

**RUN AWAY OR STICK TOGETHER? THE IMPACT OF ORGANIZATION-  
SPECIFIC ADVERSE EVENTS ON ALLIANCE PARTNER DEFECTION**

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## **Abstract**

Alliances are inter-organizational relationships wherein partners agree to engage in joint action and share benefits and burdens. But when might an adverse event that strikes one partner become too burdensome for another partner? Extant theories of alliance instability provide incomplete answers, which is problematic: for stricken organizations, anticipating whether their non-stricken partners will remain in the alliance can be essential for survival. Integrating insights from alliance dynamics and organizational stigma literatures, we theorize how an organization-specific adverse event affects a non-stricken partner's decision to continue with or defect from an alliance by considering factors that shift the balance between cohesive and disruptive forces. We propose that high stigmatization risk will increase the probability of partner defection through two disruptive mechanisms: relational uncertainty and stigma anxiety. Building on the idea that the same factors contributing to alliance formation may also condition partner defection, we theorize about the roles of partner resource interdependencies, relational embeddedness, and perceived partner similarity in amplifying or attenuating disruptive mechanisms triggered by an adverse event. We extend the research on partner defection and alliance instability by advancing an event-based view of alliance instability and specifying the conditions under which an alliance partner might defect.

**Keywords:** partner defection, inter-organizational alliances, organizational stigma, organization-specific adverse events, alliance dynamics

Alliances are voluntary cooperative agreements between two or more organizations designed to create value by combining and/or creating resources, including knowledge, to carry out common projects, whether launching a new activity, increasing speed to market, and/or gaining greater market access (e.g., Gulati, 1998; Kogut, 1988). Inter-organizational alliances are fundamentally distinguished from short-term, arm's-length contracts by both the alliance's joint action (e.g., Zaheer & Venkatraman, 1995) and the reliance, by the parties of an alliance, on a greater commitment of time, resources, and effort (Das & Teng, 1998; Gulati, 1998; Parkhe, 1993). At the same time, alliances can be plagued by conflicts and thus may be inherently unstable (e.g., Das & Teng, 2000).

Some researchers have suggested that alliance instability results from shifts in the balance between the cohesive and disruptive forces built into the alliance (Das & Teng, 2002; Schad, Lewis, Raisch, & Smith, 2016). Cohesive forces maintain or increase alliance attractiveness for partners—thereby increasing their exit costs or the opportunity costs of searching for a different partner—, while disruptive forces decrease alliance attractiveness for partners—thereby decreasing their exit costs or increasing the value of opportunities outside of the current alliance. Although scholars have suggested that cohesive and disruptive forces can be interdependent (lying on the same continuum) (Das & Teng, 2002) or change independently (Greve, Baum, Mitsuhashi, & Rowley, 2010), our current understanding of how cohesive and disruptive forces change and how the balance between these forces may shift remains limited.

One reason is that cohesive and disruptive forces have rarely been considered together (for exceptions, see Greve et al., 2010; Polidoro, Ahuja, & Mitchell, 2011). Rather, existing research has adopted a fragmented approach, with one set of studies focusing on cohesive forces to explain why alliances persist (e.g., Inkpen & Ross, 2001; Pangarkar, 2003; Patzelt & Shepherd, 2008; Rahman & Korn, 2014), and another seemingly independent set focusing on disruptive forces and aiming to understand why alliances dissolve (e.g., Gould, Ebers, & Clinchy, 1999;

Parkhe, 1993). Furthermore, the repertoire of factors that can shift the balance between cohesive and disruptive forces has not been fully considered. Despite existing research advancing our understanding of an alliance's internal factors that continuously build up tensions between partners (Borys & Jemison, 1989; Das & Teng, 2000; Hamel, 1991; Parkhe, 1993), researchers have often overlooked external disruptive forces, such as organization-specific adverse events, defined as non-routine negative events that strike (at least initially) one alliance partner outside of the scope of the alliance (Ariño, de la Torre, & Ring, 2005). These organization-specific adverse events (e.g., product recalls, pollution incidents) represent discontinuous sources of alliance instability that can jeopardize alliance relationships (e.g., Ariño et al., 2005) and, in certain cases, may threaten the survival of the stricken organizations (Jensen, 2006; Starbuck & Hedberg, 1977). In particular, besides creating tensions between alliance partners, organization-specific adverse events can induce partners to withdraw unilaterally, a decision that is not always a result of internal conflicts among allies. A handful of studies on how alliance partners may react to such events provide contrasting accounts. Although some studies predict that adverse events may lead partners to lend a helping hand, thereby strengthening the relationship (e.g., De Carolis et al., 2009), others suggest that partners will react negatively and possibly terminate the relationship (e.g., Ariño & de la Torre, 1998, Boone & Ivanov, 2012). Such contrasting predictions therefore provide an opportunity to further our understanding of alliance instability.

To address the aforementioned gaps, we focus on organization-specific adverse events and theorize their effects on a non-stricken partner's decision to continue with or defect from an alliance. This question is of paramount importance because it is essential for managers to anticipate their alliance partner's behavior (Tjemkes & Furrer, 2010) when their organization is stricken by an adverse event and is thus in a vulnerable position. Most organizations will, at some point, confront adverse events, and partner defection can exacerbate the already negative

consequences of such events (Bosch, Eckard, & Singal, 1998; De Carolis, Yang, Deeds, & Nelling, 2009; Starbuck & Hedberg, 1977; Suchman, 1995). It is precisely during such situations that stricken organizations most need their partners to signal their commitment and to remain loyal to the alliance. At the same time, alliance partners of the stricken organization are confronted with evaluating the costs of staying versus leaving the alliance (Madhok, Keyhani, & Bossink, 2015); and, if they decide to defect, they risk forgoing future opportunities of joint value creation.

Drawing from the organizational stigma literature, we consider organization-specific adverse events on a continuum of low–high risk of stigmatization (e.g., Carter & Feld, 2004). We define stigmatization as the discredit stemming from external audiences' collective perceptions that an actor possesses deep-seated flaws (Goffman, 1963) or violates socially constructed norms (e.g., Pozner, 2008; Suchman, 1995). We propose that in an ongoing and well-functioning alliance, cohesive forces will dominate disruptive forces (Das & Kumar, 2009), but an adverse event, which is always negative in nature, will trigger additional disruptive mechanisms—specifically, *relational uncertainty*, the non-stricken partner's doubts regarding the trustworthiness and commitment of its stricken partner and apprehension regarding the current and future state of the alliance, and *stigma anxiety*, the non-stricken partner's fear of being stigmatized by association. We suggest that relational uncertainty and stigma anxiety will both directly and indirectly affect a partner's decision to defect.

We further theorize that while these disruptive mechanisms set an alliance on a path toward instability when the risk of stigmatization is high, their propensity to affect a non-stricken partner's decision to defect will be moderated by three contingency factors. Partner resource interdependencies, relational embeddedness, and partner similarity have been recognized as key drivers of alliance formation and stability, but recent research cautions that scholars should not assume that these factors will have similar effects on alliance instability (Greve et al., 2010;

Polidoro et al., 2011; Shah & Swaminathan, 2008). The framework we develop below offers theoretical explanations for the role of these three drivers in igniting or inhibiting disruptive mechanisms triggered by an organization-specific adverse event.

This article contributes to the literature on alliance instability in several ways. First, the integrative theoretical framework we develop extends and complements the dominant “internal tensions perspective” on alliance instability (Das & Teng, 2000). Specifically, our study paves the way for an event-based view of alliance instability by discussing how the risk of stigmatization associated with an organization-specific adverse event affects partner defection. In applying a predominantly socio-psychological lens to the defection decision, our study contributes to the ongoing efforts by alliance scholars to jointly consider economic and sociological factors to explain alliance performance and outcomes (Gould et al., 1999; Leung & White, 2006; Schilke & Cook, 2015). Drawing from the organizational stigma literature, we introduce the concept of stigma anxiety as a powerful socio-psychological factor that together with the concept of relational uncertainty affect the partner’s economic and psychological costs of staying in an alliance. This approach is complemented by our choice of moderating factors, which reflect both economic and socio-psychological aspects of alliance partners’ relationship.

Second, although prior works have recognized that alliance longevity is determined by a balance between cohesive and disruptive forces (Greve et al., 2010; Polidoro et al., 2011), we have gained no cogent understanding of how the balance between cohesive and disruptive forces may shift and affect alliance stability. Our study discusses both cohesive and disruptive forces, and theorizes how the balance between these forces may shift in light of adversity, either when cohesive forces are weakened or when disruptive forces strengthen, or both.

Finally, scant research has specifically examined the role of various factors of alliance formation and partner selection within a unified conceptual framework of alliance instability and partner defection. By considering moderating factors previously associated with alliance

stability and theoretically demonstrating how their effect can catalyze or inhibit disruptive mechanisms, we advance our understanding and, to certain extent, reconcile contrasting accounts regarding the reactions of stricken organizations' partners that either stick to their ally in trouble or run away. Thus, our study contributes to the effort of further integrating valuable insights from the literature on alliance stability and alliance termination in an attempt to better understand partner defection.

### **CURRENT UNDERSTANDING OF ALLIANCE PARTNER DEFECTION**

In a generally well-functioning alliance (i.e., where achievable opportunities exist to attain both joint value and mutual benefits), the decision of one partner to defect in response to a situation of adversity represents for the alliance the ultimate and most destructive reaction, compared with other options such as voice, neglect, or opportunism (Ping, 1999; Tjemkes & Furrer, 2010). When such defection results in the termination of the alliance (e.g., in a dyadic alliance), each partner must find alternative ways to achieve its own objectives, which requires resources and is constrained by the availability of alternative partners (Tjemkes & Furrer, 2010). Furthermore, the unplanned dissolution of inter-organizational collaborations often implies the loss of the partnership's previous investments and missed opportunities for the parties to jointly create value (e.g., Madhok et al., 2015; Zajac & Olsen, 1993). Although the literature on alliance instability covers phenomena such as alliance reconfigurations, contractual renegotiations, and transitions from an alliance to an acquisition (e.g., Dussauge, Garrette, & Mitchell, 2000; Kogut, 1991), particular attention has focused on partner defection, given the potential magnitude of its consequences for all alliance members.

The alliance instability literature has been dominated for several decades by the internal tension perspective (Das & Teng, 2000, 2002), which conceptualizes alliance instability as a joint function of cohesive and disruptive forces built into the alliance. Inter-partner trust and commitment to the alliance, have been widely recognized as fundamental cohesive forces.

Inter-organizational partner trust, which refers to partners' perceptions of fairness or equity (e.g., Doz, 1996; Ring & Van de Ven, 1994), is based on expectations of reciprocity and the absence of opportunism (Zaheer, McEvily, & Perrone, 1998). Inter-partner trust comprises both a sense of give-and-take between alliance partners and the expectation that each partner possesses the competences and skills to perform the agreed-upon tasks (e.g., Zucker, 1988), and that partners will eventually receive their due (Axelrod, 1984; Cullen, Johnson, & Sakano, 2000).

Commitment, another fundamental cohesive force in an alliance, is evidenced by partners' belief that an ongoing alliance relationship is sufficiently important to warrant their maximum efforts at maintaining it (Luo, 2008; Sarkar, Echambadi, Cavusgil, & Aulakh, 2001). Thus, in an alliance, commitment can extend beyond providing the necessary material resources to also include partners' deep psychological identification with the relationship and a pride of association with both the partner and the alliance (Cullen et al., 2000).

According to the internal tensions perspective (Das & Teng, 2000, 2002), disruptive forces, defined as internal frictions, result from instrumental concerns of task execution and goal conflict, leading to tensions between alliance partners. For example, Das and Teng (2000) describe conflicts between cooperation and competition (see also Khanna, Gulati, & Nohria, 1998), between rigidity and flexibility, and between a short-term and a long-term orientation.

Although this perspective has provided valuable insights on the sources of alliance instability, our understanding of this phenomenon has been constrained because of two important research gaps: (1) a one-sided consideration of (in)stability, as a result of focusing either on forces of cohesion or on sources of disruption; and (2) a disproportionate focus on continuous and internal sources of instability and thereby failing to adequately consider factors external to the alliance scope. We review these two gaps in greater detail below.



## **Alliance Instability as a Joint Function of Cohesion and Disruption**

The majority of existing studies on instability fall within one of two separate sets of studies—either addressing the question of alliance persistence and focusing on cohesive forces (e.g., Inkpen & Ross, 2001; Pangarkar, 2003; Patzelt & Shepherd, 2008; Rahman & Korn, 2014), or examining the conditions for alliance dissolution and focusing on internal disruptive forces (e.g., Gould et al., 1999; Park & Ungson, 1997; Parkhe, 1993). This separation in the literature on alliance instability seems to be driven by the implicit assumption of the dominant internal tensions perspective that cohesive and disruptive forces in the alliance lie on a continuum: inter-partner trust and commitment, as essential qualities of the alliance relationship (Cullen et al., 2000; Ring & Van de Ven, 1994; Zaheer et al., 1998), may evolve either in a positive direction, toward increased cohesion within an alliance, or in a negative direction, toward increased disruption (Ariño et al., 2005). As disruptive forces increase, cohesive forces weaken, shifting the balance toward instability.

We find this understanding problematic because, as Greve and colleagues (2010) pointed out, while alliance instability can occur as a result of increasing disruptive forces or weakening cohesive forces, both conditions may sometimes be required. In addition, the factors driving disruption may not necessarily weaken cohesive forces, and vice versa. Following Schad and colleagues' (2016) understanding of balance as the maintenance of stability through different equilibria of cohesive and disruptive forces, we argue that joint consideration of both types of forces is essential to further our understanding of alliance instability.

## **Event-based Perspective on Alliance Instability**

As previously mentioned, most studies on alliance instability have focused on internal and continuous sources of tensions and conflicts between partners. Although recent works have started to adopt an event-based perspective on alliance instability, most studies examine events that are part of the internal, ongoing process of alliance negotiation, formation, and operation

(e.g., Ariño & de la Torre, 1998; Ariño, de la Torre, Doz, Ring, & Lorenzoni, 2002). These events—most of them routine and thus regularly repeated, such as miscommunications and delays in shipments from one partner to another—occur within the scope of the alliance and lead to internal tensions that can alter the balance between cohesive and disruptive forces, thereby potentially leading to alliance dissolution.

Few works have drawn attention to the external events —systemic and corporate<sup>1</sup>—that are non-routine and at least initially outside the scope of an alliance, but might ultimately lead to alliance instability. Systemic external events are broad industry-wide changes affecting all organizations indiscriminately (Ariño, de la Torre, & Ring, 2001). For example, Yan (1998) and Makino and Beamish (1998) have suggested that some unexpected contingencies, such as changes in government regulations that lead organizations to alter their internal configurations to fit the changing environment, will hinder the adaptability of alliances, thereby increasing the probability of premature terminations (see also Makino, Chan, Isobe, & Beamish, 2007; Yan & Zeng, 1999).

Compared with external systemic events that are unlikely to alter perceptions of inter-partner trust and commitment since they have a similar impact on all the parties to the collaboration (Ariño et al., 2001, 2005), external corporate events, on which this paper focuses, are experienced at least initially by only one alliance partner outside of the scope of the alliance and might impact the other partner's views of the relationship (Ariño et al., 2001, 2005). Examples of such events include a partner's strategic reorientation during the operation of an alliance (Berends, van Burg, & van Raaij, 2011), a partner changing its senior executives (Ariño & de la Torre, 1998; de Rond & Bouchikhi, 2004), key actors leaving a partner organization (de Rond & Bouchikhi, 2004), a change in partner ownership (White, 2005), and acquisition of

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<sup>1</sup> Ariño et al. (2005) also mention individual events, defined as acts by representatives of one of the partners outside the scope of the alliance, which can affect how the other partner may view the relationship. Since our unit of analysis is an organization, and individuals' acts are often associated with the organization that employs these individuals, we chose to focus our discussion on systemic and corporate external events.

one partner by another (Ariño et al., 2002). While these non-routine events occur outside of the scope of the alliance, they might nevertheless trigger internal tensions between the partners, thereby increasing the probability of alliance instability.

Recent research on non-routine events and alliance instability has taken a further step, showing that alliance partner defection can be triggered by events and decisions independently from internal tensions, thus uncovering an under-explored field of discontinuous external sources of alliance instability. Specifically, these studies have shown that alliance partner defection could also be triggered by the availability of more suitable alliance partners (Greve, Mitsuhashi, & Baum, 2013), changes in partners' overall partnering, and resource deployment strategies independent of any internal frictions (Cui, Calantone, & Griffith, 2011; Madhok et al., 2015).

However, a relative void remains in the event-based stream of research on alliance instability: we do not yet fully understand how alliance stability is affected by organization-specific adverse events. An adverse event is any untoward circumstance that interferes with the normal operations of an organization (Bundy & Pfarrer, 2015) and generates ambiguity and uncertainty for observers. Organization-specific adverse events refer to non-routine negative events that occur outside of the scope of the alliance and are experienced (at least initially) by one alliance partner (Ariño et al., 2005). Such adverse events can range from low controllability (e.g., the death of a CEO in a car crash) to high controllability (e.g., a product recall) and can have dire consequences.

First, an organization-specific adverse event is harmful to the very organization experiencing it (Bosch et al., 1998; Bromiley & Marcus, 1989; De Carolis et al., 2009). Depending on their degree of adversity, certain negative events can pose major threats to the survival of the stricken organizations, whose resources may become inadequate to cope with the resulting situations (e.g., Starbuck & Hedberg, 1977).

Second, the negative consequences of such events may spill over to other actors initially not directly affected by the adverse events. For instance, peers or partners of the originally stricken organization can experience reputational or legitimacy penalties (Jonsson, Greve & Fujiwara-Greve, 2009; Kang, 2008), losses in stock values (Barnett & King, 2008; Boone & Ivanov, 2012), and even threats to their survival (Jensen, 2006; Singh & Mitchell, 1996). These far-reaching effects propagate the adversity of such events beyond the stricken partner and can create serious concerns for alliance partners not initially affected by these events.

The scarce research on how alliance partners react to such events is mixed. Some studies suggest that adverse events can lead to stronger relationships, as partners, acting in solidarity, lend a helping hand to their ally in trouble (e.g., De Carolis et al., 2009). Others, however, speculate that organizations engaged in alliances with partners stricken by organization-specific adverse events would likely react negatively to these kinds of events (e.g., Ariño & de la Torre, 1998). They argue that such events would likely lower other partner's expectations of reciprocity and forbearance (Ariño & de la Torre, 1998), thereby negatively affecting the quality of the relationship and possibly leading to alliance termination (Boone & Ivanov, 2012). These contrasting predictions open a research opportunity that has yet to be explored.

Given these research gaps, and to improve our understanding of alliance instability, we attempt to develop a more inclusive and nuanced understanding, by specifically considering both cohesive and disruptive forces and how they are affected by the drivers of disruption external to the alliance scope (e.g., external events), thereby expanding the boundaries of the internal tensions perspective. We do so by developing a framework that theorizes about the conditions under which an adverse event that strikes an organization may impact its partner's willingness to stick to its ally in trouble or run away.

## UNDERLYING ASSUMPTIONS AND BOUNDARY CONDITIONS

Our theoretical framework is based on a set of underlying assumptions and boundaries. First, we adopt a broad definition of alliances that includes both non-equity and equity alliances, and alliances of different types (e.g., vertical and horizontal). Further, we develop our theoretical framework for dyadic alliances, in which the defection of one alliance partner leads to alliance dissolution. We address the extension of our theoretical framework to multi-partner alliances in the discussion section.

Second, inter-organizational alliances lead to certain benefits and costs during the alliance life cycle. We assume that at the time of an organization-specific adverse event, the stricken organization's partner was not considering defecting from the alliance. This assumption implies that although certain forces of disruption may exist in ongoing alliances, at the time of the adverse event, the reasons to remain in the alliance, whether economic or social, were stronger than the reasons to leave it.

Third, in specifying our theory, we address organizations as our central actors to facilitate sensegiving to readers. We build upon existing evidence that anthropomorphizing has been a critically important tool for developing influential theories in organization studies (Shepherd & Sutcliffe, 2015). While various individuals in the partner organizations may be involved in an alliance, and thus may hold differing perceptions of an organization-specific event, the key socio-psychological concepts developed in our framework relate to the individuals in charge of the alliance. For the purposes of our study, we posit that managerial cognition or the mindset of the ultimate decision-makers regarding the fate of an alliance is the factor that leads to and results in organizational defection.

Fourth, we assume that when managers in charge of an alliance are deciding whether to stay in the alliance or defect from it, they evaluate the alliance-, partner-, and context-specific factors, in addition to the costs and benefits of decision alternatives (e.g., Klossek, Meyer, &

Nippa, 2014). We also assume that these managers will periodically reassess their decision in response to new information (Isabella, 1990), including the changing risk of stigmatization following an adverse event. However, we recognize that managers are boundedly rational and that the process of decision-making about the fate of an alliance is satisficing—that is, it is a constrained but intelligent search for and development of a reasonable solution rather than an effortless process of finding the best solution from a complete set of solutions (Simon, 1955; Winter, 2000).

## **BASELINE PROPOSITIONS**

### **Organization-specific Adverse Events and the Risk of Stigmatization**

Although an organization-specific adverse event does not primarily affect the alliance, it is by nature disruptive and likely to alter the balance between cohesive and disruptive forces within the alliance. Based on the argument that the attributes of an event affect whether, and to what extent, organizations change or create behaviors (Hoffmann & Ocasio, 2001; Morgeson, Mitchell, & Liu, 2015), we suggest that our inquiry into the conditions under which an adverse event may impact an organization's willingness to stay or defect can be informed by applying a predominantly socio-psychological lens to a decision of such significant economic implications. To do so, we build on a particular research stream—the organizational stigma literature—as stigma represents the ultimate degree of adversity for an actor and is either attribute-based (Hudson, 2008), conduct-based or event-driven (Devers, Dewett, Mishina, & Belsito, 2009).

Stigma refers to the discrediting of an actor, based on its failure to garner or retain social acceptance, and represents the outcome of a social construction process that results from the interactions between the target of stigmatization and the perceptions of those who produce it (Paetzold, Dipboye, & Elsbach, 2008). Audiences form impressions of a target actor, and then compare their impressions against a virtual social identity, in effect crystallizing their

expectations of what actors should be and how they should behave (Goffman, 1963). Stigma represents an exclusively negative evaluation of focal actors (Devers et al., 2009), which expresses criticism about their values or behaviors (Roulet, 2015; Vergne, 2012), resulting in their social identity being devalued or derogated from particular cultures at specific points in time (Crocker, Major, & Steele, 1998).

Prior research has suggested that three key characteristics are likely to increase the risk of stigmatization following an adverse event: the event's perceived severity, controllability, and salience (Devers et al., 2009). The severity of an event refers to the harm or disruption experienced by the victim(s). Prior works have highlighted how the severity of an adverse event is likely to elicit assessments of inappropriateness regarding the actor's behavior (Cooper Doucet, & Pratt, 2007), thus educing negative and aggressive reactions toward this actor (Ferguson, Rule, & Carlson, 1983). Stigmatization also depends on audiences' attributions of the controllability of the event, that is, the extent to which they perceive the cause of the event to be under the actor's control. Whereas adverse events perceived as uncontrollable tend to generate pity or concern, those perceived as controllable call forth assessments of blame and elicit strong negative reactions from others (Crocker et al., 1998; Devers et al., 2009). In addition, Devers and colleagues (2009) suggest that the salience of the adverse event—the extent to which an event stands out—is likely to generate persistent attention (Dutton & Dukerich, 1991), thereby increasing the questioning of those under scrutiny (Crocker et al., 1998). Whether taken in isolation or combined, these three characteristics are likely to influence audiences' perceptions of value incongruence and thereby increase the risk of stigmatization (Devers et al., 2009).

### **Risk of Stigmatization and Partner Defection**

For the potentially defecting partner, considering alliance withdrawal (Greve et al., 2010) implies weighing the costs of staying in an alliance against the costs of leaving it (White, 2005).

Alliances are initially built on cohesive forces that provide “the glue that holds together a channel relationship” (Mohr & Nevin, 1990: 36) and reflect the partners’ “enduring desire to maintain a relationship” (Moorman, Zaltman, & Deshpande, 1992: 316). Consequently, the stronger these cohesive forces, the higher the relational costs of exiting the alliance. Thus, although most adverse events are likely to entail disruption between partners, we argue that when the risk of stigmatization following an adverse event is low, maintaining the relationship will be less costly than exiting. However, we also suggest that as the risk of stigmatization increases, so do the costs of staying in an alliance driven by two distinct mechanisms—*relational uncertainty* and *stigma anxiety*. While *relational uncertainty* describes the non-stricken partner’s concerns about its relationship with its stricken counterpart, *stigma anxiety* refers to the non-stricken partner’s preoccupation with the perceptions and expectations of external stakeholders.

We suggest that both relational uncertainty and stigma anxiety increase the probability of alliance partner defection, although not necessarily in a symmetrical way, by leading the non-stricken partner to question and re-evaluate the economic and socio-psychological costs of staying in the alliance. In light of an adverse event, organizations may indeed face economic costs such as restricted access to key resources, lost business opportunities or the devaluation of the organization’s stock, while the incurred socio-psychological costs may involve a damaged reputation or lowered status. While alliance partner defection may result from an increase in either economic or socio-psychological costs, it is important to note that these costs are often interdependent. For instance, the socio-psychological costs of breached trust and lowered commitment often lead to economic losses.

Below we provide a detailed discussion of how the risk of stigmatization triggers relational uncertainty and stigma anxiety and how these disruptive mechanisms affect the probability of partner defection. Figure 1 illustrates the key theorized relationships.



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### **Risk of Stigmatization, Relational Uncertainty, and Partner Defection**

We argue that an increased risk of stigmatization will create, for the non-stricken partner, *relational uncertainty* about the stricken organization's trustworthiness and its contribution and commitment to the alliance and, as a consequence, about the current and future state of the relationship. First, the occurrence of an adverse event will likely require significant attention from the stricken firm, thereby exposing it to significant costs in its efforts to limit harm and restore regular operations, particularly for an event of high severity. The stricken organization will likely be more focused on the short-term goal of diminishing or repairing the adverse event's effects, rather than on the alliance's goals per se, thus diverting important resources and effort away from the alliance. This diversion of focus will likely exacerbate differences in the allies' priorities and create uncertainty about the stricken actor's future commitment to the alliance.

Second, adverse events characterized by a high level of controllability are often perceived as preventable and also frequently involve deviant or non-conforming behaviors (Devers et al., 2009). Such events are likely to trigger feelings of animosity, especially when the tainted organization's partner had been unaware of the focal organization's misconduct (Ariño et al., 2005), as well as doubts about the stricken partner's willingness and ability to prevent such events from occurring in the future.

Moreover, adverse events with a high level of controllability are more likely to tarnish the stricken organization's legitimacy, reputation, and identity (Devers et al., 2009; Hudson & Okhuysen, 2009). These negative social evaluations are exacerbated by social consensus about both the event and the stricken organization's role, thereby resulting in a reduction in the vilified

organization's ability to access the resources it needs to reach its financial goals (Suchman, 1995; Sutton & Callahan, 1987). Such outcomes are further enhanced by the salience of the event, as higher salience can impair the stricken organization's attempts at repairing its damaged image (Ashfort & Gibbs, 1990). In turn, this situation might lead to uncertainty about the stricken partner's ability to effectively address the adverse event without also negatively affecting its contribution to the alliance.

Taken together, the above arguments suggest that the occurrence of a stigmatizing adverse event can generate relational uncertainty:

*Proposition 1a: Ceteris paribus, the higher the risk that a stricken organization will be stigmatized following an organization-specific adverse event, the higher the degree of its non-stricken alliance partner's relational uncertainty.*

Increased relational uncertainty, as the result of a greater risk of stigmatization, constitutes a disruptive mechanism that weakens cohesive forces woven into the alliance. In particular, as discussed above, relational uncertainty weakens two critical cohesive forces—inter-partner trust and commitment to the alliance—thereby shifting the balance in favor of disruptive forces. As such, we suggest that relational uncertainty increases the likelihood of the non-stricken partner's defection, and we postulate both a direct and indirect effect.

On the one hand, adverse events may lead to relational uncertainty regarding the appropriateness of the stricken actor's behavior. The non-stricken partner is likely to consider such an adverse event as a breach of trust, which will have a direct impact on its willingness to defect (Kim, Dirks, & Cooper, 2009; MacDuffie, 2001).

On the other hand, uncertainty regarding the stricken actor's future ability to fulfill its responsibility to the alliance will induce the non-stricken actor to question its partner's competences and lead to the perception of a lowered commitment, thereby impairing the partner's strategic attractiveness. As such, we propose that such an adverse event will create or

intensify tensions between partners, in particular divergences regarding temporal horizons (i.e., a short-term versus long-term focus) and alliance goals (i.e., the pursuit of mutual interests versus the pursuit of one's own interests) (Das & Teng, 2000). Such internal tensions will eventually increase the costs of staying in the alliance and thereby decrease the partner's likelihood to stick to its ally in trouble. We therefore propose that:

*Proposition 1b: Ceteris paribus, the higher the degree of the non-stricken partner's relational uncertainty, the higher the likelihood of its defection.*

### **Risk of Stigmatization, Stigma Anxiety, and Partner Defection**

Greater risks of stigmatization are also likely to trigger another type of disruptive mechanism: the partner's fear of being stigmatized by association, a phenomenon that we call *stigma anxiety*. Recent research on negative spillovers has indeed suggested that social discredit can spread to other (non-responsible) actors, pointing particularly to situations wherein an organization's deviance from either norms or expectations negatively affects other organizations belonging to the same network or sharing connections with it (e.g., Boone & Ivanov, 2012; Jensen, 2006; Kang, 2008). For instance, Kang (2008) found that organizations suffered from significant reputational penalties as a result of being associated, through director interlocks, with others accused of financial reporting fraud.

Stigma can also spread indirectly to alliance partners from the devalued organization (Kulik, Bainbridge, & Cregan, 2008). Stigma by association is the contamination of an actor by its partner's stigma, which "leaks" from one to the other. Indeed, in Goffman's account of stigma diffusion, he emphasizes how persons connected to a stigmatized actor are "obliged to share some of the discredit" (1963: 30). A recent case discussed by Haack and colleagues (2014) illustrates how in 2009 the reputation of the United Nations Global Compact (UNGC) was negatively affected following the accusations of complicity in the human rights violations in Darfur against one of the UNGC affiliates, the Chinese oil company PetroChina.

We therefore suggest that such contamination risks may trigger the non-afflicted partner's anxiety of being tarred with the same brush. We propose that stigma anxiety should be particularly intense when the event severity, controllability, and salience are high. Indeed, the higher the severity of an adverse event, the more it is likely to trigger higher scrutiny of and around the stricken organization. If scrutiny diffuses broadly, the crisis can potentially affect actors that were far from the initial events (Desai, 2011). Similarly, the greater the salience of an adverse event, the more it is likely to increase both the event's moral intensity (Jones, 1991) and the exposure of actors to the audience's scrutiny (Deepphouse, 2000; Zavyalova, Pfarrer, Reger, & Shapiro, 2012). Finally, adverse events that are perceived as involving a high level of controllability tend to trigger negative emotions (Devers et al., 2009; Harris, Evans, & Beckett, 2011), which alongside diffused scrutiny may intensify the partner's stigma anxiety. As a consequence, we propose that:

*Proposition 2a: Ceteris paribus, the higher the risk that a stricken organization will be stigmatized following an organization-specific adverse event, the higher the intensity of its non-stricken alliance partner's stigma anxiety.*

Similarly to relational uncertainty, we suggest that stigma anxiety constitutes a disruptive mechanism that will impose both a direct and indirect effect on the likelihood of partner defection. However, the nature of these effects will partly differ from the nature of the effects of relational uncertainty discussed above. We suggest that the direct effect of stigma anxiety will shift the balance of cohesive and disruptive forces by adding to disruptive forces, while its indirect effect will weaken existing cohesive forces within the alliance.

First, stigma poses significant contamination risks for the stricken organization's partner, which may ultimately be driven to disassociate itself from its compromised partner in an attempt to protect its own position. As shown by Jensen (2006), during the collapse of the accounting firm Arthur Andersen, many of its clients defected for fear of seeing their own image

downgraded. The consequences of stigma anxiety are similarly evidenced in the case of the Greenpeace campaign against Arctic drilling. In 2014, the environmental group launched a campaign to protest Shell's plans to drill in the Arctic and chose to exert extensive pressure on Shell's long-term alliance partner, LEGO Group (although the toy group had never been involved in Arctic drilling), to stop its partnership with the oil group. The YouTube video by Greenpeace, which depicted an oil-stricken Arctic built from LEGO bricks, attracted nearly 6 million views in just a few days and reflected a widely shared public opinion condemning Shell's drilling plans. In line with research showing that stigmatization occurs as a result of direct labeling by three main powerful social actors (i.e., media, watchdog groups or academics) (Wiesenfeld, Wurthmann, & Hambrick, 2008), this case illustrates how Greenpeace actively attempted to transfer stigma from Shell to LEGO. Greenpeace's attempts to stigmatize LEGO for its association with the oil major were successful (The Economist, October 17, 2014). Although LEGO initially denied any connection to Arctic drilling and even declared that its relationship with Shell had a positive impact on the world, the toy group finally announced that it would not renew its £68 million partnership with Shell, thus ending an alliance that dated to the 1960s.

Second, we suggest that, similarly to relational uncertainty, stigma anxiety will also indirectly affect the likelihood of partner defection by creating or amplifying internal tensions, thereby weakening cohesive forces. When experiencing stigma anxiety, the non-stricken partner may be inclined to limit its exposure by anticipating the potential costs of dealing with stigma spillover and starting to invest in damage control, to the detriment of the alliance goals. Such a change in focus may create tensions between partners. In addition, and in contrast to relational uncertainty that leads the non-stricken partner to doubt its *stricken ally's* commitment to the alliance, stigma anxiety may lead the non-stricken partner to question and consequently reduce its *own* commitment to the alliance. Given that reciprocal commitments create

attachments among partners and act as a cohesive force (Jiang & Gao, 2008; Seabright, Levinthal, & Fichman, 1992), a unilateral decrease in commitment by one of the partners will weaken this cohesive force.

Based on these combined direct and indirect effects that alter the balance between cohesive and disruptive forces within the alliance, such that the costs of staying will be higher than the costs of exiting, we propose that:

*Proposition 2b: Ceteris paribus, the higher the intensity of the non-stricken alliance partner's stigma anxiety, the greater the likelihood of its defection.*

Table 1 below summarizes the arguments supporting the baseline propositions of our model.

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Insert Table 1 about here  
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## **ADVERSE EVENTS AND PARTNER DEFECTION: AN EXTENDED FRAMEWORK**

In this section, we build on our baseline propositions to discuss conditions under which the effects of relational uncertainty and stigma anxiety—the mechanisms that shift the balance between cohesive and disruptive forces—are amplified or inhibited. We therefore consider three contingency factors that are likely to moderate the effect of the risk of stigmatization on these two mechanisms: (1) partner resource interdependencies, (2) relational embeddedness, and (3) perceived partner similarities. This set of moderating factors was chosen for several reasons.

First, our choice of moderating factors is consistent with an emerging effort in alliance research to understand whether the most common drivers of alliance formation and stability maintain similar cohesive effects when alliance partner defection may be imminent (Greve et al., 2010; Polidoro et al., 2011).

Second, these factors take into account the differentiated nature of our two key disruptive mechanisms. As relational uncertainty exclusively relates to inter-partner dynamics, we were led to include moderators that capture the non-stricken partner’s within-alliance knowledge and perceptions (i.e., partner resource interdependencies and relational embeddedness). In contrast, stigma anxiety involves the perceptions of external audiences, so it was essential to consider a moderator that captures the non-stricken partner’s awareness of such perceptions (i.e., perceived partner similarities).

Finally, given that the key disruptive mechanisms entail both economic and socio-psychological considerations, we included in our framework the contingency factors that have been associated with the above-mentioned considerations. Below we define these contingency factors and theorize about their specific moderating effects, which are summarized in Table 2.

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Insert Table 2 about here  
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**Partner Resource Interdependencies and Relational Uncertainty**

One of the widely used explanations of alliance formation and longevity is the organizations’ need to access or acquire complementary resources and capabilities, which creates resource interdependencies between partners (Lunnan & Haugland, 2008; Pfeffer & Salancik, 1978; Sarkar et al., 2001). Defined broadly, interdependencies reflect the alliance partners’ mutual need to maintain a relationship with each other in an effort to achieve desired goals (Gulati, 1995; Lewis & Lambert, 1991). They reflect the partners’ strong willingness to work together, their ability to see themselves as “being in the same boat,” and their capacity to respond as team players (Sambasivan, Siew-Phaik, Abidin Mohamed, & Choy Leong, 2011). Furthermore, partner interdependencies are akin to psychological contracts, by acting as strong psychological bonds between the parties as they reflect the partners’ communications of future intent (Kingshott, 2006; Robinson, 1996). Resource interdependencies, in particular, are determined

by three factors: the extent to which alliance partners have invested resources into an alliance (Klossek et al., 2014), the extent to which these resources and subsequent operations using these resources are effectively blended into an alliance's value chain (Luo, 2008), and the level of anticipated interdependencies in the future (Das & Kumar, 2009; Gulati & Singh, 1998; Khanna, 1998).

Existing research on inter-organizational alliances has noted important implications of interdependencies for the level of partners' mutual commitment (Steensma & Corley, 2000), and for immediate and future behavior and outcomes (Rusbult & Van Lange, 2003). In addition, partner interdependencies create social and economic structures for interactions and communication among a set of actors (Gulati & Sytch, 2007; Lawler & Yoon, 1996; Steensma & Corley, 2000), which, in turn, affects trust and commitment in the alliance (Kaiser & Shaw, 2004; Sambasivan et al., 2011). As such, we suggest that partner resource interdependencies will moderate the relationship between the risk of stigmatization and relational uncertainty. In particular, we argue that two properties of interdependence—magnitude and symmetry—will have important behavioral implications (Casciaro & Piskorski, 2005; Das & Kumar, 2009; Kumar, Scheer, & Steenkamp, 1995).

The occurrence of an adverse event, and especially a stigmatizing one, causes disruption in the ongoing alliance. However, a high magnitude of current and anticipated resource interdependencies is likely to trigger cohesive forces such as increased commitment, reciprocity, and reduced incentives for opportunistic behavior (Luo, 2008; Sarkar et al., 2001). Furthermore, existing studies have shown that when resource interdependencies are stronger, interparty trust will have a greater effect on alliance performance (Luo, 2008), thus maintaining alliance partners' economic and social satisfaction with an alliance. As such, lowered levels of conflict will likely contribute to attenuating relational uncertainty triggered by an organization-specific adverse event.



In addition, high resource interdependencies increase exit costs because of the difficulty and cost of redeploying to a different partnership the partner-specific resources and capabilities that were created and exchanged in a particular alliance setting (Argandoña, 1999), and because of high sunk costs should the partners choose to exit the alliance (Klossek et al., 2014; Lunnan & Haugland, 2008). Thus, when the magnitude of resource interdependencies is high, alliance partners will be more likely to implement joint problem-solving arrangements because of closely intertwined resources, mutual interests, high termination costs, and high sunk costs. As a consequence, when an organization-specific event occurs and the risk of stigmatization increases, we expect that uncertainty about alliance partners' mutual commitment to the alliance will be lowered because a failure of the alliance damages both partners equally (Casciaro & Piskorski, 2005). Similarly, the extent to which a partner expects and perceives future resource interdependencies with the stricken organization (e.g., the shadow of the future, as noted by Axelrod, 1984) will greatly reduce its apprehension regarding the current and future state of the alliance (Polidoro et al., 2011).

The moderating effect of partner resource interdependencies is also likely to be determined by its symmetry—that is, the extent to which partners value and perceive the need in each another's resources (Kauser & Shaw, 2004). We suggest that, compared with a symmetrical relationship, when the relationship is asymmetrical (i.e., when resources are valued or perceived as needed more by one party), the attenuating effect of resource interdependencies on relational uncertainty will be significantly lessened. Although the dependent partner may continue to invest in the alliance and to lend a helping hand to its ally in the face of adversity in an attempt to both decrease its dependence (Pfeffer & Salancik, 1978) and improve its chances of reaping economic gains from the alliance (Klossek et al., 2014), this response can result from its partner's coercive strategy (Das & Kumar, 2009). Since greater resource dependence asymmetry reduces “the structural impediments inhibiting the more powerful organization's

opportunistic behavior, self-serving exercise of power, and punitive actions” (Kumar et al., 1995: 350) and because trust and commitment rarely thrive unless reciprocated (Ferrin, Bligh, & Kohles, 2008), we expect that greater resource dependence asymmetry will increase rather than decrease relational uncertainty.

In contrast, in a symmetrical relationship where resources are valued and perceived as being needed equally by the two parties, both parties have the incentive to forbear on a reciprocal basis (Kumar et al., 1995). In addition, symmetrical resource interdependencies increase the likelihood of harmonious disposition in the alliance (Das & Kumar, 2009) and thus have an attenuating effect on relational uncertainty.

In summary, although resource interdependencies will not directly affect the non-stricken partner’s perceptions of the adverse event, they may positively alter the non-stricken partner’s expectations of how its stricken ally might behave after the event. As resource interdependencies increase negative fallouts for the partners if behaving opportunistically, high resource interdependencies should reinforce the non-stricken partner’s confidence that any preventable deviant behavior will no re-occur in the future. Formally put:

*Proposition 3: The greater the resource interdependencies between the stricken organization and its alliance partner in terms of their magnitude and symmetry, the more it will inhibit the positive effect of the risk of stigmatization on the non-stricken partner’s relational uncertainty.*

### **Relational Embeddedness, Relational Uncertainty, and Stigma Anxiety**

Scholars have shown that by focusing on embedded relationships, organizational decision-makers may mitigate relational and task uncertainties (Chung, Singh, & Lee, 2000; Gulati, 1995; Gulati & Gargiulo, 1999; Li & Rowley, 2002; Uzzi, 1996). In this section, we discuss how relational embeddedness may decrease the probability of partner defection by mitigating the non-stricken partner’s relational uncertainty and stigma anxiety. Relational embeddedness

is the degree to which partners in an exchange (here an alliance) relationship perceive the benefits of social attachment, based on a sense of similarity, feelings of closeness and of interpersonal solidarity (Moran, 2005). Specifically, relational embeddedness depicts the intensity, ease, quality, and strength of social interactions (Granovetter, 1973, 1985; Rowley, Behrens, & Krackhardt, 2000; Uzzi, 1997).

We suggest that relational embeddedness can reduce relational uncertainty in several important ways. First, relational embeddedness affects a partner's perceptions of behavioral norms. Alliance partners with strong relational embeddedness might not sufficiently question each other and choose to remain in the partnership (Nooteboom, Berger, & Noorderhaven, 1997; Portes, 1998; Uzzi, 1997)—situations that Weber and colleagues (2004: 75) call “irrational acts of trust.” Specifically, when relational embeddedness is high, and one partner is stricken by an adverse event, the partner of the stricken organization is more likely to forgo its individual short-term interests (Nooteboom et al., 1997; Rowley et al., 2000). As McEvily and Marcus (2005: 1037) put it: “Since the parties to more highly embedded ties are oriented toward sustaining the relationship, they have an interest in seeing their exchange partner succeed.” Under such conditions, partners should be less inclined to exit the relationship and more willing to stand by the stricken partner (Tjemkes & Furrer, 2010), acting as “relief organizations” for their ally in trouble (Uzzi, 1997). Furthermore, relational embeddedness may increase the non-stricken partner's empathetic responding (MacDuffie, 2001) and positivity bias (see, for instance, Mezulius, Abramson, Hyde, & Hankin, 2004; Taylor, 1991) to the organization-specific adverse event and thus lower levels of conflict (Gulati & Sytch, 2007).

Second, relational embeddedness strengthens perceptions of mutuality between partners as it is based on established habits, bonds, and good communication, which directly contribute to the social and attitudinal basis of trust and create reciprocity (Nooteboom et al., 1997). Third, relational embeddedness decreases partners' concerns about relational risks (Nooteboom et al.,

1997), thereby strengthening the non-stricken partner's confidence that its stricken partner will attend to its alliance commitments (Uzzi, 1997). Finally, through ease of cooperation with familiar and liked partners, relational embeddedness strengthens present and future commitment by raising the costs of searching for new relationships (Gargiulo & Benassi, 2000) and thus leads to the maintenance of an existing relationship to the exclusion of alternative partners (Seabright et al., 1992). As such, higher relational embeddedness strengthens the economic aspect of commitment by counterbalancing perceptions of decreased partner efficiency as a result of an organization-specific adverse event.

Thus, as relational embeddedness strengthens both social and economic aspects of trust and commitment, we expect that it will also strengthen the perceived trustworthiness of the stricken partner and attenuate the non-stricken partner's uncertainty about the stricken partner's commitment to the alliance. Formally put:

*Proposition 4: The greater the relational embeddedness between the stricken organization and its alliance partner, the more it will inhibit the positive effect of the risk of stigmatization on the non-stricken partner's relational uncertainty*

Besides mitigating relational uncertainty, we suggest that relational embeddedness may have a buffering effect on stigma anxiety. Stigma anxiety affects sensemaking (Maitlis & Sonenshein, 2010) and can lead to a biased processing of social information. According to the psychology literature, when social anxiety is high, individuals selectively attend to negative information about social situations, which leads to biased recollections and judgments of social events that can exacerbate social fears (Mellings & Alden, 2000). In contrast, relational embeddedness has been shown to attenuate parties' assessment of negative events (Eberly, Holley, Johnson, & Mitchell, 2011) and impact the information exchange between alliance partners (Gulati, 1998; Uzzi, 1997).

We suggest that when an organization-specific adverse event strikes, high relational embeddedness will alleviate some of the above-mentioned negative consequences of decision-makers' anxiety. First, when the partner of the stricken organization faces ambiguous information about its ally (e.g., allegations of fraud), it is more likely to evaluate the information positively when relational embeddedness is high (e.g., Weber et al., 2004). This response might considerably alter how the risk of stigmatization is perceived and therefore limit the non-stricken partner's stigma anxiety following an adverse event. Second, trust promoted by relational embeddedness facilitates the transfer of fine-grained information (Uzzi, 1996, 1997), providing the stricken organization with an opportunity to disseminate information that contradicts stereotyping and attributions of guilt, thereby positively affecting its partner's opinion. As a result, we expect that the alliance partner's stigma anxiety will be lower.

Third, if exchange partners share a strong attachment, it may generate a cognitive and affective lock-in that isolates them from the rest of the network (Gargiulo & Benassi, 2000; Uzzi, 1997). Existing research has shown that the perception of the reliability of information from a partner and the cognitive comfort engendered by trust significantly limit both the range of thought and action and the attentiveness to detail (Krishnan, Martin, & Noorderhaven, 2006). Therefore, high relational embeddedness might prevent the partner of the stricken organization from adequately assessing the risk of stigmatization, in turn reducing the stigma anxiety it may experience.

Based on the above arguments, we suggest that similarly to its effect on relational uncertainty, relational embeddedness will attenuate stigma anxiety.

*Proposition 5: The greater the relational embeddedness between the stricken organization and its alliance partner, the more it will inhibit the positive effect of the risk of stigmatization on the non-stricken partner's stigma anxiety.*

## **Perceived Partner Similarity and Stigma Anxiety**

Perceived similarity, or what social psychology researchers identify as perceived groupness, is the extent to which external audiences perceive the resemblance between a focal actor and others (Campbell, 1958; Gaertner & Schopler 1998; Lickel, Hamilton, & Sherman, 2001). Partner similarity may manifest at the task or business level (e.g., Hennart, 1988; Kogut, 1988; Rothaermel & Boeker, 1998) and at the organizational level (e.g., Lane & Lubatkin, 1998).

When two partner organizations have business or task similarities, they share similar competitive and/or corporate strategies, resource endowments (e.g., status, reputation, technology, personnel, or distribution channels), products, clients, suppliers, and geographical markets (e.g., Darr & Kurtzberg, 2000; Das & Teng, 2002; Pangarkar, 2003; Pangarkar & Klein, 2001; Podolny, 1994; Rosenkopf & Almeida, 2003). In contrast, organizational similarities between partners refer to partners' resemblance in terms of their organizational culture, identity, structure, human resource policies, and other administrative systems (e.g., Bothner, Kim, & Smith, 2012; Lane & Lubatkin, 1998; Saxton, 1997).

Partner similarity as an objective characteristic of partner attributes has been shown to strengthen inter-partner relationships and alliance stability by facilitating coordination and cooperation between partners (e.g., Darr & Kurtzberg, 2000; Johnson, Cullen, Sakano, & Takenouchi, 1996; Robson, Katsikeas, & Bello, 2008; Sarkar et al., 2001). Yet, these cooperative dynamics “may be affected by the social contexts of alliance activities” (Luo & Deng, 2009: 1006). Specifically, we suggest that, when a stigmatizing adverse event occurs, a high degree of perceived partner similarity (whether based on business or organizational characteristics) may be a liability, as it is likely to lead to stigma spillovers and intensify the non-stricken partner's stigma anxiety.

Although stigma often spreads via direct connections between organizations, the literature on negative spillovers also documents a “stigma generalization” effect that operates indirectly

through audiences' perception of resemblance between a vilified organization and other actors. For instance, prior research shows how an isolated act of misbehavior by one organization may negatively impact other organizations that either operate in the same industry or share traits with the misbehavior, even when the protagonists have no direct exchange relationship (e.g., Barnett & King, 2008; Desai, 2011; Jonsson et al., 2009). Yu and colleagues (2008) also suggest that the negative spillovers from an organizational crisis are likely to diffuse to organizations that share with the stricken organization the same "form," as defined by their set of core features, social boundaries, and network structures (Hannan & Freeman, 1977).

Perceptions of groupness have been shown to guide information processing about groups (Hamilton, Sherman, & Castelli, 2002) and to be related to such key aspects of group impressions and attributions (Lewis & Sherman, 2010) as stereotyping and generalization (e.g., Brewer & Harasty, 1996; Crawford, Sherman, & Hamilton, 2002). Because perceptions of high group homogeneity can promote the generalizability of attributes across members (Crawford et al., 2002; Tajfel & Turner, 1986), they may in turn favor the stereotyping of group members by external audiences (Spencer-Rodgers, Hamilton, & Sherman, 2007).

Stereotyping is a process of categorization and evaluation (Lippmann, 1992) that minimizes objective differences between actors. Perceptions of groupness involve generating an abstraction or a stereotype regarding a group, and can trigger the application of the generalized attributes to all group members (e.g., Brewer & Harasty, 1996; Crawford et al., 2002). Stereotyping processes may therefore prove significantly damaging when negative attributes are ascribed to the group. As prior work has shown (e.g., Roehm & Tybout, 2006; Sullivan, Haunschild, & Page, 2007; Vergne, 2012), negative evaluations are particularly contagious. Specifically, stigma attribution is based on broad categorizations (Frale, 1993), and leads audiences to see stigmatized organizations in terms of the stereotyped attributes associated with their group (Mishina & Devers, 2012). Once connected to stereotypes, stigma is thus

generalized to peers on the basis of perceptions of similarity. As a consequence, we propose that greater perceived similarity between partners increases the probability that a non-stricken partner might be viewed as either equally culpable or equally likely to experience similar adverse events as the stricken ally, thus increasing the probability of negative spillover (Votolato & Unnava, 2006). In turn, the more the non-stricken partner will expect external audiences to perceive it as similar to its tainted ally, the more it will fuel its stigma anxiety. Therefore:

*Proposition 6: The greater the perceived similarity between the stricken organization and its alliance partner, the more it will amplify the positive effect of the risk of stigmatization on the non-stricken partner's stigma anxiety.*

## **DISCUSSION AND CONCLUSION**

We started this paper's theoretical inquiry driven by the under-researched question of how an ongoing and well-functioning alliance can be disrupted following an organization-specific adverse event. Specifically, we sought to further our understanding of how the balance between cohesive and disruptive forces may shift in light of adversity. The resulting theoretical framework provides novel insights into key disruptive mechanisms, their triggers, and their direct and indirect effects on the probability of alliance partner defection. We discuss the contributions of our theoretical work in greater detail below.

### **Contributions**

First, the integrative theoretical framework we developed extends the boundaries of theorizing on alliance instability by connecting the literature on organizational stigma and the event perspective on alliances. By doing so, we complement the dominant internal tensions perspective and contribute to developing an event-based view of alliance instability. Our study points out that the internal tensions perspective is better suited to explain sources of alliance instability that are continuously experienced throughout the duration of the alliance (e.g.,



partner differences), but falls short of providing a satisfying explanation of discontinuous (i.e., event-based) drivers of instability, which are outside of the alliance scope and do not originate from internal tensions between partners. The importance of studying events and their impact on organizations cannot be overstated, as events are often the means by which organizations change, or interrupt, their routines or regular behavior (e.g., Morgeson et al., 2015). As such, our framework theorizing the effects of organization-specific events is a valuable contribution to the research on alliance instability.

Furthermore, our theoretical framework connects the under-researched field of organizational stigma (Devers et al., 2009: 154), with its focus on socio-psychological factors, to the literature on alliance instability, which focuses primarily on the economic antecedents of partner defection. Considering how both economic and socio-psychological factors may affect alliance instability is important because both types of factors need to be aligned to maintain the alliance longevity. On one hand, for an alliance to continue, the partners must perceive a positive benefit–cost relationship, which favorably reflects the economic basis. On the other hand, even in situations where the economic basis for the alliance is present, without the social glue of trust and perceived partner commitment, alliances are unlikely to deliver their potential economic pay-off (Cullen et al., 2000; Uzzi, 1997). At the same time, some socio-psychological factors, in particular, negative social assessments such as stigma, can disrupt an alliance with favorable prospects of economic pay-off, as was the case with LEGO and Shell. While both socio-psychological and economic dimensions of the alliance relationship are important, our theorizing shows that the two disruptive mechanisms – relational uncertainty and stigma anxiety – might affect these dimensions to a different extent.

Second, the theoretical model developed in this paper has important implications for understanding the balance between cohesive and disruptive forces within an alliance, and how this balance could shift in light of adversity. Although scholars have acknowledged that this

balance determines alliance longevity (Greve et al., 2010; Polidoro et al., 2011), surprisingly few research have jointly considered cohesive and disruptive forces when investigating the roots of alliance instability. Our study proposes an integrative framework that considers both cohesive and disruptive forces by introducing and discussing mechanisms and contingency factors that can shift the balance between these forces. Specifically, we introduce two disruptive mechanisms that result from the risk of stigmatization—relational uncertainty and stigma anxiety—and highlight the similarities and differences of their effects on the balance of forces in the alliance. We discuss how relational uncertainty affects the balance by weakening cohesive forces exclusively, while stigma anxiety tilts the balance toward disruption by adding to disruptive forces (a direct effect) and weakening cohesive forces (an indirect effect), both of which lead to a greater probability of partner defection. In addition, we discuss how these two disruptive mechanisms can also ignite internal tensions in the alliance, a theoretical insight that complements the internal tensions perspective, which has often theorized about the consequences of tensions on alliance instability but has under-explored the antecedents of such tensions.

Third, our paper contributes to the literature on alliance dynamics by expanding recent research investigating whether alliance instability may be shaped by the same factors that contribute to alliance formation (e.g., Greve et al., 2010). Within our theoretical framework, we consider the key factors of alliance formation and theorize their moderating role—that is, their capacity to inhibit or catalyze stigma anxiety and/or relational uncertainty—that results from the increased risk of stigmatization. In line with recent studies (Polidoro et al., 2011; Shah & Swaminathan, 2008), we propose that the moderating role of these factors in the case of potential partner defection may differ from their effects on alliance formation. In particular, we predict that while the non-stricken partner's perceptions of current and future resource interdependencies as well as the high level of resource embeddedness in an alliance will

continue to strengthen cohesive forces when the risk of stigmatization increases, perceived similarity between the stricken partner and its non-stricken stricken ally will amplify the latter's stigma anxiety and thus increase the likelihood of its defection. As a consequence, our framework advances our understanding of partner defection by further integrating valuable insights from the literature on alliance stability and alliance termination—two streams that have developed seemingly in parallel but, in the past, have rarely been integrated.

Furthermore, our research has important implications for managers of organizations facing adverse events. First, identifying which factors can amplify or attenuate stigma anxiety and relational uncertainty is critical in enabling a stricken organization to evaluate the risk of its partner defecting. Second, explicitly linking stigmatization to the probability of alliance partner defection draws managers' attention to the possibility that their organization may not be able to rely on that partner offering a helping hand, and so should focus instead on in-house solutions or finding an alternative partner. Finally, although alliance managers may be familiar with a repertoire of responses to adverse situations, such as changes in their partner's product portfolio or contract disagreements (Tjemkes & Furrer, 2010), their responses to a stigmatizing adverse event will need to extend beyond the scope of their alliance partner: because stakeholders' evaluations may significantly affect their partner's reactions, managers will need to also attend to stakeholders' concerns.

### **Limitations and Future Research**

Just as the framework presented here answers some questions, it also highlights important issues that are yet to be addressed.

*Dyadic versus multi-partner alliances.* While we believe that in any type of alliance, a partner's decision to defect will be affected by the factors we describe in our model, multi-partner alliances differ significantly from dyadic alliances (Heidl, Steensma, & Phelps, 2014), and these differences have important implications for our framework.

First, dyadic alliances form and dissolve relatively independently from each other, compared with multi-partner alliances (Heidl et al., 2014), where chain reactions and coalitions may be common, such that several partners may decide to leave the alliance after a first partner has defected. Our framework could thus be extended to account for the interactions between the actions of multiple partners.

Second, multi-partner alliances are likely to be more complex than dyadic alliances because of not only the greater number of partners but also the involvement of potentially more diverse characteristics and alliance histories, which create unique challenges, in terms of coordination, conflict resolution, and communications (Heidl et al., 2014; Li, Eden, Hitt, Ireland, & Garrett, 2012). Thus, we suggest that while our predictions about the effects of, in particular, perceived partner similarity, interdependencies, and relational embeddedness, can be generalized to the case of multilateral alliances, some nested endogenous effects may also need to be accounted for. For example, Heidl et al. (2014) stressed that a schism between *any* two partners (or divisive fault lines between subgroups of partners) in a multi-partner alliance jeopardizes the entire alliance and may lead to the dissolution of all the ties within the alliance. The implication, then, is that the effect of relational embeddedness on the stability of multi-partner alliances may not be linear, as we predict in the case of a dyadic alliance. At the same time, multi-partner alliances can be more tenuous because common third parties linked to every pair of partners prevent the occurrence of destabilizing schisms and promote trust and resolve conflicts (Park & Russo, 1996; Rosenkopf & Padula, 2008). As a consequence, the effects of partner commitment and relational embeddedness will be reinforced in the multi-partner setting. In sum, identifying relevant factors in multi-partner alliances presents challenges, given the limited amount of research on multilateral alliances; yet, this field of investigation is critical in enhancing our understanding of this important organizational form (Li et al., 2012).

***Interaction effects between antecedents of partner defection.*** Predicting a partner's defection in light of an adverse event is challenging because multiple conditions with sometimes opposing effects can concurrently influence the organization's behavior. For example, considering the effects of a particular antecedent independently from the others can lead to a misconceptualization of predictors as discrete and unrelated to others. Supporting this notion of interrelatedness, Casciaro and Piskorski (2005) and Meuleman and colleagues (2010) suggested that the effects of relational embeddedness should be stronger under conditions of high mutual dependence, as embeddedness fosters trust and commitment, and therefore increases the willingness to accept greater interdependence. A potential extension of our theoretical framework would, thus, consist of considering interaction effects between the antecedents of partner defection.

***Response strategies.*** The occurrence of organization-specific adverse events puts partners' loyalties to the test. Our framework investigates the probability of only one possible reaction—defection—which has been characterized as a destructive response (Ping, 1999; Tjemkes & Furrer, 2010). However, existing research has highlighted a variety of partners' response strategies in adverse situations other than exiting, including aggressive or creative voice, loyalty, neglect, or opportunism (Hirschman, 1970; Ping, 1999; Tjemkes & Furrer, 2010; Yu et al., 2008). In addition to studying the possible response strategies of the stricken organization's alliance partners, future research might also investigate the effects on alliance stability of the stricken organization's "repairing" activities following such an adverse event. As emphasized by prior research, these activities encompass various organizational tactics of impression management, acknowledgments, negotiations, excuses, justifications, denials, or concealment, and may thus attenuate responsibility for controversial events and/or accentuate their positive aspects (e.g., Elsbach, 1994; Wiesenfeld et al., 2008).

***The role of context.*** While the framework we propose focuses on organization-specific factors, it would be interesting to contextualize it by taking into account such environmental factors as industry or cultural characteristics. For instance, industry uncertainty and munificence have been shown to impact alliance formation and termination (Yin & Shanley, 2008; Yu et al., 2008), and may similarly affect partners' decision to defect. Industries may also vary in their vulnerability to stigmatizing events: we may, for instance, hypothesize that the attribution and diffusion of stigma following adverse events may differ in already stigmatized settings, such as tobacco or weapons industries, compared with non-stigmatized settings, such as footwear or automobile industries. Finally, because of inter-cultural differences in audiences' judgments of wrongdoing (Hamilton & Sanders, 1983), more research is needed on the effects of stigmatizing events in different cultural contexts.

***Testing of our framework.*** Another subject for future research is the testing of our framework of partner defection in an empirical setting. Although operationalizing some factors (e.g., the degree of perceived similarity) may prove challenging, the framework lends itself well to testing. For instance, our key disruptive mechanisms – relational uncertainty and stigma anxiety – could be measured with a set of Likert-type questions submitted to the companies' executives involved with the alliance. Specifically, in order to capture the construct of relational uncertainty, we suggest complementing existing measures of behavioral uncertainty, which are partner-oriented (e.g., Brouthers, Brouthers & Werner, 2003), with attributional confidence measures used in the psychology and communications studies (e.g., Knobloch & Solomon, 1999). As for stigma anxiety, it could be measured as the degree of concern felt by the decision-makers. This stigma anxiety measure would capture aspects such as the managers' perceptions of how external audiences view the organization and its stricken partner, perceptions of the criticality of the situation for the organization, efforts that the organization puts in monitoring

the situation, as well as discussing and anticipating any measures to alleviate negative spillovers.

Translating the propositions we developed into testable hypotheses requires taking into account several issues. First, it requires choosing an empirical setting where organizations frequently rely on alliances (e.g., biotechnology, pharmaceutical, semiconductor, or airline industries). Second, it requires determining the study's scope (i.e., whether to select multiple industries or rely on a single one), which will affect the type of adverse event studied—whether general (e.g., tax fraud or bankruptcy) or industry-specific (e.g., refusal of drug approval in the biopharmaceutical industry or an airplane crash in the airline industry).

We recommend that empirical models include the following factors, which may affect partners' reactions to adverse events and subsequently the probability that they will defect: (1) alliance-related factors, such as the length of collaboration, number of partners in an alliance, and type of alliance; (2) factors related to alliance partners' characteristics, such as public vs. private organizations, partners' resource endowments and interdependence, partners' industry of operation, and partners' nationality; (3) controls for pre-existing internal tensions between partners, such as power balance and incidence of alliance agreement renegotiations. With regards to the last set of factors, it would be of particular interest to test the relative impacts of internal tensions and external contingencies on the probability of alliance termination. We believe a quantitative approach would be the most appropriate method for empirically testing our proposed framework.

## **Conclusion**

In this paper, we have advanced an event-based view of alliance instability and addressed the conditions under which alliance partners might defect rather than stick to their ally stricken by an organization-specific adverse event. The framework and mechanisms we developed contribute to the research on the antecedents and contingencies of alliance instability and on

the consequences of stigmatization in inter-organizational contexts. They also inform managerial decisions about organizations' reliance on their alliance partners in times of trouble.



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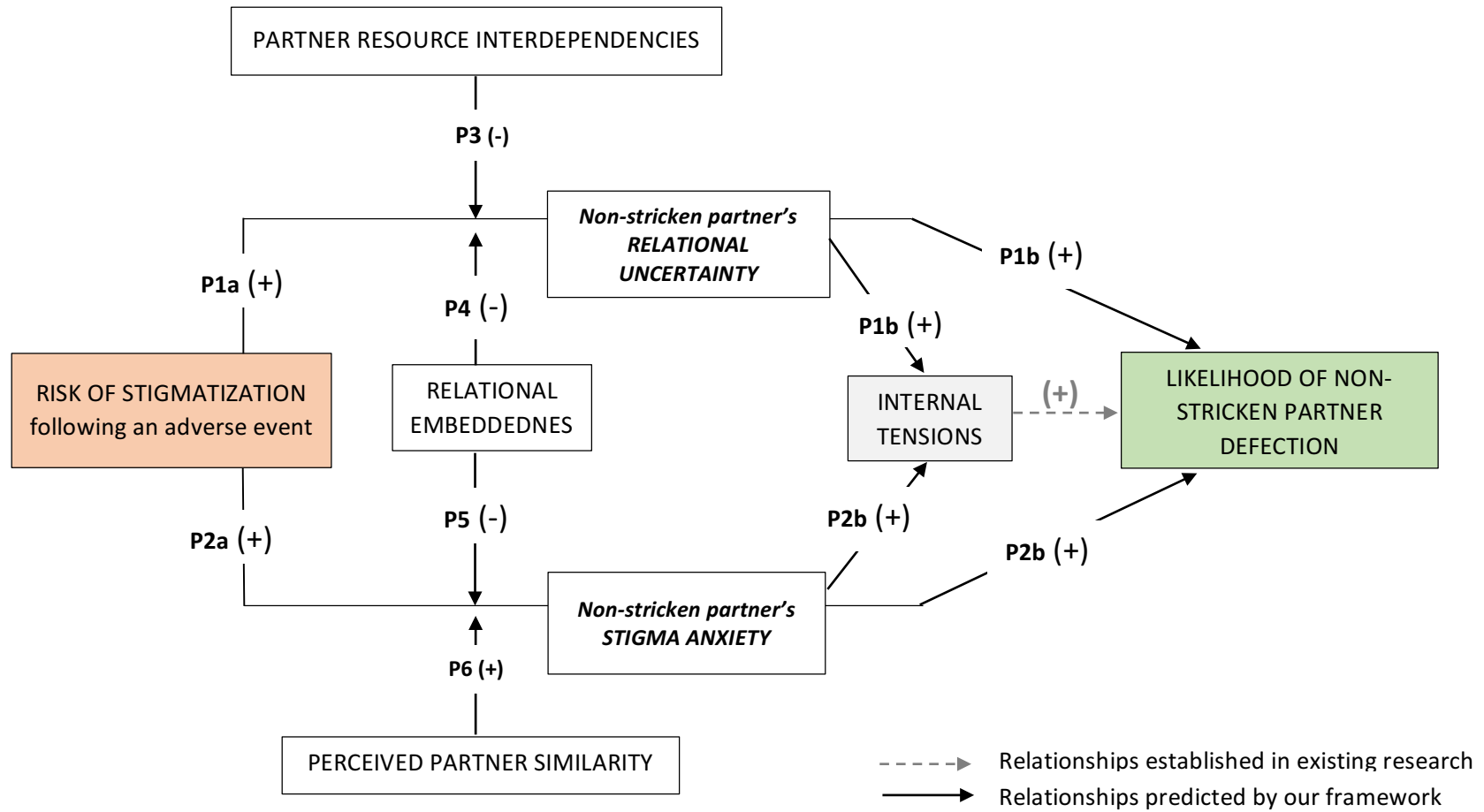
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**FIGURE 1**  
**Theoretical Framework**



**Table 1 Key arguments supporting baseline propositions**

		Disruptive mechanisms	
		<b>Relational uncertainty</b> <i>Non-stricken partner's doubts regarding the trustworthiness and commitment of its stricken partner and apprehension regarding the current and future state of the alliance</i>	<b>Stigma anxiety</b> <i>Non-stricken partner's fear of being stigmatized by association</i>
Adverse event properties increasing risk of stigmatization (P1a & P2a)	<b><i>Perceived severity</i></b> The sum of the harms done to the victims of the adverse event.	<ul style="list-style-type: none"> <li>▪ Creates uncertainty about the stricken partner's ability and commitment to fulfil its part of the alliance deal.</li> <li>▪ Lowers perceptions of the stricken organization's trustworthiness</li> </ul>	<ul style="list-style-type: none"> <li>▪ Triggers higher scrutiny of the stricken firm, which may diffuse broadly and affect organizations far from the initial event.</li> </ul>
	<b><i>Perceived controllability</i></b> The extent to which the cause of the event is perceived to be under the actor's control.	<ul style="list-style-type: none"> <li>▪ Creates uncertainty about the stricken partner's willingness and ability to prevent such events from occurring in the future.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Elicits negative emotions such as contempt and disgust as well as diffused scrutiny.</li> </ul>
	<b><i>Saliency</i></b> The extent to which an adverse event stands out.	<ul style="list-style-type: none"> <li>▪ Creates uncertainty about the stricken partner's ability to effectively address the adverse event without also negatively affecting its commitment and contribution to the alliance.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Increases the moral intensity of the event and increases the exposure of organizations to audiences' scrutiny.</li> </ul>
Effects of the disruptive mechanisms (P1b & P2b)	<b><i>Balance between cohesive and disruptive forces</i></b>	Weakens cohesive forces	Weakens cohesive forces Increase disruptive forces
	<b><i>The likelihood of non-stricken partner defection</i></b>	<ul style="list-style-type: none"> <li>▪ Creates perception of betrayal (<i>direct effect</i>).</li> <li>▪ Creates perception of the tainted organization as less committed and less able to fulfill its responsibility to the alliance (<i>indirect effect</i>).</li> </ul>	<ul style="list-style-type: none"> <li>▪ Generates fear of being tarred by the same brush (<i>direct effect</i>).</li> <li>▪ Creates non-stricken partner's doubts about its own future commitment to the alliance (<i>indirect effect</i>).</li> </ul>

**Table 2**  
**Key arguments supporting moderating effects**

	<b>Moderated relationship</b>	
	<b>Risk of stigmatization on relational uncertainty</b>	<b>Risk of stigmatization on stigma anxiety</b>
<b>Partner resource interdependencies (P3)</b>	<p style="text-align: center;"><i>Inhibiting moderating effect:</i></p> <ul style="list-style-type: none"> <li>▪ Create conditions for mutual commitment and structures for interactions and communication among partners.</li> <li>▪ Improve expectations of how the stricken ally might behave after the event.</li> <li>▪ Reduce incentives for opportunistic behavior.</li> </ul>	
<b>Relational embeddedness (P4 &amp; P5)</b>	<p style="text-align: center;"><i>Inhibiting moderating effect:</i></p> <ul style="list-style-type: none"> <li>▪ Increases empathetic responding and positivity bias as well as “irrational acts of trust.”</li> <li>▪ Strengthens perceptions of mutuality between partners</li> <li>▪ Decreases concerns about relational risks</li> <li>▪ Strengthens present and future commitment</li> </ul>	<p style="text-align: center;"><i>Inhibiting moderating effect:</i></p> <ul style="list-style-type: none"> <li>▪ Lowers perceptions of the risk of stigmatization</li> <li>▪ Promotes trust and facilitates the transfer of fine-grained information</li> <li>▪ Prevents the stricken organization’s partner from adequately assessing the risk of stigmatization through a cognitive and affective lock-in that isolates the non-stricken partner from the rest of the network.</li> </ul>
<b>Perceived partner similarity (P6)</b>		<p style="text-align: center;"><i>Amplifying moderating effect:</i></p> <ul style="list-style-type: none"> <li>▪ Increases the probability that the non-stricken partner might be viewed as equally culpable (or having high probability to experience similar adverse event as the stricken ally).</li> </ul>