AGENCY, CHANCE AND INEVITABILITY IN ALLIANCE EVOLUTION

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ABSTRACT

Explanations for why alliances unfold the way they do are generally drawn from a deterministic perspective. That is, alliance process and evolution is determined by its initial design and structure, and by external events outside the control of alliance actors. This focus has resulted in a generally dispassionate or under-socialised account of life within an alliance (Gulati and Zajac, 2000). This paper argues that alliances can best be understood as complex phenomenon, and as such their processes should be viewed through a number of theoretical perspectives. The objective of the paper is to introduce the perspectives of agency and chance as additional explanations of alliance evolution. While each illuminates a different aspect of the phenomena, the paper argues that considering the three frames in parallel has two potential benefits for future research.

Keywords: Cooperative Strategy, Strategic Alliances, Collaborative Capability

INTRODUCTION

Many alliances will be terminated without their potential value being realised, (Park & Ungson, 2001) or succumb to ‘collaborative inertia’ (Huxham, 2004). Alliances are dynamic and socially complex forms which experience a high degree of disorder and instability (Gulati, 1998). Yet, in the face of this complexity, some alliances adapt and are deemed successful. Others appear to 'die by accident' (Doz & Hamel, 1998) defying rational explanation. Strategy process theorists address themselves to this phenomenon, seeking explanations of why alliance processes unfold the way they do.

De Rond and Thietart (2005) synthesise a long and rich intellectual history in arguing that the explanation of events, including collaboration process (De Rond, 2003) is, in fact, ‘part chance, part choice, part inevitability.’ Of these perspectives, the collaboration literature has emphasised 'inevitability.' That is, alliance process is determined by its initial design and structure, and by external events outside the control of individuals (Gulati, 1995, Koza and Lewin, 1998). However alliance theorists have been critical of the literature to date, arguing that this predominantly rational and dispassionate perspective has rendered alliances as ‘faceless abstractions’ (Gulati and Zajac, 2000). There has been a call for more socialised accounts of life within an alliance, including considerations of agency, or choice, in order to suggest more
complete explanations of how and why collaboration events play out over time (Faulkner and de Rond, 2000; Gulati and Zajac, 2000).

The objective of this paper is to introduce considerations of agency and luck to the study of alliance process. By doing so, the paper proposes a framework that broadens analytical approaches to studies of collaboration process. The paper argues that considering the three frames in parallel has two potential benefits for future research. Firstly, by considering the three as potential 'rival' perspectives, alliance process theorists have additional tools by which to determine which has the strongest explanatory claim for a particular case of alliance evolution. Alternatively, considering the three frames as potentially complementary may be an initial step towards generating integrative research questions. This integration has the potential then to offer a richer account of alliance process.

The paper aims to contribute to collaboration process theory, which provides explanations in terms of 'the sequence of events leading to an outcome' (Langley, 1999: 692). The process theorist seeks to identify the ‘motors’ (Sztompka, 1994) or generative mechanisms (Tsoukas, 1989) which cause events within a process to occur, and the contingencies behind the causal mechanisms (Van de Ven & Poole, 1995). With Faulkner and de Rond (2000: 25), we note that ‘evolution’ is used in many diverse ways in the management literature, but the study concurs with their broad definition of evolution as a ‘gradual process of change, generally from the more simple to the more complex.’

While there are many definitions provided for the complex phenomenon of collaboration, this study uses the broad definition offered by Phillips, Lawrence and Hardy (2000:26), ‘a co-operative relationship among organisations that relies on neither market nor hierarchical mechanisms of control.’ The term 'alliance' is adopted, reflecting the view that, while the term 'may at some point have referred strictly to a particular type of relationship, it now serves as an 'umbrella' label for a host of cooperative relationships’ (Faulkner and de Rond, 2000: 3).

The paper first presents the inevitability perspective, noting how it has informed the alliance literature, and outlining the key theories it encompasses. I then explicate the alternate perspectives of choice and chance, briefly noting their provenance in the strategy, management or organisation studies literature. An overview of the theoretical framework is presented in Table 1. The paper concludes by considering how the framework taken as a whole can enrich our understanding and our accounts of the unfolding of alliances.
INEVITABILITY

From inevitability perspective, an analyst would explain the sequence of events of an alliance as being the result of determining structural and environmental forces, outside the control of individuals. Empirical studies of the dynamics and evolution of alliances are limited (Doz, 1996: 55). However, within this small literature, there one can observe a pattern of privileging of deterministic perspectives. Similar to the broader collaboration literature, studies are weighted toward viewing collaborations as strategic or economic phenomena, with their path determined by their initial design or by exogenous forces (Reuer, Zollo, & Singh, 2002). The literature identifies these determining factors as (1) the initial design of the arrangement (2) partner characteristics and (3) the alignment of strategic interests between the partners. These factors form the 'inevitability' construct of the framework.

Initial Design

Initial design is defined as the structural and governance arrangement of the collaborative arrangement and the understandings as to the strategic logic that underpins that arrangement. Initial design is primarily an economic choice, such as the choice of an equity or non-equity arrangement, or dominant or shared control (Reuer, Zollo and Singh, 2002). These initial choices ‘imprint’ the relationship (Doz, 1996), determining the subsequent path of the collaboration. The economic considerations underpinning these choices are informed by equity (Berger, Cunningham, & Drumwright, 2004; Gulati, Khanna, & Nohria, 1994; Nault & Tyagi, 2001), or perceived distribution of costs and benefits (e.g. Berger et al; Hamel, 1991), as well as control (e.g. Parkhe, 1993; Yan & Gray, 1994).

Partner Characteristics

Collaborations are also founded on a set of partner characteristics, which can be characterised as an original set of social relationships as well as the skill and resource endowments of the partner organisations. These characteristics are argued to be explanatory of the path and outcomes of the collaboration. The pre-existence of social relationships between individuals or groups within partner organisations condition the dynamics and stability of the collaboration by promoting initial and mutual understanding (Ring et al., 2005). They also reduce the likelihood of opportunistic behaviour and facilitate information exchange (Mitsuhashi, 2003).
The resource-based view of collaborations suggests that organisations seek out partners with complementary skills and resources (Das & Teng, 1998b; Eisenhardt & Schoonhoven, 1996; Park, Mezias, & Song, 2004) in order to internalise the skills of the partners (Hamel, 1991) or to create value through the combination of these co-specialised assets (Doz & Hamel, 1998). However the collaboration can be founded on asymmetrical endowments of both resources and learning capability. The bargaining power which a resource-rich firm may possess over a resource-poor but ambitious firm may lead to instabilities over time (Doz and Hamel, 1998). Similarly partners may not be equally adept at learning, also altering the relative bargaining power within the relationship (Hamel, 1991) leading to collaborative inertia (Das and Teng, 1998a).

Alignment of Strategic Interests

Sustained strategic compatibility between collaboration partners is viewed as critical for the stability or robustness of the arrangement over time. Doz and Hamel (1998:93) suggest that collaborations are ‘hydra headed’ with partners agreeing on the value creation logic of the collaboration, but looking also to their own self-interested goals and measures. These individual interests may shift with environmental events, making alignment difficult to sustain (Koza and Lewin, 1998). However a strong perception of convergent business interests and a sense of urgency in addressing them is argued to lead to drive and commitment (Ring and Doz, 2005: 138).

The inevitability proposition therefore can be represented as:

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\text{Antecedent and founding conditions, as well strong and sustained strategic alignment, are the motors of process evolution for alliances.}
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INDIVIDUAL AGENCY

An individual agency analyst would explain the sequence of events in an alliance as resulting from the sense making and change enacting practices of individuals within the collaboration. According to the definition of Reed (1988: 43) agency theorists would view evolution ‘in terms of the social practices through which human agents transform the situational contexts in which they act.’ In doing so, agency theorists assume the ‘causal efficacy’ (Archer, 2003) of human capabilities and actions to enact social change. This perspective has its modern roots in social theory, with the strategic choice theory of Child (1972, 1997) being perhaps being the most oft-cited in the field of strategy and organisational studies.
More recently various theories of agency have been applied to the study of networks (e.g. Borgatti & Foster, 2003).

From the social theory, organisational analysis and strategy literature it is possible to synthesise the agency construct as comprising the following elements: (1) agential motivation, or explanations as to why actors take the actions they do, (2) agential processes, or what actors actually do within an organisational or inter-organisational process and (3) agential attributes, skills or characteristics that actors possess in order to enact change.

**Agential Motivation**

From an agency perspective, actions taken in the name of organisations are driven by individuals, and we therefore look to the motivations of individual actor for some explanation of organisational change processes (Child, 1997). Actors are seen be highly intentional (Sydow & Windeler, 2003) driven toward certain actions by their own internal cognitive processes. Some of these intentions will be particular and personal to the actor. They may act on their own personal ‘hopes, fears and desires for the future’ (Emirbayer & Mische, 1998: 962). They may also be driven by their own personal desire to demonstrate in practice the ‘rightness’ or the truth of their own particular world-view, which Aristotle (1976) terms ‘the this-sidedness of his thinking in practice.’ Other intentions may be formed from interpretation of their context. They may subjectively choose particular projects as an appropriate response to their objective circumstances (Archer, 2003) or what they view as the interests of powerful agents (Child, 1997). They may also form a view as to what will promote the common good (Aristotle, 1976), and form an intention for change as a result.

**Agential Processes**

Following formulation of an intention to act, the agency perspective views the actor engaging in a range of processes to bring about the desired outcome. Through each of these processes the actor endeavours to shape the processes and relationships of the organisation, alliance or network (Syndow and Windeler, 2003). These processes can be described as strategic, evaluative, persuasive, active and transformative.

The actor strategises and projects future courses of action. He is the inventor of new possibilities of thought and action, based on the demands of the present (Emirbayer & Mische, 1998). In evaluating these possibilities, the actor makes conscious choices within the institutional context in which these actions will
be played out. He is able to choose to act consistently with institutional scripts, or those aspects of institutional culture which would suggest a certain course, or to act otherwise (Carr & Kemmis, 1986; Gadamer, 1979). In this way, the actor is not captured by their structures or institutions, but rather enacts his environment through a continual process of decision making and negotiation (Child, 1997), deliberation and practical judgement (Emirbayer & Mische, 1998). Rules of signification (Giddens, 1984) from the institutional context may constrain the outer boundaries of action possibilities of action, but also enable other possibilities.

In this process of projection and evaluation, the actor does not form a plan to ‘act upon’ or ‘do unto’, rather he seeks out and persuade others. The actor engages actively in dialogue (Aristotle, 1976) with others regarding the action possibilities within an institutional context (Giddens, 1984), engaging in ‘horizon-expanding discourse’ (Weick, 1989, quoted in Child, 1997). Through this dialogic process, the actor ‘control(s) zones of uncertainty’ (Syndow & Windeler, 2003) expanding the choice possibilities arising from a complex and dynamic environment. The choice is then enacted; the actor is seen to ‘initiate, shape and direct strategic orientation towards the environment’ powerfully intervening in action sequences (Child, 199: 62) to shape both internal structures and relationships. These actions transform the social structures in which they take place.

**Agential Attributes**

Theorists have used the terms 'knowledgeable actor' (Child, 1997) or 'socially competent actors' (Giddens, 1984) to suggest that the capacities or attributes of individual actors influence the potential for transformation of social structures. Actors possess particular qualities and resources that equip them to make sense of their situation, to see possibilities for action, and to have the freedom to act. They possess ‘agential power’ (Stomppka, 2003) which as Archer describes, (2003: 4) is the ability to act 'so rather than otherwise', in the face of situations of environmental constraint or enablement.

Common to most of these schemas is the concept of interpretation or sense making (Weick, 1995). In Child’s (1997: 52) view ‘analytic centrality is given to org agents’ interpretations: their goals and views of the possibilities for realising them. Individual competence, especially the ability to handle cognitive complexity (Streufert & Swezey, 1986) ‘push(s) back limits on the exercise of choice by organisational agents.’ This is argued to be particularly important in inter-organisational domains, which have more complex relational dynamics. Actors must take more factors into account and may develop greater capacities for creative and critical intervention (Emirbayer & Mische, 1998: 1007). Importantly, the
knowledgeable actor has the power and autonomy to bring about his or her desired ends. In Aristotle's (1976) view praxis, or bringing an idea into a lived reality, is the action of people who are free and can act for themselves. In more contemporary theory, actors enjoy a form of 'bounded autonomy' (Child, 1997) or ability to make decisions within a broadly defined scope.

From the dimensions of individual agency, the **propositions** from this perspective are:

- **the agential power of individuals is the motor of process evolution**
- **actors shape social structures, acting on organisational constraints and enablements**
- **actors do this through their agential motivations, processes and attributes**

**CHANCE**

Analysis from the perspective of chance would view the sequence of events in an alliance as the operation of forces 'of which it is difficult or impossible for men to grasp its causes' (Plato, quoted in Vatter, 2000: 170). The concept of chance, luck or serendipity has a long and rich history in classical thought, but more tentative treatment in the organisational or strategy literature. In this predominantly deterministic field, there are some theorists willing to consider the role of luck or chance, or a stochastic element, as a determinant of organisational performance (Barney, 1986; Dierickx & Cool, 1989; Jacobsen, 1988). The concept of luck is required to fully explain the out-performance of one organisation's strategies, where another might possess the same capabilities and resources. Similar to Merton's (1957) notion of unintended consequences of purposive conduct, Perrow (1984) in examining the process that leads to new technologies describes the concept of 'normal accidents.' Trivial choices can be observed to generate significant unintended consequences, or outcomes that could not have been predicted. However, generally, in the field of strategy and management, as in other disciplines as a theoretical concept, luck remains elusive. However, (Ma, 2002: 525) challenges the view that change should be dismissed as being 'atheoretical.' 'Elusive as a theoretical concept yet certain in its earthly presence, luck admit it or not as a non-trivial determinant of performance, begs our further understanding.'

While difficult to pin down theoretically (Ma, 2002) from the history of the concept and chance and luck it is possible to distinguish two distinct forms, that of 'pure luck' where there is no discernable involvement of human intention and 'prepared luck' where there is an involvement of individuals or organisations, but where there is no observable causal connection between individual or organisational action and the outcomes of the chance event.
Pure Luck

Ma (2002) defines pure luck as defying human intention and action. In strategy terms, events or factors exogenous to the firm, and over which the firm has no control, give the firm a spontaneous competitive advantage. He gives the example of a lucky farmer who happens to have land more fertile than his neighbours, thus giving him an advantage in productivity over his neighbour. Pure luck leads to Ricardian rents, or advantage conferred by superior resource quality. However, superior resources or a superior product do not automatically confer competitive advantage. Chance events can also confer differential advantage through path dependence. This theory would argue that due to early 'lock in' effects in the market, an inferior product can in fact outperform a technically superior rival (Arthur, 1994). Luck rules, not efficiency.

Prepared Luck

The quote 'chance favours the prepared mind' attributed to Louis Pasteur, conveys some of the essence of the concept of prepared luck. That is, individuals or organisations can be lucky as a result of events such as random historical happenings, changes in the market, or new technologies. Individuals or organisations will benefit differentially according to its position, capabilities or resources at the time of the event (Ma, 2002). The example often cited is the Microsoft luck of having purchased, for a low cost, software that became the MS-DOS operating system. Having signed a licensing deal with IBM, Microsoft was positioned to exploit the luck that had come their way. However, there can be no claim of direct causality between being diligent in building this resource base or capability set and the resulting outcome of the chance event. As Taleb (2004, viii) reminds us, 'one needs to go out and buy a lottery ticket in order to win. Does is mean that the work involved in the trip to the store caused the winning? Of course skills count, but they do count less in highly random environments than they do in dentistry.'

Merton's conception of serendipity can also be viewed as prepared luck. We set out down a deliberate path in search of a particular result, but by chance make an unexpected discovery. However setting out down the path prepared the way for chance to find us. While purposive action did not bring the finding into being, 'luck favours those in action.' (Ma, 2002). The most well known and oft-cited example of this phenomenon is the development of the Post-It™ note. As a result of looking for a stronger adhesive, the production of the 'failed' weaker adhesive, as well as the recognition of its potential, gave rise to product that markedly increased the profitability of 3M.
From these dimensions of chance the **chance proposition** can be presented as:

- **Collaboration process cannot be predicted as a consequence of a previous event within the process**
- **Unexpected of events are the motors of process evolution**

### TABLE ONE: THREE MOTORS OF PROCESS EVOLUTION

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<thead>
<tr>
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<th>Individual Agency</th>
<th>Inevitability</th>
<th>Chance</th>
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<tbody>
<tr>
<td><strong>Basic unit of analysis</strong></td>
<td>Alliance events as resultant of agential power of individual actors</td>
<td>Alliance events as determined by antecedent conditions and exogenous forces</td>
<td>Alliance events as luck, serendipity or unintended consequence</td>
</tr>
<tr>
<td><strong>Assumptions</strong></td>
<td>Causality</td>
<td>Causality, deterministic variables</td>
<td>Randomness rather than patterns, luck and probability rather than direct causality</td>
</tr>
<tr>
<td><strong>Organising concepts</strong></td>
<td>Agential motivation</td>
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<td>Agential processes</td>
<td>Pre-existing social ties</td>
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<td></td>
<td>Agential attributes</td>
<td>Strategic alignment of partner organisations</td>
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<tr>
<td><strong>General propositions</strong></td>
<td>Agential power of individuals as motors of process evolution</td>
<td>Antecedent and founding conditions, as well as continued strategic alignment, as motors of process evolution</td>
<td>Unexpected or chance occurrences as motors of process evolution</td>
</tr>
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Framework Implications

Taken together, the three frames can extend and strengthen alliance process theory in two ways. Firstly, as 'rivals', the three frames provide the basis of theory testing research. As Hambrick (2004: 93) argues "we need some careful and fair tests between theories, not simply tests of isolated theories". For example, existing deterministic explanations could be tested against an agency view in order to strengthen explanatory claims. Allison, (1971: 32) in his famous alternative templates study suggests, ‘By comparing and contrasting, we see what each magnifies, highlights and reveals as well as what each blurs or neglects.’ An ‘inevitability’ theorist would be required to acknowledge the insights gained from the agency perspective, but argue for the greater worthiness of the deterministic perspective. Such comparative testing would strengthen the field of alliance process over time, as we learn more about the conditions under which each frame has more explanatory strength. Alternatively, considering the three frames as complementary could serve a theory generating purpose. Analysing a particular case of alliance evolution from a range of different perspectives may give rise to research questions that attempt integration, thus generating new and powerful insights. For example a researcher may ask how the 'inevitability' perspective interfaces with each of the other two perspective. In a particular case of alliance evolution, how do each of the three perspectives relate to each other? Does a chance event give rise to opportunities for powerful agency? Would the interventions of the individual actor have effect without the strategic alignment of the partners?

Practically, the framework can serve to help managers rethink collaborative capability. While strongly informing research, structural and economic considerations have also dominated practice. This is evidenced by studies which find that the majority of time invested in a collaboration is spent on the design of the arrangement (Doz, 1998). If individual agency thinking were encouraged, we would consider the possibility that the locus of successful adaptation may be with individual actors. This would make us think in a different way about alliance capability, what it is, where it resides and how it can be developed. Secondly the frameworks provide a range of analytical frames which may also assist analysis of issues and solutions. For example, is an emerging problem a result of weak strategic logic or inappropriate governance arrangements? (Inevitability). Are we as individuals considering the problem too narrowly? Are there more and different options for moving ahead? (Agency). Is this pure, unavoidable bad luck which materially affects the possibilities for the collaboration? (Chance).
Conclusion

Inter-organisational collaborations span a number of institutional contexts, play out over space and time (Van de Ven & Poole, 1995) and are influenced by a range of diverse actors with different motivations and schemas. As such, it is unlikely that any one perspective can be more than partially explanatory. By introducing the frames of agency and chance to be considered alongside the more traditional deterministic perspective, this paper has proposed a framework that can potentially address this complexity.

REFERENCES


