Do firms learn to appropriate value?

A multiple-case study on value appropriation in strategic alliances and the reinforcing role of alliance management capability

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Preface

In the last two years, I frequently asked myself ”what am I doing and why am I doing this?” I especially asked myself this during the last eight months while writing this thesis. It was one of my worst brain struggles ever, from the Little Red Riding Hood syndrome to absolute tunnel vision. However, I managed to get through, and while looking back, I can say it was good for me and my development. If someone asked me for advice on applying for the Master of Science in Business Administration at the Rotterdam School of Management, I would probably advise them to think it over very thoroughly but would definitely recommend it. The lessons learned were one of a kind and the friendships that emerged were worth the investments that I made.

I would like to thank my coach, Raymond van Wijk. Raymond, thank you for your expert guidance. Your positive approach always gave me a motivation boost and drive to go that extra mile.
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Aylin Verburg,
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Content

Executive summary

Over the past decades, the formation of strategic alliances as a source for external growth has become extremely popular. Currently, strategic alliances are responsible for a quarter of Fortune 500 companies' revenues, yet 50% of them fail. This study has been designed to explain why the other half is successful.

The majority of existing literature concerning strategic alliances has been focused on value creation as a result of collaboration between firms. However, firms must be capable of appropriating this created value to actually benefit from the partnership. Value in an alliance is, in most cases, a mix of common and private benefits. Common benefits accrue for both parties as a result of their collaborative activities; private benefits are benefits the focal firm can extract unilaterally and apply outside the alliance scope. A small collection of academic literature shows that two factors determine the degree of appropriated value (i.e., common and private benefits) through a strategic alliance: the firm's relative bargaining power and its learning ability in the form of partner-specific knowledge, or relative absorptive capacity. In addition, scholarly literature tells us that firms that are able to develop collaborative ''know-how'', or alliance management capability, consisting of coordination, communication, and bonding, as a result of their alliance experience are better able to create value through their strategic alliances. However, this literature is predominantly focused on value creation which overshadows the reinforcing role of alliance management capability on value appropriation in a strategic alliance. This research adds therefore to scholarly literature by addressing value appropriation in strategic alliances over time and answers the following research question: *How does a firm's relative bargaining power and relative absorptive capacity influence the appropriation of value through a strategic alliance over time, and what role does alliance management capability have regarding this relationship?*

Propositions were established for empirical research. To gather empirical data, a multiple-case study was designed within three industries (pharmaceutical, automotive, and medical supplies). All selected firms have a certain amount of alliance management capability in place, and interviews were held with people involved in the day-to-day management of the alliances discussed. This primary qualitative data was triangulated with secondary data from external sources (e.g., video material and press releases). After triangulation, patterns and themes were traced, whereby common and unique findings among the cases emerged.

The existing literature describes that a firm's relative bargaining power is shaped by three elements: strategic importance, available alternatives, and critical resource contributions. However, this study shows that a fourth element plays a role: firm size. Firm size seems an important determinant for value appropriation because in this study, it often skewed the bargaining position of the negotiating firms in favor of the larger company. These findings suggest that this fourth element should be considered a part of relative bargaining power.

Literature describes three key elements of relative absorptive capacity: overlap in knowledge base, similarities in information-processing systems, and dominant logic. However, these studies overlooked an important aspect: culture. This study shows that similarities in organizational and national culture provide greater potential for learning and thus a higher degree of value appropriation in a strategic alliance and should, therefore, be considered a fourth element that shapes relative absorptive capacity.

This research shows that a firm's relative bargaining power is primarily responsible for the appropriation of tangible common benefits that can be quantified into financial figures. In addition, intangible private benefits are not addressed during negotiations. Within one industry, the automotive industry, private benefits were discussed but merely those that could be quantified. The non-quantifiable private benefits, which were all based on knowledge and learning in these cases, were not discussed in the course of negotiations. Negotiations regarding what knowledge the firms need from each other to generate and gain common benefits are occurring, but the actual appropriation of these benefits transpires after the (re)negotiation phase(s) through a firm's relative absorptive capacity. This is interesting because learning from the alliance partner is often the true value which is embedded in a partnership. The appropriation of intangible common benefits thus occurs in a different stage of the alliance and can, therefore, be described as a two-stage process. This two-stage process reveals another important aspect of value appropriation. The study's empirical evidence suggests that not only the distinction between common and private benefits is important in understanding value appropriation, but also the distinction between tangible and intangible benefits is possibly even of greater importance in strategic alliances because the tangibility determines through which factor (relative bargaining power or relative absorptive capacity) the benefits are appropriated. This research provides evidence that the mentioned process and distinction is essential to obtain a fundamental understanding of value appropriation in strategic partnerships.

This research reveals that firms with accumulated alliance management capability gain greater benefits through their alliances. In a strategic alliance, there are two phases in which the value appropriation can occur: 1) during negotiations (*ex-ante* and *ex-post*) and 2) during ongoing relationship management. Evidence is provided that alliance management capability reinforces the value appropriation process predominantly as a result of ongoing relationship management. This study shows that alliance management has an important influence in ensuring a higher benefit appropriation for the firm in negotiations. However, the people who usually lead the alliance and manage the relationship on a daily basis are not the ones involved in negotiations. They are able to influence and advise top management, so there are actually critical resources contributed at the time when they are needed. Additionally, firms with collaborative ''know-how'' are able to build a relationship based on trust with their partners, whereby the partner's willingness to engage in relation-specific investments grows. Findings support existing literature of alliance evolution: initial contracts often have deficiencies which could cause problems when the alliance evolves. Management intervention is necessary to prevent alliance instability. The cases have shown that timely management intervention is mainly the function of the developed alliance management capability of the firm. Management prevented real arguments, and legal battles, as well as filling ''blank pages'' more easily through communication and bonding skills. These findings provide evidence that alliance management capability plays a reinforcing role in value appropriation through a firm's relative bargaining power, not during (re)negotiations, but after negotiations (*ex-ante*) and before renegotiation phases (*ex-post*) as a result of the ongoing management of the relationship.

This study shows that even if organizations are similar in their organizational characteristics, and thus have a high degree of relative absorptive capacity, this does not guarantee that knowledge is acquired, assimilated, and applied. The people who work in the organization are the ones who perform the actual knowledge exchange. It seems, therefore, that similarities between two companies shape a firm's relative absorptive capacity but only when people actually exchange firms benefit from this. With alliance management capability in place, the firm is able to connect the appropriate people with each other as a result of coordination skills, allow them to establish relationships as a consequence of bonding skills, and focus them on a common goal as a result of communication skills. This study shows that a firm with developed alliance management capability can, therefore, appropriate greater benefits through a strategic alliance. In addition, alliance management capability can bring different cultures together; cultural differences are effectively managed whereby the focal firm is better able to appropriate benefits. The empirical evidence underscores the important, reinforcing role of alliance management capability, on appropriating value through a firm's relative absorptive capacity as a result of the ongoing relationship management.

1. Introduction

"Innovation is a major source of value, and I think most CEOs have said 'I can't rely on innovation from my internal organization all of the time'". --CEO of the Association of Strategic Alliance Professionals.

Strategic alliances are viewed as a vehicle for external growth and value creation (Kleindorfer, 2009). At the beginning of this century, the worlds' largest firms had over 20% of their assets structured in strategic alliances (Kale & Singh, 2009). With the formation of a strategic alliance, a firm can gain entry in a new market, improve its competitive position and share costs and risks with its partner (Kale & Singh, 2009). According to a survey by Accenture Consulting, strategic alliances are responsible for a quarter of Fortune 500 companies' revenues (Gonzalez, 2001). In most cases, press releases of alliance anouncements, as well as scholarly literature, are focused on partnering firms' value creation. It seems that the appropriation of value is taken for granted. This is surprising because, as Teece (1986) stated, value remains latent until it is appropriated and is thus equally as important as value creation. Therefore, the purpose of this study is to enrich academic literature by providing a detailed insight into value appropriation through strategic alliances.

The total value generated through an alliance can be seen as the sum of common benefits and private benefits (Dyer, Singh, & Kale, 2008). Common benefits are created by all involved partners with the alliance specific objectives in mind. Private benefits are those benefits that are gained by an individual alliance partner and applied outside the alliance scope, for example, to improve products or services in other markets (Khanna, Gulati, & Nohria, 1998). Often, firms enter a strategic alliance not only to generate common benefits, but also to gain private benefits by achieving goals that are not specific to the formed alliance (Dyer, Singh, & Kale, 2008). These motives create a rather paradoxical relationship between partners. First, in order to ensure the alliance's success, value must be jointly created. Firms must invest in their relationship and build on their collaborative activities. On the other hand, the partners must compete in some way over the split of the generated benefits. This creates simultaneous cooperation and competition in alliances. Management often has a poor understanding of these dynamics, resulting in unsatisfactory outcomes (Dyer, Singh, & Kale, 2008; Khanna, Gulati, & Nohria, 1998).

The small collection of available literature with regard to value appropriation in strategic alliances shows that there are two elements responsible for the appropriation of benefits: 1) a firm's bargaining power and 2) a firm's learning ability (Dyer, Singh, & Kale, 2008; Gulati & Wang, 2003; Hamel, 1991; Lavie, 2007; Khanna, Gulati, & Nohria, 1998). A firm with relatively greater bargaining power than its partner during the negotiation phase will appropriate more benefits through the partnership (Khanna, Gulati, & Nohria, 1998; Gulati & Wang, 2003). This relative bargaining power is shaped by the strategic importance to form an alliance, available alternatives and the contribution of critical resources (Yan & Gray, 1994). In addition, benefits are in many cases intangible and based on knowledge and learning (Ohmae, 1989). This suggests that firms have to be capable in recognizing, assimilating and applying knowledge from a specific partner. This learning ability from a dyad level is specifically the function of a firm’s partner-specific or relative absorptive capacity (Dyer & Singh, 1998; Lane & Lubatkin, 1998). Relative absorptive capacity is shaped by similarities between the partnering firms in their organizational characteristics (i.e., basic knowledge bases, information-processing systems and dominant logic). The higher the relative absorptive capacity of the focal firm, the more resources, skills and knowledge can be internalized and in the case of private gains, applied outside the alliance scope (Hamel, 1991), thus the higher the degree of appropriated value is. However, existing literature shows some ‘‘gaps’’ in the exact appropriation of benefits through strategic alliances. Questions remain unanswered, such as do firms bargain about private benefits and when they do, is that a guarantee for actual appropriation? The distinction between common benefits and private benefits and how they are appropriated as researched in this study will therefore not only contribute to scholarly literature, it helps managers develop a thorough understanding of the factors that influence the appropriation of benefits in alliances in which they are involved as well.

In current literature, managing alliances is an emergent topic. Research has shown that firms with ‘‘superior organizational capabilities to manage an alliance possess alliance management capability’’ (Schreiner, Kale, & Corsten, 2009, p. 1395). These firms are able to internalize best and worst practices and build collaborative ‘‘know-how’’ (Simonin, 1997). Several studies have underpinned the important contribution of alliance management capability to overall alliance success, as firms learn to create more value by gaining management experience through their collaborations (See for example: Anand & Khanna, 2000; Kale, Dyer, & Singh, 2002; Kale & Singh, 2009; Heimeriks & Duysters, 2007; Schreiner, Kale, & Corsten, 2009). The majority of literature, however, is focused on the contribution of alliance management capability within the process of value creation, which overshadows the role that alliance management capability plays in the appropriation of this value. The important contribution of alliance management capability to value appropriation becomes clear when we consider alliance evolution. As a consequence of alliance evolution, relative absorptive capacity can increase and shifts in bargaining power inevitably occur within the relationship between the focal firm and its partner (Inkpen & Beamish, 1997). These shifts change alliance stability (Das & Teng, 2000). Without management intervention, the alliance would ‘‘snowball’’ into failure (Makhija & Ganesh, 1997). To ensure stability, the alliance should be managed as an ongoing process. The stability changes inherently affect the appropriation of value, as the initial agreement becomes obsolete (Dyer, Singh, & Kale, 2008). These changes demand a more dynamic perspective in research concerning managing value appropriation in an alliance. As firms learn to create value, it is expected they learn to appropriate this value as well. By addressing the significance of appropriating value in a strategic alliance and the active role of alliance management capability during this process, this thesis will narrow the existing gap in current literature. Therefore, the following central question was formulated:

How does a firm's relative bargaining power and relative absorptive capacity influence the appropriation of value through a strategic alliance over time and what role does alliance management capability have regarding this relationship?

The central question can be further specified into the following sub questions:

SQ1: *How are a firm's relative bargaining power and relative absorptive capacity related to each other?*

SQ2: *Is there a difference in relationship strength between relative bargaining power and relative absorptive capacity in their relation with common and private benefits?*

SQ3: How does a firm's alliance management capability influence its relative bargaining power and relative absorptive capacity?

SQ4: How does a firm's alliance management capability influence common and private benefits in a strategic alliance?

To answer the central question and sub questions, this thesis will be structured as follows: In Chapter 2, literature will be reviewed and propositions will be established; Chapter 3 will describe the chosen research approach; Chapter 4 will show the findings; and Chapter 5 will consist of the discussion, conclusion, and managerial recommendations.

2. Theoretical framework

2.1 Value in strategic alliances

Firms often enter a strategic alliance not only to achieve alliance specific goals, but also to pursue private goals. These private benefits may not be considered by the partner during the negotiation phase (*ex-ante*) of alliance formation, but they are appropriated in the *ex-post* phase by the focal firm (Ariño & Reuer, 2004; Dyer, Singh, & Kale, 2008). Thus, in most alliances, the value created through an alliance consists of two types of benefits: common and private (Khanna, 1998; Khanna, Gulati, & Nohria, 1998). A firm's gained benefits are a combination of private and common benefits (Dyer, Singh, & Kale, 2008). The difference between common and private benefits identifies behavior between partners (Khanna, Gulati, & Nohria, 1998). In addition to collaborative behavior, within a cooperative partnership, there is usually a competitive aspect of the behavior of one partner towards the other and vice versa (Hamel, Doz, & Prahalad, 1989). To create something that is mutually beneficial, firms need access to each other's knowledge base or other resources and then must collectively apply those resources. In order to achieve this, firms must join forces (Khanna, Gulati, & Nohria, 1998). Competitive behavior in that same alliance is the result of using the partner's knowledge base or other resources for private gains or when the possibility arises that one partner can gain greater benefits than the other partner (Khanna, Gulati, & Nohria, 1998). Alliances that become learning races, as described by Hamel (1991), are a prime example of competitive behavior between partners. These partners view the alliance as "a race to get to the future first, rather than a truly cooperative effort to invent the future together" (Hamel, 1991, p. 89).

Common benefits accrue for both parties in a strategic alliance as a result from collaboration between alliance partners, and relate to the specific alliance scope (Khanna, Gulati, & Nohria, 1998). Private benefits are those benefits that an individual firm can extract unilaterally from its partner (Khanna, Gulati, & Nohria, 1998). These benefits can be applied outside the alliance scope and are not related to the collaborative activities of the alliance partners (Khanna, Gulati, & Nohria, 1998). Common benefits can be tangible or intangible (Simonin, 1997). As Ohmae (1989) argued, ''Most of the time, the financials don't capture the real benefits of an alliance'' (p. 153). The financials are an example of a tangible common benefit, i.e., immediately visible and routinely the main topic of negotiations (Ariño & Reuer, 2004). The intangible benefits, on the other hand, are based on knowledge and learning from the partner (Simonin, 1997) and cannot be given a monetary value or be measured in all cases. These benefits are often not immediately visible in their totality and, therefore, not thoroughly discussed at the time of alliance formation (Ohmae, 1989). In the case of private benefits, one firm learns the skills of the other that it has exposed within the alliance, resulting in often intangible private benefits (Dyer, Singh, & Kale, 2008; Khanna, 1998; Khanna, Gulati, & Nohria, 1998). When the firm has acquired these specific skills, it can apply them elsewhere, for example, to improve products or services in other markets (Khanna, 1998).

Common benefits obtained by both firms are not necessarily equal nor is the number of private benefits. The total number of each firm's common versus private benefits depends on business outside the alliance scope. As Khanna *et al.* (1998) argued, the overlap in alliance scope and market scope of each partner determines the number of common versus private benefits available for each partner. The smaller the overlap between alliance and business scope, the greater the amount of private benefits and the greater the overlap; more common benefits are embedded in the partnership. As argued, private benefits are those that a firm can appropriate unilaterally and apply outside of the alliance scope (Khanna, 1998; Khanna, Gulati, & Nohria, 1998). The amount of private benefits does not only depend on the overlap in alliance scope between partners. Relatedness to other business activities and the firm's network are two other determining factors regarding the amount of private benefits that a firm can gain. First, the more the alliance scope is related to a firm's customers, distribution channels, suppliers, processes, and technology outside the alliance scope, the more potential private benefits are embedded in the alliance (Markides & Williamson, 1996; Dyer, Singh, & Kale, 2008). Resources, generated through the alliance, can be transferred to and applied in other business units where they become beneficial. Suppose that a firm enters an alliance within a product-market segment in which it is already operating. This provides the firm with the opportunity to combine resources within its portfolio (Koh & Venkatraman, 1991). Second, more private benefits accrue when a firm is centrally positioned in a network that is rich with structural holes (Dyer, Singh, & Kale, 2008). The structure of the firm's network, as well as its position in this network, influence the profits it can earn. Potential benefits from the network are information benefits and control benefits (Burt, 1992). Information benefits occur when network members inform each other about potential business opportunities. When a network is structured in such way that a firm can access this beneficial information, the firm enables itself to participate in these opportunities. Control benefits occur when a firm is positioned between two players in the network and can perform a brokerage role. These gaps between (non-redundant) players are the structural holes in a network. Firms centrally positioned in this network can create an advantage by brokering and, therefore, obtain information and control benefits (Burt, 1992). Dyer *et al.* (2008) extended Burt's (1992) argument to private benefits in strategic alliances by stating that two firms in an alliance possess different networks and will benefit in different ways from their relationship, depending on their positions within the networks. A firm with a central position in a network rich in structural holes will be better able to exploit resources and information appropriated from the alliance, and utilize them elsewhere in its network, for private gains.

The total amount of value which the firm can generate through an alliance thus depends on the nature of collaborative activities, alliance scope, relatedness of activities, and network position. Although this determines the quantity of benefits in an alliance, the firm must appropriate these benefits. If firms are not capable of properly splitting the benefits, they become worthless and thus, without the appropriation of value, none of the partners will benefit from the alliance (Teece, 1986; Lavie, 2006). As argued, financial earnings are not the only benefits. Knowledge and learning are also potential benefits. A firm must absorb this knowledge to effectively benefit. Hence, in brief, the appropriation of benefits in a strategic alliance depends on 1) the outcome of negotiations and 2) the ability to learn.

The factor that determines who receives which part of the benefits during negotiations is a firm's relative bargaining power. A firm with relatively stronger bargaining power than its partner can appropriate more common and private benefits (Khanna, Gulati, & Nohria, 1998). Subsequently, after the alliance is operational, the factor that determines the appropriation of knowledge-based common and private benefits is a firm's relative absorptive capacity. Relative absorptive capacity is the capability of a firm to learn from its partner (Lane & Lubatkin, 1998; Simonin, 1997) and recognize, assimilate, and exploit this new knowledge (Cohen & Levinthal, 1990), which enables the firm to benefit from the alliance outside of and within its scope (Hamel, 1991).

2.2 Relative bargaining power

Strategic alliances are voluntary agreements between firms with a cooperative intent. However, this cooperation is not simply a given. Very often, self-interest by the participating firms is present. Several studies have underscored this self-interest, where the motive for formation not only lies in collaborative activities (Ariño & Reuer, 2004; Dyer, Singh, & Kale, 2008; Khanna, Gulati, & Nohria, 1998; Parkhe, 1993; Williamson, 1985). Hence, to reduce uncertainty regarding a partner firm's behavior and to ensure its compliance, effective governance is a must. Contracting is the most common form of ensuring governance and the appropriation of potential benefits in the *ex-ante* phase, whereby involved parties negotiate the alliance inputs and outputs (Vlaar, 2008). This negotiation mainly concerns the visible common benefits, such as earnings. Private benefits, on the other hand, are highly overlooked in many initial negotiations due to their invisibility to a partner (Dyer, Singh, & Kale, 2008). Of course, in most cases, there are several appropriability regimes included in the formalization of an alliance to protect against leakage of valuable resources outside the alliance scope (Vlaar, 2008). Nevertheless, there are numerous concrete examples of the appropriation of private benefits, in which consequences were not initially considered during the negotiation phase and, therefore, not included in the initial agreement, becoming problematic while the alliance was active (Ariño & Reuer, 2004). When an alliance becomes operational, it evolves over time (Inkpen & Beamish, 1997). As the partnership evolves, some of the initial invisible benefits may become visible and the initial agreements may become obsolete. This can cause alliance instability (Das & Teng, 2000) and managerial intervention is needed to stabilize the alliance (Makhija & Ganesh, 1997).

The importance of contract redesign has been underpinned in literature for decades. Redesigning contracts and reconfiguring agreements can provide protection against for example, cannibalization (Ariño & Reuer, 2004; Inkpen & Beamish, 1997; Makhija & Ganesh, 1997; Reuer & Ariño, 2002; Reuer, Zollo, & Singh, 2002). Besides the fact that the initial negotiations are subject to aging, initial contracts are often limited in duration rather than indefinite. When the firms decide to continue their collaboration after reevaluating their partnership, a new or edited contract must be established. During this re-contracting phase, benefits are renegotiated as well. Thus, the appropriation of value, anticipated by both firms, is arranged in a contractual agreement, arising from negotiations. While negotiating for visible common and private benefits, the function of bargaining power becomes important. Bargaining power arose from the power-dependency theory, introduced by Emerson (1962). According to this theory, one's power stems from the dependency of the other. By decreasing one's own dependency, one can gain bargaining power. Therefore, bargaining power is always relative to the one bargained with.

During negotiations between alliance partners, the relative bargaining power of one firm to the other determines the benefit split. A firm's relative bargaining power is shaped by 1) the context of the negotiation (Yan & Gray, 1994), 2) resources that contribute to the partnership (Yan & Gray, 1994) and 3) perceived bargaining power (Harrigan & Newman, 1990).

Context-based relative bargaining power

Context-based relative bargaining power consists of two dimensions. The first is the value of outcome which is at stake for both firms. Outcome value can be seen as the strategic importance of the negotiation outcomes (Bacharach & Lawler, 1981). The dependence on the relationship and the outcomes of the negotiation is the stake of the firm. The higher the stake, the lower the relative bargaining power, because in a way the higher the stake, the higher the risk (Yan & Gray, 1994; Yan & Gray, 2001). The second dimension is each partner's available alternatives. The partner firm with more options has higher bargaining power than its counterpart (Bacharach & Lawler, 1981). The firm can terminate the negotiation and partner with a "better" alternative (Fisher, Ury, & Patton, 2011).

Resource-based relative bargaining power

Resource-based relative bargaining power arises when a firm has possession and control over critical resources (Pfeffer & Salancik, 1978) that it can contribute to the alliance (Harrigan &

Newman, 1990). Yan and Gray (1994; 2001) differentiated between capital and non-capital components of resource-based bargaining power alliance relationships. The capital component consists of tangible resource contributions, such as financial resources and physical assets. Non-capital contributions are intangible and often tacit resources, such as knowledge and management expertise. In the course of negotiations, capital and non-capital resource contributions can be included in the contract or discussed at the negotiating table (Yan & Gray, 1994). Firms who offer*, ex-ante*, the most valuable, rare, inimitable, and non-substitutable resources (Barney, 1991) will have a stronger position in the negotiation phase because their partners will consider these resources crucial (Dyer, Singh, & Kale, 2008; Pfeffer & Salancik, 1978). Ownership of such resources means power over the partnered firm because it becomes dependent. This enhances the relative bargaining power of the focal firm. With a relatively higher rate of bargaining power, the focal firm has a stronger position during the negotiation phase with regard to the split of common and visible private benefits (Khanna, Gulati, & Nohria, 1998).

During the *ex-post* phase of the alliance, a firm's relative bargaining power is also shaped by the degree of relation-specific investments made by the firm (Dyer & Singh, 1998). A relation-specific investment is an investment specifically in resources that contribute to the partnership. These resources are not easy to re-use elsewhere within the firm (Dyer, Singh, & Kale, 2008). Through relation-specific investments, greater common benefits are generated in comparison to the number of common benefits generated through general purpose investments (Dyer & Singh, 1998). With a relation-specific investment, the firm will inherently increase its level of dependence on the alliance (Klein, Crawford, & Alchian, 1978). When partners agree to a symmetric relation-specific investment, a mutual, equivalent commitment is established, but when one firm commits to relatively fewer relation-specific investments, this firm increases its bargaining power. This power change will arise because the partner invested in more assets that were not easy to use elsewhere (Dyer, Singh, & Kale, 2008; Klein, Crawford, & Alchian, 1978). While renegotiating, this will lead to the firm with the most relation-specific investments, and therefore its consequent increase of dependency, eventually receiving the worse the deal when the partners split the common and private benefits.

As long as both partners need each other's resources, their relationship will be stable, but in many cases, alliances evolve over time and the relationship between partners changes. Strategic alliances are open-ended arrangements and incomplete contracts (Anand & Khanna, 2000), which suggests that there is opportunity for a firm's own interpretation and rearrangement. As several studies (Gray & Yan, 1992; Inkpen & Beamish, 1997; Khanna, Gulati, & Nohria, 1998; Makhija & Ganesh, 1997) indicated, due to alliance dynamics, the relationship between partners will never persist in the same composition over time as in the initiation phase. Makhija and Ganesh (1997) argued that the reconfiguration of needs in an alliance leads to changes in bargaining power, in turn leading to a possible imbalance resulting in an alliance "snowballing" into failure. Therefore, they suggested that firms should renegotiate, in the *ex-post* phase, when the relationship becomes unstable. At this stage of renegotiation, the relative bargaining power influences the split of benefits in the *ex-post* phase of the alliance (Makhija & Ganesh, 1997).

Perceived relative bargaining power

Perceived bargaining power is shaped by the image and reputation of the focal firm and can increase its relative bargaining power (Darrough & Stoughton, 1989; Harrigan & Newman, 1990). The better the image and reputation of the focal firm during the negotiation, the more likely the partner believes that the focal firm is capable of achieving their common goals (Makhija & Ganesh, 1997; Harrigan & Newman, 1990; Dyer, Singh, & Kale, 2008). This perceived bargaining power ultimately increases the actual relative bargaining power of the focal firm, which provides the firm with a stronger position when negotiating for benefits (Khanna, Gulati, & Nohria, 1998; Makhija & Ganesh, 1997).

In summary, relative bargaining power shaped by context, resource contributions, and perceived bargaining power determines the appropriation of common and private benefits. Therefore, proposition 1 is as follows:

> *Proposition 1: The appropriation of common and private benefits in a strategic alliance is promoted by a firm's relative bargaining power.*

Negotiations on knowledge-based benefits provide access to them; however, there is a significant difference between access and the actual acquisition of this knowledge. In his study, Inkpen (1998) reveals the following: ''In many other alliances I have studied, firms have been unable to exploit alliance learning opportunities'' (p. 70). This suggests that bargaining power is not solely responsible for successfully appropriating these benefits, which are intangible. Since common benefits are a mix of tangible and intangible benefits and private benefits are mainly based on knowledge and must be transferred through the organization at all times, it is expected that a firm's relative bargaining power has a stronger relationship with the appropriation of common benefits than private benefits. Common benefits are visible for both partners, and an open negotiation over these benefits can occur (Khanna, Gulati, & Nohria, 1998). It is, therefore, impossible to capture all of the private benefits in an agreement (Ariño & Reuer, 2004).

Hence, the visible, mostly common, benefits are the benefits for which partners bargain (Khanna, Gulati, & Nohria, 1998). Therefore, proposition 1a is as follows:

Proposition 1a: A firm's relative bargaining power is more strongly related to the appropriation of common benefits than to the appropriation of private benefits in a strategic alliance.

2.3 Relative absorptive capacity

Common and private benefits are often intangible and based on knowledge and learning (Ohmae, 1989; Simonin, 1997). To actually benefit from a partner's knowledge, the firm must ensure that this new knowledge can be acquired and integrated into the firm's own capabilities. The firm must be able to recognize, assimilate, and apply the available knowledge and skills. In order to achieve this, the firm must have some level of absorptive capacity in place (Dyer, Singh, & Kale, 2008). Cohen and Levinthal (1990) developed the theory of absorptive capacity and defined it as ''The ability of a firm to recognize the value of new, external information, assimilate it, and apply it to commercial ends." (p. 128). Within their theory, Cohen and Levinthal (1990) focused on absolute absorptive capacity of individual firms and argued that development of the ability to recognize, assimilate, and apply knowledge is path-dependent, depends on prior related knowledge, and develops over time while building a knowledge base. With this argument, they suggested that firms with developed absorptive capacity could learn equally from every source. When applying this argument to interorganizational learning between alliance partners, partners with developed absolute absorptive capacity would always learn equally from their partners. However, as research of Mowery *et al.* (1996) showed, the ability for recognition of new valuable knowledge is mainly a function of an overlap in basic knowledge between sources. Hence, as Dyer and Singh (1998) argued, an overlap in the basic knowledge base between partners is crucial to build absorptive capacity, which is partner-specific, whereby firms have a mutual understanding of techniques and assumptions that shape their knowledge. This mutual understanding of another's basic knowledge enables the firm to recognize and value the new knowledge to which it is exposed (Dyer & Singh, 1998). Similarly, Lane and Lubatkin (1998) stated that absolute absorptive capacity does not explain one firm's ability to learn from another firm. In their study of 39 research and development (R&D) alliances, Lane and Lubatkin re-conceptualized ''The firm-level construct absorptive capacity as a learning dyad-level construct, relative absorptive capacity.'' (p. 461). They argued that similarities in the partnering firms' organizational characteristics determine the ability to learn from one another. Lane *et al.* (2001) revisited the 39 joint ventures and found a positive relationship between relative absorptive capacity and joint venture performance. Based on these findings, it is expected that the higher a firm's relative absorptive capacity, the higher the appropriation of common and private benefits based on knowledge and learning. Thus, to effectively learn new skills and capabilities from a partner, a firm must develop all three dimensions of relative absorptive capacity: recognition, assimilation, and application of new external knowledge. Relative or partner-specific absorptive capacity is shaped by 1) the aforementioned overlap in basic knowledge bases in order to recognize valuable knowledge, 2) similarities in organizational structure to effectively assimilate knowledge and 3) similarities in dominant logic for the commercial application of recognized and assimilated knowledge.

Overlap in basic knowledge

An overlap in basic knowledge becomes important during the *ex-ante* phase of alliance formation. When (one of) the goal(s) is to learn from the potential partner by acquiring new specialized knowledge, the firm must select partners with similarities in basic knowledge in order to effectively appropriate these skills because, after alliance formation, a similar basic knowledge base enables the firm to recognize and value new knowledge. This recognition has the potential to be assimilated and exploited, either within the alliance scope to become commonly beneficial or outside the alliance scope for private gains.

Similarities in organizational structure

After the recognition and evaluation of knowledge, the firm has to internalize this new knowledge. The internalization or assimilation of recognized and valued new knowledge depends on the firm's knowledge-processing systems (Cohen & Levinthal, 1990). These systems determine how the acquired knowledge is stored and transferred within the organization. Lane and Lubatkin (1998) found that similarities between firms in their information-processing systems enabled them to internalize the knowledge. These firm information-processing systems can be seen as a software program composed of several components. This modular design ensures that certain functionalities arise that are not possible with a different structure. When specific information should be transferred from one program to the other, the same modular system is required. Thus, with similarities in processing systems, the firm can effectively process the new knowledge. Lane and Lubatkin (1998) operationalized similarities in organizational information-processing systems through similarities in firms' compensation practices, because compensation systems influence the ability to solve a problem within the organization (Hoskisson, Hitt, & Hill, 1993). Lane and Lubatkin's (1998) study showed a strong relationship between similarities in compensation practices and interorganizational learning. In addition to similarities in compensation practices, Lane and Lubatkin (1998) found that similarities in organizational structure (i.e., the degree of lower management formalization and research centralization) are also a proxy for information-processing systems.

Organizational structure influences firms' knowledge processing, because it is related to the performance of organizational roles (Lane & Lubatkin, 1998), the codification of role patterns (Walsh & Ungson, 1991), the storage of knowledge regarding the perception of the environment (Walsh, 1995), the communication flows (Miles, Snow, Meyer, & Coleman, 1978), and problem-solving behavior (Sine, Mitsuhashi, & Kirsch, 2006). Hence, similarities in information-processing systems enable the firm to develop the ability to assimilate knowledge and thus relative absorptive capacity. These similarities are important for the extraction of both common and private benefits. In the case of common benefits, the knowledge from the partner will be effectively transferred and assimilated through the similar processing system and transferred back into the alliance for collaborative activities where this assimilated knowledge is used. In the case of private benefits, the valuable knowledge of the partner is transferred via the similar system and, subsequently, transferred to and assimilated within another business unit or department where this knowledge becomes an advantage.

Similarities in dominant logic

After assimilation, new knowledge can be applied for commercialization. The commercialization of new acquired knowledge depends on a firm's dominant logic (Bettis & Prahalad, 1995). A firm's dominant logic is its developed expertise to cope with specific organizational problems (Prahalad & Bettis, 1986), which indicates how knowledge is applied to solve a (commercial) common problem. When the firm faces an organizational problem, it must be able to apply the appropriate knowledge to solve that problem. Over time a firm develops preferences regarding specific business strategies, which enable it to build organizational problem-solving expertise (Lane & Lubatkin, 1998). The other side of a firm's dominant logic is, as Leonard-Barton (1992) argued, a cause for organizational rigidity, resulting in a firm's limited ability to solving other organizational problems. Hence, to effectively develop the third dimension (i.e., knowledge application) of relative absorptive capacity, the firm must select a partner with similarities in dominant logic because the less both firms' dominant logics are aligned, the more difficult it will be to jointly solve a problem (Lane & Lubatkin, 1998). In addition, dominant logics change very slowly and, in most cases, only when a crisis occurs (Bettis & Prahalad, 1995). Thus, to utilize and actually benefit from the newly acquired and assimilated knowledge, similarities in dominant logic are of great importance. In the case of common benefits, the knowledge is assimilated and used, then transferred back into the alliance to solve a commercial problem with the alliance partner. Here, the commercial application of knowledge becomes advantageous for both parties and, therefore, results in a common benefit. For private gains, other businesses' dominant problem-solving logic must have similarities with the dominant logic of the partner in order to use the knowledge for commercial problem-solving within those other business.

In summary, relative absorptive capacity is shaped by similarities in basic knowledge, information-processing systems, and dominant logics, which enable the firm to acquire, internalize, and apply knowledge (Dyer & Singh, 1998; Lane & Lubatkin, 1998; Lane, Salk, & Lyles, 2001; Lavie, 2006) for a common or private benefit. Thus, proposition 2 is as follows:

Proposition 2: The appropriation of common and private benefits in a strategic alliance is promoted by a firm's relative absorptive capacity.

Common benefits are often a mixture of tangible and intangible benefits (Ohmae, 1989). Private benefits, on the other hand, are usually intangible and must be transferred through the organization for application elsewhere in the business (Dyer, Singh, & Kale, 2008; Hamel, 1991; Khanna, Gulati, & Nohria, 1998). This transfer is expected to be the pivotal element that distinguishes the appropriation process of a private benefit from the appropriation process of a common benefit and can only be achieved through a firm's relative absorptive capacity. Hence, to actually realize a benefit in another business, it is crucial for a firm to develop relative absorptive capacity. Therefore, the degree of appropriated private benefits depends heavily on the developed relative absorptive capacity of the firm. Thus, a stronger relation between private benefits and a firm's relative absorptive capacity than common benefits is expected, resulting in proposition 2a:

Proposition 2a: A firm's relative absorptive capacity is more strongly related to the appropriation of private benefits than to the appropriation of common benefits in a strategic alliance.

2.4 The reinforcing role of alliance management capability

Alliances evolve over time, and the relationships between partners change (Makhija & Ganesh, 1997). Inkpen and Beamish (1997) argued that the initial balance of power between partners will inevitably shift. Additionally, firms can develop their absorptive capacity (Cohen & Levinthal, 1990) to effectively internalize a partner's resources (Hamel, 1991). Thus, the factors that determine the appropriation of alliance value change over time as well. These changes can cause alliance instability, which can be defined as "a major change in partner relationship status that is unplanned and premature from one or both partners' perspectives'' (Inkpen & Beamish, 1997, p. 177). Inkpen and Beamish (1997) associated alliance instability with shifts in bargaining power. They argued, following Hamel (1991), that excessive competitive behavior in acquiring knowledge causes power shifts and the alliance becomes a learning race. In their literature review, Das and Teng (2000) found that instability rates were reported from 30% to 50% and that instability was associated with an unsatisfactory alliance outcome. Thus, instability is not desirable for collaborating partners. An alliance with a high rate of common and private benefits is the most desirable case for all of the involved parties and is perceived as the most stable (Dyer, Singh, & Kale, 2008). Stability, as argued by Dyer *et al.* (2008), plays a key role in appropriating benefits in an alliance because it is possible that, due to instability within an alliance, benefits will not accrue to either the focal firm or its partner. To ensure an alliance's stability after it is formed, the appropriation of benefits should not be overlooked while managing that alliance. Firms must understand how their ability to appropriate value through an alliance is influenced and how they can optimally benefit by appropriating the greatest gains.

The high rates of partner dissatisfaction indicate that firms must manage an alliance to guide it to success, which suggests that firms have to build alliance management capabilities. Indeed, over the past two decades an extensive body of literature has been developed which supports that firms learn from their prior collaborative partnerships and develop capabilities in partner selection, negotiations, monitoring, knowledge transfer, and alliance termination (e.g., Anand & Khanna, 2000; Heimeriks & Duysters, 2007; Kale, Dyer, & Singh, 2002; Simonin, 1997). Anand and Khanna (2000) were the first to argue that firms learn to create value in an alliance as they accumulate alliance experience, but do firms learn to appropriate value? Scarce literature has been published acknowledging that alliance learning affects value appropriation. Simonin (1997) briefly addressed this topic by stating that firms with greater collaborative experience have the potential to achieve higher levels of collaborative "know-how". In his study of large and medium-sized U.S. companies, Simonin (1997) found that the greater the collaborative ''know-how'', the more benefits were obtained from partnerships. Simonin (1997) argued that collaborative experience alone is not sufficient to achieve collaborative "know-how". Collaborative ''know-how'' is the result of best and worst practices that are internalized by the firm. Only with this internalization of lessons learned can the organization effectively utilize their experience in new collaborations (Simonin, 1997). This collaborative knowledge is akin to alliance management capability. Schreiner, Kale, and Corsten (2009) conceptualized alliance management capability into skills that addressed and resolved coordination, communication, and bonding problems in an alliance. Their research supported present literature concerning alliance management capability, which underscores the important contribution of alliance management capability to value creation in an alliance (Ireland, Hitt, & Vaidyanath, 2002; Anand & Khanna, 2000; Schreiner, Kale, & Corsten, 2009).

The coordination aspect of alliance management capability involves the ability of the focal firm to coordinate and manage the interdependence between the partners. A clear vision of task responsibility is important to effectively perform tasks. Both firms must agree with task requirements and develop joint working procedures (Schreiner, Kale, & Corsten, 2009). Coordination becomes critical when identifying and structuring the alliance specific tasks and when mobilizing and transferring resources. It promotes collaboration between the partners, which results in a high degree of value (Kale, Dyer, & Singh, 2002; Schreiner, Kale, & Corsten, 2009).

Communication in an alliance refers to formal and informal sharing of knowledge between firms (Anderson & Narus, 1990). Information asymmetries between partners are often the cause of poor collaboration. Within alliance management capability, the firm has the relevant knowledge and skills in place to communicate in a timely, complete, and accurate manner with its partner, which facilitates joint action (Das & Teng, 1998). Communication reduces the fear of opportunistic behavior, so higher levels of uncertainty are tolerated (Schreiner, Kale, & Corsten, 2009).

Bonding in an alliance means that individuals become physiologically connected to each other, resulting in a pursuit of common goals (Harrison, Price, & Bell, 1998). The aspect of bonding in alliance management capability enables the firm to develop strong associations by spending time with its partners. The result is a partner that feels secure collaborating with that particular firm compared to other firms. Bonding will strengthen trust in the relationship between participants and trust between the partnering firms as a whole (Schreiner, Kale, & Corsten, 2009).

Each of the aspects of alliance management capability, conceptualized by Schreiner *et al*. (2009), not only contribute to collaborative activities, and thus value creation, but it is expected that these also affect the appropriation of this value. To obtain insight into the influence of alliance management capability on value appropriation, it is important to view the alliance in different phases. An alliance is characterized by a life-cycle. Simonin (1997) described four stages in this cycle. The first stage is the identification and selection of partners. This stage is crucial in determining which potential benefits the partnership will derive. After the selection of partners, the *ex-ante* negotiating phase will begin. In this phase, the initial agreements will be established, so when a deal is arranged, the alliance is formed and ready to become operational. The alliance shifts in the third phase of the life-cycle. During this phase, the partnership is managed and monitored and the *ex-post* renegotiation of agreements can take place. The fourth, and last, phase of the life-cycle is termination or renegotiation. Most partnerships will eventually end because there is nothing more for the partners to learn from each other or goals are not achieved (Simonin, 1997). When considering the life-cycle in relation to value appropriation in a collaborative partnership, there are two phases in which the value appropriation can occur: 1) during negotiations (*ex-ante* and *ex-post*) and 2) during ongoing management of the relationship. The expectation is that alliance management capability can foster the appropriation of common and private benefits in both of these phases. The appropriation of benefits through a firms' relative bargaining power can be reinforced by alliance management capability in two manners: in the course of negotiations within an alliance life-cycle and by enhancing image and reputation. Alliance management capability can reinforce the appropriation of benefits through relative absorptive capacity in three manners: by aligning organizational structure, with the mobilization of human resources, and through building a relationship.

2.4.1 The reinforcement of value appropriation through relative bargaining power

Negotiating and renegotiating agreements

Within the alliance life-cycle, different moments for negotiations occur, and the firm's relative bargaining power determines the outcome of these negotiations (Khanna, Gulati, & Nohria, 1998). Dyer *et al.* (2008) argued that the focal firm, while bargaining, must convince its partner that it has an attractive number of resources and that the value, in terms of benefits, will be the greatest with that particular focal firm as a partner. Therefore, the firm causes the partner to believe that it is dependent. This perception provides the focal firm with more *ex-ante* relative bargaining power toward the partner. To convince a partner of this statement, communication skills are of great importance. By communicating in an accurate and complete manner, the partner's uncertainty concerning the focal firm's motives, competences, and possession of resources will be reduced (Schreiner, Kale, & Corsten, 2009), resulting in a convinced partner and, therefore, in a higher belief of dependence on the focal firm. The reduction in partners' uncertainty not only leads to higher perceived bargaining power, but to the willingness to acquire relation-specific investments as well (Schreiner, Kale, & Corsten, 2009) due to its conviction that these investments will be lucrative in the future.

In addition, the focal firm's bonding skills contribute to the number of the partner's relation-specific investments. Imagine a scenario where the focal firm acquires relatively more relation-specific investments over time than its partner. This causes the focal firm's increased dependency on the alliance because these specific assets cannot be used outside the alliance scope, resulting in the firm being ''locked'' into the alliance (Dyer, Singh, & Kale, 2008). This dependency will shift the relative bargaining power in favor of the partner, which results in less appropriation of common benefits by the focal firm. With honest communication and intensive bonding, a firm can influence the number of its partner's relation-specific investments. The partner will then be willing, due to a well-developed relationship with its partner based on goodwill and trust, to invest more in the relationship, resulting in a symmetry shift in relation-specific investments. This shift increases the firm's relative bargaining power, enabling the focal firm to appropriate more benefits (Dyer, Singh, & Kale, 2008; Khanna, Gulati, & Nohria, 1998). Becoming too "locked" into the alliance will not only reduce the relative bargaining power, but can also decrease flexibility during change (Zaheer, Gulati, & Nohria, 2000).

In addition, coordination skills can influence the focal firm's relative bargaining power in such a way that mobilizing more critical resources into the alliance will increase the partner's dependency. At the same time, the firm can withhold critical resources (Bacharach & Lawler, 1980). By coordinating and controlling critical resources, the focal firm's relative bargaining power will strengthen (Dyer, Singh, & Kale, 2008), which provides the focal firm with a stronger position during negotiations. Therefore, through coordination, communication, and bonding, the firm can prevent dependency and can increase the dependency of the partner.

Image and reputation

The communication aspect of alliance management capability involves expressing success in ongoing alliances to the ''world outside'' of the alliance (Dyer, Kale, & Singh, 2001), which enhances the focal firm's reputation of being a good partner, resulting in a stronger perceived bargaining power of the focal firm (Darrough & Stoughton, 1989). This effect reinforces the relationship between a firm's relative bargaining power and the appropriation of common and private benefits and is applicable during the negotiation and renegotiation phases. A better reputation enhances potential partners' attraction, gaining the focal firm the opportunity to choose among more alternatives (Fisher, Ury, & Patton, 2011; Kale, Dyer, & Singh, 2002). From a bargaining theory perspective, this will lead to a higher appropriation of common and private benefits during *ex-ante* negotiations and *ex-post* negotiations (Yan & Gray, 1994).

Thus, it is expected that alliance management capability reinforces the relationship between the appropriation of value and a firm's relative bargaining power by decreasing the firm's own dependency, increasing a partner's dependency, and enhancing the firm's image and reputation. Therefore, Proposition 3a is as follows:

Proposition 3a: The aspects of coordination, communication, and bonding of alliance management capability reinforce the relationship between a firm's relative bargaining power and the appropriation of common and private benefits in a strategic alliance.

2.4.2 The reinforcement of value appropriation through relative absorptive capacity

Alignment in organizational structure

A higher degree of relative absorptive capacity is established when the partnered firms have similarities in their organizational structure, compensation systems, and dominant logic (Lane & Lubatkin, 1998). As a result, the company is able to extract a higher amount of common and private benefits based on knowledge. Alliance management capability can enhance this effect in the course of initial negotiations and renegotiations through its communication and bonding skills. During negotiations, depending on the type of alliance, subjects like alliance structure and product/technology development are addressed. If the company has succeeded in bonding with its partner, a relationship of trust has been established. This trust ensures that the partner is more willing to engage in joint activities (Schreiner, Kale, & Corsten, 2009). Alliance management capability can, therefore, contribute to ensuring that the two companies work closely together, increasing the partner's willingness to align with the focal firm. This development in the relationship may be important during the renegotiation phase because the companies can form formal agreements concerning their structures. For this aspect, superior communication skills are essential to ensure not only that the partner's confidence increases, but that the focal firm's persuasive power increases as well (Dyer, Singh, & Kale, 2008). With the appropriate communication skills, the firm can convince the partner to align organizational structures and compensation systems.

Additionally, the firm can persuade the partner to jointly develop products and technologies and share research communities. Sharing research communities, which is a proxy for similarities in firms' dominant logic, is important for the appropriation of benefits because the higher the overlap in dominant logic, the higher the level of relative absorptive capacity (Lane & Lubatkin, 1998). Pralahad and Bettis (1986) argued that changes in dominant logic develop slowly and only occur under crisis. Alliance management capability, in the form of its communication dimension, may have an accelerating effect in this case. By convincing the partner to share research communities and/or begin a joint research community, both companies can build their dominant logic as partners. Hence, this enables the firms to solve problems jointly and exploit the new knowledge for commercial purposes, which will ultimately lead to a higher benefit appropriation.

Mobilization of human resources

Relative absorptive capacity increases when the partnering firms have similarities in their organizational characteristics (Lane & Lubatkin, 1998). However, partners' skills and knowledge are often tacit and complex, and employees have to repeatedly interact to optimally absorb this knowledge (Hansen, 1999). In addition, integration between employees within the alliance will enable them to recognize and assimilate new knowledge (Wijk, van, Bosch, van den, & Volberda, 2013), and Dyer and Singh (1998) stated that with the establishment of knowledge sharing routines between employees, the more potential benefits there will be. Hence, firms should facilitate the establishment of connections between employees and invest in knowledge sharing routines. Alliance management capability, with its coordination dimension, can become a critical success factor here. Because the alliance specific tasks, responsibilities, and knowledge sharing routines are coordinated, the transfer of complex knowledge is facilitated (Schreiner, Kale, & Corsten, 2009). Consequently, the company is better able to not only recognize the new knowledge, but also to assimilate and exploit this new knowledge.

Argote and Ingram (2000) found that with the mobilization of people, knowledge transfer was more effective. In addition, knowledge transfer depends, to some extent, on the individuals who work at the interface between the firms. These ‘’boundary spanners’’ assimilate complex information, so it becomes accessible and exploitable for other individuals or groups within the focal firm (Cohen & Levinthal, 1990). The firm can evaluate where the crucial knowledge resides and place boundary spanners within the interorganizational network where this expertise is distributed. Through coordinating activities, alliance management capability will contribute to the knowledge transfer. This idea is based on Jansen *et al.* (2005), who said that coordination capabilities of the firm, including mobilizing people through cross-functional teams and job rotation, enhance the acquisition and assimilation of new external knowledge. For a broader explanation of how the coordination dimension of alliance management capability contributes to the appropriation of common and private benefits through an alliance due to relative absorptive capacity, Hamel’s (1991) case study is a helpful guide. Hamel’s (1991) research showed that interorganizational learning was influenced by organizational interfaces and the structure of joint tasks. The firms that mobilized and devoted resources to acquire knowledge gained greater benefits through the partnership. In the same study, Hamel (1991) found that firms in which employees worked in cross-functional teams and had experience in inter-business coordination were more likely to internalize new knowledge.

Alongside resource mobilization, training employees has shown to be effective in extending the individual knowledge bases (Lane, Salk, & Lyles, 2001). With the enlargement of individual knowledge bases, employees are more likely to acquire and assimilate new external knowledge exposed by the alliance partner. Meetings and training days can be coordinated in order to enrich organizational members’ knowledge. Lane *et al.* (2001) showed that the more competent the firm’s personnel training, the better the personnel’s ability to commercially exploit the knowledge. Hence, coordination skills enhance the relationship between a firm’s relative absorptive capacity and the appropriation of common and private benefits, which enables the focal firm to benefit from the knowledge by commercializing it.

Building a relationship

After the connection between employees is established, intensive knowledge transfer will be further developed when individuals bond with each other (Koka & Prescott, 2002). This close connection is associated with interpersonal affection (Granovetter, 1973). These strong connections between employees enable more knowledge exchange (Krackhardt & Stern, 1988; Wijk, van, Bosch, van den, & Volberda, 2013). As Koka and Prescott (2002) argued, the denser the connection, the more rich and diverse the exchanged knowledge. The bonding aspect of alliance management capability will strengthen the connection between individuals (Schreiner, Kale, & Corsten, 2009). By providing the accurate and proactive response to the needs of a partner, showing respect and appreciation for the partners, and investing time to connect, strong bonds, based on trust, will be established (Schreiner, Kale, & Corsten, 2009). These strong bonds will eventually lead to better knowledge access and new skills acquisition (Wijk, van, Bosch, van den, & Volberda, 2013), therefore, strengthening the relationship between a firm's relative absorptive capacity and the appropriation of common and private benefits.

In summary, it is expected that alliance management capability reinforces the relationship between the appropriation of value and a firm's relative absorptive capacity by aligning organizational structure with the partner, by mobilizing human resources, and by building a relationship. Thus, Proposition 3b is as follows:

> *Proposition 3b: The aspects of coordination, communication, and bonding of alliance management capability reinforce the relationship between a firm's relative absorptive capacity and the appropriation of common and private benefits in a strategic alliance.*

2.5 Conceptual model

The appropriation of common and private benefits is promoted by a firm's relative bargaining power and a firm's relative absorptive capacity. It is expected that a stronger relationship between relative bargaining power and common benefits and a stronger relationship between relative absorptive capacity and private benefits will be apparent. Furthermore, alliance management capability should reinforce these relationships with its three aspects (coordination, communication, and bonding) during negotiations and renegotiations within an alliance life-cycle, with enhancing image and reputation, by aligning organizational structure, by mobilizing resources, and through building a relationship. Based on the propositions that have emerged from the theoretical framework, the conceptual model has been established (See figure 1).

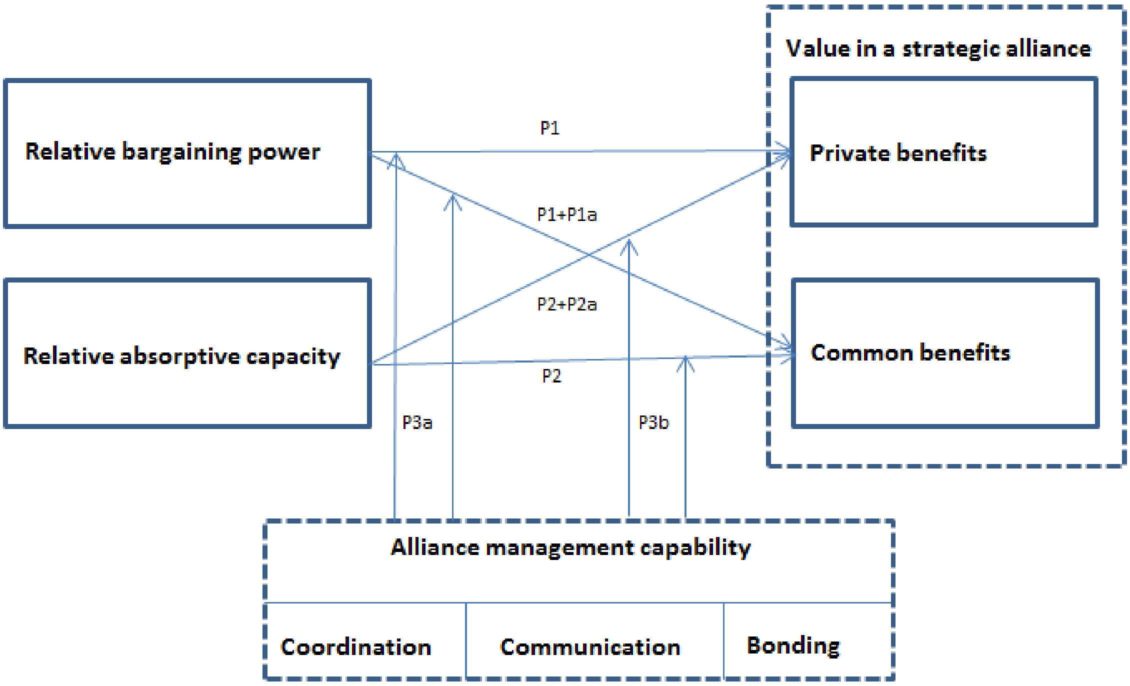

Figure 1: Conceptual model based on theoretical framework.

3. Methodology

3.1 *Qualitative research: a multiple-case study*

From the existing theory, empirical patterns were predicted by combining data from different studies and establishing propositions. Prior to this research, limited specific data was available regarding how a firm's alliance management capability contributes to the appropriation of benefits in a strategic alliance. Due to this data scarcity, the possibility was present that there were new empirical patterns to uncover in this study (Bryman & Bell, 2007). Therefore, a qualitative approach in the form of cases within different industries was chosen as a research strategy. This particular research strategy enabled the acquisition of supporting evidence and the development of new empirical patterns, which were both industry specific and general among the industries, concerning the role of alliance management capability. In-depth knowledge is necessary to understand how firms obtain relative bargaining power and relative absorptive capacity within a specific alliance and how benefits are extracted as a result. In addition, a profound understanding of how developed alliance management capability affects benefit appropriation is needed to answer the central question of this research. This phenomenon is complex and entangled with its context. As is typical for case studies, the phenomenon was researched in its own real-life context, providing the opportunity to intensively examine the setting (Bryman & Bell, 2007; Yin, 2009). To obtain evidence for the propositions, as well as emerging empirical data, it was crucial to select firms that had experience in strategic alliances and developed a certain degree of alliance management capability. By performing this research within multiple cases, findings within one case were compared with another. This approach made it possible to determine uniqueness and commonality among the cases (Bryman & Bell, 2007; Yin, 2009; Gerring, 2001). Both unique and common findings within the area of the experience in appropriating benefits were expected preliminary to this study. Individuals who managed a strategic alliance on a daily basis were interview as the primary data source, which, in combination with secondary data, enabled gathering insight into specific actions and behaviors of individuals involved in managing a specific partnership. With this approach, a vision was gained concerning how the three principal aspects of alliance management capability (coordination, communication, and bonding) were deployed and how this influenced the appropriation of value through the firm's relative bargaining power and relative absorptive capacity.

3.2 *Case selection*

To ensure the external validity of this research, seven cases were selected in three contrasting industries. One case, the Association of Strategic Alliance Professionals (ASAP), was selected to gain more data richness regarding the reinforcing role of alliance management capability. Table 1 shows the cases used for this study, their alliance management structure, the duration of the discussed alliance, and the motive(s). The specific composition of cases determines whether the propositions are supported under different circumstances and can be used to discover what influenced the studied relationships (Yin, 2009) and whether the findings are generalizable across these industries. With this approach, a search for commonalities in cases between dissimilar industries, as well as a search for differences between cases in a similar industry, was possible (Gerring, 2001).

The cases in this research were selectively chosen. To gain insight into the reinforcing role of alliance management capability and to ensure comparability (Gerring, 2001), a certain degree of existing alliance management capability, either centralized or decentralized, was a condition for the case selection. The selected cases are, therefore, ''particularly suitable for illuminating and extending relationships and logic among constructs'' (Eisenhardt & Graebner, 2007, p. 27). Potential cases were screened for indicators of developed alliance management capability. The screening process was completed by using websites, reading posted news about partnerships, and through targeted phone calls to firms. Subsequently, the selected firms were approached by email and phone for interview requests. The interviews were held with firm employees who manage partnerships on a daily basis. Selecting these individuals increased the likelihood of examining the three aspects of alliance management capability in one function.

Firms in the pharmaceutical industry, the medical supply industry, and the automotive industry were selected. Within the pharmaceutical industry, three cases were studied, and in total, four alliances were discussed. Two of these alliances were terminated; one was less successful and an acquisition of the partners' relevant business unit seemed a better option, and the second was terminated because the product's patent expired. The other discussed alliances were on-going. Within the automotive industry, two cases were studied and three alliances were discussed. All three alliances were on-going. Within the medical supply industry, two cases were studied and two alliances were discussed. Both alliances were on-going during the research. Based on Khanna, Gulati, and Nohria's (1998) research, in all of the researched industries, an asymmetric distribution of benefits was expected. Within these industries, the number of alliances has increased rapidly in the past decade and the majority of firms involved in alliances have developed alliance management capability as part of their organizational structures. For example, most of the large, multinational pharmaceutical companies have alliance managers on the payroll to guide the partnerships on a day-to-day basis. Within the automotive industry and the medical supply industry, most of the companies that have experience with multiple partnerships also often have people (fully) dedicated to the daily management of these partnerships. The contrasting contexts allowed comparison. Within the pharmaceutical industry, there are relatively few strategic alliances in which partners collaboratively create products or technologies. In this industry, it is quite common to form alliances with biotech companies. These companies create value by developing innovative medicines, appropriated by the pharmaceutical companies in exchange for money. Even when two pharmaceutical firms form an alliance, the joint development of a product rarely occur, with a few exceptions, as a result of the relatively long development time and patents on drugs in ownership. On the contrary, within the automotive industry, most of the alliances are usually specifically focused on joint product and technology innovation. Within the medical supply industry, both contexts are observed: alliances concerning joint product development and alliances regarding co-marketing.

This research focused on firms' alliance management capability on a dyadic level between the focal firm and *one* alliance partner. Therefore, the unit of analysis was the relationship in a two-firm alliance from the focal firm's position.

For every case, a case study protocol, as described by Yin (2009), was established. The protocol consisted of 1) a brief overview of the case, including background information, 2) written operational procedures of the data collection, 3) an outline of the case report, and 4) case study questions with questions of inquiry. By following this protocol, replicability of this research was ensured, allowing other researchers to execute the same research. For an example of the protocol, please refer to Appendix II.

Case	Industry	Number of employees	Alliance management	Duration of alliance	Motive
Case 1	Pharmaceutical	> 50.000	Centralized on international level, decentralized locally	Global alliance. > 5 years < 10 years, termination < 1 year.	Expanding portfolio.
Case 2	Pharmaceutical	> 100.000	Centralized	1) Global alliance. > 5 years < 10 years, ongoing. 2) Local alliance. >1 year < 5 years, ongoing.	1) Co-development, co-marketing. 2) Product life-cycle management.
Case 3	Pharmaceutical	> 100.000	Centralized on international level, decentralized locally	Global alliance. > 10 years < 15 years, termination , 2 years.	Co-marketing.
Case 4	Automotive	< 50	Decentralized	1)Local alliance, is expanding in Europe. > 5 years < 10 years, ongoing. 2) Global alliance. >1 year < 5 years, ongoing.	1)Co-development. 2)Co-development.
Case 5	Automotive	> 100.000	Centralized	Global alliance. >15 years < 20 years, ongoing.	Market access, co-development.
Case 6	Medical supplies	> 2.500	Decentralized	Local alliance. >1 year < 5 years, ongoing.	Distribution and co-marketing.
Case 7	Medical supplies	< 50	Decentralized	Global alliance. >1 year < 5 years, ongoing.	Distribution and co-marketing.
Association of Strategic Alliance Professionals	Association	> 1000 members	n/a	n/a	n/a

Table 1: Case description

3.3 Data collection

For the data collection, primary and secondary sources were used. As a primary source of data, in-depth interviews were held with individuals who met the selection criteria. Prior to each interview appointment, questions by phone or email were asked concerning the interviewee's role in managing the alliance. A minimum of two interviews per firm were held to gain full insight into the alliance management capability of the specific firm and its effect on value appropriation in a strategic alliance. Interviewing more than one person mitigated bias because the firms were viewed from different perspectives (Eisenhardt & Graebner, 2007). For an overview of the conducted interviews see Table 2. A semi-structured interviewing technique was used, with a central topic guide as a tool. This method provides the opportunity for new insights in addition to structured topics (Bryman & Bell, 2007). To compile this topic guide, theoretical concepts, defined from the literature review, were translated into practical terms. The theoretical constructs' underlying mechanisms were derived from the reviewed literature and questions (See Appendix I). In addition, the evolving nature of an alliance with its consequent change in relative bargaining power (Inkpen & Beamish, 1997) and relative absorptive capacity (Lane & Lubatkin, 1998) over time was researched. During the interviews, specific questions were asked concerning the evolution of the managed alliance in order to trace the operational links over time and to research the contemporary events per case (Yin, 2009).

Case	Interviewee	Role	Duration
Case 1	1	CEO Netherlands	50 min
Case 2	2	Alliance manager	60 min
	3	Alliance manager	60 min
Case 3	4	CEO Netherlands	40 min
	5	Brand manager	50 min
Case 4	6	Sales manager	100 min
	7	Marketing manager	60 min
Case 5	8	Alliance manager	80 min
	9	Alliance manager	70 min
Case 6	10	Managing director	45 min
	11	Purchasing manager	40 min
Case 7	12	CEO Netherlands	40 min
	13	Managing director	70 min
Association of Strategic Alliance Professionals	14	CEO	40 min
	15	Board member	50 min

Table 2: Overview of interviews

Prior to the interviews, an informed consent from all participants and requests for confidentiality were obtained. With the exception of four interviews, interviews were held in the interviewee's working environment. Of the four exceptions, one was held in a cafe because the office was closed, and three were held via teleconference due to distance. During the interviews, open-ended questions were asked. The questions were pre-formulated in the topic guide and were neutral, without underlying assumptions. In addition, the interviewer mostly allowed the interviewee to speak, with as few interruptions as possible. Only when the answers remained vague did the interviewer asked questions, derived from the topic guide, to obtain a more complete answer. By frequently summarizing what was told, interpretations were checked for similarity to those of the interviewee. All interviews were recorded with a voice recorder, and when important and relevant statements occurred, notes were taken. This made it possible to fully focus on the interviewees, so bias could be avoided. Voice recording is advantageous because it documents the interview (Yin, 2009), allowing interview transcripts to be written.

The second source of data was relevant documentation of the specific alliances within the cases. This documentation varied from annual reports to press releases concerning the partnerships. By combining these different and independent data sources, the process of triangulation, or the identification of correct operational measurement of the theoretical concepts being studied (Yin, 2009), was applied. With this combination of multiple sources, the variables were measured in multiple ways, thereby strengthening the evidence. Available supporting data was included in the research results to substantiate certain statements. Hence, the findings within this research are likely to be more precise and convincing, which ensures construct validity (Yin, 2009; Bryman & Bell, 2007).

3.4 Data analysis

After the interviews were complete, interview transcripts (Rapley, 2001) were elaborated on during a complete examination of the recorded discussion in order to avoid missing any new information. Not only were the interviewee responses explained on paper, but the asked questions were detailed as well. Following Rapley (2001), an interview is the production of interaction between the interviewer and interviewee. This approach provided a better understanding of the interview data and increased awareness of the context in which the data was produced. A maximum timespan of one working day was chosen between the interview and elaboration because, within this time, the risk of crucial information losses was minimized.

After interview transcription, data was anonymized to ensure confidentiality and systematically analyzed per case (Miles & Huberman, 1994; Yin, 2009). Relevant data was categorized in Excel using a matrix (Miles & Huberman, 1994). The categories consisted of the theoretical variables as displayed in the conceptual model. All data related to the variables were labeled and placed in a category within the matrix. First, the data per single interview were labeled and categorized. Relevant citations were labeled and copied into the matrix. Every firm had its own excel file, and within the file, every interview had its own matrix worksheet. As a general analytic strategy, the theoretical propositions which emerged from the literature review were leading. Therefore, there was a strong focus on relevant data. (Yin, 2009).

The next step was merging the matrices per case. Then, common and unique findings within the case were analyzed and with patter matching techniques (Yin, 2009), in order to match empirical patterns with the predicted ones from theory. In addition, emerging patterns not described in the present literature were discovered. By using matching patterns, causal relationships were apparent, which ensured the internal validity of this research (Yin, 2009). Because the research question involved a time aspect, in the sense of the evolving nature of strategic alliances, the empirical evidence was also placed in chronological order to discover possible time patterns. Subsequently, these patterns were assessed using the secondary data sources. Relevant text was labelled in the same manner as the primary data.

The final phase of the data analysis was a cross-case synthesis. All matrices of the single cases per industry were merged. Common and unique findings within industries were analyzed and compared with each other in Excel. Columns of each industry and rows of the constructs emerged from theory allowing patterns and themes to be traced. Empirical data were established, which made it possible to determine whether the findings were applicable for multiple cases and or industries or were unique per case or per industry (See Appendix III for a template). Subsequent to this process, a report of each case was compiled and reviewed by the participants; all participants approved their own data to ensure confidentiality and accuracy. After this additional control, the findings were documented and conclusions were drawn.

4. Results

The purpose of this study is to gain insight into how a firm's relative bargaining power and relative absorptive capacity influence the appropriation of common and private benefits through a strategic alliance and how alliance management capability reinforces these relationships. Initially three contrasting industries were selected to gain insight into differences in the degree of common and private benefits due to differing types of alliance forms. More alliances with private benefits in the pharmaceutical industry were expected, while in the automotive industry and the medical supply industry, alliances with mainly common benefits were expected. This empirical study's cases showed that both common and private benefits accrued to the focal firms, with no industry specific differences. The answers to the question concerning which type of benefits accrued the most as a result of the alliance were similar. The benefits gained through the alliances discussed were predominantly common:

> *'I'm not going to collect information from the partner in the area where we are in competition, because then a) I would be not a good alliance partner for the future, and b) I would carry out what I just do not want another to do. It makes no sense, because if you don't think a step further than that small advantage at that point, you damage a lot more.' (Interviewee 4, pharmaceutical industry)*

Interviewee 8 (automotive industry) added this:

> *'If we want to do something together, like a project, it is always based on a win-win solution. For example, you accept a project and if it's a loss for one, then the companies will decide not to do the project. Both companies have to win in each project, otherwise they can't go forward with the project. […]No losers, otherwise, when one says you lose now, but next time you will win, the person who loses will never forget. It won't work. Everything will break down. It is like you are in a relationship. Your partner will never forget.'*

However, each industry has its own uniqueness which affects value appropriation. Additionally, findings emerged which were not expected in the theoretical section of this study. These findings were important and influenced the appropriation of common and private benefits through a strategic alliance. The following paragraphs will explain the (emerging) findings in further detail. First, the *ex-ante* relative bargaining power and value appropriation will be explained. Second, *ex-ante* relative absorptive capacity of each case and value appropriation will be addressed, and third, alliance evolution and the influence of alliance management capability on value appropriation in the cases will be detailed.

4.1 Relative bargaining power

The appropriation of common and private benefits is a function of a firm's relative bargaining power. The stronger the bargaining power of the firm relative to its partner, the more benefits it will appropriate. In order to determine how a firm's relative bargaining power influences the appropriation of common and private benefits over time, it was important to determine the *ex-ante* relative bargaining power of the focal firms.

Within the pharmaceutical industry, in almost all of the discussed alliances, the relative bargaining power *ex-ante* of the focal firm was equal to its partner regarding the elements of strategic importance, critical resource contributions, and available alternatives:

> *'We don't feel that there is a power play in the back. We are really on eyes level. This is equal, absolutely.' (Interviewee 2)*

And:

> '*Both contributed critical resources in the alliance.' (interviewee 5).*

The press release of this alliance announcement also supports this claim: *'Building on our extensive partnering experience and combined with [name of partner] established strength and long experience in [name of indication], [name of product] should become the global leader.'*

What emerged in the pharmaceutical cases was the aspect of size differences between partners. In one pharmaceutical alliance there was a difference in relative bargaining power, due to size differences.

> *'That's the usual issue with small company large company alliances. The small biotech companies have assets and they go around and advertise for their assets. The big companies compete with each other to get promising developments. When the big company loses interest it is a disaster for the small company.' (Interviewee 3)*

In another pharmaceutical alliance, the *ex-ante* relative bargaining power during negotiations was equal on the elements of strategic importance, resource contributions and available alternatives, but on an operational level, the partner of the focal firm was much smaller in size and ''felt'' small in comparison with the focal firm. Even though the element of perceived bargaining power was not addressed during the interviews, because no partners of the focal firms were surveyed, in this case, the perceived bargaining power of the focal firm was stronger, due to size differences, according to the interviewee:

> *'The operational relationship was very difficult in the early years of the alliance, because [name of partner] felt small. The local [name of firm] was the big us and with a certain degree of arrogance like we will make this product a success. [...] Within the local alliance, [name of firm] with its amount of people and self-assurance walked over [name of partner]. [...]They*

needed us and [name of firm] was large with lots of power and [name of partner] looked up to [name of firm].' (Interviewee 5)

Secondary data of the partnering firm supports this statement: *'Through this agreement, we gain a strong and experienced partner.'* (Press release of alliance announcement). Thus, these findings, within the pharmaceutical industry show that the relative size of the company is an additional aspect which determines relative (perceived) bargaining power.

Within the automotive industry, in all cases there were differences in the relative bargaining power *ex-ante* of the focal firm regarding the elements of strategic importance and available alternatives. In one case, the focal firm had a relatively stronger position:

'At this time, [name of partner] was on the verge of bankruptcy, so in a way they didn't have much of a choice. It was either go bankrupt, or find a partner, so it was seeking somebody to tie up with and then [name of firm] was the only one.' (Interviewee 8)

In the second case, the focal firm had a relative weaker position *ex-ante*:

'They are less dependent on us than we are on them. The moment it stops they have a temporary problem, but they can fill it in some way or stop, which is also a choice. Conversely, it is more difficult. We are also looking for alternatives, even abroad, to reduce dependency.' (Interviewee 6)

In both cases, the focal firm and its partner(s) contributed critical resources into the alliances:

'Our advantage is that we have the network and knowledge. As a new party, you cannot get inside. That makes it very difficult and that's the advantage we have.' (Interviewee 6)

And:

'So this was a great advantage for both of them, because it meant that they had access to engines that they didn't produce themselves.' (Interviewee 8)

Within the medical supply industry, the findings of *ex-ante* relative bargaining power were similar to the automotive industry. In none of the cases was the focal firm's *ex-ante* relative bargaining power equal to that of its partner regarding the elements of strategic importance and available alternatives. In one case, the focal firm had a relatively stronger position:

'They had to do it themselves or with us. I cannot think of any other party who has been active in the market with the specific knowledge and skills.' (Interviewee 11)

However, in this case, *ex-ante* relative bargaining power of the focal firm versus its partner was perceived to be equal. This stems from the critical resources that each contributed:

'In total it is fairly balanced, but in some areas ... finally, we have no access to the core of the technique. It remains their product. We cannot fully lead the market so that we can put them

completely under pressure and most of the margin or how we want to work is entirely up to us. On the other hand, we have proven that we can pressure the market for them so that conversely, they do not want to disconnect from us, because it would be difficult for them with another party. [...] In that way, you're still somewhat condemned to each other. That does not hinder our cooperation. That's good, because if the relationship is skewed, I have the idea that cooperation is less likely to succeed.' (Interviewee 10)

In the second case, the focal firm had a weaker position *ex-ante*:

'During the due diligence process they expressed a lot of power. They determined the pace.' (Interviewee 12)

In summary, within the pharmaceutical industry, more equality in *ex-ante* relative bargaining power regarding the elements strategic importance and available alternatives between alliance partners was found in comparison with the automotive and medical supply industries. In the pharmaceutical industry, the aspect of size emerged as an additional element of a firm's relative bargaining power. Over the industries, the degree of the contribution of critical resources was equal. In all cases, both the focal firms and their partners contributed critical resources in the alliance. Table 3 shows an overview of the differences and similarities in *ex-ante* relative bargaining power between industries.

	Relative bargaining power		
	Pharmaceutical industry	***Automotive industry***	***Medical Supply industry***
Strategic importance	*Equal to partners*	*Unequal to partners*	*Unequal to partners*
Resource contributions	*Equal to partners*	*Equal to partners*	*Equal to partners*
Alternatives	*Equal to partners*	*Unequal to partners*	*Unequal to partners*
Large versus small	*Unequal in two alliances*	*n/a*	*n/a*

Table 3: Overview of relative bargaining power per industry

4.1.1 Relative bargaining power and the appropriation of common benefits

The cases have shown that a firm's *ex-ante* relative bargaining power promotes the appropriation of common benefits. In the pharmaceutical alliances where *ex-ante* relative bargaining power was equal between partners, an equal split of earnings and investments were agreed upon and included in the contract. The cases within the automotive and medical supply industries illustrate that differences in relative bargaining power resulted in an unequal split of earnings in the form of shareholders' value (See table 4). No contractual agreements were established concerning investments:

> *'It depends [investments]. It is on a project basis. It has nothing to do with the shareholders' value. It can be 100% [name of partner].' (Interviewee 9, automotive industry)*

Within this case, however, all projects are based on the win-win principle:

> *'One of the big principles of the alliance is to keep the win-win. So, the president says; if you do something that is win-lose we don't do it. If it is win-win, we do it. Win-win is everybody wins. It is difficult, because sometimes you may say this time we win and you will lose, but next time we lose and you will win. But this doesn't work. Every time it has to be a win-win. He says if you do a win-lose this time and next time you will do a lose-win, people will only remember the times that they lost.' (Interviewee 9, automotive industry)*

The cases show that, in the course of negotiations, common benefits in the form of knowledge exchange were discussed; however, the actual appropriation of these benefits occurred after negotiating:

> *'What they initially did was they set out to benchmark from each other to see what they could learn from the other partner. And the same thing for [name of partner]. […]. The fact that they were in this relationship meant that they can do it with benchmarking and especially within manufacturing they can look at each other's processes and they can adopt what is the best practice for manufacturing. And that is in fact what we have done. Taking the best practices of both.' (Interviewee 8, automotive industry)*

4.1.2 Relative bargaining power and the appropriation of private benefits

The cross-case analysis shows differences among industries regarding the appropriation of private benefits through a firm's ex-*ante* relative bargaining power. It seems that during the negotiations, the ''hard'' and tangible potential private benefits were discussed in the pharmaceutical and medical supply cases. Within these cases, the discussions concerned protection of intellectual property rights and scientific knowledge. The contracts predominantly concerned restrictions and not which benefits were allowed to be used outside the alliance scope. Intangible benefits, or "soft intelligence", were not discussed during negotiations, and within the medical supply industry, no private benefits were discussed while negotiating the contract. This could be because they are difficult to capture:

> *'True value might not be on the assets, but with things that are more difficult to quantify, but truly has an impact on organizational change, like organizational learning from an alliance. Hard to quantify. That's why it is not considered all the time during negotiations.' (Interviewee 14, ASAP)*

Interviewee 15, also from ASAP added:

> *'Learning is less quantifiable in terms of value so it gets less attention.'*

Conversely, within the automotive cases, private benefits were discussed. Open discussions regarding the use of each other's ''footprints'' and exclusivity occurred in the course of negotiations (See table 4), but only those which could be quantified in monetary value:

> *'This is something that is legally, between the two companies, arranged. Maybe we have better access to the others expertise, but we are not going to steal obviously. If we want to use, we pay.' (Interviewee 9, automotive industry)*

In summary, proposition 1, *the appropriation of common and private benefits in a strategic alliance is promoted by a firm's relative bargaining power,* is solely supported by the findings of the automotive cases. This proposition is not supported by the findings of the pharmaceutical cases, and the findings of the medical supply cases show that solely the appropriation of common benefits is a function of the focal firm's relative bargaining power. Across all cases, Proposition 1a, *a firm's relative bargaining power is more strongly related to the appropriation of common benefits than to the appropriation of private benefits in a strategic alliance*, is supported by the findings in the pharmaceutical and medical supply industry. Within the automotive industry, the cases partly support proposition 1a due to the finding that private benefits were discussed, with the critical remark that only quantifiable and thus tangible private benefits were addressed. Table 4 represents the main findings per industry.

	Relative bargaining power and the appropriation of common and private benefits		
	Pharmaceutical industry	***Automotive industry***	***Medical Supply industry***
common benefits	*'It is a 50/50 split, both partners contribute equally and we both get the same out of it. […] Contractual as well. In most cases it was 50/50.' (Interviewee 1)*	*'[name of firm] bought a stake of [percentage] in [name of partner]. In the contract it said that in a future stage, [name of partner] was allowed to take a stake in [name of firm].' (Interviewee 8)*	*'They have a 20% stake in [name of firm].[…][name of firm] has no share in [name of partner], that would be unaffordable at this time. That could be, perhaps there is some shared at a given time. We'll see.' (Interviewee 12)*
private benefits	*'In the contract, it is fixed that knowledge about the products may only be used within the alliance scope, how long they have to keep certain documents and when the partner is allowed to form an alliance in this area again. On the softer things that are tangible, you can also make agreements, but not on the really soft intelligence. It is very difficult to capture that.' (Interviewee 4)*	*'They discussed using each other's footprints in different markets […]. They sat down and discussed how they could benefit from each other.' (Interviewee 8)*	*'Benefits, solely for [name of firm] were not discussed during negotiations. Intellectual property right was also standard in the contract, especially with companies like [name of partner]. This we cannot use, it is their product. What is beneficial only for us was not discussed during the contract phase.' (Interviewee 11)*

Table 4: Relative bargaining power and the appropriation of common and private benefits

4.2 Relative absorptive capacity

The appropriation of common and private benefits based on knowledge and learning is a function of a firm's relative absorptive capacity. The stronger the firm's relative absorptive capacity, the more benefits it will appropriate. In order to determine how a firm's relative absorptive capacity influences the appropriation of common and private benefits over time, it was important to determine the focal firms' *ex-ante* relative absorptive capacity.

The cases show that all focal firms had an overlap in basic knowledge with their alliance partners:

Secondary data supporting interview 2: *'We gain access to complementary technologies and external innovation potential through strategic collaborations with partners. Our Pharmaceuticals segment works with various partners during the individual development stages of a medicine.'* (Text from focal firm's website)

Interviewee 8 from the automotive industry also stated:

> *'So [name of partner] had a focus on [name of country] engines. [Name of firm], being a [name of continent] company, was mainly focused on diesel engines.'*

Whereas Interviewee 11 from the medical supply industry explained:

> *'You do have overlap, if you look at a figure like [name of employee of partner] that obviously has an amount of knowledge of our market. He talks with our customers and goes very deeply in the matter. Sure, there are overlaps.'*

In six cases, similarities in dominant logic were present. In the pharmaceutical industry, Interviewee 2 said:

> *'There is still a very heavy development aspect in the alliance.'*

In the automotive industry, interviewee 9 stated:

> *'They often say that the language is a problem, but put two engineers around a problem, they will speak the same language because they have something in common to solve the problem. It is not about the language.'*

Additionally, video material of this alliance in the automotive industry claimed: *'To capitalize on powertrain expertise of both partners, the Alliance co-develops common engines and gearboxes.'*

In the medical supply industry, Interviewee 13 explained this:

> *'They are already 12 years in the market, so you don't have to tell them that some sales trajectories lasts 1 or 2 years. [...] I think the biggest advantage is that they have undergone what's involved to do business in this market. They developed things themselves and they don't have naive or unrealistic expectations. [...] We really speak the same language.'*

In one medical supply case, there were no similarities in dominant logic:

> *'We are a trading company and they are a manufacturing company. That's a whole different ballgame.' (Interviewee 11)*

No consistent findings were found between and within industries with regard to similarities in information processing systems (i.e., organizational structure and compensation systems) that shape relative absorptive capacity. This appears to be different for each individual alliance and not industry specific.

In the pharmaceutical industry, Interviewee 5 stated:

> *'A joint steering committee was set up, specifically for this collaboration. Local joint brand team, sponsorship, joint approval system'*

While Interviewee 1 explained it as:

> *'We are more decentralized, and they are more centrally organized. There are numerous examples where we were empowered to make a decision at the local level, whereas they had to escalate the decision to the region in order to get endorsement. This difference in operating models and alignment in decision-making processes is quite time consuming and puts extra burden and complexity on the collaboration.'*

In the automotive industry, Interviewee 6 said:

> *'We are very small and have a flat structure, [name of partner] does not. There are internally focused and very slow in terms of decision-making. We can decide rapidly, without having to consult a variety of managers.'*

In the medical supply industry, Interviewee 13 claimed:

> *'The structure is similar. It is a very transparent organization. The formalization and decision structure is similar to that of us. We are somewhat smaller in people.'*

Whereas Interviewee 11 said:

'The organizations are not at all similar to each other.'

Based on these findings, all focal firms had a certain amount of relative absorptive capacity in place, but in different elements. Table 5 represents the findings per industry.

	Relative absorptive capacity		
	Pharmaceutical industry	***Automotive industry***	***Medical Supply industry***
Overlap in knowledge base	*Yes*	*Yes*	*Yes*
Similarities in structure/similarities in compensation systems	*Yes in two cases No in one case*	*No*	*Yes in one case No in one case*
Dominant logic	*Yes*	*Yes*	*Yes in one case No in one case*

Table 5: Relative absorptive capacity per industry

The aspect of culture emerged in the pharmaceutical cases and the automotive cases. In addition to the previous findings, it seems that the ability to develop partner-specific knowledge is determined by similarities in culture:

'I believe that the impact of differences in culture should not be underestimated. We have worked very closely together in order to align organizational structures, operating processes, and create a shared mindset and objectives. However, the bridging of the two cultures appeared to be one of the most difficult nuts to crack. Even if we learned a lot from each other and tried to create the best of both worlds, an alliance with more cultural congeniality would provide a better base for a smooth and efficient collaboration, faster decision making, and thus more customer and less internal focus.' (Interviewee 1, pharmaceutical industry)

Interviewee 4, also from the pharmaceutical industry, explained this:

'It also depends very much on the business cultures. If you have a very big difference, it takes longer to come together. If you have two companies, for example, from the same cultural background, i.e., European, Asian, or American, alignment is much easier because both recognize the same legal requirements or cultural aspects.'

In the automotive industry, Interviewee 3 also commented on culture:

> *'We learn faster. The Chinese are learning, but the application is often a second. You have to be very directive and if you are not, then you just get crappy quality.'*

In summary, these findings show that the ability of the focal firm to learn from partners is shaped by overlap in knowledge base, similarities in information-processing systems, similarities in dominant logics, and similarities in culture.

4.2.1 Relative absorptive capacity and the appropriation of common benefits

The cases have shown that the appropriation of common benefits, based on knowledge and learning, is promoted by a firm's relative absorptive capacity (See also table 6):

> *'Which divides a little bit the strengths and the knowledge. One of the strengths was that we did it together and we brought the brain of two companies together.' (Interviewee 2, pharmaceutical industry)*

In the cases with dissimilarities in organizational structure, disadvantages were described with regard to speed of decision-making, misunderstandings between the partners, and a different evaluations of assets:

> *'Speed differences in decision making, for example. Misunderstandings between the companies. Different evaluation of certain assets.' (Interviewee 3, pharmaceutical industry)*

And:

> *'They were also differently organized which makes it sometimes very difficult to speed up decision-making.'(Interviewee 1, pharmaceutical industry)*

Secondary data in the form of a case study report, supporting interviews 8 and 9, in the automotive industry describes:

> *'Challenges for the [name of function] team stemming from differences in measurement criteria and incentives at [name of firm] and [name of partner].'*

In summary, all cases show that a firm's relative absorptive capacity promotes the appropriation of common benefits (See table 6), which are based on knowledge, and within the pharmaceutical industry, similarities in information-processing systems seem to gain time-to-action benefits. In three of the four cases where dissimilarities in organizational structure were present, disadvantages were described that hampered the appropriation of common benefits.

4.2.2 Relative absorptive capacity and the appropriation of private benefits

The cross-case analysis suggests similarities between the industries in types of private benefits, appropriated through a firm's relative absorptive capacity. The two types of private benefits that accrued to all the focal firms were "best practices" and knowledge combinations on a product and technology level, which became beneficial outside the alliance scope:

> *'If it's the knowledge how do they do project management. [...] That's kind of like: oh that's interesting, you do it this way, oh we haven't thought about that, let's try. [...] Sharing knowledge which is not highly confidential, highly sensitive. I would say it is best practice sharing.' (Interviewee 2, pharmaceutical industry)*

In the automotive industry, Interviewee 6 claimed:

> *'I know exactly that [name of partner] comes with the new [model], and when I'm with [name of other partner], I also use that knowledge, of course. [...] I can be successful with other parties with that knowledge.'*

In the medical supply industry, Interviewee 10 said:

> *'Not the specific knowledge of the products, but about the process and how the cooperation has developed will be used again.'*

In summary, all cases show that a firm's relative absorptive capacity promotes the appropriation of private benefits, which are based on knowledge. These findings in combination with the findings of the appropriation of common benefits through a firm's relative absorptive capacity support proposition 2, *the appropriation of common and private benefits in a strategic alliance is promoted by a firm's relative absorptive capacity.* Furthermore, the findings reveal another important aspect. The appropriation of intangible benefits, either common or private, occur after alliance formation. It was described as a process of two stages:

> *'The first thing what [name of firm] did after the alliance formation was they visited [name of partner] and sent people to learn about the manufacturing processes of [name of partner]. The second thing they did was to implement it.' (Interviewee 9, automotive industry)*

In addition, this multiple-case study shows that private benefits are predominantly intangible and based on knowledge and learning new skills. In the automotive cases, negotiations did occur regarding using each other's knowledge; the actual appropriation started after alliance formation.

The appropriation of these benefits is performed through the function of relative absorptive capacity, which supports the theoretical findings of this study: proposition 2a, *a firm's relative absorptive capacity is more strongly related to the appropriation of private benefits than to the* *appropriation of common benefits in a strategic alliance.* Table 6 shows the main findings per industry.

	Relative absorptive capacity and the appropriation of common and private benefits		
	Pharmaceutical industry	***Automotive industry***	***Medical Supply industry***
Common benefits	*'The advantage [of a double organization] is that you can keep the speed of action high.' (Interviewee 5)*	*'We have common modules, designed by the alliance. [percentage] of our cars are built on those. [...] In five years you will see that half of our cars are based on the same modules, but different brands. So in five years from now we will really benefit from this.' (Interviewee 9)*	*'I think the biggest advantage is that they have undergone what's involved to do business in this market. […] We can use their whole case. Now we can make a good start with their knowledge in our market, but I expect that we get a chance to mean more. What we learn from it? It forces us as [name of firm] to act in another role. We are now forced to evaluate the model that we can do well with the case of [name of partner]. All the services that they offer must also be addressed in our organization.' (Interviewee 13)*
Private benefits	*'You always learn things from the partner, things the parner is doing differently than you do. That enriches. You say oh they do it smart, you can bring the learnings into your own business. [...] Some things you observe and you just take it into your organization.' (Interviewee 4)*	*'In these [years] we have been using the knowledge that we gained from [name of partner]. [...] So yes, the spirit of this kind of alliance is to say everything we can copy and paste, we need to do. We don't need to reinvent, so if it works there, it works here. Let's copy and paste.' (Interviewee 9)*	*'The [name of product of other partner] is partly created with the technique of [name of partner]. The whole concept comes from [name of partner]. We have done our advantage with that, so we have an alternative, should it go wrong. We have a back door.' (Interviewee 11)*

Table 6: Relative absorptive capacity and the appropriation of common and private benefits

4.3 The reinforcing role of alliance management capability

To determine how the studied alliances evolved over time and how this change affected the appropriation of benefits, a comparison was made between the *ex-ante* and *ex-post* stage of the cases. All cases have shown relationship changes over time.

Interestingly, in all three industries, examples were present that a growth in knowledge acquisition influenced relative bargaining power. Within one case in the automotive and one case in the pharmaceutical industries, partners increased their bargaining power; within the medical supply industry, the focal firm increased its bargaining power. These changes affected the appropriation of common and private benefits through firms' relative bargaining power and relative absorptive capacity. All focal firms, with the exception of the terminated pharmaceutical alliance as a result of failure, gained greater common and private benefits due to these relationship changes. These findings will be elaborated in sections 4.3.1 and 4.3.2.

Another important finding with regard to alliance evolution was the deficiencies in alliance contracts. In all industries, in six cases, gaps in the initial contract were present.

In the pharmaceutical industry, Interviewee 3 explained:

> *'The contracts are usually made under some time pressure. If you sort out everything, then you'll never get something. So, you have to live with deficiencies in contracts.'*

In the automotive industry, Interviewee 7 claimed:

> *'The [name of partner] negotiation is ongoing. It's been a long time in good faith. The intentions we have recorded together recently.'*

In the medical supply industry, Interviewee 11 stated:

> *'The first contract was not really relevant to the cooperation with [name of partner]. A lot of things are not right in there. There are a lot of additional agreements included, which emerged during the alliance.'*

Interviewee 15, of ASAP, provided this explanation:

> *'No matter how good contracts are, there is a lot more said than what is written typically.'*

In all of these cases, some degree of management intervention was necessary to cope with the relationship changes and to fill the contractual gaps (See section 4.3.1.). One interviewee indicated that deals had to be ''recalibrated'' when one partner wanted to invest more in the alliance than the other in order to prevent time consuming dialogues and suboptimal compromises for every investment decision.

Prior to this study's empirical research, it was expected that the aspects of alliance management capability (communication, coordination, and bonding) reinforce the appropriation of benefits through relative bargaining power and relative absorptive capacity during negotiations and while managing the ongoing relationship. As a result of the literature review, propositions were compiled with regard to the contributing role of alliance management capability. It was expected that the appropriation of benefits through a firm's relative bargaining power could be reinforced by alliance management capability in two manners: in the course of negotiations within an alliance life-cycle and with enhancing image and reputation. Additionally, alliance management capability can reinforce the appropriation of benefits through relative absorptive capacity in three manners: by aligning organizational structure, with the mobilization of human resources, and through building a relationship. Two contributing aspects of alliance management capability to the appropriation of benefits, which were not considered in the literature review, emerged: the role of alliance management capability in resolving contract deficiencies and culture management. Table 7 on page 56 represents the main findings per industry. These findings will now be explained in further detail.

4.3.1 The reinforcement of value appropriation through relative bargaining power

Negotiating and renegotiating agreements

From theory, it was expected to find alliance management capability reinforcing the relationship between a firm's relative bargaining power and the appropriation of benefits through the alliance.

The cross-case analysis showed a high degree of similarities between the industries regarding this reinforcing role. However, in many cases, with two exceptions, the individuals who managed the alliance on a daily basis were not involved in the contract negotiations:

> *'But you get the contract thrown over the fence and you read it, you read the governance structure and say how on earth and who on earth wrote that one? How shall I live that? It is impossible. In that period you don't open it. You kind of live with it and try to cooperate with it and therefore in the guidelines, it is our intention to get a more early involvement of alliance management so we can influence the process in where it is necessary, not the technical part.' (Interviewee 2, pharmaceutical industry)*

And:

> *'I don't necessarily see alliance managers do the negotiations for the assets or for the terms of the assets. That's still in the hands of transaction specialists, business development people.' (Interviewee 14, ASAP)*

Interviewee 15 of ASAP described that more benefits can come out of an alliance when alliance management is involved from the beginning:

> *'We have taken our collective learning, of things we learned or things our partners learned and we've try to put it into our framework agreement. We created sets of template agreements that we can use as a starting point for each alliance. The fundamental framework agreement is very broad. When we structure the alliance, we start with asking ourselves the question internally: ''What are all the things we might do with this partner?'' We make sure that the framework agreement accommodate anything that would come up, beyond the things that we are initially doing. Because of that structure we can amend to this agreement and add new elements.'*

In addition, the individuals who managed the alliance were not the decision makers with regard to resource contributions. The cases have shown that these individuals were able to influence the decision makers when more resources needed to be coordinated into the alliance to improve the alliance function. The people responsible for the day-to-day management of the alliance can assess the alliance on lack of resources:

> *'Nevertheless if I do see that the alliance starts struggling, because of the nature of one person or a lack of resources internally working on that topic, I have the ability and the duty to escalate that too, I'm a member of the steering committee, to the business lead or sponsor and make him aware of that. Influencing that there something has been changed. That is the influence that I have. [...] I can see it when it is going wrong. As an alliance manager, you are*

seen as the neutral part of in between. He is the one who has the duty to escalate.' (*Interviewee 2, pharmaceutical industry)*

Several techniques were described, which they used to convince top management in their resource contribution decisions, such as business cases, teleconferences and addressing the issue in steering committee meetings:

'it would be fair to say that we are the decision maker in certain things, but we barely control money. We have a limited budget, but it is not set up to make an investment to go into a big go-to-market campaign. We work with those functions to get that kind of investments. […] We would help build a business case for every initiative that we have. We have responsibility for that business case in ensuring that it is successful, but we don't have control of all the factors. ' (Interviewee 15, ASAP)

The cases show that through communication and bonding, partners were convinced of making relation-specific investments. The fact that the involved individuals had a ''good relationship'' with their counterparts helped them to convince partners to make the investments:

'It is a bargaining game. I often show them what we have invested. The fact that there is a good relationship helps.' (Interviewee 11, medical supply industry)

In general, mostly common benefits were gained as a result of the aforementioned. In one pharmaceutical case, a private benefit was described:

'You give some and you take some, that's the game. What I have done was keeping a certain program inside [name of firm]. I enforced the coordination of this project. The project was in fact quite interesting, because important people for [name of firm] worked on this project.' (Interviewee 5, pharmaceutical industry)

What emerged during the interviews was the aspect of filling contractual gaps and/or coping with contract deficiencies. In six cases, the individuals responsible for the daily management intervened when potential problems occurred due to contract deficiencies:

'That's why alliance management is very important. You have to be upfront and aware of problems that will come up under certain conditions or situations. You have to have a counterpart in the other organization with whom you can actually, in a trusted manner, discuss these things. Prevent that there is immediately a big legal fight. Openly discuss the argument and sort these things out, before it becomes a real argument. You also have to

represent the partners' position in your company to create some understanding and then find a solution.' (Interviewee 3, pharmaceutical industry)

Interview 15, from ASAP, added:

> *'If we have a problem, we solve it. If it is not solvable, we isolate its impact and maintain its impact, so that it doesn't affect anyone else.'*

Interviewee 14, also from ASAP, explained:

> *'I don't think any deal is ever complete. [...] We always renegotiated various terms and conditions.[...] It is very routine to happen and alliance management plays the key role.'*

In these cases, ''real arguments'' due to blank pages in contracts which could hamper alliance success were prevented. The findings suggest that alliance management capability, with its aspects of communication and bonding, helped to address problems caused by contract deficiencies:

> *'You not even get into the legal process, in first place, that is a never-ending story. You have to be very realistic about that. So, you just need to ensure that the relationship is optimal. Then, formalize the things. That is what we are doing now with [name of partner].' (Interviewee 7, automotive industry)*

And:

> *'This is also discussed with them. Then again the personal relationship is in the picture. That's the granting factor. They have tied us to several rules in the contract, of what we can and can't do, but that turned out very well. We talk and we solve it. We send each a letter and then it is isolated again. First, we attune informally and then formally. That's what you do, otherwise you are on dangerous ground.' (Interviewee 12, medical supply industry)*

As a result, evidence within the cases was found that this problem solving contributed in gaining more benefits out of the alliance:

> *'They have responded with ok, let's not be too complex about it, you get exclusivity on those specific models.' (Interviewee 7, automotive industry)*

Image and reputation

It was expected from literature that communication concerning alliance success would enhance a firm's image and reputation. With a better reputation, the focal firm would attract more potential partners. Indeed, this study supports the theory:

> *'What we hope that sooner or later we will achieve is that, for example, Boston Consulting, they always do some kind of partnering capability analysis in the industry. Here [name of firm] hasn't had the best reputation in the past but we do hope that through this successful alliance and so on, we climb up the ranking. At the end of the day we are seen as a partner of*

choice in the industry so that we'll eventually be picked by the other companies as a partner.' (Interviewee 2, pharmaceutical industry)

In the medical supply industry, Interviewee 11 said:

> *'Communicating about the successes of the alliance will also attract other partners. It enhances our reputation as a good partner.'*

Benefits from network expansion and better product quality were mentioned by the interviewees. Interviewee 6 (automotive industry) explained it this way:

> *'We communicate that and we show ''this is what we can do for you''. This is what we communicate, and this we send to every contact of ours in Europe. We hope that other parties will join us, which we do not know yet to form a partnership. [...] By communicating about the joint activities with our partners, others will react as well. In this way, we are expanding our network.'*

In some cases, alternatives were used to create additional pressure for partners in the course of renegotiations:

> *'So they see that there are alternatives that we can use, and that it is a potential loss of revenue if we are going to step away.' (Interviewee 7, automotive industry)*

Two interviewees, one in a pharmaceutical case and one in a medical supply case, indicated that it was more advantageous when the partnering firm communicated the focal firm was a favorable partner, since it would be more convincing to other parties than a communication from the focal firm itself:

> *'Your partner should feel that you are a good alliance partner, and they need to convey that. I can imagine situations where it would be advantageous if the partner communicates about you as a good alliance partner.' (Interviewee 5, pharmaceutical industry)*

Based on the findings of the cross-case analysis, proposition 3a, *the aspects of coordination, communication, and bonding of alliance management capability reinforce the relationship between a firm's relative bargaining power and the appropriation of common and private benefits in a strategic alliance,* is supported by the findings, with the critical note that most of the interviewees were not the ones involved in negotiations nor the ones within the firms who made actual investment and resource contribution decisions. They, however, influenced the decisions.

4.3.2 The reinforcement of value appropriation through relative absorptive capacity

Alignment in organizational structure

With regard to alignment in organizational structure, findings within the pharmaceutical cases are consistent with theory. Through clear and open communication and personal connections, alignment in organizational structure was established in the course of negotiations and operational conversations between daily management. Common benefits in the form of efficiencies (time savings) were the result:

> *'You must have regular contact. I carry that out to the rest of the organization. If people notice that you're getting aligned and that you have discussed things, work for them becomes much easier. [...] It's just management. It's living the alliance. Personal connections and culture play along.' (Interviewee 4, pharmaceutical industry)*

Interviewee 1 (pharmaceutical industry) explained it thus:

> *'One other important aspect is the personal connection with each other. Are you able to establish a strong connection of mutual trust and respect, both at the top of the organization as well as at the operational level? […] In my experience, that went very well and we created a strong fundament to solve problems and find solutions and compromises in case of misalignment between both organizations. This is certainly not futile, as contrasting views can easily emerge between both parties due to differences in internal processes, regulations, and compliance codes.'*

Later, Interviewee 1 (pharmaceutical industry) went on to say this:

> *'We have deliberately chosen one national sales team manager (instead of several regional sales team managers) at both sides, in order to decrease the number of leaders that have to connect with each other and simplify cross-organizational communication. In this respect, all operational sales management decisions only required an agreement between two people.'*

Within the automotive industry, in one case, synergies in structure were established over years. For example, cross-company teams advised the steering committee to align information systems. However, no insight was gained into which part of alliance management capability, as proposed from theory (i.e., communication or bonding capabilities), contributed to this alignment. One interviewee described these changes as *'a result of alliance evolution'* (Interviewee 8).

In the other automotive case and the medical supply cases, no attempts were made to align organizational structures.

Mobilization of human resources

The findings show that alliance management capability fosters human resource coordination through the alliance. One alliance manager described his function as follows:

> '*Whereas if you institutionalize an alliance management function, well positioned in the organization, you also get some kind of organizational strengths and organizational power which at the end help you herd the cats and really bring the people together.' (Interviewee 2, pharmaceutical industry)*

Examples of cross company teams and cross functional teams were mentioned. These cross functional teams are *'a very efficient way to solve some problems that are really difficult to understand.' (Interviewee 9, automotive industry).* Forms of job-rotation were described as well. As a result, the people who have worked in the other company could implement the knowledge in the focal firm to let the alliance grow (See table 7).

Another important element to enrich alliance employees' knowledge bases is the organization of training days:

> *'You have to do collaboration workshops. How do we work together and what is the culture.' (Interviewee 4, pharmaceutical industry)*

And:

> *'We create opportunities for the operational people who work on-site to meet and to work together with their counterpart. [...] The thing is, you have to meet people. It is critical to meet people, not only for communications, but for every business. So the fact that people meet and exchange, get to know each other it is critical. It creates personal relationships.' (Interviewee 9, automotive industry)*

All cases have shown that training days were organized to ensure knowledge exchange and to explain the collaboration structure of the alliance. Examples of common benefits were mentioned: better ability to solve problems together and a higher financial value. In addition, examples of private benefits emerged, for example, using the knowledge, gained during training days, within other partnerships (See table 7). The benefit of personal relationships as a result of human resource coordination through the alliance was mentioned several times.

Building a relationship

The cross-case analysis showed that personal relations were the main factor facilitating knowledge transfer. Case evidence indicates that a similar organizational structure between partners supported the knowledge exchange by simplifying it, but it did not facilitate knowledge transfer. The actual knowledge transfer occurred under the condition that people liked each other:

> *'I wouldn't necessarily agree that the structure is making it easy, because at the end of the day it is the people talking to each other. The best structure doesn't help you if the people don't talk to each other, because they don't like each other. If the people do like each other and do understand each other and there is some kind of sympathy. Structure, the alliance structure supports that transfer of knowledge, but the structure on itself is not the primary reason for that. It is the people.' (Interviewee 2, pharmaceutical industry)*

The (long-term) relationship seemed to be the main reason that knowledge was transferred. Alliance management, with its bonding aspect, strengthened the connection between operating personnel:

> *'In a meeting if you sense that there is, between two people of the two partners, there is something going wrong. Talk to the other during a break; ask him what is going on here? Do you have a problem? Where is the problem? Can I help you? Is there something I can facilitate? If it really goes crazy, bring the two together, be the coach, moderator in between. So, at the end of the day, the people start talk to each other. That is the role of an alliance manager.'(Interviewee 2, pharmaceutical industry)*

Examples of mainly common benefits were mentioned by the interviewees as a result of the strong connections between people. For example learning from each other, a better understanding and market pressure. Interviewee 15 from ASAP describes it thus:

> *'It is easier to learn in an environment where you feel more comfortable. You are willing to be more transparent.'*

However, private benefits were discussed in the form of knowledge application within other partnerships and related business. Interviewee 15 from ASAP explained:

> *'We work with a partner and we learn a lot about that customer, that information is considered highly valuable. We use it to ensure that when we take other business to market we would use those relationships to develop new sales opportunities. The alliance manager is directly involved in cultivating these relationships. The more formal they are, the better the relationship becomes, the broader the relationship becomes. The alliance manager can certainly use that to facilitate creating new business opportunities. They could be a catalyst for new things.'*

Particularly interesting is that interviewees indicated the importance of time. It requires time to build relationships between people, and in all the cases, management invested time in connecting people. Another interesting part of bonding which emerged is the constant factor of people:

> *'The constant factor is also very important in an alliance. When I entered the alliance, my counterpart had a very strong connection with my predecessor. She had a lot of difficulties with me becoming her counterpart, to such an extent that it clashed one time.' (Interviewee 5, pharmaceutical industry)*

Interviewee 6 (automotive industry) explained:

> *'There's also a bit of danger because the moment he disappears, then you have to take quite a lot of steps back in order to build the relationship again. That's a very important point.'*

Interviewee 11 (medical supply industry) commented:

> *'If a person leaves the cooperation, the relationship starts at zero.'*

Culture management

During this research, the aspect of culture emerged. Dissimilarity in culture between partnering firms was cited as hindering the companies bonding capabilities. In the course of this multiple-case study, it became clear that alliance management capability, with its aspects of communication and bonding, had a role in managing different cultures. These findings suggest that alliance management capability can reduce the negative effects of cultural differences by assessing a cultural match during the due diligence process and by investing in interpersonal relationships after alliance formation. In addition, the results show that cultures bond through communication and focus on a common goal:

> *'Bringing two cultures together and making them one, that doesn't work. It creates tension and it would demotivate employees. Now we have two companies, two corporate cultures, and let's keep it that way because it works best.' (Interviewee 9, automotive industry)*

Additionally, video material (secondary data) on the above alliance stated: '*And typically the people that can lead those companies effectively are people that have that kind of vision, but also the kind of multicultural skills that enables you to deal with very different cultures and focus those cultures on an objective.'*

Interviewee 7 (automotive industry) explained working with different cultures in this way:

> *'We have to give a lot of guidance in the process. The lessons they get out, we must make explicit, then say then will we do it like this together. I don't feel that they, by themselves, say okay we'll do it like this the next time, just for a part, but even then you have to see it as almost your own process. Think and suggest in the same way as before. […] It comes right back. When you go regularly on-site there for just a few days, in the factory, talk with the*

people. […] To spend time there is definitely very important. Yes, really invest in people and time. [...] There's that interpersonal contact, how you are as a person.'

In the pharmaceutical industry, Interviewee 4 also mentioned culture management:

> *'You need a lot of investments in culture and collaboration. We do this through workshops and charters. You should regularly repeat. [...] It should not be at odds with your own business, but it should make sense that you have to accept collaboration with each other. We are often tempted to talk about substance and not about human things, but investments in those can be very beneficial.'*

Interviewee 1 (pharmaceutical industry) had this to say regarding culture management:

> *'When confronted with these differences in culture, I believe it is best to openly and mutually recognize this and not constantly try to convince each other of "the right way" of doing things. There is no "right" or "best" way, but rather different ways to get to the same goal. This holds both at the leadership and operational level. In our situation, our message from the top was, therefore, to embrace each other's different approaches and use each other's strengths in order to make it happen in the field and for our customers. This sometimes meant we also divided certain tasks in such a way that it would better fit the individual strengths of each company, rather than doing all activities and tasks jointly with the risk of losing precious time to find a mutually acceptable approach or even worse duplicate each other's work.'*

Interviewee 14, from ASAP, also had thoughts on culture management:

> *'Typically you will see alliance management teams looking at culture management and using specific alliance tools that determine if there is a strategic cultural match between the organizations. If there is not, what do we need to do to build something into our agreement to help overcome that? I have seen alliance management take a pretty strong lead there.'*

Based on these findings of the cross-case analysis, proposition 3b, *the aspects of coordination, communication, and bonding of alliance management capability reinforce the relationship between a firm's relative absorptive capacity and the appropriation of common and private benefits in a strategic alliance*, is supported, with the remark that the proposed alignment of organizational structure as a consequence of the reinforcing role of alliance management capability is solely supported within the pharmaceutical industry.

	Reinforcing role of alliance management capability		
	Pharmaceutical industry	***Automotive industry***	***Medical Supply industry***
Relationship between relative bargaining power and the appropriation of benefits	*'You can prevent that you do not invest too much in relation to the partner. The experience also allows you to think up a level. You sometimes think if I do that I will get it back instead of continuously dividing everything exactly equal. [...] You do not just think about what you get, but also look for a win-win.' (Interviewee 5)*	*'The alliance directors were the special group which was set up during the financial crisis to find even more synergies. Basically to accelerate the synergies further. [...]They [alliance directors] make suggestions [for resource contributions] to the steering committees and then it will go into the board.' (Interviewee 9)*	*'I am convinced that if you do it right, people need to find yours worth to fight for. If they find you kind and they judge the way of cooperation as satisfactionary, the situation will emerge that they will seriously contribute in the relationship. The personal connection, if you are able to establish it, is a very powerful tool in the negotiations. I am able to gain trust whereby the partner is prepared to invest. I can convince people that I can actually deliver the things that I have said. You got to be super careful with it though. You may give a commitment, but you have to prove yourself, which creates trust.' (Interviewee 12)*
Relationship between relative absorptive capacity and the appropriation of benefits	*'You get more benefits through an alliance if you invest the time in people get to know each other and going to connect with each other. It starts with that and you will eventually see the outcome.' (Interviewee 4)*	*'They learn something and are taking it back. You want them to become very international with an open minded mind set. You don't want them to get stuck in their own [name of firm] world, you want them to see that there is a bigger world outside there. We want them to learn new things and bring it back in. That is how we grow our alliance, they have to work at the other company. To move up.' (Interviewee 8)*	*'Much is done so that people know each other. It's okay, the cooperation between these two organizations. This allows you to transfer knowledge and use the knowledge in other partnerships. It nourishes the cooperation, you create more unity between the two organizations. They know each other. It's more alive. They dare to call each other now. It is a very good thing. This allows [name of firm] to gain more financial value through the alliance.' (Interviewee 11)*

Table 7: The reinforcing role of alliance management capability

5. Discussion and conclusion

The purpose of this research was to gain a better understanding of value appropriation in strategic alliances and alliance management capability effect on value appropriation. The appropriation of common and private benefits through a strategic alliance is promoted by a firm's relative bargaining power and a firm's relative absorptive capacity. However, existing literature showed some gaps in the exact appropriation of benefits through strategic alliances. Questions (e.g., do firms bargain about private benefits and when they do, is that a guarantee for actual appropriation?) remained unanswered. This research answers these questions by showing that value appropriation promoted by relative bargaining power mainly included common benefits which could be quantified. In the course of negotiations, private benefits were hardly addressed. Although knowledge exchange for a common benefit was discussed during the negotiations, the actual exchange, and thus appropriating, happened after alliance formation through relative absorptive capacity; value appropriation was, therefore, often a two-stage process. An extensive body of literature is available which underscores the importance of alliance management capability in value creation through an alliance, while there is scarce research in the area of alliance management capability and its relation with value appropriation. This research narrows that gap by showing that firms with accumulated alliance management capability gain greater benefits through their alliances. In a strategic alliance, there are two phases in which the value appropriation can occur: 1) during negotiations (*ex-ante* and *ex-post*) and 2) during ongoing relationship management. This research shows that alliance management capability reinforces the value appropriation process predominantly as a result of ongoing management of the relationship. These findings will now be discussed in further detail based on the propositions.

P1 (partly supported):The appropriation of common and private benefits in a strategic alliance is promoted by a firm's relative bargaining power

The existing literature shows that relative bargaining power is shaped by three elements: strategic importance, available alternatives, and critical resource contributions (Yan & Gray, 1994). However, this study shows that a fourth element, firm size, played a role, although this finding only emerged in one industry. Within the pharmaceutical industry, firm size was an important determinant for value appropriation because it often skewed the bargaining position of the negotiating firms in favor of the larger company. These findings suggest that this fourth element should be considered a part of relative bargaining power. These four elements promoted value appropriation in the strategic alliances studied. However, this research shows that although value appropriation in a strategic alliance was promoted by relative bargaining power, negotiations mainly included common benefits. In the course of negotiations, private benefits were hardly addressed. The automotive industry showed an exception. Here, some private benefits had been discussed between partners, but merely those which could be quantified in monetary value.

P1a (supported): A firm's relative bargaining power is more strongly related to the appropriation of common benefits than to the appropriation of private benefits in a strategic alliance

As discussed, private benefits were hardly addressed during negotiations and renegotiations in the studied strategic alliances, and even when they were, only the quantifiable benefits were considered. This study reveals that private benefits based on knowledge and learning are particularly intangible and that these were not appropriated through a firm's relative bargaining power, but instead through a firm's relative absorptive capacity. This is explained further in the discussion of propositions 2 and 2a.

P2 (supported):The appropriation of common and private benefits in a strategic alliance is promoted by a firm's relative absorptive capacity

In scholarly literature, there are three organizational characteristics described which shape a firm's relative absorptive capacity: overlaps in knowledge base, similarities in information-processing systems, and a shared dominant logic (Lane & Lubatkin, 1998; Lane, Salk, & Lyles, 2001). However, these studies overlooked an important aspect: culture. This study shows that similarities in organizational and national culture provide increased potential for learning. Indeed, Inkpen (1998) addressed alignment in managerial culture as a success factor for interorganzational learning. Parkhe (1991) and Mowery *et al.* (1996) emphasized that compatibility in culture (organizational and national) resulted in higher levels of knowledge transfer. It is, therefore, apparent that relative absorptive capacity is shaped by four elements. Following Ohmae (1989), "the financials don't capture the real benefits of an alliance" (p. 153). Learning from the alliance partner is often the true value which is embedded in this partnership. This research shows that the appropriation of common and private benefits that are intangible and based on knowledge were promoted by a firm's relative absorptive capacity with its four elements. The cases show that by relative absorptive capacity, the firm was actually able to learn from its partner and that mismatches would negatively affect the benefit extraction.

Although knowledge exchange for a common benefit was discussed during the negotiations, the actual exchange, and thus appropriating, transpired after alliance formation. It seems that the appropriation of intangible benefits based on knowledge and learning occurs in a two-stage process. In the first stage, the benefits were negotiated or discussed. This was the first step of the process of appropriation. Subsequently, the alliance became operational and entered the second stage of the process: the actual recognition, acquisition, assimilation, and application of this knowledge. These findings suggest that not only the distinction between common and private benefits is important to understand value appropriation, but also the distinction between tangible and intangible benefits is possibly even of greater importance to understand value appropriation in strategic alliances. Viewing value appropriation as a two-stage process with the distinction between tangible and intangible benefits has not been done in scholarly literature before. This research contributes to academic research because it shows that the mentioned process and distinction is essential to obtain a fundamental understanding of value appropriation in strategic partnerships.

P2a (supported): A firm's relative absorptive capacity is more strongly related to the appropriation of private benefits than to the appropriation of common benefits in a strategic alliance

In the case of private benefits, the first stage of the two-stage appropriation process is predominantly skipped due to their intangibility. As this research shows, the gained private benefits were particularly based on knowledge and learning, and thus, firms extracted these benefits through their relative absorptive capacity.

P3a (supported): The aspects of coordination, communication, and bonding of alliance management capability reinforce the relationship between a firm's relative bargaining power and the appropriation of common and private benefits in a strategic alliance

This study shows that alliance management has an important influence in ensuring a higher benefit extraction for the firm in negotiations. However, it is important to note that the person or people who usually lead the alliance and manage the relationship on a daily basis were not the ones involved in negotiations. This study shows that they could promptly identify when resources were needed and were able to influence and advise top management, so there were actually critical resources contributed at the time they were needed.

Additionally, alliance management capability contributed to relation-specific investments made by the partner. Firms with this collaborative "know-how" were able to build a relationship based on trust with their partners, whereby the willingness to acquire these investments grew.

Findings support existing literature on alliance evolution: initial contracts often have deficiencies which could cause problems when the alliance evolves (Ariño & Reuer, 2004; Reuer & Ariño, 2002; Reuer, Zollo, & Singh, 2002). Management intervention is necessary to prevent alliance instability. The cases have shown that timely management intervention was mainly the function of developed alliance management capability of the firm. This capability could prevent real arguments and legal battles, and ''blank pages'' could be more easily filled through communication and bonding.

Furthermore, communication about alliance successes enhances the image and reputation of the focal firm as being a good partner which led to the attraction of ''better'' alternatives. Ultimately this led to higher benefit appropriation during negotiations.

These findings provide evidence that alliance management capability plays a reinforcing role on value appropriation through a firm's relative bargaining power not during (re)negotiations, but after initial negotiations (*ex-ante*) and before renegotiation phases (*ex-post*) as a result of the ongoing relationship management.

P3b (supported): The aspects of coordination, communication, and bonding of alliance management capability reinforce the relationship between a firm's relative absorptive capacity and the appropriation of common and private benefits in a strategic alliance

This study shows that even if organizations are similar in their organizational characteristics, and thus, according to literature, have a high degree of relative absorptive capacity, this does not guarantee that knowledge is acquired, assimilated, and applied. The people who worked in the organization were the ones who performed the actual knowledge exchange. It seems, therefore, that similarities between two companies shape a firm's relative absorptive capacity, but only when people actually exchange firms benefit. This finding is supported by the study by Jansen *et al.* (2005). They showed that organizational antecedents (i.e., coordination capabilities and socialization capabilities) affect the process of developing absorptive capacity. Alliance management capability, with its three aspects of communication, coordination, and bonding, showed similarities with the organizational antecedents, mentioned by Jansen *et al.* (2005), and facilitated knowledge transfer among employees. With alliance management capability active, firms were able to connect the appropriate people with each other (coordination capabilities), allow them to bond (bonding capabilities), and focus them on a common goal (communication capabilities). This study shows that a firm with developed alliance management capability can, therefore, extract greater benefits through a strategic alliance.

In addition, this study shows that alliance management capability can bring different cultures together and effectively manage the differences. In their research, Kale *et al.* (2000) argued that superior alliance management capability in managing conflicts due to cultural differences will result in greater benefits. In this study, this finding is extended by stating that the focal firm is better able to extract these benefits.

It is important to underline the fact that time must be invested in bonding. A long-term relationship is built over a certain amount of time. This research shows that the long-term relationship gained more knowledge benefits than the short-term relationship. This reveals the importance of the constant factor. Mobilizing people through coordination capabilities ensures that people connect with each other; however, the people must be given the time to bond. The empirical evidence underscores the important, reinforcing role of alliance management capability on appropriating value through a firm's relative absorptive capacity as a result of ongoing management of the relationship.

5.1 Limitations and future research

Multiple cases within three contrasting industries were selected so that findings could be generalized. However, by selecting three specific industries, the results can solely be generalized in these selected industries. Therefore, conducting this research within a larger number of industries, for example, based on a SIC code classification, is recommended. This will provide a higher rate of generalizability and could provide the evidence, such as that relative absorptive capacity is shaped by organizational and national culture, with more robustness. Similarities in culture, in addition to an overlap in knowledge base, similarities in information-processing systems, and dominant logic (Lane & Lubatkin, 1998), are the foundation for interorganizational learning. It would be interesting to research the impact of cultural differences on interorganizational learning through the function of relative absorptive capacity in a large number of strategic alliances.

Furthermore, multiple cases within one industry were selected, allowing unique findings per industry to emerge. However, this study includes a small number of cases per industry, which makes it difficult to generalize industry-specific phenomena, such as the influence of firm size on relative bargaining power within the pharmaceutical industry. Additionally, it would be interesting to conduct research on more than three industries with a larger sample of strategic alliances within each industry because often firms of differences sizes within several industries partner with each other. It is expected that, therefore, firm size is not solely an element of bargaining power within one industry, but that this finding can be generalized throughout different industries.

Alliance management capability, especially in large enterprises, does not reside within one person in the organization. Therefore, the full breadth of alliance management capability could not be researched in one interview. This was partly overcome by conducting interviews with two people in the organization; nevertheless, the compound propositions could not be researched in twofold within each case. This, therefore, weakens the generalizability of evidence in each case. A selection of a number of people who together capture all aspects of alliance management capability in at least twofold would have provided stronger evidence within each case.

The cases consist of solely focal firms and not the partner. The findings are based on unilateral perceptions within one firm. As two important variables of this research are based on a relative position, evidence of the partnering firm would have provided additional insight into the relative position of the partners within this dyadic view and would have provided more support to the research statements.

In general, first steps were taken in exploring a new field of research in strategic alliance management: the reinforcing role of alliance management on value appropriation. This research provides a fruitful opening for future research within more than three industries because it is expected this study's evidence provides a general effect of accumulated alliance management capability, irrespective of the industry, in which alliance management occurs.

5.2 Managerial recommendations

Without appropriate management intervention, firms do not gain as many benefits as they could, or worse, the alliance fails. Therefore, a few practical, but crucial, recommendations have been created for top management and individuals involved in managing an alliance on a daily basis:

- Build collaborative ''know-how'' in your alliance(s). Experience in alliances does not mean you have achieved the capability to properly manage an alliance. Learn all your lessons, not only the success stories. Learn from your mistakes, evaluate them, and determine what you must do in the future in order to avoid the same mistakes. Document it, and share it across your organization. You will benefit from it in the future.
- If you have the capacity, fully dedicate one or more individuals to manage your alliance(s), providing them organizational power, which will allow them to positively influence the alliance's function. These individuals can bring people together, address when critical resources are needed, communicate with your partner to envision your shared goals, and mediate among operating personnel when conflicts emerge. Eventually, your firm will benefit more from the alliance.
- You should be aware that often private benefits are not discussed in the course of negotiations. Therefore, a partner could enter your alliance with an objective based on self-interest. Try to assess your own intangible, soft assets, such as knowledge from which your partner could greatly benefit, before you enter the negotiations. Try to quantify these assets with a financial number. This could prevent problems after alliance formation.
- A strategic alliance evolves. All kinds of subtle dynamics between employees occur. For example, the strategic objectives of your partner change, thus decreasing the willingness to make resource contributions as initially negotiated. Due to these dynamics, your alliance could be on the edge of instability, which is not desirable. You must recalibrate the deal before the alliance snowballs into failure. Alliance management could have a strong role in this situation. The daily manager(s) of the alliance are heavily involved, and they can sense changes in the relationship at an early stage. Involve them in redesigning the partnership.

- Involve your alliance managers not only in the course of renegotiations, but also give them a voice during the due diligence process. Often, contracts are ''thrown over the fence'', and the alliance manager has to handle issues, such as governance structures that cannot be maintained in daily practice. Alliance managers can advise top management about governance structures. In addition, initial contracts are hardly ever complete. The so-called blank pages can cause significant problems if not addressed in a timely manner. The alliance manager can prevent an argument or even large legal battles. Ultimately, arguments and legal battles between you and your partner will hamper the alliance and may even result in alliance termination.
- If one of your alliance goals is learning, thoroughly assess your partner's organizational structure. The greatest potential for learning lies in overlaps in basic knowledge, similarities in organizational structure, future areas of joint research, and similarities in culture. Address mismatches from the start, and discuss solutions with your partner to overcome these dissimilarities. Eventually, this will help you to gain the knowledge that you envisioned, benefiting both you and your partner. In addition, your firm may be able to use the learned information in another business unit or in another (future) partnership.
- Due to national and organizational cultural differences, interorganizational learning could be hampered. In order to avoid a decrease in benefits, ensure that you manage differences in culture appropriately. Clearly communicate and work repeatedly toward the common goal. As one alliance manager cited during an interview, you have to repeat information several times to transfer the message. Additionally, you will have to ensure that people meet and connect with each other. In today's virtual world, it is easy to connect via video and telephones conferences, e-mail, and social media, but these should not replace personal contact. Create opportunities for employees of both firms to meet face-to-face and engage them in team-building activities. This will aid in overcoming cultural differences.
- Have patience. It takes time, sometimes years, to connect people with each other. They have to build a personal relationship based on trust. Only then, will people fully exchange. Invest the necessary time, and ultimately, the alliance will grow.
- Quantify the value. Develop tools to quantify the value gained through the alliance. Clarify what you extract, so you can determine what additional management efforts (mentioned above) eventually yield. In addition, you can provide the alliance manager with a financial target, practiced in the high-tech industry, leading to financially growing alliances.
- If you want to attract other firms to tie up with, communicate about your partnering ability. Focus on the successes of previous and current partnerships. Alternatively, you could

motivate your partner to promote you as an excellent alliance partner. Empower them write a testimonial and promote you as a good alliance partner. Use that to attract new firms.

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I. Topic guide

Context

- *When was this alliance formed and what was the motivation to form this alliance?*
- *What were/are the objectives (short/long term collaboration?)?*
- *Can you tell me about the collaborative activities of this alliance?*
- *How is this alliance managed by your firm and by the partnering firm?*
- *Are both parties satisfied with the outcomes?*
- *Which kind of benefits accrued the most as a result of the alliance?*

Relative bargaining power

Central questions:

- *Can you tell me about the initial negotiations and contracting? How was the potential value divided? Were there negotiations about possible benefits for your firm, which you could utilize somewhere else in your business network?*
- *Has there been a (major) change in the relationship with your partner (for example reorganizations, equity changes, changes in objectives, changes in the win-win status, needs for cooperation)? What was the cause for this change?*
- *Was or is there a power difference between the firms? How is this difference demonstrated? Did it changed over time?*

Additional questions:

- *Was the strategic importance to form the alliance equal for both participating firms?*
- *Did your firm had alternative partners to choose from? Did your partner had alternatives?*
- *What was the critical resource contribution (technology, know-how, equipment, management expertise, and marketing) of your firm in comparison with the partner?*
- *How is the possession of key operating jobs divided between the firms?*
- *How is the representation on governing bodies arranged between the firms?*
- *Did the contract retrospectively include all the benefits which both parties generated?*
- *Have there been renegotiations? What were the motivations? (ask for changes in resource contribution, available alternatives and the new contract)*

Relative absorptive capacity

Central questions:

- *Is there an overlap in product development areas? How many shared research communities does your firm have with the partner?*

- *Can you tell me about the organization structure of your firm and the partnering firm? Are there similarities in (1) upper management formalization; (2) lower management formalization; (3) business decision centralization; and (4) research decision centralization.*
- *Can you tell me about the compensation systems of your firm and the partnering firm? (Are they similar?)*
- *How did the firm benefit from the above? What are the advantages and disadvantages?*
- *How has the alliance helped the firm in learning new skills or capabilities and technology or research developments?*
- *Which partner benefit(ed) the most from this new knowledge?*
- *Where was/is this new knowledge used? (Was there a perceived pay-off to exploit skills in multiple businesses)*
- *Can you tell me about the pace of skills enhancement and competence building of your firm in comparison with the partner? How did this affected your firm's position in the relationship with the partner?*
- *How is interaction between employees arranged?*

Alliance management capability

Central questions:

- *Do you have a role during negotiations? Which aspects did you considered (communication skills/relationship building and deploying resources/coordination of tasks), what did the firm gain as a result?*
- *Which aspects are considered during the day-to-day management? What is the outcome?*
- *How are the resources controlled (contributing or withholding resources) and what did the firm gain as a result?*
- *How does your firm manage the knowledge transfer between employees? What is your role? What did the firm gain as a result?*

Additional questions:

- *Which aspects of your communication are considered during the negotiations? Were there negotiations about the alignment of compensation systems and organization structures? What did the firm gain as a result?*
- *How do you convince your partner to make investments within this alliance? What did the firm gain as a result?*
- *How are organizational interfaces arranged? What did the firm gain as a result?*
- *How is the acquisition of knowledge arranged? What did the firm gain as a result?*
- *How is the mobilization of resources arranged? What did the firm gain as a result?*

- *Do you know where the crucial know-how is resided? Does the firm assign individuals to become familiar with that knowledge? What did the firm gain as a result?*
- *Are there training days organized for employees? How are they arranged and by whom? What is the result?*
- *How does the firm facilitates the integration and relationship between employees? What did the firm gain as a result?*
- *How does the firm communicate about this alliance? What is the effect?*

II. Case study protocol

A. Overview

The topic of the multiple-case study is the appropriation of value through partnerships. In current literature, much is written about the value that strategic alliances create, and that well-structured alliance management increases the generated value. However, the same cannot be said about the role that alliance management plays in the appropriation of this value to the individual partners, due to an absence of literature within this field. With the aforementioned in mind, a study is designed to perform research on the effects of alliance management on the appropriation of value through partnerships.

The degree of appropriated value through an alliance by the focal firm depends on its relative (and perceived) bargaining power and relative absorptive capacity. The stronger the position of the focal firm is during the negotiation phases, the more benefits it will appropriate. The higher the relative absorptive capacity of the focal firm, the more resources, skills and knowledge can be internalized and in the case of private gains, applied outside the alliance scope.

Central question

How does a firm's relative bargaining power and relative absorptive capacity influence the appropriation of value through a strategic alliance over time and what role does alliance management capability have regarding this relationship?

Propositions

P1:The appropriation of common and private benefits in a strategic alliance is promoted by a firm's relative bargaining power

P1a: A firm's relative bargaining power is more strongly related to the appropriation of common benefits than to the appropriation of private benefits in a strategic alliance.

P2:The appropriation of common and private benefits in a strategic alliance is promoted by a firm's relative absorptive capacity.

P2a: A firm's relative absorptive capacity is more strongly related to the appropriation of private benefits than to the appropriation of common benefits in a strategic alliance.

P3a: The aspects of coordination, communication, and bonding of alliance management capability reinforce the relationship between a firm's relative bargaining power and the appropriation of common and private benefits in a strategic alliance.

P3b: The aspects of coordination, communication, and bonding of alliance management capability reinforce the relationship between a firm's relative absorptive capacity and the appropriation of common and private benefits in a strategic alliance.

B. Data collection

Sites to be visited

Name of sites and contact persons.

Preparation

- Review of available press releases about the alliance.
- Review of annual reports of the participating firms.
- Review of the website of participating firms.

Plan

- Interview with …… (role).
- Ask for documents about alliance.

C. Report

Outline

1. Description of context.
2. Description of the relative bargaining power.
3. Description of relative absorptive capacity.
4. Description of the possessed alliance management capability and how it contributes to the relative bargaining power and absorptive capacity.

D. Questions

Objectives

1. Alliance objectives and outcomes?

Relative bargaining power

2. Resource contributions?
3. Availability of alternatives?
4. Strategic importance?
5. Changes in relationship?
6. Renegotiations?

Relative absorptive capacity

7. Overlap in knowledge base?

8. Similarities in structure, management, problem solving and compensation systems?
9. Pace of competence building?
10. Interaction between employees?

Alliance management capability

11. How coordination activities contribute to knowledge acquisition and bargaining power.
12. How communication activities contribute to knowledge acquisition and bargaining power.
13. How bonding activities contribute to knowledge acquisition and bargaining power.

III. Data analysis

	Relative absorptive capacity		
	Pharmaceutical industry	*Automotive industry*	*Medical Supply industry*
Overlap in knowledge base			
Similarities in structure/similarities in compensation systems			
Dominant logic			
Culture			