

UNVEILING THE TEMPORALLY CONTINGENT ROLE OF CODIFICATION IN ALLIANCE SUCCESS

KOEN H. HEIMERIKS,^{1*} CHRISTOPHER B. BINGHAM,²
and TOMI LAAMANEN³

¹ TIAS, Tilburg University, Tilburg, The Netherlands

² Kenan-Flagler Business School, The University of North Carolina at Chapel Hill, Chapel Hill, North Carolina, U.S.A.

³ Institute of Management, University of St. Gallen, St. Gallen, Switzerland

While prior research highlights the importance of codifying alliance experience to achieve alliance success, it is unclear whether codification is equally useful in the different phases of an alliance. Based on a sample of 192 technology firms that report on over 3,400 strategic alliances, we find that in the partner selection and termination phases, reliance on codified knowledge is useful. However, in the partner management phase, reliance on codified knowledge is less beneficial and can be even negatively related to performance. Our findings have implications for the tension between flexibility and efficiency and the relationship between structure and performance. Copyright © 2013 John Wiley & Sons, Ltd.

INTRODUCTION

Research suggests that a firm's alliance performance can improve through the use of codified knowledge captured in written documents, such as manuals and rule books (Kale and Singh, 2007). Firms using codified policies and guidelines to shape alliance activity can avoid the loss of important insights (Zollo and Winter, 2002) and retain knowledge that allows them to replicate lessons learned from experience in subsequent deals. However, while codification may affect a firm's alliance performance (Harbison and Pekar, 1998), it is unclear when codification might be more or less beneficial for a firm since prior research does

not separate the alliance process into its discrete phases (i.e., partner selection, management, and termination). Instead, it examines whether manuals and rule books exist to help guide any aspect of the alliance process, irrespective of the alliance phase. To better understand the relationship between codification and alliance success, we examine the relative benefits of knowledge codification in the three key phases of the alliance process: (1) partner selection (Hitt *et al.*, 2000; Luo, 1997; Shah and Swaminathan, 2008), (2) partner management (Geringer and Hebert, 1989; Barkema, Bell, and Pennings, 1996), and (3) partner termination (Pangarkar, 2009).

Based on a sample of 192 technology firms that participated in over 3,400 strategic alliances, we find that, in both the partner selection and termination phases, reliance on codified knowledge improves alliance success. Intriguingly, however, we find that in the partner management phase

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*Correspondence to: Koen H. Heimeriks, TIAS, Tilburg University, Warandelaan 2, 5037AB Tilburg, The Netherlands. E-mail: KHeimeriks@tiasnimbas.edu

reliance on codified knowledge is not only less helpful—it is even negatively related to performance. Besides calling for more research on how firms can better convey the lessons learned from focal alliances to their subsequent alliances, we shed new light on the tension between flexibility and efficiency and the broader relationship between structure and performance in key strategic growth processes.

PHASES OF THE ALLIANCE PROCESS

Alliances often have three key phases: (1) partner selection, (2) partner management, and (3) partner termination (Kale, Dyer, and Singh, 2002). Each phase has important distinguishing features that influence the relative importance of knowledge codification.

Partner selection phase

The first phase of the alliance process is partner selection. In this phase, firms typically use different partner screening tools (e.g., documents to help assess required capabilities, management style, commitment, and cooperativeness) to generate partner shortlists and do candidate research (Dyer, Kale, and Singh, 2001). Although prior research has not examined the performance implications of codification in the partner selection phase, several benefits may accrue to firms relying on codified knowledge to guide partner selection. First, relying on codified guidelines for partner selection can lead to improved alliance performance by helping focus the attention of firm members on the most critical issues, based on past experience (Ocasio, 1997). For example, drawing on their accumulated history with alliances, Yahoo executives relied on a few guidelines to help select partners in its early years. Some included (1) select partners that do not jeopardize the user's experience, (2) do not do any exclusive partnership deals, and (3) ensure that the product from the partnership is free (Rindova and Kotha, 2001). Codified guidelines for partner selection can therefore act as selection heuristics (e.g., Bingham and Eisenhardt, 2011; Gigerenzer, 2008; Gigerenzer and Gaissmaier, 2011) or simple rules for picking opportunities (Bingham, Eisenhardt, and Furr, 2007).

Second, the use of codified guidelines for partner selection can reduce errors. For example,

Thomas and Trevino (1993) examined the information processing requirements associated with partner selection and found that the way management chose to process information played a major role in alliance performance by reducing behavioral biases. Codified guidelines for partner selection reduce the likelihood of overlooking hidden liabilities, miscalculating outcomes, or overestimating potential advantages of cooperating. By codifying how to select partners, firms reduce the likelihood of allying with unfit partners. Plus, as leaders collectively share the problems they had in partner selection and how they dealt with them, they are able to develop solutions that better address what needs to be done in the future so as to avoid the recurrence of those same problems (Zollo, Reuer, and Singh, 2002).

Without codified guidelines for partner selection, firms may chase too many or too diverse alliance opportunities. This may not only diffuse energy and efficiency, but also lower alliance performance as a consequence of subadditive alliances (Vassolo, Anand, and Folta, 2004). It may also cause a lack of clarity about which alliances to pursue. Hence, the lack of codified guidelines for partner selection can reduce efficiency, promote confusion, and decrease alliance performance.

Partner management phase

The partner management phase begins after partner selection and involves working directly with the partner to achieve mutually desirable outcomes. In the partner management phase, firms typically use an implementation plan (including definition of tasks, roles, and milestones) to realize the goals set (Kale *et al.*, 2002). Prior research suggests that use of codified guidelines for partner management can help clarify responsibilities for the different actors, give guidelines for interface management, and provide an outline for the overall execution of the alliance (e.g., Kale, Singh, and Perlmutter, 2000). However, when compared to the codified guidelines used in the partner selection phase, the codified guidelines used in the management phase are likely to be less helpful. This is because the partner management phase exhibits higher complexity and lower controllability relative to the partner selection phase (Doz, 1996; Reuer and Arino, 2002; Reuer, Zollo, and Singh, 2002b).

Unforeseen coordination difficulties, communication hurdles, resource spillovers, and information asymmetries may potentially threaten anticipated objectives (e.g., Dhanaraj *et al.*, 2004; Dussauge and Garrette, 1995). For example, set up in 2010 to make headway in the Asian low-cost car segment, the Volkswagen-Suzuki alliance was recently halted as both parties experienced unanticipated trouble understanding each other. An executive that we interviewed in the pre-study stage commented, “After the use of the partner selection protocols, so following the signing of the contract, you don’t really know what you’re up against. With the various tools we have it’s possible to get a rough picture of the partner, but it’s not before you start really working with them that you find out what the actual cultural and managerial challenges are.” The use of codified tools for managing partners can hence reduce needed flexibility and prevent firms from exploring alternative actions that might allow for greater performance (Kogut and Zander, 1992). This is important as higher performing alliances often leave room for managers to make real-time adjustments in response to actual events (Lavie and Rosenkopf, 2006; Lin, Yang, and Demirkan, 2007). Codification in the partner management phase may therefore provide fewer benefits as each partner is fundamentally distinct in its objectives, resource set, and prior history.

Moreover, due to the relative unpredictability and lower controllability of the partner management phase, the use of codified practices to manage partners can lead to overgeneralization of knowledge (Heimeriks, 2010; Zollo, 2009). With codified guidelines, there is an increased likelihood of “misplaced specialization” that induces repetition under dissimilar circumstances (March, 1981; Meyer and Shi, 1995). This can reduce the likelihood that professionals will challenge assumptions of codified practices for partner management and so fail to deliberately vary practices to handle agency or cultural issues that are partner specific (Park and Ungson, 2001). As another alliance executive we interviewed observed, “When it comes to implementing the deal, the playing field in each deal is always different.”

In summary, codified knowledge may be less beneficial for the partner management phase relative to the partner selection phase since there is lower predictability and controllability and higher complexity in the management phase than in the selection phase. Even though research finds that

reliance on codified knowledge is generally beneficial for alliances (Kale and Singh, 2007), we expect the benefits of codification to be harder to achieve in this phase than in the partner selection phase.

Partner termination phase

The partner termination phase is the last of the three alliance phases. In the termination phase, firms typically use checklists to track and evaluate alliance success, which include road maps, scorecard analysis, and termination templates (Dyer *et al.*, 2001; Horn, Lovallo, and Viguerie, 2006). Similar to our argument in the partner selection phase, we contend that the use of codified guidelines in the partner termination phase is likely to result in more positive alliance outcomes than in the partner management phase. This is due to the higher predictability and controllability in the partner termination phase relative to the less predictable, less controllable partner management phase. First, since terminating an alliance can impose significant costs (Reuer and Zollo, 2005), codification is important as it helps firms to speed up decision making in this phase. As alternative courses of action are given, i.e., dissolution, redefinition, or acquisition (Das and Teng, 2000), firms that codify the decision criteria for each alternative benefit from greater efficiency. Indeed, such termination checklists have proven fruitful for companies like Hewlett-Packard and Lotus (Dyer *et al.*, 2001).

Second, while termination is likely to be induced by factors in preceding alliance phases, reliance on codified tools for partner termination enables firms to more closely monitor the evolving conditions within which the alliance operates. For instance, prior work shows that industry volatility (Kogut, 1989) as well as deals between competitors (Park and Russo, 1996) increase chances of dissolution. Tracking progress through termination checklists thus enables the firm to succinctly map and decide on the appropriate time to end an alliance relationship.

Third, the partner termination phase involves greater predictability than the partner management phase. While some alliances will end unexpectedly in unilateral withdrawal, many others will end expectedly when common strategic objectives are met such as learning (Hamel, 1991), adaptation (Koza and Lewin, 1998), or opportunity

exploitation (Kogut, 1991). The achievement of these objectives is relatively clear since alliances are often used for a specific value chain activity (Harrigan, 1985). Still other alliances can be predicted to end with the natural expiration of the collaborative agreement or when partners' capabilities converge (Nakamura, Shaver, and Yeung, 1996). For example, Glover and Wasserman (1992) suggest that a joint venture could be dissolved if the termination date was reached or if the other party defaulted. In short, codified tools and methodologies guide alliance longevity and so enhance alliance performance by helping leaders avoid staying with particular partners past their prime (Horn *et al.*, 2006).

Overall, we argue that, when engaging in alliances, the benefits of codification are contingent on the controllability of the phase of the alliance. As activities associated with phases of an alliance process become less complex and more predictable, such as those related to partner selection or partner termination, codification becomes helpful, and benefits exist from executing standardized action steps. In contrast, the benefits from codification are likely to be relatively lower in the partner management phase as it is characterized by higher complexity and lower controllability. Together, these arguments lead to our main hypothesis:

Hypothesis: The benefits of knowledge codification are higher in the partner selection and termination phases than in the partner management phase.

RESEARCH DESIGN AND METHODOLOGY

Sample

To uncover when codification is conducive to alliance success, we performed a multimethod study. First, we engaged in a series of in-depth interviews. The insights yielded during these interviews helped in the design of the detailed survey instrument sent out to a large number of alliance-active firms.

Expert interviews

A number of firms were contacted and invited to participate in a series of interviews and

conversations over an extended period of time. We first selected executives in functions such as vice-president of alliances, vice-president of strategy, director of alliances, or alliance manager at world-renowned firms on the basis of their established reputation, experience, and knowledge of the field of alliance management. The interaction with executives from alliance departments in various firms, including Bayer, Cisco, DSM, Glaxo-SmithKline, KLM-Air France, Philips Electronics, Microsoft, Oracle, SAP, Shell, and Unilever, provided insights into the role that codification plays in developing a successful alliance portfolio. All executives interviewed had been directly involved in developing or deploying the firm's alliances. In total, 46 interviews were conducted and, for almost all firms involved, we interviewed at least two executives.

Survey

In order to test the insight emerging from the interviews, we sent out a survey on alliance capabilities to 650 alliance managers and vice-presidents who were responsible for managing and overseeing firms' alliance portfolios. Despite the fact that we cannot test for causality due to the cross-sectional nature of the survey data, our design enabled us to examine the effect of codification on the different phases of the alliance process. The primary data sources were the database of the Association of Strategic Alliance Professionals and the Dutch Internet Society. We surveyed vice-presidents of alliances and alliance directors or—in absence of this function—top managers in charge of alliance management.

We received responses from 192 firms. This resulted in a response rate of 29.5 percent (Snow and Thomas, 1994), a rate comparable to prior studies on alliances (e.g., Kale *et al.*, 2002; Reuer, Park, and Zollo, 2002a; Zollo *et al.*, 2002). The 192 firms reported on an estimated total of 3,477 strategic alliances. The average alliance portfolio of the respondents contained 18 alliances managed over the pre- and post-bubble period of 1997–2001.

Of the respondents, 82 percent were active in information and communication technology (ICT) and service sectors. Firm size (yearly sales revenue) also showed divergence. The largest proportion of respondents, namely, 35 percent, was in the category of \$1 billion to \$50 billion

annual sales. The rest were grouped as follows: below \$1 million (24%), \$1 to \$100 million (23%), \$100 million to \$1 billion (13%), > \$50 billion (4%), and missing data (1%). Most respondents were from European companies (61%), whereas the remaining respondents were North American (33%) and the rest of the world (6%). The sample diversity should not hamper the validity of the results, as codification should influence alliance performance regardless of the specific firm or alliance (Day, 1995).

We tested for nonresponse differences by comparing early and late response categories. Chi-squared tests for three key measures (χ^2 of 2.386, $p > 0.05$ for number of employees; χ^2 of 1.947, $p > 0.05$ for sales revenues; and χ^2 of 3.133, $p > 0.05$ for alliance performance) suggested the absence of nonresponse bias (Armstrong and Overton, 1977).

Alliance portfolio as level of analysis

Consistent with prior work (e.g., Heimeriks and Duysters, 2007; Lavie, 2007; Reuer and Ragozzino, 2006), we focus on alliance portfolios as our level of analysis. This level helps us to acknowledge existing interdependencies between the various alliances that a firm may be managing (Gulati and Sytch, 2006). As the effects of codification are unlikely to remain limited to individual alliances, the alliance portfolio level of analysis enables us to measure codification effects on all of the firm's alliances and is a viable level of analysis observed to shape alliance portfolio outcomes (Kale *et al.*, 2002).

Dependent variable

Our dependent variable in this study is *strategic alliance portfolio performance*. We define strategic alliance portfolio performance as the percentage of alliances in which the firm's goals were realized. We measure this dependent variable at an ordinal level, and the item is based on a five-point scale (0–20%, 21–40%, ... 81–100%). Respondents responsible for the firm's alliance portfolio answered the question, "What is your company's overall success rate (i.e., percentage of strategic alliances where goals were realized) over the past five years?" Their assessment represents the overall satisfaction with alliance portfolio performance and the extent to which objectives

were met. We chose this dependent variable measure for several reasons. First, given the emerging consensus on managerial assessments being a useful approach to evaluating strategic process outcomes (Kale *et al.*, 2002), we use a subjective measure to assess portfolio outcomes (e.g., Heimeriks and Duysters, 2007; Kale and Singh, 2007; Zollo *et al.*, 2002). Second, given our purpose to assess the temporally contingent effects of codification on broader portfolios rather than single events, we defined our outcome measure so as to optimize the fit between process and performance measures (Miller, Washburn, and Glick, 2013). Possible alternatives, such as cumulative abnormal stock return data, correlate marginally with actual outcomes of strategic processes like alliances or acquisitions (Zollo and Meier, 2008). Therefore, we use a measure that directly relates the collective outcome of the firm's alliance activities to the underlying codified processes (Ray, Barney, and Muhanna, 2004). Overall, our measure seems appropriate as subjective and objective alliance performance measures tend to correlate highly (Geringer and Hebert, 1991).

Explanatory variables

Consistent with others (Heimeriks, Schijven, and Gates, 2012; Kale and Singh, 2007; Zollo and Singh, 2004), we measure all codification variables as binary variables. Respondents were asked "Which of the following tools are used to support alliance management?" First, *codified guidelines for partner selection* measured whether the firm had and used defined steps, decision criteria, and checklists for partner selection (e.g., partner screening and fit analysis). Second, *codified guidelines for partner management* measured whether the firm had and used codified guidelines to manage partners (e.g., use of implementation plan to manage partner characteristics and realize goals set). Third, *codified guidelines for partner termination* measured whether the firm had and used codified metrics for partner termination (e.g., road maps, scorecard analysis, and termination templates). For all explanatory variables, respondents indicated whether codified guidelines were available and used in the five-year period reported on. While purposefully not collapsing all independent variables into one measure, we follow Zollo and Singh (2004) by defining single-item measures for

specific phases of the alliance process (see also Bergkvist and Rossiter, 2007).

Control variables

Our models include various controls. We measure *strategic alliance experience* as the number of strategic alliances formed by the firm over the period 1997–2001 using a categorical variable (0–5, 6–15, 16–25, 25–40, > 40). We measure *alliance department* as whether or not the firm had a dedicated alliance function or department (Kale *et al.*, 2002) and *alliance training* as whether or not the firm articulated specific knowledge through formal alliance training (Kale and Singh, 2007). We measure *alliance value* as the importance of strategic alliances for the respondent firm (Reuer and Ariño, 2007) through the percentage of the respondent firm's market value (share price multiplied by the number of shares) coming from strategic alliances at the time of the survey. We measure *firm size* as the log of the firm's annual sales revenues generated in 2000 (in US\$). We measure *top management involvement* as whether the firm's alliance strategy was formed top-down (0 if organized bottom-up; 1 if top-down). We added dummy variables for *ICT industry* and *service industry* since certain high-technology industries such as the ICT industry are more actively engaged in alliances (Hagedoorn, 2002). Finally, we measure *nationality of headquarters* through a dummy capturing whether the respondent firm was headquartered in Europe (0) or in North America (1).

Econometric modeling and estimation technique

Given that our independent variables are categorical, we use ordinal logistic regression to test our hypothesis (Long, 1997; Wooldridge, 2002). While our sample consists of 192 firms, our analyses are based on 156 due to missing observations for some of the key variables included. We also tested the robustness and validity of our models in several ways. First, we tested for multicollinearity by calculating the variance inflation factors (VIF; see Kleinbaum *et al.*, 1998). Using an informal test with ordinary least squares (OLS) regression, inflation was not an issue as for all variables, $VIF < 10$. Moreover, the stability of the coefficients over the various models suggests that multicollinearity is

not an issue in the sample used. Second, we tested for overfitting, which may occur due to idiosyncrasies of a dataset, and selected a random subsample of 96 firms. Comparison of parameter estimates of the subsample to the hold-out sample showed no difference in goodness-of-fit and pseudo F -value. Third, using alternative techniques, such as OLS regression and multinomial logit, yielded comparable outcomes. Overall, we believe that our models provide robust and valid results (see supporting information for detail on our many robustness tests).

RESULTS

Table 1 provides the descriptive statistics and correlations for all variables used. Table 2 shows the results of the regression analyses we used to test our hypotheses.

Model I shows the baseline model with only the effects of the control variables. Subsequently, we added the independent variables (Model II–IV). In the baseline model, only alliance value ($p < 0.001$) is a significant control variable. This suggests that firms whose market value generation hinges on alliances are more likely to succeed in their alliances. Interestingly, neither alliance experience nor an alliance department significantly influences strategic alliance portfolio performance. To test our hypothesis, we added variables corresponding to codification in each of the three alliance phases to Model II–IV. Our results provide support for our hypothesis that knowledge codification is more helpful in the partner selection and partner termination phases than in the partner management phase. Model II shows a positive relationship between the firm's rate of alliance success and the use of codified knowledge for partner selection ($p < 0.05$). Model III confirms further that knowledge codification is less useful in the partner management phase than in the partner selection phase. To our surprise, the effect is not only less positive, but it is even negative. Finally, Model IV shows that codified guidelines for partner termination are again positively related to alliance performance. Models II, III, and IV are all significant. Also, upon adding the three key independent variables, the Nagelkerke R^2 increases for each of the models, confirming increasing explanatory power of our models. Due to the design of our study, these results represent associations rather

Table 1. Descriptive statistics

	Mean ^a	S.D.	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
Alliance portfolio performance (1)	3.2216	1.3057	1												
Codified guidelines for partner selection (2)	0.5260	0.5006	0.166*	1											
Codified guidelines for partner management (3)	0.2500	0.4689	-0.009	0.195**	1										
Codified guidelines for partner termination (4)	0.4505	0.3779	0.222*	0.415*	0.333*	1									
Alliance experience (5)	2.681	0.8947	0.054	0.075	0.061	0.101	1								
Alliance training (6)	0.2604	0.4400	0.028	0.278**	0.241**	0.393*	-0.095	1							
Alliance department (7)	0.4583	0.4996	0.101	0.413**	0.291**	0.301*	0.142	0.359**	1						
Alliance value (8)	1.4167	1.1084	0.248**	-0.048	-0.050	-0.007	-0.108	0.002	0.032	1					
Log firm size ^b (9)	2.2740	1.3072	0.130	0.351**	0.174*	0.258**	-0.060	0.337**	0.474**	-0.075	1				
Top management involvement (10)	1.3646	0.5988	0.064	0.003	0.028	0.045	-0.115	0.005	0.086	0.054	0.016	1			
ICT sector (11)	0.4271	0.4956	0.050	0.145*	0.169*	0.099	-0.026	0.015	0.136	0.031	0.046	0.037	1		
Service sector (12)	0.6458	0.4795	0.098	-0.049	-0.070	-0.083	-0.030	-0.057	-0.149*	-0.095	-0.057	-0.040	-0.087	1	
Nationality of HQ (13)	0.3536	0.4794	0.002	0.242**	0.110	0.099	0.117	0.053	0.310**	0.153*	0.121	-0.058	-0.012	-0.139	1

^a Mean and standard deviation are uncentered.^b Firm size = log annual sales revenues.*** $p < 0.001$; ** $p < 0.01$; * $p < 0.05$ (two-tailed)

Table 2. Results of regression analyses

	Model I	Model II	Model III	Model IV
Explanatory variables				
Codified guidelines for partner selection		0.798* (0.341)	0.891** (0.346)	0.688* (0.360)
Codified guidelines for partner management			−0.597* (0.362)	−0.704* (0.371)
Codified guidelines for partner termination				0.439* (0.233)
Control variables				
Alliance experience	0.109 (0.119)	0.096 (0.120)	0.101 (0.120)	0.069 (0.121)
Alliance training	−0.472 (0.350)	−0.634 [†] (0.360)	−0.579 [†] (0.362)	−0.772* (0.377)
Alliance department	0.451 (0.369)	0.354 (0.372)	0.481 (0.379)	0.420 (0.379)
Alliance value	0.709*** (0.167)	0.734*** (0.169)	0.748*** (0.169)	0.726*** (0.169)
Log firm size	0.527* (0.311)	0.335 (0.319)	0.305 (0.320)	0.361 (0.320)
Top management involvement	0.467 (0.298)	0.435 (0.299)	0.478 (0.301)	0.466 (0.301)
ICT sector	−0.267 (0.310)	−0.379 (0.314)	−0.348 (0.316)	−0.364 (0.316)
Service sector	0.411 (0.315)	0.407 (0.316)	0.388 (0.316)	0.404 (0.317)
Nationality of HQ	−0.230 (0.322)	−0.373 (0.328)	−0.382 (0.329)	−0.328 (0.330)
Nagelkerke R^2	0.168	0.197	0.213	0.233
−2 Log likelihood	426.108	423.075	422.891	430.004
Chi-square	27.049***	32.280***	35.236***	38.874***
N	156	156	156	156

Standard errors are in parentheses.

*** $p < 0.001$; ** $p < 0.01$; * $p < 0.05$; [†] $p < 0.10$

than causalities. While our survey findings were in line with insights drawn from the fieldwork, it is possible that the relationship between codification and alliance success is also impacted by other factors. Overall, our results demonstrate strong support for our hypothesis underlining the contingent benefits of codification. Thus, while codification may be beneficial for alliance portfolio success, the effects are likely to be driven by the front (partner selection) and final (partner termination) phases.

DISCUSSION

Prior empirical work shows that firms benefit from codification in the context of alliances (Kale and Singh, 2007). Our empirical study adds to the literature by showing that such codification may be beneficial or detrimental depending on the alliance

phase. We theorize about the temporally contingent benefits of codification in three critical phases of the alliance process: partner selection, partner management, and partner termination. Our core contribution is to demonstrate the different effect of codification across the different phases of the alliance process. Although beneficial in the selection and termination phases, codification appears detrimental in the management phase. Hence, by showcasing the benefits and detriments of codification during the life cycle of an alliance, our study helps pinpoint the alliance phases where those effects are likely to occur. While the quality and differential availability of codified guidelines for the different alliance phases could also affect the observed results, our study points to a richer conception of codification and its relationship to alliance performance that extends beyond simply assessing whether codified documents exist.

Instead, our study adds by suggesting a novel view where the temporal unfolding of the alliance process should start with more constraint (partner selection), move to less constraint (partner management), and then cycle back to more constraint again (partner termination). Future research using qualitative or longitudinal data to explore the emergence and effectiveness of codification across the different alliance phases can extend these insights.

At a higher level, we contribute to an improved understanding of microfoundational processes that firms can use to balance the fundamental tension between efficiency and flexibility (Eisenhardt, Furr, and Bingham, 2010; Felin *et al.*, 2012). Our study suggests that *phasing the use of codification* helps firms balance the competing tensions of efficiency and flexibility in key strategic processes such as alliances. Relying on codification for partner selection and partner termination increases efficiency and coherence by sharpening focus on attributes, milestones, and evaluative criteria that largely remain stable over time. In contrast, eschewing use of codification in partner management enables flexibility to adjust to particular partner circumstances that generally vary over time. It allows for improvised action, thereby enabling individuals to take greater advantage of unexpected events “on the fly” (Furr, Cavarretta, and Garg, 2012; Miner, Bassoff, and Moorman, 2001). We thus sketch a boundary condition for codification. Concurrently, we emphasize a key implication: managers must learn to be effective at both coercing compliance and encouraging autonomy since they are threatened by internal breakdown (mistakes resulting from too little or too much flexibility or efficiency) and not just external competition (Davis, Eisenhardt, and Bingham, 2009).

We also contribute by adding insight into the relationship between structure and performance. Formalization, the degree to which firms rely on written guidelines, has long been one of the most extensively researched dimensions of organizational structure (Adler and Borys, 1996; Pugh and Hickson, 1976). In general, the strategy literature often relates moderate structure with high performance. Firms with too much structure cannot adapt and so underperform because action is overly constrained. Yet firms with too little structure lack coherence in opportunity capture and so underperform because action is underconstrained. Moderate

structure balances between the competing demands and so increases the probability of achieving higher performance (Brown and Eisenhardt, 1997; Katila and Ahuja, 2002; Rothaermel and Deeds, 2006; Siggelkow, 2001).

Yet our findings suggest a different view where more *and* less structure is best. An important insight is the fundamental value of more structure for partner selection and termination but less structure for partner implementation. As the inputs and outputs associated with phases of an organizational process become more controllable and less complex, more structure becomes useful as there are benefits from executing codified action steps. This is consistent with research indicating that, in more predictable situations, more structure is better since it allows firms to take advantage of consistent patterns in their situation that can be mirrored in structure (Davis *et al.*, 2009). But when inputs and outputs associated with phases of an organizational process become less controllable and more complex, such as occurs with partner management, structure is less imperative. An implication of our study is the need for executives to vigilantly manage both the amount and timing of structure, and not just its content. Although the management and configuration of alliance portfolios have emerged as distinct research domains within the alliance literature (Wassmer, 2010), future research could examine whether more and less structure across alliance phases affects alliance portfolio configuration. Overall, we suggest that, rather than maximize performance through single solutions that reflect a moderate amount of structure, high performing firms may require multiple solutions that support both more and less structure. This insight is important as it might help solve a central paradox in the field of strategy related to alliances: firms continue to invest in strategic alliances despite the fact that most fail to achieve their objectives.

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SUPPORTING INFORMATION

Additional supporting information may be found in the online version of this article:

Appendix S1. Robustness checks and Ad-Hoc analyses.