The influence of managers' characteristics and perceptions in strategic alliance practice

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Abstract

Purpose – The purpose of this paper is to provide a linkage between strategic alliance practice and managerial cognitive base with a view to understanding alliance dynamics better.

Design/methodology/approach – After presenting a strategic alliance model, the paper reviews analysis of reasons for alliance formation, choice of partners, alliance structure and scope and alliance performance. Literature on managerial characteristics is also explored with a view to provide an approach to researching strategic alliances.

Findings – Brings together two streams of management literature (cognitive base and strategic alliances) in order to provide an alternative to understanding strategic alliances. The analysis found that ever since the work of Hambrick and Mason, Upper echelon (UE) linking managerial characteristics to strategic choice have persistently overlooked strategic alliances as strategic options worth consideration. While on the other hand only a handful of strategic alliance researchers have paid lip-service to the UE perspective.

Research limitations/implications – The paper cannot claim to have evaluated all the literature on the subject. A claim regarding lack of linkages between the two streams of research is made only in the context of accessed publications.

Practical implications – The paper identifies opportunities for further research that links managerial cognitive base with diverse strategic alliance practices. Borrowing from the work of Carpenter et al. the paper further identify possibilities for further research that links top management teams characteristics to strategic alliance research which also has not been researched before.

Originality/value – The paper uses well-established and researched management fields to identify gaps in the literature which could be further explored. To this end, the paper's originality and value is within identification of these gaps in the management literature.

Keywords Strategic alliances, Partners, Management strategy, Perception

Paper type Literature review

This paper extends the debate on management thinking by arguing that strategic alliance practices (analysis of both internal and environmental factors, choice of strategic alliance option and strategic alliance type, choice of strategic alliance partners and alliance structure and scope, and strategic alliance evaluation) are reflections of managers' characteristics and perceptions. The assumptions behind this view are that first, strategic alliances are human constructs, designed out of decisions reached by managers in regard to how the organization desires to deal with its environment. Second, that strategic alliances form a unique part of organizational strategy and are normally used either as a form of an international expansion strategy or of corporate- or business-level cooperative strategies (Hitt *et al.*, 1996). The main aim is therefore to explore linkages between managers' cognitive base and the decisions they make regarding diverse strategic alliance practices. In making this inquiry, the upper echelon (UE) standpoint is used as an essential perspective that can help researchers make

linkages between managers' cognitive orientations and strategic alliance practice. Past research on strategic alliances mostly used managerial assessments of internal and external drivers (motives) and alliance performance, and relied on managerial decisions on strategic alliance types and choice of partners. Researchers treat these assessments as objectively given and neglect the fact that strategic alliances are social constructs which, in a way, reflect the cognitive bases of those who construct them. Researchers from the UE perspective linking managerial characteristics and strategic options, and firms' performance have also overlooked strategic alliances as a firm's strategic option. Their research has centered on the traditional strategic options like product innovation, diversification, integration, financial leverage and administrative complexity (Hambrick and Mason, 1984; Carpenter et al., 2004). Strategic alliance as a firm's strategic option demands careful consideration because within the body of strategic alliance literature, evidence exists which suggest that the term "strategic alliance" is a generic term representing diverse inter-organizational relationships which share similar characteristics as shown in Figure 1. Managers are constantly faced with decision choices in terms of which type and form of alliance should be adopted.

Definitions of strategic alliances
Strategic alliances have become one of the most important organizational forms in modern society and are well-known tools available to, and used by, multinational business managers (Mockler, 2001), as well as organizations competing in domestic markets (Morrison, 1994). Strategic alliances have been used by organizations of all sizes – large and small (Golden and Dollinger, 1993; Etemad et al., 2001) and are of considerable interest to both industry practitioners and academics (Clarke-Hill et al., 1998; Zeng and Chen, 2003). With the increase of strategic alliances in number and variety, many scholars from different fields have sought not only to define and identify explanations for the phenomenon, but also to find ways organizations might better
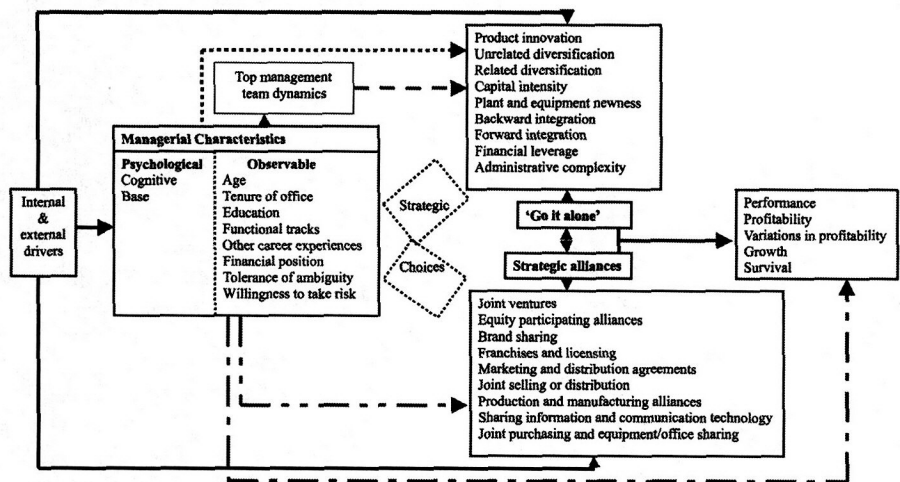
Figure 1.
Upper echelons
perspectives of
organizations

Source: Adapted from Hambrick and Mason (1984) and Carpenter et al. (2004)

manage these collaborative arrangements. The result has been a diversity of definitions and disagreements about which forms of inter-organizational cooperative arrangements can be said to constitute strategic alliances. Consensus on what strategic alliances are and what forms they take is far from being achievable. However, common themes emerging from these definitions are that strategic alliances are a variety of purposive inter-organizational relationships between two or more organizations (Howarth *et al*, 1995; Faulkner, 1995) that share compatible goals, strive for mutual benefits, and acknowledge a high level of mutual dependence (Kale *et al*, 2000; Mohr and Spekman, 1994). According to Tyler and Steensma (1998), alliances are any arrangements where two or more partners contribute differential resources and technological know-how to agreed complementary objectives. Tyler and Steensma (1998) further argue that alliances are not just limited to one-way transfers of know-how, such as licensing and marketing agreements, but are arrangements where partners share their expertise and output. They represent a spectrum of inter-organizational cooperative arrangements with a variety of governance mechanisms where organizations may or may not have legal contracts, and may or may not have provided equity funding for a separate entity (e.g. joint venture and non-equity ventures). What is common to all of these relationships is the commitment of these organizations to develop technology, market products cooperatively, share costs, access assets, resources and competencies, thus strengthening their ability to keep pace with emerging requirements in the market place and global competition.
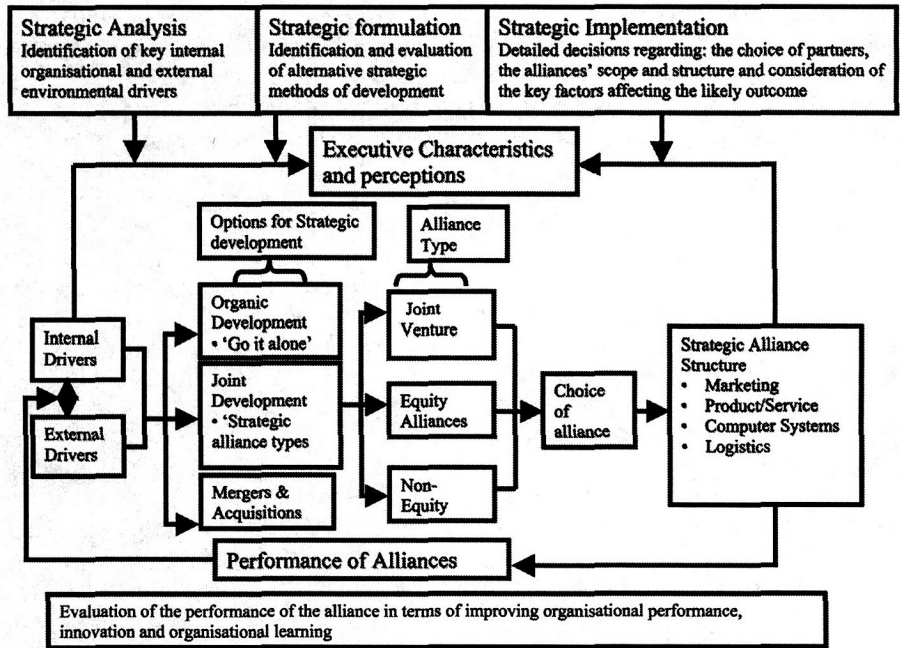
Clarke-Hill *et al* (1998) also perceive a strategic alliance as a coalition of two or more organizations to achieve strategically significant goals and objectives that are mutually beneficial. They argue that "mutual beneficial" does not imply equality but should be understood within the concern for all parties to the alliance to receive benefit from it in proportion to contributions made. They further argue that strategic alliances differ from other types of collaborative arrangements because they occur in the context of a company's long-term plans and seek to improve an organization's competitive standing in either domestic or international markets.

For the purpose of this paper, strategic alliances can be seen as purposive tactical arrangements between two or more independent organisations that form part of, and is consistent with participants' overall strategy, and contribute to the achievement of their strategically significant objectives that are mutual beneficial. These include cooperative arrangements such as: joint ventures; licensing; franchises; marketing and distribution agreements; production and manufacturing alliances; research and development contracts; technology development coalitions, production and manufacturing alliances and research and development contracts.

Strategic alliance model
Evans (2001) developed a conceptual five-stage process model of the strategic management processes involved in the formation and evaluation of strategic alliances in the airline sector, which can be used to analyze strategic alliances in general. This model has been adapted as Figure 2 which explains a process that involves:

(1) The strategic analysis of internal organizational and external environmental "drivers".

| Strategic Analysis
Identification of key internal organisational and external environmental drivers | Strategic formulation
Identification and evaluation of alternative strategic methods of development | Strategic Implementation
Detailed decisions regarding: the choice of partners, the alliances' scope and structure and consideration of the key factors affecting the likely outcome |

Executive Characteristics and perceptions

Options for Strategic development

Alliance Type

Internal Drivers

External Drivers

Organic Development
• 'Go it alone'

Joint Development
• 'Strategic alliance types

Mergers & Acquisitions

Joint Venture

Equity Alliances

Non-Equity

Choice of alliance

Strategic Alliance Structure
• Marketing
• Product/Service
• Computer Systems
• Logistics

Performance of Alliances

Evaluation of the performance of the alliance in terms of improving organisational performance, innovation and organisational learning

Figure 2.
The behavioral collaborative strategy process framework

Source: Adapted from Evans (2001, p. 233)

(2) Strategic formulation which involves postulating and evaluating alternative strategic options, and choosing the option of strategic alliance formation (either with or without equity) participation.

(3) Consideration of implementation issues including the choice of appropriate partners, structure and scope of the alliance.

(4) Evaluation of the strategic alliance against selected criteria purporting to measure the success of the alliance.

(5) The evaluation of the strategic alliance is fed back into the analytical phase so that any changes based upon experience can be incorporated (Evans, 2001, pp. 231-3).

To Evans' model, cognitive base emphasizing on managers' characteristics and perceptions have been included in order to acknowledge behavioral orientations which influence managers' attitudes toward strategic alliances formation and the kinds of information they attend to when individually assessing potential and currently operational alliances their organizations are involved in.

Reasons why organizations form strategic alliances
A number of studies have identified several drivers (motives) leading to formation of strategic alliances (Faulkner, 1995; Howarth *et al.*, 1995; Dussage and Garrette, 1999; Evans and Peacock, 1999; Evans, 2001; Contractor and Kundu, 1998a). These drivers as shown in Figure 2, have been classified as "internal organisational" and "external

environmental" drivers (Faulkner, 1995; Howarth *et al.*, 1995; Evans, 2001), which Evans (2001, p. 231) argues "act as the underlying motivating reasons for alliance formation". The "internal driver" view is built on the perception or recognition that the organization cannot achieve its objective alone due to a scarcity or lack of access to resources (Howarth *et al.*, 1995). This view is strongly supported by the "resource based view" of the firm, which sees organizations as collections of heterogeneous resources. Alliance motives from this perspective include reducing internal organizational uncertainty (Drago, 1997), shaping competition, (Drago, 1997; Doz and Hamel, 1998; Colombo, 2003), economies of scale, (Evans, 2001; Hill and Jones, 2004), economies of learning (Kotabe *et al.*, 2003; Tsang, 2002), access to assets, resources and competencies, (Hitt *et al.*, 1996; Olivera, 1999; Beverland and Bretherton, 2001; Mockler, 2001; Ray *et al.*, 2004), and risk sharing (Colombo, 2003). The "external driver" perception is built on the understanding that in order to achieve certain objectives an organization must submit to the pressure of external forces. These forces include government regulations and barriers to trade (Howarth *et al.*, 1995), technology capabilities (Doz and Hamel, 1998; More and McGrath, 1999; Go *et al.*, 1999; Sakakibara, 2002; Colombo, 2003), globalization (Dussage and Garrette, 1999; Chan, 2000; Erdly and Kesterson-Townes, 2003), and market entry and development of new markets (Ohmae, 1989a, b; Howarth *et al.*, 1995; Whipple and Gentry, 2000; Beverland and Bretherton, 2001).

Choice of alliance partners
Strategic alliance partner selection has been cited as one of the reasons that account for the successful implementation of strategic alliances (Kanter, 1994; Brouthers and Wilkinson, 1995; Faulkner, 1995; Mendleson and Polonsky, 1995; Medcof, 1997; Evans, 2001; Hagen, 2002). Researchers indicate that finding the right alliance partner is extremely important because the failure of many alliances can easily be traced to partner selection at the planning stage. It is at this stage where risk minimization should be addressed. In choosing appropriate partners, strategic alliance research identifies four Cs (compatibility, capability, commitment and control) as criteria for successful pre-selection of alliance partners (Kanter, 1994; Faulkner, 1995; Mendleson and Polonsky, 1995; Brouthers and Wilkinson, 1995; Medcof, 1997; Hagen, 2002). In addition many authors have also identified trust as an important variable determining whether an alliance can be maintained or not (Howarth *et al.*, 1995; Hitt *et al.*, 1996; Medcof, 1997; Das and Teng, 1998; García-Canal *et al.*, 2002). This factor is perceived as an important determinant of alliance continuity.

Alliance structure and scope
Klint and Sjöberg (2003) underscores the importance of the subject of strategic alliance structure and scope maintaining that while performance of joint actions, e.g. general success in cooperation, profits achieved by individual companies, and the appreciation perceived by individual companies, are functions of conduct (e.g. integration, exchange of knowledge, adaptation), these factors are in turn governed by structural phenomena. Therefore, determining the structure and scope of a strategic alliance is very important and it requires detailed consideration of issues across a broad spectrum (Evans, 2001).

Alliance scope is complex. Colombo (2003) measures it in terms of the number of partners, number of geographic areas, and operation activities (e.g. single value chain

or full complement of value chain activities). Research has established that the scope of a collaboration affects its initial governance structure (Reuer *et al.*, 2002). Pisano (1989) as cited by Reuer *et al.* (2002) notes that biotechnology alliances that entail multiple projects are more likely to be equity than non-equity alliances. A study of North American, European and Japanese information technology industry alliances by Colombo (2003) found positive and statistically significant relationships between the number of partners in an alliance and alliances that span over several activities. In line with Oxley (1997), Colombo (2003) classifies alliances into three categories – joint ventures, non-equity bilateral forms and non-equity unilateral forms. Positive and statistically significant relationships were found to exist between geographic scope and, equity joint ventures and non-equity unilateral forms (Colombo, 2003).

Mockler *et al.* (1997) maintain that once a desired type or overall strategic alliance structure has been selected there are several options available regarding the detailed structure of the alliance. Using strategic alliances in the airline industry, they group these decisions into five categories relating to:

(1) *Marketing* – code-sharing; frequent flyer reciprocity – whether partially or fully reciprocal, making decisions whether or not the alliance should fully integrate promotions.

(2) *Product/service* – whether brands should be integrated or remain separate.

(3) *Computer systems technologies* – composed of many smaller systems i.e. a reservation system, a check-in system, a lost baggage service system, and a flight information system. Decisions must be made whether such systems should be integrated, shared or remain separate.

(4) *Equipment* – joint purchasing agreements, decisions to also include whether or not partners share equipment and equipment maintenance.

(5) *Logistics* – involving sharing of offices and terminals.

Performance of alliances
Evaluation is an important aspect of management and collaborative strategies in particular (Harrigan, 1985, 1986). Harper (2001) observes that it is essential to evaluate alliance efforts because as an alliance progresses, it runs the risk of taking on a life of its own and evolving away from its original objectives. Studies on strategic alliances have reported unsatisfactory performance with few signs of improving especially in developed countries (Beamish and Delios, 1997), and very high failure rates, (Gulati, 1998; Killing, 1982; Geringer and Herbert, 1991). As a result many writers have sought to identify the recipe for alliance success, e.g. (Ohmae, 1989a; Bleeke and Ernst, 1991; Kanter, 1991, 1994; Frankel *et al.*, 1996). The main aim has been to identify antecedent conditions and emergent processes that can influence performance. This is varied and include, but not limited to, revealing questions about alliance progress (Harper, 2001); alliance strength, autonomy and flexibility (Bleeke and Ernst, 1991); a list of dos for successful collaboration (Ohmae, 1989a); flexibility in management of the alliance, building trust with partners, regular information exchange with partners, constructive management of conflict, continuity of boundary personnel responsible for the interface between the firm and the alliance, and managing partner expectations (Gulati, 1998).

Research on alliance performance has been difficult to conduct due to research obstacles which include complexity of alliance performance, given the multifaceted

objectives of many alliances (Evans, 2001), measuring alliance performance in a consistent and appropriate manner and the logistical challenges of collecting the rich data necessary to assess performance (Gulati, 1998; Kale *et al*, 2002). Although Hamel *et al* (1989) argue that alliance agreements should establish specific performance requirements; they concede that many of the skills that migrate between companies are not covered in the formal terms of collaboration. Gulati (1998, p. 307) also argues that a further complication results from the dyadic nature of alliances:

> Sometimes performance is asymmetric: one firm achieves its objectives while the other fails to do so.

This argument is supported by Hamel *et al* (1989), Evans (2001), and Khanna *et al* (1998). For example, the research by Hamel *et al* (1989) shows that Asian companies often learn more from their Western partners than vice-versa because they contribute difficult-to-unravel strengths, while Western partners contribute easy-to-imitate technology.

Researchers have raised dissatisfaction with the use of traditional accounting or financial data (Geringer and Herbert, 1991; Jennings *et al*, 2000). The problems associated with the use of such measures include unavailability of data and the fact that alliance members generate financial returns through other mechanisms "... including supply contracts, management fees, technology licensing fees, royalties and transfers" (Geringer and Herbert, 1991, p. 251). Gulati (1998) maintains that detailed surveys or careful fieldwork on alliances is required in order to uncover the multiple facets of alliance performance and considers the perspectives of all the partners in the alliance. Gulati is supported by Kale *et al* (2002) who caution against the use of traditional accounting or financial measures like sales growth, return on assets, or profitability as measures for alliance performance. They further contend that these measures of alliance performance have attracted criticism for their limited ability to provide information about collaboration effectiveness.

As a result of these criticisms there has been a growing trend in the literature towards multiple method research work that puts less emphasis on objective measures and toward perceptual managers' assessments of performance (Killing, 1982; Harrigan, 1985, 1986; Parkhe, 1993a; Inkpen, 1995; Beamish and Delios, 1997). According to Kale *et al* (2002), managers assess performance in terms of either their overall satisfaction with the alliance, or the extent to which an alliance has met its stated objectives. Such approaches enable the collection of a host of subjective and objective measures on which performance can be assessed, as well as an examination of dyadic asymmetries in perceptions (Gulati, 1998).

While the idea of using managerial assessment to study strategic alliance practices is valid and acceptable, its major limitation is that studies that have used this standpoint seem to view managers as a homogeneous group which possess the same capabilities, rationality and cognitive orientations. To put managerial assessment of strategic alliances into proper context, there is need to understand those who make the assessments – managers, from a cognitive view. This viewpoint argues that since managers are influenced by diverse cognitive bases, they are therefore not necessarily homogeneous and this heterogeneity is reflected among others through individual attitudes, values and perceptions. One of the approaches that seek to address this issue is the UE perspective. Instead of emphasizing psychological dimensions the UE

emphasizes background characteristics to predict managerial behavior (Hambrick and Mason, 1984).

Managerial characteristics (the UE) perspective

While there is a plethora of studies concerning strategic alliances, very few of these studies have considered the role of cognition of decision makers in forming, managing and evaluating strategic alliances. This narrowness of research on managerial thinking has occurred within the context of unprecedented burgeoning research and theory with cognitive science as a whole (Porac and Thomas, 1989). Writers in the competitive strategy field have been criticized for either implicitly or explicitly assuming that firms behave like rational actors (Johnson and Hoopes, 2003). From this perspective, largely dominated by economics oriented strategy scholars, managers are perceived as "rational utility-maximisers" (Stubbart, 1989; Johnson and Hoopes, 2003) who "... all possess the same knowledge, all reason the same logical way, all notice the same threats and opportunities, and all pursue the same goals" (Stubbart, 1989, p. 326). While this view offers advantages in understanding organizations, it has been criticized for ignoring the limits of humans as mechanisms for computation and choice (Simon, 1957). Simon (1957) and March and Simon (1958) advance the idea of bounded rationality, arguing that managers' cognitive abilities are sequential and limited in their capacity. As a result they use heuristics or "rules of thumb" to simplify complex problems with a view of scanning and organising their environment and reach decisions regarding strategic action (Schwenk, 1988; Stubbart, 1989; Porac and Thomas, 1990; Johnson and Hoopes, 2003).

Recently, management theorists and researchers have given attention to a wide range of managerial cognitive phenomena as a way of confronting the deficiencies of the literature on managerial thinking (Porac and Thomas, 1989; Swan and Newell, 1994; Gallén, 1997). Most of these articles center on the development of cognitive techniques and models which can be used to investigate cognitions in organizational settings (Porac et al., 1989; Swan and Newell, 1994; Hodgkinson and Johnson, 1994; Yamin and Gulasekaran, 1999); the relationship between managers' cognitive style (base) and strategic decisions (Gallén, 1997); relationships between group cognitive make-up, co-operation context, and the development of interpersonal trust (Roy and Dugal, 1998). Wiersema and Bantel (1992) argue that as top managers engages in the strategic decision-making process, each manager's perceptions and interpretations will reflect his or her own cognitive base. Wiersema and Bantel (1992), and Hambrick and Mason (1984) further argue that manager's cognitive style influences the perceptual process underlying decision making:

> First it limits the manager's field of vision, or the areas in the environment to which attention is directed. Second, selective perception occurs because the manager only pays attention to some of the stimuli in his or her field of vision. And third, the information that is processed is filtered through the lens of the cognitive base (Wiersema and Bantel, 1992, p. 94).

The general view of most of these authors is that because strategic management studies the activities of managers, managerial cognition must be explored in order to understand their role and impact in respect to environmental scanning and analysis, competitive strategy, strategy-making process, strategy implementation and evaluation. Some authors have suggested that a decision maker's cognitive make-up

(decision style) influences the selection among alternative courses of action (Henderson and Nutt, 1980) and that managers carry out decision making using distinctive processes (Nutt, 1990). Several frameworks which define decision style have been proposed (Henderson and Nutt, 1980), accompanied by a wide variety of instruments which have been developed to measure decision styles (Nutt, 1990). For example, Jung's (1923) personality theory which was further developed as the Myers-Briggs Type Indicator (MBTI), an instrument which has been designed to make Jung's theory both understandable and usable. However, there has been growing dissatisfaction with the use of some of these frameworks.

Studies dissatisfied with psychological dimensions have argued that first, the cognitive bases, values, and perceptions of upper level managers are not convenient to measure or even amenable to direct measurement. Second, top executive are hesitant to participate in batteries of surveys at least in the numbers needed for an ongoing research program (Hambrick and Mason, 1984; Haley and Stumpf, 1989) Third, some of the background characteristics of greatest a priori interest (e.g. tenure and functional background) do not have close psychological analogs, therefore restrictions to standard psychological dimensions could unnecessarily limit inquiries, and finally, that eventual application of the managerial characteristics perspective management selection/development would require observable background data on managers (Hambrick and Mason, 1984, p. 196).

These studies have focused on observable background characteristics, resting on the argument that they presented key proxies for managers' cognitive orientation and knowledge base with important implications for strategic decision making. They emphasize such characteristics as age, education, tenure in organization, functional background, other career experiences, socioeconomic roots and financial position (Hambrick and Mason, 1984). Hambrick and Mason (1984) developed the UE model for understanding the influence of top managers on organizational strategy. This perspective is based on three central tenets:

(1) Strategic choices made in firms are reflections of the values and cognitive bases of powerful actors (Carpenter et al., 2004). These values and cognitive bases limit the managers' field of vision, or the areas in the environment to which attention is directed (Wiersema and Bantel, 1992).

(2) The values and cognitive bases of such actors are a function of their observable characteristics like education, experience and background (Carpenter et al., 2004). According to Wiersema and Bantel (1992), previous studies have used such characteristics as predictors of beliefs and values.

(3) As a result this perspective argues that significant organisational outcomes are associated with the observable characteristics of those actors (Carpenter et al., 2004).

It is therefore argued that "... these three central tenets frame the UE proposition that an organization and its performance will be a reflection of its top managers" (Carpenter et al., 2004, p. 4). This model assumes that UE characteristics (psychological and observable) are determinants of strategic choices, and through these choices, or organizational performance. It is argued that certain situational conditions (external and internal) and UE characteristics leads to strategic choices that could not have been predicted as strongly by knowing only one or the other.

However, concern has been raised that particular characteristics seem unlikely to influence the diagnosis and development of strategic issues. Gallén (1997) suggest that instead of concentrating on observable characteristics, emphasis should also be placed on personality as a link between cognitive processes and strategic decisions. Hambrick and Mason (1984) raised doubts if research on managers' characteristics can progress far without greater attention to relevant literature in related fields, especially psychology and social psychology.

The UE perspective as shown in previous studies leaves out two important managerial characteristics which Gupta and Govindarajan (1984) see as central to organizational effectiveness and strategy implementation – willingness to take risk and tolerance of ambiguity. Gupta and Govindarajan (1984) found that greater willingness to take risk and greater tolerance for ambiguity contribute to organizational effectiveness. Strategic alliances have been associated with very high failure rates (Killing, 1982; Geringer and Herbert, 1991; Howarth et al., 1995; Bierly and Kessler, 1998; Gulati, 1998). Organizations often take on strategic alliance risk because they want to reduce risk in other areas, and this risk is of various types. Stanek (2004, p. 191) summarizes Das and Teng (1998) and argues that alliances involve both relational and performance risk. Relational risk elements include:

- protecting firm resources while gaining access to new partner resources;
- contractual control;
- managerial control;
- specificity of work share;
- extent of communication;
- alliance fit or tightness of fit; and
- cooperation and competition.

On the other hand performance risk includes:

- association with parent strategic vision;
- the degree to which agreements can be modified;
- likelihood of losing investments (often non-recoverable);
- exit provisions;
- controls;
- new learning applications;
- compatible objectives; and
- short- and long-term orientations.

Stanek (2004) further observes that strategic alliance risk may also include contextual (representing uncertainty in the market, including: political, ownership/control, price control, local content and transference problems) and transactional (risk associated with the arrangement, including not meeting established project objectives and returns) risk.

Figure 1 indicates that the UE model is applicable in diverse contexts. However, two dominant perspectives in this model are identifiable from previous research. The first is the characteristics-strategy-performance perspective. There are a number of studies

that link managerial characteristics and strategic decision choice (Miller *et al.*, 1982; Hambrick and Mason, 1984; Szilagyi and Schweiger, 1984; Gallén, 1997). This perspective portrays UE characteristics as determinants of strategic choices, and through the choices, of organizational performance. The second perspective links not only top management team (TMT) characteristics and firm profiles (Carpenter *et al.*, 2004), but also with strategic choices (Michel and Hambrick, 1992), and firm performance (Smith *et al.*, 1994; Hambrick and Cho, 1996; Finkelstein and Hambrick, 1990). While an offshoot of the characteristics-strategy-performance perspective, it seeks to acknowledge the role of the TMT as a whole. In Figure 1, this perspective links as managerial characteristics-TMT-strategic choice-performance perspective.

Figure 1 further develops the arguments of this paper to indicate first that a strategic alliance is a strategic choice option. What distinguish it from the other strategic choices is that it is pursued as a form of cooperative strategy where more than one firm is involved *vis-à-vis* the strategies under "go it alone" option. This is an opportunity that needs careful consideration independent of the other options explained above because there are many alternatives within the broader strategic alliance umbrella. This option (characteristics-strategic alliance-performance) has suffered neglect in the UE research. It can also be broadened by looking at TMT characteristics in relation to alliance option and performance. As it has been shown earlier in this study, strategic alliances now play a very prominent role in organizational competitive strategy. Models designed to help us understand strategic alliances therefore lack this important aspect of organizational reality – the role of cognitive orientations in strategic alliances, and the model by Evans (2001) is just one of them. Only two studies which link strategic alliance formation to the cognitive orientations have been identified. Both these studies use the UE perspective. Eisenhardt and Schoonhoven's (1996) study of why firms form strategic alliances in the semiconductor industry found that while market conditions and risky firm strategies increased the rate of alliance formation, top management characteristics also affected the rate of alliance formation. They conclude that firms with top management teams that were large, experienced, and well-connected through former employees and high-level previous jobs formed product development alliances at higher rates. Tyler and Steensma's (1998) study examines how top executives' experiences and perceptions influence their attitudes toward technological alliance formation and the kinds of information they attend to when individually assessing potential technological alliance opportunities. Their behavioral decision theory suggests that "... executives' cognitive orientations are reflected in (1) their age, educational background, and work experience; (2) their perceptions of their companies' emphasis on technology and risk; and (3) their perceptions of their companies' success in past technological collaborative efforts" (Tyler and Steensma, 1998, p. 940). Their findings support the view that top executives' experiences and perceptions influence the way the process information when asked to assess potential alliances:

> Age, technical education, technical work experience, and perceptions of firm success with other technological alliances were all directly related to top executives' assessments of technological alliances (Tyler and Steensma, 1998, p. 957).

They also found that technical education and perceived firm technological emphasis, risk orientation, and previous success with collaborative activities all moderated

executive's weightings of alliance attributes when asked to evaluate potential technological alliance. Their study fit well into Hambrick and Mason's (1984) model of UE perspective of organizations. Apart from concentrating on a particular industry other than tourism, theses studies are limited only to reasons for alliance formation. There is need to broaden the scope into other areas of strategic alliances.

The implications of this paper are varied. First is that strategic alliances form part of a firm's strategic options and therefore warrants critical analysis just like diversification and integration, a view that has suffered neglect by UE researchers. Second, as human constructs, strategic alliances are best understood from the perspective of those who form them – managers. If this view is accepted, then the UE perspective linking managerial characteristics to strategic choice can be used to help researchers make a linkage between managerial cognition base and strategic alliance practice.

Conclusion

This study argues that the influence of managers' characteristics and perceptions in strategic alliance practice is not only limited to reasons why firms form strategic alliances and attitudes towards alliances. They influence an array of practices which determines not only the survival of the strategic alliance, but also the survival of the firm in question. Issues concerning the type of the strategic alliance to be adopted and the number of alliance partners or alliances a firm may join is of high concern for managers. Choice of alliance partners emphasizing on compatibility, capability, commitment and control cannot be subjected to objective calculation but largely depends on managers' cognitive base. Concern has also been raised regarding evaluation of strategic alliance performance. Research on this area has raised concern over fundamental research obstacles arising from the complexity and dyadic nature of strategic alliances, provoking questions over the use of financial indicators as measures for alliance performance. As a result many authors have called for multiple method research work that puts less emphasis on objective measures and toward perceptual managers' assessments of performance (Killing, 1982; Harrigan, 1985, 1986; Parkhe, 1993a; Inkpen, 1995; Beamish and Delios, 1997) in terms of either their overall satisfaction with the alliance, or the extent to which an alliance has met its stated objectives. What these authors fail to address is the fact that perceptual assessment of performance raises questions of objectivity normally obscured by limits to rationality and the assessor's cognitive base. Managers working in the same firm are likely to assess performance differently because of their different characteristics. In view of these challenges, there is need for more research that embraces behavioral elements in strategic alliance practices.

The purpose of this paper was to explore linkages between managers' cognitive base and strategic alliance practice. By identifying diverse areas where most strategic alliance research has concentrated in the past, opportunities for further research that links managerial cognitive base with these diverse areas (environmental analysis, choice of alliance and alliance partners, alliance structure and evaluation) is identifiable for further exploration. Borrowing from the work of Carpenter *et al.* (2004), possibilities for further research that links TMT characteristics to strategic alliance research can also examined.

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