

Managing Adaptation in Multi-Partner Collaboration: Role of Alliance Board

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ABSTRACT:

Adaptation to changing circumstances is crucial for success of alliances. Using a longitudinal case study of the R&D non-equity multi-partner alliance between four partners, we examine how the alliance board can complement incomplete contracts for coordinated adaptation. We trace the interactions between the partners in order to explore the functioning of the alliance board in multi-partner alliances for coordinated adaptation. We found that unique features of multi-partner alliance lead to somewhat different functionality of multi-partner alliance board compared with alliance board in dyads. We reveal when and how partners in multi-partners can renegotiate towards a more equitable and efficient arrangements after these conditions are disturbed. Finally, we propose alliance board as a primarily relational mechanism in multipartner alliances for managing conflict resolution and alignment of individual partner goals to joint alliance goals.

KEYWORDS: adaptation; alliance board; multi-partner alliance; contractual mechanisms; relational mechanisms.

INTRODUCTION

At the beginning of collaboration, firms need to anticipate possible events that could happen during this collaboration. Faced with this problem, the parties have two choices: to manage adaptation by choosing the ex-ante assignment of decision rights to one of the partners (Schepker et al., 2014) or to create ex-post governance mechanisms such as boards to address gaps in formal agreements (Reuer and Devakoda, 2015). Recent studies on alliance governance have focused on the provisions that firms build into contracts (e.g., Hagedoorn and Hesen, 2007; Reuer and Arino, 2007). While scholars devoted some attention to use of contracts for adaptation, little attention is devoted to examining the importance of the alliance board for the adaptation. Out of the few studies on alliance board, almost all are about joint venture boards, while no theoretical or empirical research is about non-equity alliance boards (with exception of Reuer and Devakoda, 2015).

The ongoing debate on the use of relational and contractual governance for successful management of interfirm collaborations ignored the existence of the unique characteristics of multi-partner alliances. A number of elements related to management of interfirm collaborations will be unique to multi-partner alliances, which suggest that the mainstream literature need to be extended to the multi-partner alliances. The aim of this paper is to examine how incomplete contracts can be complemented with the alliance board in situations that require adaptation, and how the alliance board is used for adaptation and resolution of conflicts between partners concerning their rights and obligations in collaborative agreements. We will examine how the functioning of alliance board is influenced by contract specification and relational quality between partners.

In order to fulfil our objectives, in section 2 of this paper, we develop a framework for explaining adaptation in multi-partner alliances. The explanatory power of this framework is evaluated in the light of empirical evidence from a case study of a collaboration between a four small firm involved in joint innovation of the hot dip galvanizing controller. Section 3 describes the research methodology and data collection. Section 4 introduces the case study and its context. The final section presents the conclusions and proposes avenues for further research.

BACKGROUND

Non-equity multi-partner alliances

A multipartner alliance could be defined as a “collective, voluntary organizational association that interactively engages its multiple members in multilateral value chain activities” (Lavie et al., 2007, p. 578), “bounded by a unifying goal and governed by a single overarching contract” (Heidl et al., 2014, p. 1351). Multipartner alliance is a collection of independent firms with their own goals. Partners’ incompatible goals could lead them to try to maximize their private benefits without furthering common benefits (Das and Teng, 2002). Zeng and Chen (2003) state that managing the inherent tension between cooperation and competition among partners in

multipartner alliances present social dilemma. In multipartner alliances, each partner will be better off if he pursues his own interests, no matter what the other partners do. This will have negative consequences for the alliance, as alliance as a whole is better off if all cooperate than if they pursue their own interests (Dawes, 1980; Zeng and Chen, 2003). Thus, partners in multipartner alliances face a conflict between maximizing their own self-interest and maximizing the interests of the alliance as a whole (Zeng and Chen, 2003). Even when their goals align at the beginning of a relationship, things can change during collaboration. With increase in number of partners, it also increases the probability of goal divergence and conflict. Even in collaborations where all partners enter with good intention, change in environment could force them to react in a way that is in the best interest of their firm, even in situations when this hurts interest of the alliance. Increased number of relationships and the existence of generalized exchanges, explains the great level of complexity associated with multipartner alliances (Lavie et al., 2007; Thorgren et al., 2011).

Multi-partner alliance can be based on joint equity (joint ventures and minority equity) or they could be contractual (non-equity). In equity-based alliances, ownership is main source of authority (Das and Teng, 2002), and it provides for board representation and residual control rights (e.g., Reuer et al., 2014). In non-equity alliances, partners can establish a joint board to which they delegate decision-making authority, the bounds of which are determined by the agreement between the partners (Reuer and Devakoda, 2015). Despite the apparent similarity in their functions, boards in non-equity alliances differ from boards in equity alliances in important respects, however. For instance, rather than being empowered to decide on all matters that are residual to the contract, an administrative committee established by the contract may only decide on matters that are assigned to it by the contract (Reuer and Devakoda, 2015).

R&D activities - Interdependence

Activities that partner firms perform will influence need for involvement of alliance board (Gulati and Singh, 1998), and consequently to contractual delegation of authority to alliance board (Reuer and Devakoda, 2015). Prior alliance governance research found that R&D activities would affect the need for administrative controls and coordinated adaptation at the contract implementation stage (Pisano, 1989; Williamson, 1991). In R&D alliances, it is difficult to ex ante codify and circumscribe the knowledge to be used in the alliance. Next, during the implementation, partners also might experience the appropriation of rents and challenges associated with the coordination of transfers of tacit know-how across organizations. As a result of these challenges, R&D alliances will use more hierarchical governance (Gulati and Singh, 1998; Oxley, 1997; Pisano, 1989). Although this research has examined the choice between equity-based governance structures (e.g., joint ventures) versus non-equity arrangements (e.g., contractual agreements), we expect that the problems associated with R&D will also influence the ex post governance employed within a non-equity alliances.

Contract and adaptation

Recently, scholars devoted attention to understanding how alliance partners design contracts (e.g., Reuer and Arino, 2007; Lumineau and Malhotra, 2011). Despite the fact that, when entering into collaborations, firms invest a lot of efforts in writing complete contracts (e.g., Mayer and Argyres, 2004), contracts show to be limited in situations when adaptation is needed due to changing circumstances. Limitation of contract arises from the fact that partners need to plan for future events at the beginning of the relationship. At this point, they need to decide either to engage in the detailed specification of future contingencies, or to reduce contracting cost by using other governance mechanisms (Macneil, 1977). Contracting is more difficult in collaborations with complex and uncertain tasks (Anderson et al., 2000). Bounded rationality limits writing complete contracts for interfirm exchanges with high level of asset specificity, uncertainty, frequency of exchange and task complexity due to a high number of potential contingencies, leaving partners with the use of incomplete contracts. In case of multi-partner alliances, an increase in a number of partners increases the number of different goals, and the number of potential unforeseen contingencies that could have influence on alliance (Gong et al., 2007). This makes writing complete contract for collaboration between multiple partners even more difficult (Li et al. 2012). Several mechanisms that could be used to respond to contingencies are at disposal to firms entering collaboration: ex-ante allocation of the authority to one of the partners to decide in the case of a contingency (e.g., Lerner and Merges, 1998), crafting broad guidelines and procedures that assist firms making adjustments in the case of a contingency (Argyres et al, 2007), and designing alliance board that make decision and coordinate response actions in the case of a contingency (Palay, 1984).

Alliance board and adaptation

A primary concern of partners in collaborations has been the threat of opportunism, adverse selection and moral hazard (Akerlof, 1970). Divergent goals among the partners causes a partner firm to attempt to generate high profits at the expense of the other partners. To avoid these problems, scholars have suggested that procedures should be developed (Arino and de la Torre, 1998) to monitor the exchange relationship against equity and efficiency criteria (Ring and Van de Ven, 1994). We examine suitability of alliance board for the assessment of equity and efficiency.

Alliance board is an ex post governance mechanism through which partner firms can exert their respective interests, monitor the collaboration's performance, and coordinate actions with other partners (Janger, 1980; Kumar and Seth, 1998). Reuer and Devakoda (2015) define alliance board in non-equity alliances as "instruments that formalize joint administrative control by both partners through a well defined, dedicated interface to promote adaptation in a coordinated way during contract implementation." The alliance board can serve to structure their interactions and coordinate responses to unforeseen contingencies. Reuer and Devakoda (2015) theorize that

alliance board is non-equity alliance is not empowered to decide on all matters that are residual to the contract, but only to the matters that are assigned to it by the contract. Some of the functions that alliance board can perform are ratification and enforcement of decisions, adaptation in case of contingencies, and prevention of minor conflicts. Reuer and Devakoda (2015) emphasize limitation of individuals' discretion and aligning their activities to project outcomes as the needs of the transaction change as an important function of alliance board.

Adaptation - Model concepts

Our tentative model builds upon the seminal work of Arino and la Torre (1998) as well as previous research on process in alliances (e.g. Ring and Van de Ven, 1994; Doz, 1996), and work of Reuer and Devakoda (2015) on alliance board in non-equity alliances. Arino and la Torre (1998) state that as changes in any of the variables that determine the value of the alliance to the respective partners would necessarily lead to changes in the level of perceived equity, and that when this occur, the affected partner will attempt to restore balance in the relationship. While the focus of the Arino and la Torre's (1998) work is on the collaboration process from formation until termination, we focus on adaptation in case of unforeseen change. In addition, while model developed by Arino and la Torre (1998) is based on dyadic collaboration, our model is based on multi-partner collaboration. Efficiency and equality are required conditions for all organizational arrangements (Ring and van de Ven, 1994). Efficiency is defined as minimal costs related to selected governance structure for the transaction, and equity is defined as fair dealing by partners in that transaction. Efficiency and equality will manifest differently in dyads and multipartner alliances due to different exchange reciprocity.

Dyadic alliances are characterized by direct exchanges in which contributions by one partner directly influence the other partner and vice versa; therefore, partners reciprocate each other directly. By contrast, multi-partner alliances are characterized by generalized multilateral exchanges in which contributions by one partner influence 'the alliance', and not one single partner (Das and Teng, 2002). Because multipartner alliances are governed by generalized, and not only direct, exchanges, adaptation will have different dynamics than in dyadic alliances. In multi-partner alliances, characterized by generalized exchange, one partner's perception of reduced equity in one partner after the external event triggered, will have different outcomes, if the perception of reduced equity is not shared by all partners.

In multipartner alliances, partners may have varying levels of trust and kinship toward each other (Heidl et al., 2014). In our model, we take into account weighted values for the firms' influence on partners. Although formally could be stated that each partner firm have equal rights ("one firm, one vote"), it is likely to assume that alliance "champions" vote will have a stronger influence than one from the "followers". We justify departure from "absolute voter parity" to "relative voting parity" as the pursuit for more realistic representation of status each partner firm has in the alliance. Factors like legitimacy, unique resource and capabilities, opportunities that partner firms can offer

to partners on other projects, must be taken into account to ensure representation of the different status. This value is not stable and may vary during collaboration life cycle. Influence that one firm has on other firm, will not be same as influence of that firm on first one.

Second important construct used in the model is relational quality, which is crucial in determining decisions of the alliance board. Arino and de la Torre (1998) define relational quality as the sum of three terms: the initial state of trust and confidence that exists between the partners, the firm's cumulative experiences during the execution of the venture's agreements and commitments as it observes its partner's behavior, both in steady state conditions as well as during periods of environmental change, and external events.

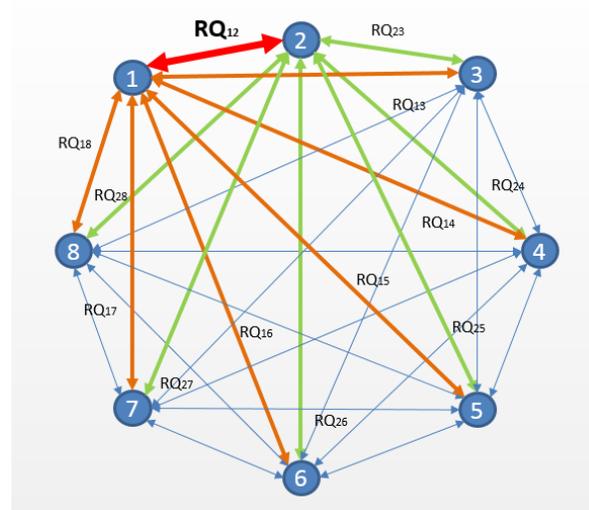


Figure 1. Secondary influence of other partner firms' relationship quality on focal relationship

We extend the definition of relational quality, which Arino and de la Torre (1998) provided for dyadic alliances, to multi-partner alliance. Due to the existence of multiple partners it is necessary to introduce coefficient of secondary influence of other partner firms' relationship quality (e.g. relationship quality between firms 1 and firm 2 will be influenced by relationship quality of firm 2 with other partners in the alliance, and relationship quality of firm 1 with these partners).

RESEARCH METHOD AND DESIGN

The aim of this paper was to examine how incomplete contracts can be complemented with the alliance board in situations that require adaptation, and how the alliance board is used for adaptation and resolution of conflicts between partners concerning their rights and obligations in collaborative agreements. To gain a comprehensive, in-depth understanding of this phenomenon, we adopted a longitudinal single-case study (Yin, 2003). Despite that many researchers have argued that only qualitative research can provide an understanding of the core issues underlying a theory of collaboration (Parkhe, 1993), only a few studies (e.g. Arino and la Torre, 1998; Doz,

1996; Faems et al., 2008) have used case studies within the alliance governance literature. Choice of case study methodology for this study is justified by its appropriateness to examine a relatively unexplored phenomenon (Eisenhardt, 1989; Yin, 2003). An additional reason for case study approach is that examining the change and response to it, require multiple observations, which is difficult to obtain by other methods (Eisenhardt, 1989; Eisenhardt and Graebner, 2007). We conducted an in-depth case study of multi-partner R&D collaboration between four small firms.

Data collection and analysis

The collaboration has been already ongoing at the time we contacted the lead firm. That meant that longitudinal approach in its pure form, which means following the collaboration from its beginning until the end, was not possible. We decided to follow the approach suggested by Faems et al. (2008) for in-depth process studies on alliance governance. They proposed use of retrospective strategy for data collection. Advantages of this strategy are that data do not need to be collected continuously, which reduces the danger of collecting much of unusable data, which could lead to data overload (Faems et al., 2008; Poole et al., 2000). However, this same strategy increases danger of respondent bias. Respondents have the tendency to filter out events that do not fit their stories (Poole et al., 2000).

In order to respond to these challenges, we applied a number of strategies commonly used when dealing with retrospective approach (see Faems et al., 2008; Olander et al., 2010; Caniels et al., 2012). First, to address respondent bias, we triangulated interview data with primary and secondary documents (Eisenhardt, 1989; Yin, 2003). As the collaboration has been already ongoing, and it passed more than two years from its beginning, the analysis of supporting evidence was critical in order to validate interview responses (Caniels et al., 2012). Second, we additionally reduced respondent bias and enhanced the validity of the data by examining which terms and clauses were incorporated in the contract (Olander et al., 2010). In addition to their representation in contract, we also gathered information about timing of contract application. Third, to address the risk of cognitive biases and impression management, we decided not to ask informants about abstract concepts, but rather to reflect on the events that had significant impact on the relationship and that occurred during the different project phases (Miller et al., 1997). Fourth, to verify individual responses we were asking similar questions to multiple informants (Cardinal et al., 2004). Informants included all persons (5 in total) that participated in the project, who came from all four firms.

Data collection was conducted in three stages. In the first stage, we conducted unstructured interview with CEO of lead firm to obtain some initial information about the history and characteristics of the alliances. The interview was conducted at the beginning of February 2015. He provided us with an overview about goals of alliance, alliance partners, the alliance governance structure and critical events that had significant impact on alliance relationships. This interview lasted about half an hour. In addition to publicly available information (i.e., financial reports, press

releases, promotion materials), we obtained access to some private documents (i.e., reports of alliance board meetings). Using this information, we made a graphical representation of the chronology of the major events within the alliance (Faems, 2008).

In the second stage, we built primarily on semi-structured interviews and archival data to draw a rich picture of various governance mechanisms they used (contract, alliance board, trust...). In order to secure an independent, objective position (Pratt, 2009), we contacted the CEOs of partner firms by ourselves and asked for their support for our research project. The informants included all persons that participated in this project: CEOs of all four partner firms and one engineer. By interviewing all involved informants, we assured that all (and potentially different) perspectives of the phenomenon will be taken into account, which reduced informant bias (Eisenhardt and Graebner, 2007). First cycle of interviews was conducted in February/March 2015. In average interviews lasted around 60 minutes. Most interviews were recorded and transcribed. One informant did not consent to have his interview recorded. In this case, the interviewers took detailed notes, developed a write-up immediately after the interview, and had the informant confirm that this reflected his opinion. We used interview protocol that covered the detailed account of the governance mechanisms (contractual terms; technical and organizational structure; criteria for main decisions; role played by the lead firm, alliance coordinator, alliance board; joint decision-making; joint meetings; social norms, trust; relevant events and dates). At this stage, we examined the terms and clauses incorporated in the contract. During interviews, we gathered information about contract application and point in time when this happened. In addition, we re-examined available documents (i.e., reports of alliance board) to examine does content of interviews matching with the content of documents (Faems et al., 2008). When inconsistencies occurred, we contacted respondents for additional questions. Subsequently, we wrote a case study report, reconstructing the history of the alliance project. We used extensive citations from interviews and documents to stay close to the original data and thus achieve high levels of accuracy (Faems et al., 2008; Langley, 1999). This report was sent to manager in each firm, and their comments were collected via telephone or face-to-face conversations.

A third cycle of interviews was conducted in July 2015. The informants included CEOs of three partner firms. In average interviews lasted around 60 minutes. During the third cycle of interviews we were focused on the evolution of a partners' behaviour as a consequence of events that affect the collaboration, and complementarity of contractual and relational mechanisms. This part was structured according to the chronology of the major alliance events. As interviewees described these events, we asked additional "why" and "how" questions to get a better view of the role of contractual and relational aspects in explaining the described collaborative dynamics. One of the informants preferred to provide written responses to questions, so questionnaire that reflected questions used in semi-structured interviews were developed and send to the informant.

In the first phase of data analysis, the authors individually conducted a content analysis of the alliance to identify changes in the way the alliances were managed. Three main events were identified, and in two of them alliance board had crucial importance for adaptation/or conflict resolution. First-order codes were coded according to concepts derived from the theory (i.e. trust, relational quality, contract). In the next stage, we moved from first-order to second-order analysis. We identified parts of text in the interview transcripts and documents that reflected evolution of the partners' interactions around critical events. In addition, we focused on identifying connections between contractual and relational governance. We analysed whether each change was linked to a related change in another governance parameter to uncover governance interactions. Based on multiple data sources, both authors then developed a visual map of the interactions among different governance mechanisms (e.g., contract, alliance board, relational quality, trust) between partners by using statements from documents and interviews. Inconsistencies between our understandings of the empirical evidence were addressed by going back to the data, contacting informants, and discussing intensively.

FINDINGS

Alliance context

The project was conceived as the beginning of a long-term cooperation between four SMEs. The intention was to divide collaboration into two steps. The first step was the realization of the product itself, and the other was the commercialization of the product. The aim of the project was to produce a prototype of the product that will be able to reduce the energy waste of a galvanizing plant. The intention was to improve the control system of a galvanizing plant, and thereby to decrease use of the energy by 30% and increase the process efficiency by 25%, while decreasing its environmental impact. In the case of successful development of the controller prototype, firms planned to set up a joint venture with the purpose to commercialize the product. The focus of our study is the first part of their collaboration, a development of new product.

The lead firm, Alfa (actual names of partner firms cannot be provided due to confidentiality reasons), is an international provider of advanced technical services, consultancy and training for the hot dip galvanizing industry. Alfa noticed an industry's need for more energy efficient furnaces, and came to the idea that they could make it more energy efficient by creating a new control algorithm that could be applied to existing hot deep galvanizing furnace. Aware that they could not deliver this solution alone, they searched for the partners. They found them among firms with which they had previous collaboration and that possessed needed resources and capabilities to successfully deliver innovation. Firms that Alfa choose for its partners did not know each other and did not have previous collaborations between them. One of the partners was Polytech, founded in 2005 as an academic start-up specialized in industrial automation and mechanical design. Second, Eta is a small consulting firm with experience in managing processes in galvanizing plants. The third is Hephaestus, a family firm that design and maintain galvanizing plants, and

produce various parts of plants. Alfa had very good contacts with both research institutions and international markets and its task was related to coordination of the alliance, marketing of the product and its potential commercialization. Polytech's task was to develop both controller and its software, based on Eta's instructions and knowledge about processes in a galvanizing plants. In addition, Eta had very good contacts in galvanizing industry and its task was to find plant willing to implement their prototype. The Hephaestus's task was to build hardware needed for controller implementation.

The chain of events

At the beginning of 2013, Alfa made initial contacts with three firms for which it believed that possess needed resources and capabilities to successfully develop the project. Having previous experience with "Network Contract", Alfa proposed that they apply this governance form. "Network Contract" offers partial funding for innovative projects realized in multi-partner collaboration between SMEs. In order to register for funding from the region, firms are obliged to sign an alliance contract. The regulation provides only a framework scheme identifying the essential content of the contract and leaving to the freedom of the parties the definition of specific clauses according to their needs and to the circumstances in which they operate. Alfa decided to go through the long and painful process of negotiation of contract terms, rather than forcing future partners to accept proposed agreement. At Alfa's suggestion, the partners decided to pay an external consultant to guide a preliminary discussion how the contract should be made. They choose a consultant that has huge expertise in this specific type of alliance and that is directly or indirectly managing more than one hundred of "Network Contract" arrangement. In June 2013, the alliance was officially founded, and the goal was set to apply for partial funding of the project. From the time of initial contact until project submission, a period that lasted almost one year, partners spend negotiating the contract and specifying in detail activities that will be performed. The result was a very detailed contract with clauses covering a wide range of arrangement related to safeguarding, coordination and adaptation to potential changes. In addition, the contract specifies the powers of the alliance board that consist of four members, CEO's from each firm, and which serves as an authority structure in which all partners have control over the activities alliance performed. Each board member has equal voting right. Besides from some extraordinary measure, all decisions are made by the majority of votes. The board members meet quarterly to review the progress on the short-term goals, and every six months to review and discuss the alliance's performance and its future direction. These two mechanisms become central instruments of alliance governance.

At the beginning of 2014, almost one year after the initial contact, the partners finally begin working on product development. Soon after, in March 2014, partial funding of the project was approved by the region. During the project development phase, Polytech and Eta had very close collaborations due to the compatibility of their activities; Eta knew the processes related to

galvanizing plants while Polytech task was to create software for these processes. Activities performed by Hephaestus were very important for the alliance, but unlike activities performed by Alfa, Polytech, and Eta, were well known and part of Hephaestus's everyday work. During the development phase, coordination of alliance shifted from Alfa to all members. In order to reduce "bureaucratization of alliance" and to increase their flexibility, partners involved in activity communicated directly without informing alliance coordinator or other partners. Partners that were not participating in developing that activity were involved only if there were some problems or if the progress of if that activity was seen as critical for product development. When agreed activities were completed, they were integrated and they engaged in new activities. All partners were involved in integration stages. Due to Eta's good relations with galvanizing industry, one of the largest galvanizers in Italy accepted to install a prototype in order to increase the efficiency of furnaces.

EVENT 1: EXTERNAL CHANGE - ACQUISITION OF ALFA

During July-August 2014, development of product experienced delays due to problems in software development. In September 2014, Alfa announced that ownership of the firm would be changed, due to acquisition from the side of the large player in the industry. This immediately created a crisis in the alliance as an acquiring firm was developing a similar product as the alliance. The contract provided partners with the opportunity to remove Alfa from the alliance and keep the intellectual property in possession of the alliance. One of the clauses specified in the contract stated that in case of ownership change, alliance board would have the power to decide about the future of that partner in the alliance. From the moment of the announcement, CEO of Alfa resigns on his duty of alliance president and Alfa did not have the opportunity to vote about this decision. An alliance board decided that Alfa can stay in the alliance, and CEO of Alfa will remain president and coordinator of the alliance.

EVENT 2: UNILATERAL REACTION BY ETA

Soon after the alliance board decision, Eta started to show signs of strong discontent and partly withdraw their participation from the alliance. While they decided to stay part of the alliance, they cut off agreed financial investment, which had to be compensated by other three partners. Having 80% of the work done and alliance that is falling apart, Alfa decided to more strongly re-engage in the alliance. Prototype installation, that was planned for December was delayed due to Eta's reduced commitments to the project. Alliance board did not have power to force Eta to live in accordance with their previous commitment. This situation was not predicted in contract and alliance board had no authority for making this kind of decision. Despite negative chain of events, pressure from other partners forced Eta to continued cooperation. With Eta's support alliance partners managed to install prototype in a galvanizing plant in January 2015. Having working prototype installed, alliance entered in finalization phase. Disruptive events and technical problems caused only a minor delay in overall successful product development. Initial closing of the project

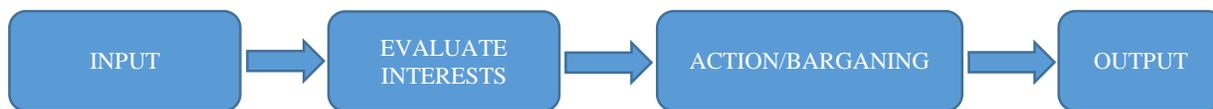
that was planned for March 2015 was rescheduled for July 2015, but it was mostly due to paperwork related to funding then due to delays caused by disruptive events.

INTERPRETATION OF FINDINGS

External events, change in partner's strategy or opportunistic behavior by one of the partners can trigger change in perceived equity, what will consequently trigger re-evaluation if a majority of the partners feels that equity is distorted. During re-evaluation, influence weight of each partner will have crucial effect. Having identified the need for joint action, the process of re-evaluation can commence. The first phase of the re-evaluation is to ascertain which partners share their view and are willing to participate. After the enough number of affected partners have been identified, formal request for re-evaluation will be raised. If the request is rejected, alliance board will not evaluate request. In case that the request is accepted at the alliance level, it is then passed to the alliance board to tackle the problem.



During readjustment, partners will try to restore balance in alliance in a way that at least a majority of partners is satisfied with the new situation. Different from dyadic alliance where all partners need to be satisfied with new situations, satisfaction of the majority is enough in a multi-partner alliances.



Process of readjustment could be understood as outcomes of bargaining games. Partner firms would focus not on a single strategic issue but rather according to various conceptions of organizational and personal goals, making alliance decisions not by rational choice but by the pulling and hauling; that is-politics. Final outcome of re-adjustment is a collage composed of individual goals and preferences; outcomes of major and minor games and foul-ups. This means that due to generalized exchange it will be enough to restore equity toward alliance (as a whole) and not necessary to every affected partner. At the same time, this can create a new critical situation that could lead to a unilateral reaction from partner feeling that equity toward him is not restored. Affected partner can react in two ways, either to accept the decision of the majority taking into account higher goals of the alliance, or could attempt to restore balance in the relationship by taking unilateral reaction. The higher the perceived level of lost equity, the less likely affected firm will accept decision by majority. Unilateral reaction can consequently lead to re-evaluation of

position of affected partner, if his moves were perceived as unfair for other partner firms (loss of equity).

DISCUSSION AND FUTURE RESEARCH

We can see from theoretical reasoning and case findings that contract and board are two most important governance mechanisms in MPA. Unpredictability of environment changes could make difficult specifying complete contracts, and better substitution could be the use of simplified contractual governance in form of working agreements in combination with relational governance such as alliance boards may be more effective to counteract complexity. Costs are involved not only in drafting and negotiating an alliance contract but also in renegotiating it. Firms operating in highly uncertain environments cannot forecast the value of their respective contributions to the alliance, as they cannot ascertain which assets will be more relevant to compete in the future. Under these conditions, contractual flexibility will make it easier for them to adjust to changing circumstances. Granted, flexibility can be built into the contract terms by establishing procedures to face future unforeseen situations; however, this may be more costly than keeping a contract flexible and renegotiating it when needed (Arino and Reuer, 2004).

Furthermore, our case describes how different mechanisms influence and complement each other. Functionality of the alliance will be different then in dyadic alliance due to generalized reciprocity. Outcomes of the alliance board in multi-partner settings depend on perceptions of equity of the majority of partners. Finally, we saw that despite joint decision of alliance board, one partner decided to unilaterally boycott collaboration because it perceived that his loss was huge and was not recovered after readjustment. This unilateral attempt to restore what it lost, in what it sees as unfair action of another partner, triggered a second chain of events. As this situation was not predicted with contract, partner that was in quarrel with injured partner did not have legitimacy to start any action against this partner. If he felt that other partners share his perception about partner that triggered second event, he could start procedure for alliance board and request that alliance board make formal decision regarding this partner.

Future research could validate the framework by examining multiple cases with the same number of partners, but different power distribution. It would also be interesting to examine how the alliance board potentially shape the incidence and resolution of conflicts between partners in alliances of different size. Such investigations might take two directions: one possibility is to use multiple case studies of multipartner alliances of different size; another one is to simulate the model. We hope that this study encourages additional research on alliance boards in multipartner alliances as an important yet neglected aspect of alliance governance and management.

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