Introduction

> I cannot quite think of myself as on the side of authority, judgment . . .
> and I hear myself chatter and the only excuse for it is that one is full
> of unsifted ideas and too chock-a-bloc to have time to think and too
> warm-blooded to reckon the consequences . . .
>
> <div align="right">Isaiah Berlin[1]</div>

Isaiah Berlin's startling admission befits the mood of this book. It is
written not from the wisdom of old age but the folly of youth. It is a book
about alliances and yet alliances are quite unimportant to it. They illus-
trate my argument, but this argument itself potentially has much wider
implications as well as applications. Our theorizing about alliances, so
I argue, may benefit from relaxing any a-priori assumptions we may have
traditionally taken to them: expectations of finding constancy, homogeny,
teleology, progress or pattern. This is especially important when consid-
ering that we may have relatively little empirical evidence that these are
ordinarily their properties. What if this is no more than a metaphysi-
cal attitude? True to our intellectual origins, we may have persisted in
three, relatively unexamined, beliefs, namely that to every genuine ques-
tion there is but one answer; that these answers can be discovered by
applying reason; and that, together, such answers must be compatible in
amounting to a coherent, stable, and universal body of theory (cf. Berlin,
1999a). As in simple arithmetic, the parts add up reliably to the same
sum total. A comprehensive theory of alliances has, in other words, re-
mained distinctly possible. Even if we have not found it yet, one day we
will – for the ideal exists, at least in principle. In this respect, Einstein's
aside may not be entirely irrelevant: 'so far as the laws of mathematics
refer to reality, they are not certain. And so far as they are certain, they
do not refer to reality.'[2] In this book, I examine the implications of this
monist epistemology and propose pluralism as a compelling but largely
untried substitute. In pluralism, we may find the means to legitimize the
relative messiness of strategic alliances whilst finding in them also a sense

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[1] As cited in Ignatieff (1998: 208).   [2] As cited in Kosko (1993: 3).

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of social order. Their messiness, in other words, is an inherent, and not dysfunctional property. That, in a nutshell, is the gist of my argument. To paraphrase Bertrand Russell, I cannot prove that my view of alliances is correct. I can only state my view and hope that as many as possible will agree – or, if not agree, at least find it intellectually useful.[3]

The three-tier characterization of monism, as an intellectual tradition, was Isaiah Berlin's first great discovery. It simplifies monism but does so deliberately to illuminate a deep-rooted philosophical issue. Drawing on the works of Machiavelli, the eighteenth-century Romantics Vico, Herder, Herzen and Hamann, and the Russian novelist Tolstoy, Berlin fought to crack its moral fibre and became one of the most celebrated intellectual historians of the twentieth century. A keen observer of social and political life, Berlin concluded that there is no one best way for human beings to live. More importantly, any such recipe can never be derived from human nature, as suggested by Rousseau, and arrived at by applying reason. Instead, conflicting ideals coexist; and as men are bound to disagree about ultimate ends, conflict is often inevitable. Some of the worst crimes of the twentieth century, Naziism and fascism included, were carried out in the firm and unrelenting belief in a final, terrifyingly rational, solution to the organization of society. This being one of the most powerful and dangerous arguments in the history of human thought, Berlin summarized thus:

> Objective good can be discovered only by the use of reason; to impose it on others is only to activate the dormant reason within them; to liberate people is to do just that for them which, were they rational, they would do for themselves, no matter what they in fact say they want.[4]

To what extent are business organizations exposed to the same human divisiveness, the ubiquity of potentially incompatible interests, personalities, histories, and loyalties? Organizations, to be sure, may be more discriminating than societies in being mostly able to choose their membership. They may also exhibit more coherence when in the presence of a distinct corporate culture and shared strategic intentions. After all, organizations are seen as purposeful, boundary-observing, socially constructed systems of human activity (Aldrich, 1979; 1999: 2). Actors will, to some degree, be constrained by the institutional frameworks of their corporations. And in large measure, these institutions are the residual deposits of their own activities. Be that as it may, despite such centripetal institutional forces affording a higher probability of homogeneity than

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[3] Paraphrased from Russell (1957: 48).
[4] As cited in Ignatieff (1998: 202), and taken by him from an unpublished manuscript entitled 'Freedom and its Betrayal' written by Isaiah Berlin.

found in some other types of organization, there may yet exist a fair amount of heterogeneity – possibly more than our current research techniques allow us to reveal (Aldrich, 1999; Starbuck, 1993). Business organizations after all remain distinctly social phenomena – political, moral, social, and personal life continues inside them. Indeed, is this heterogeneity not likely to increase exponentially when combining organizations through mergers, acquisitions or various forms of alliances? And are we who write about them not likely to exemplify this same divisiveness?

This book is an effort to try and redress this felt imbalance by humanizing the literature on strategic alliances. But it also seeks to make three specific contributions: (a) to respond to a lack of empirical research and theory-development on alliance dynamics and evolution in a governance- and performance-dominated alliance literature; (b) to help remedy a felt imbalance in this literature towards alliances as strategic, financial or economic events, at the expense of their social, contextual, and historical characteristics; and (c) to relax any monist assumptions we may traditionally have made about them. Not least among these is the expectation of discovering some stable principles in alliance life, or what Zeitz (1980: 72) two decades ago wryly described as that 'positivist idea of science . . . [which] stresses the importance of locating stable patterns of behaviour and of formulating general theories that apply *regardless* of particular circumstances'.[5] The residue in part of the Foundation Studies[6] of the mid to late 1950s (Gordon and Howell, 1959; Pierson et al., 1959; Porter and McKibbin, 1988; Porter, 2000), we still straddle the divide between the narrative world of organizations and the natural sciences, using the context of organizations but methods of the natural sciences for reasons of transparency, legitimacy, and respectability (Bailey and Ford, 1996; Pfeffer and Fong, 2002). Poole and van de Ven's contention is relevant in this respect:

Like most social scientists, organization and management theorists are *socialized* to develop internally consistent theories. The presence of contrary or contradictory assumptions, explanations, or conclusions is often viewed as an indicator of poor theory building (1989: 562; italics added).

Quoting Ralph Waldo Emerson's 'A foolish consistency is the hobgoblin of little minds', they emphasized the growing recognition that any important advances in management and organization theory will have to

[5] Italics added.
[6] The Foundation Studies comprise two separate studies conducted in the mid-1950s (and published in 1959) and commissioned by the Ford Foundation and the Carnegie Foundation (hence their name). The studies are still considered as landmark publications and their implications for the design of business school research have been profound.

find ways to address paradoxes inherent in human beings and their social organizations (Poole and van de Ven, 1989: 562). Like Timothy Smart, a fictional student of van de Ven's making, we 'know experientially' that organizational life is far less consistent, causally linear, and unitary than implied in any single theory available to us. Yet this very knowledge is anathema to most of our theories, which tend to rely on consensus and alignment of all members to a single vision (van de Ven, 1997: 7). There is a 'garbage can' element (Cohen, March and Olsen, 1972) to alliance life: a lack of clarity of preferences, which includes vagueness and change-ability on the definition and measurement of success and failure (Levitt and Nass, 1989: 193); ambiguous technologies and serendipity; and a relatively fluid participation, with participants entering and leaving the scene, sometimes unpredictably. These three traits alone may not convey the entire story, but the story cannot properly be told without them.

What we need, the book concludes, are theories to explain the particular *as well as* the general; theories that allow one to find the particular *in* the general, the general *in* the particular, and the general as only ever experienced *through* the particular. Such theories must allow for social conduct, including learning processes, to be active and self-directed but simultaneously inert and constrained, permitting voluntarism, determinism, and serendipity alike to explain causation in alliance life. For alliance life is likely to be the sum total of choice plus chance plus inevitability.

This book makes no promises as to *producing* that theory. It does make an attempt at it in proposing the reconciliation of Berlin's objective value pluralism (to account for the particular) with Giddens's structuration theory (to account for the general). For despite the idiosyncrasy of alliances, there *is* order. It exists in the extent to which human actors rely on deep-seated social institutions to inform and legitimize their strategic conduct, thus producing order and generality but without necessarily affording prediction as a consequence. This reconciliation is a proposition I invite readers to oppose or develop. I endeavoured to write a readable text, one that may tempt the reader to engage with it, to ruthlessly put pen to the margins of this book, to improve on the ideas inside it. My style is thus deliberately informal, often adopting a first person perspective. It was, I believe, Aristotle who suggested that in the absence of being able to know the good and the true, ultimately all questions boil down to questions of beauty. Unfortunately, to borrow from Don Quixote, I could not contravene that law of nature according to which like begets like.

The title of the book, 'Strategic Alliances as Social Facts', is perhaps somewhat misleading. The sociologist Emile Durkheim appears to have been the first to develop the notion of 'social facts' to describe institutional-type constraints on the activities of human agents over which

they may have little or no influence. His *Rules of Sociological Method* (Durkheim, 1982) appears to be dedicated primarily to this proposition. In Durkheim's view, social facts are 'real', in an ontological sense; they can and do constrain the actions of individuals; they exist independently of individuals; are external to them; and cannot be reduced to a mere set of psychological facts or statements about habits or routines (Hund, 1982: 270). The treatment of strategic alliances proposed here is true to Durkheim in drawing attention to the degree to which individual actors are informed by deeper-seated social structures, some industry-specific, others specific to the alliance or a single organization, or even a function of national culture. Whilst it certainly appears true that such structure can and does curb individual action, this is not inevitable. There may exist a fair degree of voluntarism (cf. Child, 1972, 1997), and even serendipity, where structure may serve as an enabling device for human conduct and a precondition also for chance. And this, in a nutshell, is where the book departs from a Durkheimian view. It wishes to relax Durkheim's emphasis on structure as principally constraining the scope of action whilst providing a forum also for voluntarism and chance. Purists may object to my appropriation of his term 'social facts', though I hope they will be sufficiently curious to see the argument unfold. Besides, as is often the case, intellectual concepts, once released, take on a life of their own. Isaiah Berlin, for instance, brings the term into play to describe, more loosely, the internal relationships and activities and experiences of societies. And my treatment is perhaps closer to Berlin's. A more descriptive title might have been 'Strategic Alliances as Social Facts and Artefacts', the tail-end highlighting the presence of voluntarism and chance in alliance life, but it somehow sounded too cumbersome. This would have been a more accurate summing-up of the book's central argument, however.

1 Paradoxes of alliance life

Why have alliances proliferated when the probability of failure is higher than that of success? How do we explain a growing recourse to them whilst also assuming rational strategic management? Are we not learning from experience? And why have we persisted in approaching alliances with expectations of finding homogeneity whilst being well aware that they often unfold in very diverse and changing circumstances? Why are some apparently successful alliances prematurely dismantled? Why are others deemed successful whilst not having attained their primary goal, or in the absence of any obvious tangible attainments? Why do some survive despite being problematic? Why do others appear to get by despite poor managerial decisions? These questions may entail some of the paradoxes of alliance life. They can be resolved but principally at the level of epistemology. For we, in our thinking about them, may have sought constancy, homogeny, teleology, progress or principle in the absence of compelling empirical evidence that these are their usual properties. To that extent it may be helpful to relax any such a-priori assumptions and approach alliances plainly as facts – as things that simply are. The adjective 'social' in the book title is, however, intentional. Some facts cannot be abstracted from circumstance without risking disfiguration. Yet this is not to suggest that we approach them completely void of theory, for quite the reverse is true. The inevitability of interpretation has been subject to a longstanding debate in academic circles and one need not look far for support. To this extent Voltaire's quip, 'History is only a pack of tricks we play on the dead,' is quite possibly the most poignant and most famous.[1] The inevitability of having to rely on judgment, reason, and imagination in historical reconstruction (properties that belong to us rather than to the things we observe) seems reasonably well recognized in each of our three main scholarly traditions: the humanities and the social and natural

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[1] As cited in Becker (1960: 88).

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sciences. The Cambridge historian E. H. Carr, deliberating his own field, concluded this:

It used to be said that facts speak for themselves. This is, of course, untrue. The facts speak only when the historian calls on them: it is he who decides to which facts to give the floor, and in what order or context. (1961: 9)

Catherine Morland, also a historian, wryly wondered why her field had to be so dull for she thought a great deal of it to be invention. Carl Becker called it 'that nefarious medieval enterprise of reconciling the facts of human experience with truths already, in some fashion, revealed to them' (1960: 102). Isaiah Berlin, likewise, deemed any depersonalized history but 'a figment of abstract theory, a violently exaggerated reaction to the cant and vanity of earlier generations' (2002: 140–1). And similar voices, sentient of the constructivist nature of their practices, can be heard in history (e.g. Carr, 1961; Elton, 1967; Evans, 1997), economics (e.g. McCloskey, 1998; Schumacher, 1995), the philosophy of science (e.g. Feyerabend, 1999; Kuhn, 1970), epistemology (e.g. Berkeley, 1713; Hume, 1740; Kant, 1781; Russell, 1980), physics (e.g. Feynman, 1998), chemistry (e.g. Mullis, 2000), and the organization sciences (e.g. van Maanen, 1975, 1979; Weick, 1988, 1993, 1995). A short paragraph in Michael Crighton's entertaining *Travels* summarizes it rather well:

It's hard to observe without imposing a theory to explain what we're seeing, but the trouble with theories, as Einstein said, is that they explain not what is observed, but what *can* be observed. We start to build expectations based on our theories. And often those expectations get in the way. (1988: 351)

So it is these theories we must be careful about. Perhaps unable to rid ourselves of the tools we use to construct a workable image of the social world, we may at least seek to vary our assumptions and see where that gets us. To relax these assumptions is largely the aim of this book. But it also seeks to make two further contributions. First, it responds to repeated calls for more process-oriented research and theory development on alliances in a governance- and performance-dominated literature (Arino and de la Torre, 1998; Deeds and Hill, 1998; Doz, 1996; Koza and Lewin, 1998; Parkhe, 1993a; Ring and van de Ven, 1994; Salk and Shenkar, 2001; Shenkar and Yan, 2002). Second, it seeks to socialize and contextualize this literature (Gulati, 1998; Gulati, Nohria, and Zaheer, 2000), by emphasizing the presence and role of human agency in alliances, the ability of human actors to build and destroy, even single-handedly, and the extent to which their conduct today is informed by the memories and institutions of times past.

Paradoxes

The remarkable proliferation in cooperative strategy as a legitimate and presumably effective means towards achieving business success has not escaped the attention of academics. This subfield has been of scholarly interest since at least the mid-1960s (e.g. Evan, 1966; Guetzkow, 1966). And the growth in corporate partnering in recent years has been truly unprecedented (Badaracco, 1991; Barley et al., 1992; Beamish, 1988; Beamish and Delios, 1997; Hagedoorn, 1995; Hagedoorn and Schakenraad, 1993, 1994; Harbison and Pekar, 1998; Hergert and Morris, 1988; Inkpen 1996; Ireland, Hitt, and Vaidyanath, 2002; Mowery, 1988; Osborn and Hagedoorn, 1997; Pekar and Allio, 1994; Powell et al., 1996). Strategic alliances appear to have become the single most commonly adopted strategy (Dyer et al., 2001; Gulati, 1998), with in excess of 10,000 newly created partnerships each year (Schifrin, 2001). In biotechnology alone, the number and value of investments in alliances is reported to have increased fivefold during the last decade of the twentieth century, 50 per cent of which were targeted at upstream, drug-discovery-based projects (van Brunt, 1999; Sapienza and Stork, 2001). PricewaterhouseCoopers estimate alliances to account for 50 per cent of the pharmaceutical industry's total R&D budget, or an investment to the tune of $22 billion in 2001 alone (*The Economist*, 13 July 2002: 51). The reasons usually given for this proliferation include the need for financial resources, legitimacy, and commercial expertise provided by pharmaceutical companies, windows on new technologies, knowledge or research approaches afforded by new biotechnology firms (Leblebici et al., 1991; Leonard-Barton, 1995); resource complementarities (Harrison et al., in press); the sharing of risk and expenses, and obtaining access to new markets or information with minimum costs of redundancy, conflict and complexity (Baum and Calabrese, 2000; Ireland, Hitt, and Vaidyanath, 2002; Walker, Kogut and Shan, 1997; Powell et al., 1996). In contrast to such *exploration* opportunities, Rothaermel (2001) found that the pooling of complementary skills could provide pharmaceuticals with even better 'relational' rents through a strategy of *exploitation* (cf. Dyer and Singh, 1998; March, 1991).

On the other hand, the reported failure rates of alliances, particularly (but not exclusively) of technology-oriented collaborations, have remained surprisingly high. Alliance failure rates were estimated at 33 to 50 per cent by McKinsey's Bleeke and Ernst (1991), at 61 per cent by Accenture in 1999, and at 59 per cent by PricewaterhouseCoopers in 2000. In fact, the latter thinks failure rates for discovery research alliances (the most relevant empirical sample for our purposes) are as high as

64 per cent, while consortia disappoint in 90 per cent of cases. *The Economist* (22 July 1995), citing Boston Consulting Group studies, put the alliance failures rate at 60 per cent for regional alliances and 70 per cent for international alliances. Michael Skapinger writing in the *Financial Times* in 2001 affirmed this 70 per cent estimate. These figures suggest that alliances are anything but simple. By comparison, estimates provided by the academic community do not differ greatly. Harrigan (1985) for instance, suggested a mortality rate of 50 per cent. Beamish (1985) raised this to 61 per cent. Auster (1987) estimated that two out of three alliances failed. Kogut (1988a) found that, in the specific case of R&D alliances focused on new product development (the most relevant benchmark for comparison), 57.1 per cent were likely to disappoint. Park and Russo (1996), based on a study of joint ventures, placed their failure rate significantly lower at 27.5 per cent. Inkpen and Beamish (1997) thought this to be closer to 50 per cent.[2] Young-Ybarra and Wiersema (1999) and Spekman et al. (1998) endorsed this 50 per cent estimate.

These data, however, may be problematic on at least three counts. First, the literature lacks a precise and consistent definition of collaborative success and failure (Yan and Gray, 1995). Park and Russo (1996) suggested this is problematic even within the joint ventures literature. For instance, alliance mortality may merely be natural, even desirable, if partner firms either have achieved their core objective(s) or exit the relationship in 'better shape' competitively than when they entered it (Gomes-Casseres, 1989; Hamel, Doz, and Prahalad, 1989). In some cases, this may be true only for one partner. But longevity in and of itself is probably not the most accurate measure of success. Besides, it is only realistic to expect alliances to fail in some respects (e.g. attaining the original purpose) but succeed in others (e.g. generating spin-off projects). Or, in the specific case of pharmaceuticals that pursue real options strategies for biotechnology investments, high failure rates are to be expected. They merely reflect the serendipity of drug discovery, and even if only one in every, say, five alliances succeeds in generating a drug candidate (a failure rate of 80 per cent), the total investment is usually well worth it.

A second problem with these failure rates is their lack of specification. As Zajac (1998) suggests, the term 'alliance' has become host to a gamut of different interorganizational arrangements including, among others, licensing agreements, joint marketing agreements, buyer–supplier relationships, outsourcing arrangements, non-equity research collaborations, equity joint ventures, consortia, and even mergers and acquisitions.

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[2] Inkpen and Beamish explain later in their paper that instability often results in the termination of alliances. Hence their estimate seems relevant.

Certain arrangements may be more likely to disappoint than others but, given imprecise definitions, this is somewhat difficult to tell. Beamish (1985), Park and Russo (1996) and Inkpen and Beamish (1997) are specific in identifying joint ventures and arriving at restricted failure or instability estimates, as is Kogut (1988a) in characterizing product development alliances, but they are among the relatively few that do. Finally, these failure rates must be considered alongside the rates of failure of the next best alternatives: internal venturing or acquisition. Unfortunately the data on each of these are somewhat sparse. Park and Ungson (1997) provided an estimate of internal venturing failure of 44 per cent, which appears lower than the average alliance failure rate. Porter's (1987) oft-cited study of corporate acquisitions put their rate of failure at 50.3 per cent, which is not markedly different. Studies that compared alliances with formal organizations suggested that the former are generally less successful and also less stable (Bleeke and Ernst, 1991; Das and Teng, 2000; Gomes-Casseres, 1987; Hennert et al., 1998; Kent, 1991; Li, 1995; Pennings et al., 1994; Yamawaki, 1997).

But perhaps the continued pursuit of an alliance strategy, even in the face of failure, should not prove too surprising. Biotechnology startups usually have little choice in the matter as they rely on alliances with pharmaceuticals for funding, legitimacy, and commercial expertise. Pharmaceuticals may conclude that the potential economic payoff of investing in alliances is worth the risk. Multiplying the expected returns by the probability that these returns will occur may render a sufficiently interesting payoff structure. Unless one finds that this payoff structure is significantly improved for in-house research, it makes perfect economic sense to collaborate. The sparse empirical evidence to date, however, is not encouraging, and perhaps we may allow the paradox to remain – at least for the time being.

Explaining cooperative strategy

In response to alliance failure and instability, Das and Teng (2000) conclude that despite the development and application of various theoretical perspectives (not originally developed to speak specifically to alliances), each remains either too incomplete or too weak in providing explanations. Their conclusions are broadly consistent with those of Child and Faulkner (1998), Faulkner and de Rond (2000),Gulati (1998), and Shenkar and Yan (2002), and call for more contextual, social, and process-friendly approaches. Whilst not intending to reproduce the various reviews here, a summary of the premises and limitations of existing theories is fitting. Broadly, theoretical explanations for