about the joint venture. Needing the relationship, but fearing it as well, they created a compromised and a flawed structure which sustained the illusion for each of them of having it both ways – that is, they could simultaneously have a partnership, but invest little in it, and thereby maintain the belief that they could easily go their separate ways if it came to that’ (p.719)</td>
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<td>Gulati and Singh (1998)</td>
<td>‘While appropriation concerns originating from contracting obstacles, coupled with behavioural uncertainty, can clearly be an important concern, once firms decide to enter an alliance there is another set of concerns that arise from anticipated coordination costs’ (p.782)</td>
<td>The concerns in an alliance may well shift over time but motivational disposition, be it one of conflict or harmony, remains critical during all stages of the alliance life cycle.</td>
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<td>‘Firms choose governance structures both to manage anticipated coordination costs and to address appropriation concerns. This finding is consistent with our belief that hierarchical controls are more than mechanisms to control opportunism and provide incentive alignment across partners; they also provide an organisational context that determines the rules of the game and creates an administrative structure within which the partnership proceeds’ (p.811)</td>
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Table 1  The conflict perspective in strategic alliances (continued)

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<td>Kale et al. (2000)</td>
<td>‘Conflict is inherent in alliances because of partner opportunism, goal divergence (Doz, 1996) and cross cultural differences, and using explicit mechanisms to manage conflict will help firms to deal with these difficulties’ (p.218)</td>
<td>Relational capital among partners may help overcome the challenges inherent in competitive collaboration.</td>
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<td>‘Firms’ concerns about opportunistic behaviour by their partners are likely to lead to high transaction costs’ (p.220)</td>
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<td>Khanna et al. (1998)</td>
<td>‘A firm’s propensity to engage in competitive racing behaviour may be related to activities of the firms that are not within the scope of the alliance’ (p.201)</td>
<td>The motivational disposition of conflict vs. harmony is crucially shaped by the ratio of private to common benefits in an alliance. The greater the ratio of common benefits to private benefits the greater the likelihood of harmonious disposition.</td>
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<td>‘Our models suggest that if firms view their relationship with others in the alliance as either strictly competitive or strictly cooperative, this may give rise to suboptimal outcomes for one or more firms in the alliance’ (p.205)</td>
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<td>Kumar and Nti (1998)</td>
<td>‘Evidently, if all the firms adopt a cooperative mode of behaviour, then each partner is likely to have positive feelings of psychological attachment to the relationship, but a preponderance of non-cooperative behaviour is likely to produce dissatisfaction with the alliance relationship’ (p.359)</td>
<td>The partners’ dispositions are sensitive to the presence or the absence of psychological attachment among the partners.</td>
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<td>‘Failure to attain a sustainable interorganisational equilibrium will impede the ability of the alliance to create economic value and knowledge, and may adversely affect the partners’ feelings of psychological attachment to the relationship, especially the higher order attitudinal variables of commitment, trust, and social harmony that hold the alliance together’ (p.361)</td>
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<td>Madhok (1995)</td>
<td>‘Development of the relationship over time leads to lower costs of transacting, due both to a greater knowledge of the partner resulting in a lower scope for opportunism and greater trust over time leading to a lower proclivity to be opportunistic’ (p.61)</td>
<td>The strategic predispositions of the partners may well shift over time, resulting perhaps in less opportunistic behaviour and conflict.</td>
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<td>‘Given the dialectic, what is of critical importance is not just the process of collaborating but also of competing. With a need for flexibility in the conduct of a relationship, bargaining, problem solving, and conflict resolution become important activities’ (p.65)</td>
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Table 1 | The conflict perspective in strategic alliances (continued)

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<td>Nti and Kumar (2000)</td>
<td>‘When effort supplied is observable but knowledge appropriated is not, it may be difficult for the partners to renegotiate equitable revenue shares as disparities in effort contributions emerge’ (p.128)</td>
<td>Ambiguity intensifies the fear that one’s partner may act opportunistically.</td>
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<td>‘Competition among alliance partners appears to be engendered by the presence of learning opportunities. This learning motive is strong in alliances where the firms desire to discover new opportunities or to acquire new capabilities (Koza and Lewin, 1998)’ (p.119)</td>
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<td>Park and Ungson (2001)</td>
<td>‘Opportunistic hazards are inevitable in strategic alliances because of this competitive rivalry among partners’ (p.43)</td>
<td>Interfirm rivalry is an impediment to the attainment of interpartner harmony, and its impact is further accentuated by differences in national and corporate cultures among alliance partners.</td>
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<td>‘Collective benefits from an alliance are typically future oriented and uncertain, while opportunity costs from cheating are more immediate and often tangible, which further aggravates opportunistic tendencies in an alliance’ (p.42)</td>
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<td>Parkhe (1993)</td>
<td>‘Indeed, the growing occurrence of potential opponents’ nominal cooperation suggests greater emphasis on a subtler form of competition than the brazenly ‘red in the fang and claw’ variety: interfirm cooperation in the pursuit of individual competitive advantage’ (p.819)</td>
<td>Alliances are inherently unstable due to the hazards of opportunism with the structure of the game determining the significance of the threat from opportunistic behaviour.</td>
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<td>Ring and Van de Ven (1992)</td>
<td>‘We argue that greater harmony (and an enhanced ability to preserve a relationship) flows from the increased production and transaction flexibility available to the parties through relational contracts’ (p.493)</td>
<td>Credible commitments may foster interpartner harmony.</td>
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<td>Ring and Van de Ven (1994)</td>
<td>‘Interaction processes among cooperating parties may cast a positive, neutral, or negative overtone to the relationship, influencing the degree to which parties settle disputes arising out of the IOR (Lowenstein et al., 1989; Pruitt and Rubin, 1986; Schmitt and Marwell, 1972)’ (p.91)</td>
<td>The disposition to be conflict or harmonious is not entirely a matter of voluntary choice.</td>
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<td>‘Reliance on trust developed at the interpersonal level may be conditioned by legal systems or organisational role responsibilities, mitigating the ability of the parties to rely on trust as a matter of first preference’ (p.93)</td>
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A study of procurement practices of two major US auto manufacturers (Ford and Chrysler) revealed that embeddedness is often associated with joint dependence that has proved beneficial for the manufacturers (Gulati and Sytch, 2007). Scholars studying interdependent relationships have mostly focused on the power imbalance between actors, often overlooking the notion of joint dependence. The distinction is important because the behavioural dynamics associated with joint dependence are at odds with the
behavioural dynamics associated with power imbalance. Actors who are focused on deriving advantage from a power imbalance in their favour may be destroying value rather than creating value. As Gulati and Sytch (2007, p.59) note, ‘while automotive manufacturers may be getting the bigger share of the pie through coercion, the size of the pie can diminish at a faster rate, leaving them with a net loss’. Actors who are focused on maximising the benefits of joint dependence, by contrast, have their behaviour circumscribed by the logic of social embeddedness. Joint dependence, as the authors note, enhances the interaction quality among the partners through greater mutual identification, increased empathetic responding and lowered levels of conflict. In a similar vein, Poppo and Zenger (2002) make the argument that relational governance is an essential complement to contractual governance in exchange relationships and conclude that ‘managers tend to employ greater levels of relational norms as their contracts become increasingly customised and to employ greater contractual complexity as they develop greater levels of relational governance’ (p.721). The overall implication is that the higher the level of relational embeddedness the greater the probability that dysfunctional conflicts will be avoided.

All this suggests that social embeddedness transforms a price system of exchange into one that is more associative in character (Biggart and Delbridge, 2004) and we would also surmise that in some circumstances it may even evolve into a communal system of exchange. Biggart and Delbridge (2004) have drawn a distinction between four alternative types of exchange systems, namely the price system, associative system, moral system and communal system. One of the key distinctions between these exchange systems revolves around the notion of the allocative principle. For example, in the price system the allocative principle is the spot price, in the associative system it is the long term price, in the moral system it is the fair price, while in the communal system it is the preferential, tiered pricing.

One way of resolving the divergence of interests of alliance partners is to employ the dual concern model, which highlights the different strategies that actors may use to resolve their conflict (Rubin et al., 1994). The model postulates that actors have two independent levels of concerns, namely, concern about one’s own outcomes and concern about the other actor’s outcomes. This leads to four alternative strategies for managing conflict. The strategies have been labelled as

a contending  
b yielding  
c inaction  
d problem solving.

Contending involves the strong concern of the actors for their own outcomes with little concern for the other party’s outcomes. Yielding implies little concern for one’s own outcomes but high concern for the other party’s outcomes. Inaction involves little or no concern with either one’s own or the other party’s outcomes, whereas problem solving is a strategy involving high concern for both one’s own outcomes and for the other party’s outcomes.

A problem solving strategy is likely to facilitate the development of an integrative agreement because it encourages information flow among the parties. An integrative agreement is one in which the parties are able to either expand the total pie that is
available to the parties or to redefine the negotiating situation in a manner that allows both parties to achieve their own goals (Walton and McKersie, 1991). Scholars note that much of the literature on negotiation has had a strong normative bias in favour of problem solving and cooperation (Lewicki et al., 1992). This bias is understandable because, although the bargaining approach may prove to be more efficient in certain classes of transactions than the problem solving approach, the vast majority of negotiating situations do not lend themselves to the concession-convergence model implied in the bargaining approach (Hopmann, 1995).

4 In search of harmony

Much of the available work on harmony is informed by the conflict and cross-cultural management literature (see Table 2). Kozan (1997) draws a distinction between the harmony and the confrontational and the regulative approach of managing conflict and notes that ‘conflicts are usually seen as part of the long term relations of the two parties and the network of others surrounding them’ (pp.344–345). In other words, within this framework, conflicts tend to be defined in their totality and this perspective leads to strategies of avoidance and accommodation rather than compromise (Leung et al., 2002).

The term ‘harmony’ draws its meaning from a number of different sources. Among the connotations of harmony in Webster’s Third New International Dictionary (1971) are ‘combination into a consistent whole’ and ‘the arrangement of parts in pleasing relation to each other’ (p.1035). The concept of harmony has also drawn inspiration from the East Asian cultural tradition, where it forms one of Confucianism’s core cultural values (Kirkbride et al., 1991; but for a different view on this see Leung et al., 2002). Although the origin of this concept is varied, there is general agreement on one key component of harmony, namely, the notion of order and balance. The concept of harmony highlights most fundamentally the importance of maintaining order – be it social order, as in a society, or the maintenance of rhythm, as in a musical composition.

Integrative (win-win) agreements, alluded to in the preceding section, do have underlying it the concept of harmony, in that such agreements recognise the interests of the different actors and seek to maximise benefits for all the actors. This underpinning of harmony is reinforced by a strong normative emphasis on the desirability of integrative as opposed to distributive agreements. While the concept of harmony may well be implicit in negotiation theorising, it is fundamentally conceived of as an end-state that is integrative in character.

While there are merits of conceiving harmony in this integrative fashion, there are also clear limitations. The implicit assumption in extant theorising appears to be that if the parties interacted in the right way an integrative solution would be found. However, Watkins (1999) notes that most negotiating situations are neither purely integrative nor purely distributive. Wetlaufer (1996) also observes that even if opportunities for integrative bargaining were present, the expanded pie would have to be divided, which would lead to distributive bargaining. There is also no guarantee that the parties would see the situation in integrative terms, even though such may well be the perception by outsiders. As Tidwell (1998) notes: ‘For some conflict there is simply no way to create a mutual gain; one side may have to win while the other loses’ (p.26).

The fact that the literature has sought to portray the distinctions between integrative and distributive bargaining in somewhat simplistic terms does not necessarily imply that
harmony is not possible. To begin with, it is perhaps useful not to conceive of harmony as an absolute end state that either exists or does not exist. In other words, there may be varying degrees of harmony associated with varying levels of integrativeness in the negotiation outcomes. Whether integrativeness is high or low will depend in large part on whether the interests of the parties are congruent. The more congruent the interests, the greater the possibility of attaining an integrative outcome. Second, while it is true that different actors may perceive negotiation outcomes in different ways, it is not always clear that these perceptions are always rigidly held. Here, a clear set of standards can help actors evaluate different negotiation outcomes.

Much of the experimental research on bargaining and negotiation assumes that people know what their goals are. If goals are known at the outset, it is relatively easy to conceive of what the parties might construe as integrative or distributive outcomes. But if, as Brett et al. (1999) observe, ‘the process of negotiation may lead negotiators to ‘discover what to want’” (p.437), the notions of integrative and distributive outcomes acquire a greater degree of ambiguity. Hence, in a dynamic environment, where actors’ preferences are evolving, negotiation impasses may be less frequent than might otherwise be the case. Although the potential for negotiation impasses may be less, whether or not the alliance members are able to overcome these impasses depends on the negotiation strategies they employ. After all, the perception of what constitutes an integrative agreement is itself subject to some degree of variability. In other words, the basis for attaining harmony may be broader than what is generally assumed, although whether or not that harmony is attained depends critically on the negotiation strategies pursued by the parties.

### Table 2 Harmony in the interdisciplinary literature

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<tr>
<th>Authors</th>
<th>Conceptions of harmony and illustrative observations</th>
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<tr>
<td>Chen et al.</td>
<td>‘When there is a conflict of interest between an ingroup and an outgroup, the collectivistic will have a greater opportunistic propensity on behalf of the ingroup than will the individualist’ (p.576)</td>
<td>The normative ideal of harmony is relativistic in character.</td>
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<td>(2002)</td>
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<td>Harmony is fluid depending in large part on the situational context.</td>
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<td>Kozan (1997)</td>
<td>‘The harmony model stresses cooperative behaviour in handling differences’ (p.345)</td>
<td>Harmony is about process as well as outcome with process playing an important role in maintaining and strengthening relationships among parties.</td>
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<td>‘In the harmony model criteria for judging effectiveness of resolution include face saving concerns along with distributive justice’ (p.348)</td>
<td>Harmony represents desirable modes of behaviour.</td>
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<td>‘The harmony model uses a long time frame for judging effectiveness of resolution’ (p.348)</td>
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<td>‘Conflict management in this model essentially attempts, by various non-confrontational means, to maintain group harmony’ (p.344)</td>
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Table 2  Harmony in the interdisciplinary literature (continued)

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<td>Leung et al.</td>
<td>‘Our preceding analysis suggests that the notion of harmony is best conceptualised as dualistic, with the value perspective emphasising the intrinsic importance of harmony, and the instrumental perspective emphasising its behavioural importance’ (p.210)</td>
<td>Harmony is all about process, but the process may have either an instrumental or a symbolic importance.</td>
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<td>‘In our model, instrumental and value harmony constitute the dualistic structure of harmony, while disintegration avoidance and harmony enhancement are the behavioural syndromes that manifest these two dimensions’ (p.216)</td>
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<td>Nader (1991)</td>
<td>‘Harmony and conflict are not as antithetical as previous theories of conflict have suggested’ (p.45)</td>
<td>Harmony is most fundamentally instrumental, although the instrumentality may not be apparent. Harmony is a mechanism for political and social control.</td>
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<td>‘Harmony may be used to suppress peoples by socialising them towards conformity in colonial contexts, or the idea of harmony may be used to resist external control’ (p.45)</td>
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<td>‘Harmony ideology serves to control confrontational politics; it also controls or suppresses criticism’ (p.54)</td>
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<tr>
<td>Tjosvold et al.</td>
<td>‘Although East Asian collectivist values emphasise harmony, the reality is that in work relationships such as those between contractors and subcontractors there are many conflicts’ (p.308)</td>
<td>Harmony does not necessarily imply avoidance or suppression of conflict by any means. Harmony as an ‘ideal’ may not be reflected in the ground reality.</td>
</tr>
<tr>
<td></td>
<td>‘In contrast to the traditional argument in cross cultural research that interdependence induces conflict avoidance, findings indicate that to the extent that contractors and subcontractors were mutually dependent the subcontractor dealt openly with conflicts for mutual benefit’ (p.305)</td>
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5  Defining interpartner harmony in strategic alliances

When partner firms enter into an alliance they do so with the objective of creating economic value, whether by creating new products, gaining entry into new markets, or developing new technology. In this joint endeavour, member firms face the task of coordinating their activities to achieve their desired goals. The process of coordination may or may not give rise to conflicts among member firms. If conflicts do emerge, the member firms may manage them using either the strategy of contending, problem solving, yielding, or avoiding (Rubin et al., 1994). In any event, the interactions among the member firms provide the context for the emergence of harmony.

We define ‘interpartner harmony in strategic alliances’ as ‘the mutual understanding that alliance members accomplish by managing commitment and forbearance in the context of their interdependence’. The notion of mutual understanding highlights the fact
that the concept of interpartner harmony is indicative of the relational patterns among the
alliance members. Commitment is indicative of a desire among the alliance partners to
ensure the success of the alliance (Gulati et al., 1994; Morgan and Hunt, 1994; Swailes,
2002). These relational patterns are emergent and inherently dynamic, changing their
character in accordance with relative dominance of commitment and forbearance within
the context of alliance member interdependencies. The role of forbearance among
alliance partners may be task related or partner related. The management of forbearance
refers to the way in which the alliance members manage the interactions with their
partners, some involving conflicts of various kinds and intensities and the way they deal
with alliance outcomes. Alliance members can be open and transparent (within limits), be
responsive to their partners’ concerns and be cautious in making judgments about their
partners’ motives and intentions. They can, of course, also behave in precisely the
opposite way. Similarly, when the alliance fails to yield the expected results, the member
firms could adopt a more deliberate approach in dealing with the performance shortfall,
or alternatively, they could rush to curtail their commitment to the venture, fearing the
worst.

The state of mutual understanding may take varying forms. It may exhibit an
underlying stability, but it may also be quite fragile. The emergent understanding is the
product of both deliberate as well as accidental actions undertaken by the members. It is
also worth noting that the state of understanding that emerges is a product of the joint
actions of all alliance members. In other words, one member firm, by itself, cannot fully
control the evolution of the interaction. Finally, the alliance members may or may not be
fully conscious of the emergent understanding and the members may also differ in their
perception of that understanding. That is to say, one alliance member may be satisfied
with the nature of the understanding that emerges even as the other member remains
dissatisfied.

It is worth mentioning that the concept of interpartner harmony is related to, but is
distinct from, the concept of interpartner legitimacy (Kumar and Das, 2007). Interpartner
legitimacy relates to the appropriateness of the alliancing firms’ behaviours, whereas
interpartner harmony relates to the alliancing firms’ level of commitment and
forbearance. When alliancing partners demonstrate a high level of commitment and
forbearance, interpartner legitimacy of a communal sort will be a natural consequence.
We can surmise from this that interpartner harmony (and especially of the communal
type) may provide the foundation for the emergence of interpartner legitimacy. However,
the converse proposition, i.e., interpartner legitimacy resulting in communal harmony,
may not necessarily be true.

6 The dimensions of alliance harmony

We have defined interpartner harmony in strategic alliances as the state of mutual
understanding in the interaction among the member firms that is accomplished through
managed commitment and forbearance. In this section we argue that this emergent state
of mutual understanding can take distinct forms, making for a typology of interpartner
harmony in alliances. The objective of this typology is to delineate the different forms of
mutual understanding or harmony that arise in alliances. These forms of interpartner
harmony can be characterised along two dimensions, namely,
Interpartner harmony in strategic alliances

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The commitment dimension pertains to the degree to which the partners are dedicated to make the alliance a success. It may be the case that the alliance in question is of considerable importance for both the partners. In this scenario, the commitment will be high. By contrast, the alliance may be more important for one member vis-à-vis its partner, in which case the level of commitment will be low. The forbearance dimension highlights the one key theme inherent in interpartner harmony, i.e., the theme of potential conflict among the alliance partners. Do the alliance partners seek to resolve their conflicts with restraint, tolerance and constructiveness, as opposed to an acrimonious manner? Do they trust and respect each other? How much confidence do they have in their partner’s willingness to cooperate with them?

6.1 The commitment dimension

Firms enter into strategic alliances to attain their mutual objectives. This they do because either of them alone would not have been able to attain desired objectives. New product development, gaining access to new markets, or new technologies are some of the major motivations for the formation of strategic alliances. The very basis for such formation implies the existence of interdependence among the partners. It is reasonable to surmise that the higher the level of interdependence among the alliance partners the greater would be their commitment to make the alliance succeed. Webster’s Third New International Dictionary (1971) defines commitment as ‘the obligation or pledge to carry out some action or policy or to give support to some policy or person’ or ‘the state of being obligated or bound (as by intellectual conviction or emotional ties)’ (p.457).

A strategic alliance may be said to have high commitment when all of the members are highly dependent on their counterparts to achieve goals. This dependence may be structural, psychological, or both. Structural dependence implies that both of the partners are dependent on the alliance specific investments that they have made. When these investments lead to a high degree of economic integration, i.e., the specific investments made by the alliance partners are well blended, the alliance partners’ relationship is likely to be qualitatively transformed. As Luo (2008b, p.619) observes, ‘Levels of commitment, forbearance, and reciprocity may increase with economic integration because of the increased convergence of interests and goals of the different parties.’ Psychological dependence implies that the partners feel reluctant to dissolve the relationship in the absence of a compelling strategic rationale. The two forms of dependence are interrelated as we suspect that high levels of structural dependence will also lead to high levels of psychological dependence. Commitment is a matter of degree – it can range from low to high and it can be enhanced during the course of the relationship if the alliance partners make relation-specific investments, institute knowledge-sharing processes that maximise learning, establish mechanisms for combining complementary resources and establish effective governance mechanisms (Das and Kumar, 2007; Dyer and Singh, 1998; Gundlach et al., 1995).

Without some form of commitment between the actors there would be no business relationship to speak of. An arm’s-length relationship between the different actors represents a low level of commitment, whereas buyer-seller relationships where partners make relation-specific investments represent higher degrees of commitment. The greater
the satisfaction of the alliance partners with a particular relationship, the greater would be their commitment to the relationship (Rusbult and Buunk, 1993). Scholars note that interdependence and satisfaction with a given relationship are orthogonal dimensions (e.g., Thibaut and Kelly, 1959). A member’s satisfaction with a relationship is dependent on the outcomes obtained from that relationship vis-à-vis a comparison level, whereas the member’s dependence on a relationship relies on other alternatives open to it. Thus, for example, an alliance member may be highly dependent on a relationship but may not be particularly satisfied with it. Alternatively, each member could be less dependent on the relationship, but may nevertheless be satisfied with it. Scholars note that interdependence leads parties to use non-coercive strategies (Gundlach and Cadotte, 1994) and to interact with each other in a predictable manner (Mastenbroek, 1999). In a study of manufacturer-distributor relationships, Gundlach and Cadotte (1994, pp.524–525) found that ‘increasing magnitudes of interdependence are associated with more frequent use of noncoercive strategies, lower levels of residual conflict and more favourable evaluations of partner performance’. A study of US-Chinese joint ventures conducted by Yan and Gray (1994) also found that heightened interdependence was associated with less opportunistic behaviour. The greater the satisfaction of the alliance partners with a particular relationship, the greater would be their commitment to the relationship (Rusbult and Buunk, 1993).

6.2 The forbearance dimension

Webster’s Third New International Dictionary (1971) defines forbearance as ‘a delay in enforcing or a suspension of or a refraining from enforcing debts, rights of action, rights, privileges, claims, or obligations’ or ‘the exercise of patience or restraint’ or ‘indulgence toward offenders or enemies’ (p.886). The forbearance dimension in alliances relates to the ever-present need to be restrained, patient and open-minded in circumstances involving actual or perceived incompatibility of the member firms’ actions with expected norms of behaviour. This dimension also refers to the level of patience exercised by the alliance partners in evaluating alliance performance. Measuring alliance performance is tricky (Das and Teng, 2003) and it gets further exacerbated by differences in the partners’ strategic goals and their national and corporate cultures. More fundamentally, the concept of forbearance focuses on the notion of tolerance, be it in relation to the other partner’s behaviour or to alliance outcomes. Scholars have shown that high levels of competence trust leads managers to persist with an alliance that is performing below expectations (Patzelt and Shepherd, 2008). In other words, alliance partners often do show forbearance in endeavours characterised by a high level of ambiguity and uncertainty. Scholars have noted that the alliance must demonstrate flexibility in environments that are unstable (Palmatier et al., 2007) and we surmise that forbearance is essential to flexibility. This perceived incompatibility may centre on the goals of the alliance, the evaluation of the alliance performance, or the managerial mechanisms in place in the alliance. The greater the perceived incompatibility of goals, the higher will be the potential for conflict among the alliance members. If the members are unable to resolve their goal incompatibilities, the conflict is likely to escalate and may then move beyond the simple incompatibilities to a focus also on the process by which they seek to resolve such conflict. This forbearance dimension captures both task-related as well as relationship-related transgressions among the member firms (McCullough et al., 2003) and varies on a continuum from low to high.
The relational conflicts among the partner firms may have their origins in task related conflicts or may be a function of differences in culture and personalities among the partner firms. Scholars now increasingly recognise that both task and relational conflicts are interdependent phenomena (e.g., Euwema et al., 2003) and that it is difficult to resolve one without resolving the other. Scholars maintain that in a business context the moral appropriateness of an outcome may be less meaningful than arriving at an agreement that may be acceptable to all (Dingwall, 2002). The implication here is not that moral concerns are inappropriate in resolving conflicts, only that they are not determinative in the final scheme of things. Thus, whereas conflict resolution may be difficult, even intractable at times, it does not represent the critical stumbling block that prevents the alliance partners from their quest for harmony.

7 Four types of interpartner harmony

The typology of interpartner harmony that we propose relates levels of commitment to varying degrees of forbearance (see Figure 1). The four different kinds of interpartner harmony are each associated with a unique kind of mutual understanding: superficial, specious, constrained and communal.

![Figure 1 Typology of interpartner harmony in strategic alliances](image_url)
7.1 Superficial interpartner harmony

When commitment is at a low level and forbearance is at a high level, the condition in an alliance can be described as one of superficial harmony. This is a situation characterised by the absence of conflict. In this condition, while the alliance members do not have any grudges or resentment toward their partners for what they did or did not do, they are equally unlikely to have a strong degree of enthusiasm for collaboration. The relationship survives because of its strategic logic and managerial inertia and not because of a high degree of social embeddedness. Although the partners may be passively satisfied with the manner they interact with each other, the low level of commitment may militate against the longer-term stability of the alliance relationship. When the commitment level is low, partners may be reluctant to put in the effort necessary for the alliance to function beyond minimally acceptable levels. Problems may accumulate and may cause a longer-term restructuring of the relationship. It is also unlikely for the alliance to have developed the social embeddedness needed for generating social capital and thereby recasting the course of the venture. Although this lack of long-term stability is not likely to cause the alliance partners any great discomfort, it is conceivable that the potential upside of the relationship under changed circumstances may not be foreseen. Superficial harmony may be likened to an alliance state where the perception of alliance value (benefits – costs) is relatively low. White (2005) has argued that an alliance may either be brought to termination or be restructured if the cooperation costs are higher than the benefits. Cooperation costs are defined by White (2005, p.1404) as costs that are ‘those incurred by a firm to establish and maintain an interorganisational interface and make adjustments in the process of undertaking a collaborative activity’.

In other words, while day-to-day conflicts may be rare, the level of psychological devotion to the relationship is likely to be low. A good example of this is the alliance that was established between Saab and Fairchild in the 1980s to develop and market a new commuter aircraft (Cauley de la Sierra, 1995). Although the partners had complementary capabilities and sufficient forbearance on the part of both firms, the venture did not develop in the expected manner owing to the volatility of the external environment. Faced with a cash crunch, when it had to make a choice between two development projects, Fairchild withdrew from the venture in 1985 as its commitment to the venture was low.

7.2 Specious interpartner harmony

When the commitment and forbearance are both at low levels, we have what we euphemistically call specious harmony. Here, the harmony is at best illusory and there is usually no alternative to eventual dissolution. A good example of this is the alliance between AT&T and Olivetti (see Das and Teng, 1999). The alliance was formed in 1983 with the hope that both the parties would be able to market each other’s products. Given the differing cultures of the two companies, there were frequent clashes and no effective managerial mechanisms were established to govern the alliance based on an adequate degree of mutual forbearance. This was also a situation characterised by low commitment, in that neither of the companies possessed sufficient capabilities to effectively sell each other’s products. The alliance was terminated in 1989. If such low commitment is coupled with low forbearance and unacceptable outcomes, a termination of the alliance is almost assured. Another example of an alliance of this type was the
alliance between General Motors and Daewoo Corporation of Korea. This alliance failed because it did not turn out products of acceptable quality and the strategic objectives of the companies turned out to be divergent, a consequence perhaps of a low level of mutual commitment and forbearance (Das and Teng, 1999).

7.3 Constrained interpartner harmony

When commitment is at a high level and forbearance at a low level, we have constrained harmony. Whereas strong commitment exists, the low forbearance renders all interpartner interactions problematic. This situation may prevail because the process is perceived to be unfair or positive outcomes uncertain. This is evident in the alliance between Advanced Robotics, General Robotics and Tech International that had been established to develop a new generation of advanced robotics devices. The alliance was initiated by the US government with the objective of improving the USA’s competitive position in manufacturing. General Robotics recognised the potential payoffs from this venture but was wary of cooperating with the other companies whom it viewed as potential competitors. This, coupled with the fact that the company was not given the lead role in managing the venture, created considerable tensions. As Gould et al. (1999) note: ‘These behaviours, in which staff from the three companies engaged, often led to intense and chronic squabbling, as each projected all of the difficulties onto others and accused them of withholding, being uncooperative, wrong minded, obstinate, not up to the task and worse’ (p.708). With such lack of forbearance, the performance of the venture predictably suffered and consultants had to be brought in to undo the damage. It is unclear as to how the venture evolved over time, as the consultants were not invited back for any follow-up work.

If high commitment is coupled with unacceptable outcomes, there may be sufficient motivation to restructure the relationship, with more forbearance, for better results. This is a difficult process and it is not clear that the effort can be effective or sufficient. A good illustration of this is the Corning-Vitro alliance, established in 1992 with the objective of competing in the consumer house wares business (Cauley de la Sierra, 1995). Corning hoped to gain access to the Mexican market while Vitro wanted to establish a presence in North America. The shared rationale for the venture was strong and the companies merged their consumer house wares operations to realise potential synergies. The venture faced stiff competition from low-cost Asian imports and was unable to realise its objectives. As Cauley de la Sierra (1995) notes: ‘While market pressures mandated swift decision making, the complex organisational and ownership structure worked against them’ (p.29). The member firms were unable to revamp the structure in a timely fashion and the joint venture was dissolved. Owing to their high commitment, however, the companies continued to collaborate with each other via a cross-distribution agreement.

7.4 Communal interpartner harmony

When the level of both commitment and forbearance is high, we have communal type of harmony. The GE-Sneecma alliance is an alliance that belongs to this type. This alliance was formed in 1969 to develop commercial jet engines. Although it initially experienced some difficulties, the alliance has withstood the test of time and is often cited in the literature for performing extremely well (Cauley de la Sierra, 1995). Another alliance that
fits this pattern is the Renault-Nissan alliance mentioned earlier. The performance of this latter alliance is considered to be exemplary, with the revitalised venture emerging as a major player in the auto industry (Yoshino and Fagan, 2003). The economic performance of the alliance was mirrored by an equally strong social commitment that had developed among the partners. Yoshino and Fagan (2003, p. 14) cite an executive who knew of the personal ties between Renault chairman Schweitzer and Nissan chairman Hanawa as saying: ‘Every time they get together, Schweitzer asks Hanawa how people at Nissan feel about the alliance, and wants to know the real feelings of the ranks and file. It is not just a perfunctory question, but he is truly interested’.

It is fair to say that the emergence of communal interpartner harmony is reflective of a high degree of commitment of the partners to the alliance. High commitment means that the partners find it worthwhile to put in maximum effort in the alliance, while a high level of mutual forbearance means that the lack of fairness is not a source of contention among the alliance partners. The high level of commitment implies that the alliance partners are likely to be actively involved in alliance management. Golicic et al. (2003) draw a distinction between active and passive forms of collaboration, which would seem to imply that high levels of commitment are associated with more active forms of collaboration.

We would like to note a few additional points about our proposed typology. First, we make the assumption that the perceptions of commitment and forbearance levels, rather than some ‘objective’ measures of these variables, are more pertinent in determining the type of interpartner harmony. The perceptions that count are the perceptions of the top management team, no doubt influenced by the perceptions at other organisational levels. Secondly, the typology does not specify the temporal aspects of relationship evolution. For instance, while low commitment and low forbearance may well lead to relationship dissolution, the exact time period over which this may occur will vary from one alliance to another depending on their time perspective (Das, 2006). Finally, there may also be conflicting perceptions among the partners as to the state of the relationship. The not-unreasonable assumption we make here is that the alliance member with the stronger motive to manage the relationship will dominate the evolution of the relationship.

8 Interpartner harmony in different alliance types

Scholars have argued that alliances can be usefully examined in terms of three major types, namely, equity joint ventures, minority equity alliances and nonequity alliances (e.g., Das and Teng 1998). The three types of alliances differ in their level of commitment of the alliance partners as also in the level of mutual forbearance that characterises each alliance type. Our purpose in this section is, therefore, to assess the nature of interpartner harmony that is likely to prevail in each of these types of alliances (see Table 3).
Table 3  Interpartner harmony in different alliance types

<table>
<thead>
<tr>
<th>Interpartner harmony types</th>
<th>Equity joint ventures</th>
<th>Minority equity alliances</th>
<th>Nonequity alliances</th>
</tr>
</thead>
<tbody>
<tr>
<td>Superficial</td>
<td>Absent</td>
<td>Low commitment level</td>
<td>Low commitment level</td>
</tr>
<tr>
<td></td>
<td></td>
<td>High forbearance level</td>
<td>High forbearance level</td>
</tr>
<tr>
<td>Specious</td>
<td>Absent</td>
<td>Low commitment level</td>
<td>Low commitment level</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Low forbearance level</td>
<td>Low forbearance level</td>
</tr>
<tr>
<td>Constrained</td>
<td>High commitment level</td>
<td>Absent</td>
<td>Absent</td>
</tr>
<tr>
<td></td>
<td>Low forbearance level</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Communal</td>
<td>High commitment level</td>
<td>Absent</td>
<td>Absent</td>
</tr>
<tr>
<td></td>
<td>High forbearance level</td>
<td></td>
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</table>

8.1  Interpartner harmony in equity joint ventures

Equity joint ventures denote the creation of an independent entity that is managed jointly by the partner firms in an alliance. This may entail a high level of financial and managerial commitment among the partners that cannot easily be reversed. Actions taken by one or all of the partners may decisively shape the evolution of the venture. High levels of commitment also imply frequent interactions among employees of the partner firms. As the joint venture evolves over time, increasing interaction may promote greater familiarity among the partner firms and in doing so cement the positive interdependencies through social embeddedness.

The forbearance level among the partners may be high or low depending on their prior experiences in managing joint ventures, their history, if any, in working together, the suitability of the governance mechanisms employed to manage the joint venture and the negotiation strategies employed by the alliance members. For example, high levels of task related conflict among the joint venture partners could be accentuated or reduced by the level of relational conflicts that exist among the partners. The lower the level of relational conflict, the less the negative impact of task related conflict on venture performance. This would imply that interpartner harmony in this type of alliance is likely to be communal if there is sufficient mutual forbearance, such that task related conflicts are moderated by adequate forbearance to ensure low levels of relational conflict. By contrast, the interpartner harmony in this alliance will be constrained if a high level of task related conflict is accompanied by the lack of adequate forbearance to neutralise the effects of high levels of relational conflict. These are, to be sure, the extreme end points but the fundamental point is that whether forbearance is high or low critically impacts upon the two kinds of conflicts.
8.2 Interpartner harmony in minority equity alliances

Minority equity alliances involve one member firm taking an equity stake in its partner firm. If one member maintains a dominant control over the venture, it is not likely to be too dependent on its partner, so that the perceived level of interdependence would be low. These conditions would seem to guarantee some kind of stability in interactions among the partner firms, even as this stability, maintained at a lowered level of commitment, may not have much resilience. The forbearance level among the members may be high or low, depending on their familiarity with each other and their experience in managing these types of alliances. Given the low level of commitment among the partner firms, it is quite likely that the forbearance among the partner firms may not be that strong to effectively deal with any task related conflict that may arise. In other words, the social embeddedness is likely to be low, so that task related conflicts could undermine the venture. This would imply that the dominant type of interpartner harmony in this alliance type is likely to be superficial or specious.

8.3 Interpartner harmony in nonequity alliances

Nonequity alliances are contractual arrangements without any form of equity sharing. The degree of financial and the managerial commitment will be lower here vis-à-vis joint ventures. The lower level of commitment among the partner firms leads to both lower expectations as well as a lower degree of social embeddedness among the alliance partners. We would also surmise that task related conflict may not become very salient here if some mutual forbearance is present. However, should such conflicts become an issue, they may not be easily resolved in view of the low level of social embeddedness. The commitment level would be low here and when coupled with a high or a low level of forbearance, would result in either superficial or specious interpartner harmony.

In sum, from a theoretical perspective, our comments above show that there is a contingent relationship in the saliencies of four different types of interpartner harmony and the three major categories of alliances.

9 Discussion

In examining the nature of interpartner relationships in strategic alliances, we have proposed that the traditional conflict-based view is a limited one because it ignores or at least under-appreciates the quest for a harmonious order. Harmony, in our analysis, may be more prevalent than is generally assumed. While conflicts are present in business relationships, we have argued for the existence of different types of harmony that member firms in alliances attempt to attain, even if this may appear to be a silent quest. The different types of harmony that emerge in alliance relationships are the joint products of the commitment and forbearance levels of the alliance partners. The motivation to attain and maintain harmony is on account of the socially embedded nature of alliance partnerships. The social embeddedness is reflected both in the levels of commitment among the partner firms and in their approaches to practicing forbearance in regard to partner activities that deviate from expectations. Although social embeddedness does not guarantee that all firms will be able to attain and maintain the same type of interpartner harmony, it does ensure that there are pressures during the alliance life cycle to maintain
some form of interpartner harmony. This point of view, we believe, has not been sufficiently recognised in the existing literature on alliances, in which the governing assumption continues to be that dysfunctional conflicts pervade alliance functioning. Our thinking, by contrast, is that whereas conflict may indeed be salient in alliances, such conflict does not preclude the ability of the alliance partners to attain and maintain interpartner harmony through a judicious mixture of commitment and forbearance. The managerial challenge, in our view, is to leverage commitment and exercise reasonable forbearance to accomplish effective harmony in relationships among alliance members.

The analytical value of the concept of interpartner harmony in explaining the dynamics of alliances can be enhanced through a typology that enables us to capture the different scenarios that are likely to occur as an alliance evolves over time. We have accordingly proposed here a typology of interpartner harmony that captures the different kinds of interpartner relationships that can occur in an alliance. The typology is based on two dimensions, namely, the level of commitment by the partner firms and the level of forbearance among them. The level of commitment reflects the motivation of the partner firms to act in a manner that will maximise the success of an alliance while the level of forbearance reflects their capacity to productively manage their interactions in the alliance in the face of obvious or suspected deviation from expected partner behaviour. From a theoretical perspective, this classification highlights the fact that different kinds of alliances are likely to exhibit different kinds of interpartner harmony. Thus, alliance partners in minority equity alliances and nonequity alliances are likely to continue functioning with superficial and specious interpartner harmony rather than trying to attain the ideal of communal interpartner harmony. In practical terms, not all types of alliances should be expected to attain the same type of interpartner harmony, nor should managerial effort be expended without regard to the type of alliance in which interpartner harmony is being sought.

The typology of interpartner harmony in alliances that we are proposing is important for several reasons. First, it provides a conceptual lens for assessing the state of the alliance at any given point in time and its likely evolution. The different states of interpartner harmony that we outline are surely subject to change over time, as a function of both internal and external factors. Second, the typology maps out in a convenient way the possible states of an alliance utilising the variables of commitment and forbearance. Third, the typology is useful for understanding the factors that contribute significantly to alliance success and alliance failure.

The construct of interpartner harmony we have outlined here provides a unique perspective on alliances that has not been explored thus far in the literature. The construct captures not only the importance of the strategic interdependence of alliance partners in a socially embedded situation, but also the criticality of partners’ ability to manage commitment and forbearance in such a context. To the best of our knowledge no study has analysed the dynamics of interpartner harmony in alliances along the twin dimensions of commitment and forbearance among partners.

10 Directions for future research

The emergence of a particular type of harmonious order is dependent on the negotiation strategies used by the alliance members in managing their interdependence. Inter-member negotiation in the alliance context is an area deserving further research. Scholars
recognise that, basically, interorganisational relationships ‘only emerge, evolve, grow and
dissolve over time as a consequence of individual activities’ (Ring and Van de Ven,
1994, p.95). However, these individual activities critically implicate negotiation, because
social interaction is most fundamentally a process of negotiation. While the relevance of
this paradigm for studying relationships is now increasingly acknowledged, empirical and
theoretical contributions to the study of alliance evolution are still sparse. Although we
have not explicitly developed this point of view here, we have provided a general
framework within which specific studies may be conducted. One may study, for example,
how different kinds of negotiation strategies may help the emergence of particular types
of interpartner harmony in alliances, or how the emergence of interpartner harmony, in
turn, affect the subsequent negotiation strategies used by partners in dealing with
commitment and forbearance. Further, one may wish to examine the interactive effects of
different negotiation strategies and the role played by contextual factors in shaping the
interpartner harmony outcomes.

The negotiation paradigm can be useful for studying how a harmonious order is
attained and maintained. Most pertinently, researchers can track the conflict management
strategies used by alliance partners to manage their interactions in their quest for a
harmonious order. Some of the questions deserving academic attention might be: Is there
a uniquely dominant negotiation strategy for attaining and maintaining interpartner
harmony? If not, then what set of factors determines the effectiveness of a particular
negotiating strategy? Is the effectiveness of a particular negotiation strategy dependent on
the stage of alliance development? Is it conceivable or likely that disharmony at a
particular stage of alliance development may engender forces that ensures the emergence
of harmony subsequently? How cognisant are the alliance partners of this intriguing
possibility and what are the implications of differences in their recognition of this
possibility?

Another set of issues worth examining revolve around the evolution of the different
interpartner harmony states we have identified in this paper. How stable or unstable are
these different states and what are some of the underlying dynamics that may explain
how alliances move from one state to another? This is an important question from the
standpoint of gaining a better understanding of alliance dynamics and an enhanced
understanding of factors over which managers may have greater control and others over
which their control may be relatively less. Of particular importance here, we think, are
issues of justice. How does the attainment or non-attainment of any particular kind of
justice – namely, procedural, distributive and interactional – affect both the emergence of
and the movement toward a new harmonious state?

Another key element here is time perspective. How do different perspectives on time
held by different partner firms (Das, 2004, 2006) condition their perception of
interpartner harmony as well as their choice of strategies in dealing with unsatisfactory
situations? Clearly, time pressure constrains available choices in negotiation strategies to
manage interpartner relations for enhancing and maintaining different aspired kinds of
interpartner harmony.

Lastly, there are the obvious research issues of how each type of interpartner
harmony is related to the performance of alliances and the need to develop suitable
measures of interpartner harmony. The different kinds of harmony states that we have
identified may also be influenced by industry and national cultural characteristics. For
example, in highly turbulent and rapidly changing industries communal form of
interpartner harmony may very well be the desired norm but at the same time be very
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difficult to attain and maintain. In turbulent environments alliance partners must
demonstrate a high level of forbearance as well as commitment to cope with the rapid
differences in the environment, necessitating the pursuit of communal harmony. By contrast,
in slow moving or placid industries, high levels of commitment and forbearance are not
required and hence communal harmony may not necessarily be the desired state.
However, it is a state that may be easier to attain, as the forbearance of alliance partners
will be less tested. The different states of interpartner harmony may also be a function of
the national cultural characteristics of the alliance partners. In collectivistic cultures
relationships and commitment are more highly valued relative to individualistic cultures.
This has the key implication that the state of communal interpartner harmony may be
more easily attained and maintained in alliances involving partners from collectivistic
cultures.

Managerial implications for building and maintaining interpartner
harmony

Scholars and practitioners alike have understandably focused considerable attention on
developing managerial mechanisms that will make for alliance success (e.g., Das, 2005;
Das and Teng, 2000; Doz, 1996). Zeng and Chen (2003) suggest that structural and
motivational solutions can help alliance partners achieve alliance stability. Structural
solutions focus on enhancing the pay-off from cooperation, while motivational solutions
stress the importance of improving communication, developing strong alliance
identification and cooperative norms and the longer term. However, helpful as they are,
most of these recommendations have as their premise the fear of every member firm of
being exploited by its partner. As we have argued here, while such fears no doubt exist,
they are unlikely to be overwhelming enough to impede alliance stability. It is in this
context that we have highlighted the usefulness of interpartner harmony as a pertinent
concept for understanding alliance functioning and performance.

Although interpartner harmony may not be an easily attainable goal, it is clearly a
desirable one for the effective functioning of alliances. The critical issue thus is what
steps member firms need to take to attain interpartner harmony. In building interpartner
harmony, our focus is primarily on the normative ideal of trying to attain the communal
type of interpartner harmony in our proposed typology. Superficial interpartner harmony
and specious interpartner harmony are not likely to be the explicit goals of any alliance
member, although they may well be the unintended consequence of an alliance firm’s
actions.

Communal interpartner harmony is reflective of a state where there is a high level of
commitment by the partner firms coupled with a high level of mutual forbearance. A high
level of commitment is not something that can be created simply if one or the other
member firm wills it. Basically, a high or a low level of commitment is usually
predicated on the degree of strategic compatibility of the goals of different alliance
members. In other words, this would usually be a given condition and especially so at the
formation stage. Clearly also, the ability to attain communal interpartner harmony is
critically dependent on member firms’ ability to maintain forbearance and manage
conflict.

In managing conflict, the alliance members must not be fazed by the appearance of
conflict. Conflicts can be both positive and negative in their consequence; much depends
on how the member firms deal with them. If members deal with conflicts constructively, against a background of forbearance, their relationships are likely to be strengthened, lessening also the likelihood of other conflicts emerging. Second, the earlier a conflict is dealt with, the greater will be the likelihood for it to be contained within tolerable limits. In particular, the firms are unlikely to become defensive at an early stage and this would bode well for the development of increased mutual forbearance through their subsequent interactions. It is also important for the member firms not to over-react or under-react to any problems. The calibration of the response is particularly important and may go a long way in avoiding conflict escalation.

It is also essential that the alliance partners try to build or establish managerial mechanisms to contain potential conflicts (Das, 2005). The managerial mechanisms refer critically to appropriate governance structures. Institutionalised mechanisms for dealing with conflict may prevent conflicts from escalating to catastrophic levels. They may also help to strengthen the perception among the alliance partners that resolution of conflicts will be managed in a procedurally fair manner. Perceptions of procedural fairness are of vital importance in strengthening the commitment of the alliance managers to the venture. As Luo (2008a, p.40) notes, ‘Alliances need procedural justice when formulating, governing, and managing inter organisational entities because this justice serves as a foundation for interparty cooperation, knowledge sharing, economic exchange, and ongoing commitment.’ Developing trust between alliance partners would probably enhance the commitment and forbearance of the partners which, in turn, could lead to greater communal interpartner harmony. Also, the management of conflict acquires a new sense of urgency in alliances that bring together firms from different cultural milieus. Cultures differ in the ways they deal with conflicts. For instance, face-saving is crucial in many Asian cultures, with the consequence that there is a distinct tendency toward conflict-avoidance in these cultures.

In sum, we suggest in this article that the construct of interpartner harmony in strategic alliances is worthy of our attention for a more thorough understanding of alliance dynamics, complementing the currently limited conflict-based comprehension of alliances. We hope the typology of interpartner harmony in alliances presented here will enhance both this harmony-oriented research enterprise and the further development of effective guidelines for management practice.

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