HOW TO ACHIEVE BENEFITS FROM DIVERSITY IN INTERNATIONAL ALLIANCES:
MECHANISMS AND CULTURAL INTELLIGENCE

Short title: How to achieve benefits from diversity in alliances

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ABSTRACT

Research summary: Despite interest in alliance management in the global strategy field, we have only limited insights into how firms can manage diversity-related conflicts in international alliances. By referring to the conflict literature, our study introduces task discourse as a crucial mechanism allowing task conflict resolution. We further describe conflict resolution via socializing practices including social events, joint workshops, and inter-organizational teams. Socializing practices and discourse take advantage of cultural intelligence, empowering managers to interact efficiently in intercultural settings. Data on 148 international alliances in the photonics and biotechnology industries reveal that managerial cultural intelligence improves task discourse, thus enhancing performance, especially in young alliances. Socializing practices, however, decrease performance with increasing cultural distance and without sufficient levels of managerial cultural intelligence.

Managerial summary: International alliances face a dilemma. Cross-national differences offer valuable complementarities, but they can also spark a negative spiral of dysfunctional conflict. Our study shows that task discourse is an important mechanism for achieving advantages from the different perspectives offered by international alliances. Interestingly, our results further reveal that socializing practices including inter-organizational teams, social events, and joint workshops do not per se have beneficial effects for international alliances. Putting people together who are unable to perform in intercultural settings is damaging to alliance performance. Our study indicates the specific conditions under which socializing practices have negative and positive effects and thus provokes a discussion about the appropriate application of these practices.
INTRODUCTION

The different cultural and institutional environments of firms engaged in international alliances can create beneficial complementarities (Parkhe 1991; Madhok and Tallman 1998). Nonetheless, salient and apparent diversity in international alliances cause ambiguity (Kumar 2014) and conflicts—ranging from task-related disputes to personal dislike and disagreement (Jehn 1995)—which can reduce alliance performance (Demirbag and Mirza 2000; Hambrick, Li et al. 2001; Pak, Ra et al. 2009; Steensma and Lyles 2000). Even though effectively managing these conflicts is critical to gaining advantages from international alliances’ inherent diversity, we still know little about how to resolve them (Ren, Gray et al. 2009).

The purpose of this paper is to elucidate how firms can cope with conflicts and improve performance in international alliances by creating trustful relationships and leveraging complementarities between partners. Our theoretical framework is based upon the conflict (Jehn 1997; Parry, Song et al. 2008) and sensemaking literature (Weick 1995). Our model introduces task discourse as an instrument for achieving advantages from task-related disputes. Task discourse captures the open and constructive discussion of ideas, opinions, and problem-solving approaches (Pesch and Bouncken 2017) and supports alliance partner employees’ ability to make sense of conflicting task understandings. We further discuss the appropriateness of socializing practices related to social events, joint workshops, and inter-organizational teams as these allow members to cope with personal dislike and disagreement in international alliances. The model hypothesizes that these socializing practices improve task discourse and performance while supporting the development of inter-organizational trust. Socializing practices can prevent the escalation of affective tensions; international alliance are highly vulnerable to these due to geographical separation, culture-specific expectations, and a lack of personal familiarity between firms (Kumar 2014). However, we emphasize that the beneficial effects of socializing practices depend on firms’ managerial
cultural intelligence (Ang and Inkpen 2008). If managers are not able to interact and perform in intercultural settings, socializing practices could lead to mistrust and even worsen the interactions among employees in international alliances. Simply putting people with low managerial cultural intelligence in a room together will decrease alliance performance. Figure 1 presents our hypothesized model.

\[\text{Insert Figure 1 here}\]

We test our hypothesized model via structural equation modeling, using survey data from 148 international alliances involving German firms in the photonics and biotechnology industries. Our results show that task discourse drives performance, while socializing practices can decrease inter-organizational trust and alliance performance under specific conditions. Given low managerial cultural intelligence and increasing cultural distance, socializing practices are counterproductive in international alliances. Particularly for alliances with Asian firms, socializing practices decrease inter-organizational trust. Sixteen post hoc interviews reveal that employees’ reserve and thoughtfulness, as well as differences in power distance, communication directness, and task focus, are the reasons behind these destructive effects of socializing practices. These findings may encourage future discussion about whether, how, and when to use socializing practices in international alliances.

THEORETICAL BACKGROUND

The raison d'être of international alliances is the partners’ complementarity or Type I diversity as defined by Parkhe (1991). However, the different strategic directions, corporate cultures, national contexts, and societal cultures can also create Type II diversity, which is associated with interactional ambiguities and conflicts in international alliances (Kumar 2014; Parkhe 1991). Diversity within alliances may damage or enhance the performance of the alliance,
depending on whether firms are able to resolve conflicts and combine their different resources (Tallman and Phene 2007; Ren, Gray et al. 2009).

Conflicts ‘occur when two or more parties are in opposition or in battle as a result of perceived relative deprivation from the activities of or interacting with another person or group’ (Litterer 1966, p. 180). Conflicts take relationship-focused or task-focused form (Jehn 1997). Relationship conflicts center on personal dislike and disagreements associated with suspicion, distrust, and hostility, while task conflicts concern disagreement about the task at hand and how it should be performed (Jehn 1997). Relationship conflicts lead to productivity losses, dissatisfaction and a decline in task-related effort because individuals spend their effort to reduce threats and fight for power (Jehn 1997; Mooney, Holahan et al. 2007). International alliance research has concentrated on relationship conflicts and their destructive effects (Christoffersen 2013; Reus and Rottig 2009).

In contrast, task conflicts can provide new and better approaches to task execution (Hambrick, Li et al. 2001; Li and Hambrick 2005; Parry, Song et al. 2008). Task conflicts are strongly driven by Type I diversity. According to the culture-cognition approach (Nisbett, Choi et al. 2001), culture-specific cognitive differences scale up into divergent organizational processes, problem-solving approaches, and knowledge stocks, leading to high potential for task conflict within international alliances (Hambrick, Li et al. 2001). We assume that using and resolving task conflicts can create valuable complementarities. However, relationship conflicts due to Type II diversity can impede task conflict resolution, as parties may conflate behavioral factors with differences around task accomplishment, perceive the task conflict as personal rejection, or take the potentially harsh language of task conflict personally (Mooney, Holahan et al. 2007; Simons and Peterson 2000). These affective tensions are strongly driven by cross-national differences and create latent conflict potential (Kumar 2014), which may evolve into perceived and manifest conflict (Pondy 1967). First, individuals who become
aware of latent and manifest tensions may attempt to overcome task conflict rationally through dialogue. If they fail, personal dislike and fights could induce (relationship-focused) conflict escalation, which is associated with stereotyping, distrust, and a lack of respect (Glasl 1982). Additionally, the prevalence of asynchronous communication and low levels of personal interaction and familiarity in international alliances due to geographic separation hampers the conveyance of cues and delays feedback (McGrath 1991). This interactional ambiguity increases the likelihood of escalating affective tensions, potentially even transforming task conflicts into relationship conflicts. Parties can see task-related disagreement as evidence of personal rejection due to cultural misattribution or taking offense at culture-specific harsh language.

Thus, firms gain advantages when they resolve conflicts and prevent escalation, as they can leverage the beneficial complementarities inherent in Type I diversity. Understanding and resolving conflicts is central to international alliance performance (Ren, Gray et al. 2009), as cross-national differences strongly drive ambiguities and conflicts (Parkhe 1991; Simonin 1999). We argue that firms can use (1) task-focused conflict resolution in the form of task discourse that promotes sensemaking and (2) relationship-focused conflict resolution in the form of socializing practices that allow direct interaction and ease social bonding.

HYPOTHESIS DEVELOPMENT

Task discourse

Generally, discourse refers to communicative practices through which individuals construct meaning (Phillips, Lawrence et al. 2004). Task discourse occurs when alliance partner employees share, question, and challenge each other’s various perspectives and problem-solving methods (Pesch and Bouncken 2017; Tsai and Bendersky 2016). Discourse is a manifestation of sensemaking (Weick 1995), a process through which individuals attempt to
explain and understand a novel, unclear, or confusing event by applying language, talk, and communication (Weick et al., 2005). Sensemaking in alliances is strongly related to discourse among alliance partner employees (Cheung, Myers et al. 2011) and can occur via medial communication (e.g., phone, email, or video conferencing) and direct co-presence (Pesch and Bouncken 2017). Culture-specific perspectives and problem-solving approaches, as well as a lack of proximity, can strongly drive task conflicts in international alliances (Kumar and Patriotta 2011; Simonin 1999). Thus, international alliances have a great need for sensemaking processes to cope with divergent task understandings. Through task discourse, alliance partner employees can make sense of divergent and culture-specific perspectives. Developing a better understanding of each other’s perspectives and the alliance in general can prevent divergent task understandings from escalating into destructive conflict spirals.

Glasl (1982) emphasizes that dialogue allows parties in conflict to find rational solutions to latent and manifest tensions and antagonisms. Open and constructive discourse brings about an awareness of the limitations of personal views and creates insights into complementarities (Tjosvold, Wong et al. 2014). Parties openly and constructively analyze their novel ideas, strengths, and weaknesses (Chen 2004; Pesch and Bouncken 2017). Discussing the other party’s perspectives and resources in detail supports the development of an understanding about how to achieve benefits from complementarities. Additionally, constructive discourse about the various approaches to and components of tasks challenges conventional thinking, stimulates the development of alternative and novel ideas (Tjosvold, Wong et al. 2014), and helps participants avoid jumping to initial or easy conclusions (Jehn 1995).

Hypothesis 1: The greater the level of task discourse is, the greater the performance within an international alliance will be.

Socializing practices
Socializing describes the attempt to interact with others through social activities and personal relationships (Poppo and Zhou 2014; Ring and Ven 1994). Social events, joint workshops, and inter-organizational teams stimulate personal interaction among alliance partner managers (Lawson, Petersen et al. 2009; Poppo and Zhou 2014). Relationship building through socializing practices is a means of addressing relationship conflicts because it helps in overcoming interactional ambiguities (Kumar 2014). Social events, joint workshops, and inter-organizational teams create bridging ties (Ren, Gray et al. 2009) that can solve some of the problems experienced by international alliances and related to the remote work context, in which employees often observe their counterparts in the other firm only temporarily or via media.

Socializing practices avoid the escalation and support the resolution of relationship conflicts by increasing personal understanding. Close personal relationships support employees in developing trust in their counterparts (Kale, Singh et al. 2000). Bonding through socializing practices can increase the pro-social motivation of alliance managers and allow for more active processing and a better understanding of the other party’s specific national and firm context (Wilson, O'Leary et al. 2008). For example, the parties may come to see that harsh language does not indicate conflict but only reflects the other party’s cultural background. Direct personal contact and bonding through socializing practices go hand in hand with relational embeddedness, which eases the transfer of knowledge, especially tacit knowledge (Dhanaraj, Lyles et al. 2004).

Additionally, socializing practices prevent task conflicts from escalating into relationship conflicts. Bonding and co-location may increase pro-diversity beliefs, motivate the separation of functionalities from task conflicts, and improve mutual learning. The pro-social and pro-diversity nature of socializing practices improves partners’ ability and willingness to identify potentially synergistic resources (Madhok and Tallman 1998). The direct interaction and
feedback inherent in socializing practices increase task understanding and encourage synchronous communication (Ocker and Yaverbaum 1999) Socializing practices create an arena for in-depth discussion around tasks and their completion.

*Hypothesis 2a: The greater the level of socializing practices is, the greater the level of performance within an international alliance will be.*

*Hypothesis 2b: The greater the level of socializing practices is, the greater the level of task discourse within an international alliance will be.*

**Trust**

Trust is an important aspect of relational quality in international alliances because it enhances the likelihood of open and honest information sharing (Dhanaraj, Lyles et al. 2004; Nielsen and Nielsen 2009). Zaheer et al. (1998, p. 142) define inter-organizational trust ‘as the extent of trust placed in the partner organization by the members of the focal organization.’ Trust includes multiple dimensions, which vary based on the specific research context. Expectations regarding the other party’s reliability and fairness are particularly relevant to the international alliance context because both dimensions are prerequisites for openness and accessibility enabling effective interaction in international alliances (Lane, Salk et al. 2001). Inter-organizational trust gives firm managers confidence that the other party will refrain from acting opportunistically (Muthusamy and White 2005). With high levels of inter-organizational trust, firm managers are less likely to misinterpret the culture-specific behavior of the alliance partner. When firm managers trust that the other party is working toward their shared goal, rather than in an opportunistic manner, they will perceive the others’ critical comments as being more helpful and constructive, enabling an open-minded dialogue about task-related issues (Pesch and Bouncken 2017). In contrast, given low levels of inter-organizational trust, firms’ managers may be more likely to react in a retributive manner,
rather than in a constructive manner, because they see disputes and contradictory opinions as personal attacks. Socializing practices build and establish inter-organizational trust by creating opportunities to meet the other party and to get to know their expectations, needs, and perspectives (Lawson, Petersen et al. 2009). Inter-organizational trust may mediate the relationships between socializing practices and task discourse and between socializing practices and alliance performance.

_Hypothesis 3a: The greater the level of socializing practices is, the greater the level of inter-organizational trust within an international alliance will be._

_Hypothesis 3b: The greater the level of inter-organizational trust is, the greater the level of performance within an international alliance will be._

_Hypothesis 3c: The greater the level of inter-organizational trust is, the greater the level of task discourse within an international alliance will be._

**Managerial cultural intelligence**

Parkhe (1991) concludes that rapid internationalization and cooperation require a cadre of culturally sophisticated and internationally experienced managers. Specifically, firms in international alliances can use cultural intelligence to take advantage of their managers’ ability and motivation to cope with cultural differences. Organizational cultural intelligence defines ‘an organization’s capacity to reconfigure its ability to function and manage effectively in culturally diverse settings’ (Moon 2010, p. 460). A firm’s managerial cultural intelligence has four interrelated dimensions: meta-cognition, cognition, motivation, and behavior. Meta-cognitive cultural intelligence refers to higher-level cognitive processes, such as thinking about thinking (Moon 2010), which enable managers to be aware of, monitor, and acquire cultural knowledge (Earley and Ang 2003). The cognitive dimension of cultural intelligence includes general knowledge about foreign cultures (Ang, van Dyne et al. 2006).
The motivational component represents an individual’s interest in and willingness to direct effort and attention toward cultural differences. The behavioral dimension describes a person’s ability to engage in appropriate verbal and nonverbal actions in intercultural settings (Earley and Ang 2003).

Knowledge about cultural differences and culturally sensitive behavior eases the direct and indirect interactions of employees from different national backgrounds and thus creates advantages when addressing task conflicts. Managerial cultural intelligence increases the level of openness to divergent views and the ability to reconcile contradictions. Knowledge about culture-specific values and communication behavior improves dialogue and reduces interactional ambiguities and misunderstandings that would otherwise generate relationship conflicts. Managers with high levels of cultural intelligence are open to others’ ideas and able to compare and evaluate divergent perspectives and problem-solving approaches without potentially escalating relationship conflicts (Ang and Inkpen 2008). Higher cultural intelligence includes the conscious awareness needed to reflect on one’s own cultural assumptions and adjust one’s mental models in intercultural settings.

Hypothesis 4a: The greater a firm’s level of managerial cultural intelligence is, the greater the task discourse will be.

We assume that managerial cultural intelligence has a moderating effect on how socializing practices influence trust and alliance performance. The logic is that ‘throwing people into a room together’ does not guarantee high interaction quality and bonding (Lawson, Petersen et al. 2009; Oh, Chung et al. 2004). Socializing practices bring parties from different firms and international contexts together. When parties meet for the first time, each will consciously and subconsciously aim to understand the other party’s attitude toward them. This first impression guides their own behavior (De Bruin and Van Lange 1999). For example, individuals pre-consciously recognize another’s gender, race, and age within
milliseconds of the first meeting and then tend to categorize that person socially (De Bruin and Van Lange 1999). Prejudice and social categorization begin within the first minutes of a personal meeting. If people do not feel sympathy with one another or even dislike one another, both reactions often being caused by prejudice based on cultural distance, then continued direct personal contact via socializing practices may even worsen the alliance interaction. If dislike and social categorization continue, relationship conflicts can arise and damage task discourse (Van Knippenberg, De Dreu et al. 2004).

In contrast, through managerial cultural intelligence, alliance partner employees can take advantage of socializing practices. Managerial cultural intelligence helps alliance partner employees to cope with ambiguities or antagonistic viewpoints during socializing practices. Greater cultural intelligence allows a better evaluation of others and their attitudes, which may prevent or resolve affective tensions. Given low levels of managerial cultural intelligence, socializing practices will trigger social categorization, increasing the affective tensions and mistrust between alliance partners (Björkman, Stahl et al. 2007). Managerial cultural intelligence includes pro-social effects. Understanding that one can be mistaken sometimes and accidentally behave in a culturally insensitive manner can increase a person’s ability to forgive third-party transgressors and to identify with others who are different or have behaved with cultural insensitivity (Jordan, Flynn et al. 2015). Additionally, managerial cultural intelligence increases the motivation to interact with others from different cultural backgrounds, which is a crucial prerequisite to applying socializing practices. Higher managerial cultural intelligence improves the effect that socializing practices have on openness, exchange, and trust perceptions. In contrast, low levels of managerial cultural intelligence reduce the benefits of socializing practices, including the development of familiarity and trust.
Hypothesis 4b: Managerial cultural intelligence positively moderates the relationship between socializing practices and alliance performance.

Hypothesis 4c: Managerial cultural intelligence positively moderates the relationship between socializing practices and inter-organizational trust.

METHOD

Sample and data collection

The empirical analysis builds on data obtained from firms operating in the German photonics and biotechnology industries. Both industries are characterized by high alliance frequency. ‘Photonics’ refers to science or technologies dealing with various aspects of light, such as light generation, emission, transmission, modulation, signal processing, switching, amplification, and detection/sensing. The photonics industry includes firms involved in LED lighting, photovoltaic solar energy, photonic integrated circuits, optical components, lasers, sensors, imaging, displays, projectors, and optical fiber (EPIC 2014). This industry is highly innovative and depends on foreign markets (Bähren, Hartmann et al. 2013; Ding, Mannhardt et al. 2013). ‘Biotechnology’ refers to technologies that harness cellular and bimolecular processes. This industry involves various products, ranging from cancer drugs, pregnancy tests, and laundry detergents to cheese, beer, and bread.

Both industries are high-technology industries, an area characterized by uncertainty and risky product development processes. The biotechnology industry is also confronted with regulatory hurdles (for instance, clinical trials), which complicate commercialization throughout global markets (Rothaermel and Deeds 2004). International alliances offer these firms access to globally dispersed assets, which is needed to develop novel products and support global commercialization processes (Nielsen and Nielsen 2009). Due to the liabilities of smallness—both industries are characterized by small- and medium-sized firms (EPIC
—access to internationally dispersed resources and global markets is essential for firm survival. Thus, the ability to leverage the inherent diversity present in alliances is highly relevant to firms’ survival in the biotechnology and photonics industries.

We identified executives with managerial experience in international alliances who worked in the German photonics and biotechnology industries and applied various strategies to contact these executives. First, we identified an initial set of 1,300 potential respondent firms, which represent all biotechnology and photonics firms in Germany, by using lists provided by photonics and biotechnology industry associations. We sent our questionnaire, with a cover letter, to the management boards. If the management board members were not knowledgeable about their firm’s alliances, we asked them to forward our survey to a colleague who was involved in and knowledgeable about that firm’s international alliances. We also took the opportunity to visit the Laser World of Photonics—an international trade fair for optical technologies. This trade fair offered us a unique opportunity to make personal contact with executives and potential key informants within our selected firms. Through personal conversations, we identified knowledgeable key informants at the trade fair. From the 154 questionnaires received, we omitted six questionnaires due to missing values. Thus, our final sample consists of 148 international alliances of German firms, which represented a response rate of 11 percent.

At the beginning of the survey, we asked the respondents to base their responses on one international strategic alliance that they had significant knowledge about and/or were responsible for. Thirty-five percent of our key informants were members of their firm’s management board. Our other key informants held various functions in middle management (marketing, research and development, and others). On average, the managers had been working for their companies for eight years. We tested whether the members of the management board evaluated alliance performance differently than the middle managers and
whether a key informant’s tenure influenced the evaluation of alliance performance. The results indicate that neither management position nor tenure was significantly related to key informants’ evaluation of alliance performance.

In total, 35.1 percent of the surveyed firms belonged to the biotechnology industry; the rest belonged to the photonics industry. The surveyed firms’ sales volume for the previous year averaged 769.55 million euros (median: 6 million euros). The average number of employees was 2,095 (median: 30 employees) at the time of the survey. The firms had operated within the investigated alliance for an average of 10 years (median: 8 years). The firms’ alliance partners were dispersed around the world: 43.05 percent were from Europe (mostly from Western Europe but also Eastern and Southern Europe), 30.46 percent were from America (mostly from the United States but three companies were from Canada, and one was from Brazil), 24.5 percent were from Asia (mostly from China, Japan, and Israel but four companies were from Russia, three from South Korea, one from Malaysia, one from Armenia, and one from India), 1.33 percent were from Australia and New Zealand, and 0.33 percent were from Africa (Egypt).

To test the representativeness of our sample, we conducted an analysis comparing the distribution of SMEs and large firms in our sample with the total population of firms in the biotechnology and photonics industries in Germany. This analysis yielded an insignificant chi-square value for the photonics industry and a significant chi-square value for the biotechnology industry. The share of SMEs was lower in our biotechnology subsample (83 percent) than in the biotechnology population (98 percent). Because it was impossible—due to a missing database—to determine a priori which firms were involved in international alliances, our basic population, representing all biotechnology and photonics firms in Germany, consisted of a subset of firms that did not engage in international alliances. Alliance research stresses that the likelihood of forming an international alliance is lower for small
firms compared to large firms (Nielsen 2007). Therefore, the lower share of SMEs in our sample is not surprising, particularly in the case of the German biotechnology industry, where a remarkable 45 percent of all firms are very small firms with fewer than ten employees.

**Measurement and validation**

Our study measures socializing practices and firms’ managerial cultural intelligence, task discourse, inter-organizational trust, and international alliance performance as latent constructs that are operationalized on a five-point Likert scale (1 = ‘totally disagree’, 5 = ‘totally agree’). These constructs relate to firms’ international alliance about which our key informant were well-informed. In line with Das and Teng’s (2000) definition, the term ‘alliance’ refers to an cooperative inter-firm agreement between two firms from different countries, ranging from long-term contracts to joint ventures.

We generated the measurement items through a review of the alliance literature. To strengthen our content validity, we asked university faculty and doctoral students to assess whether our items were clearly formulated and whether they captured the conceptual domain of our construct. As a result, we slightly modified the wording of a few items.

**Socializing practices.** Inspired by Poppo and Zhou (2014), Cousins et al. (2006), and Lawson et al. (2009), we measured socializing as a) the frequent application of social events, b) joint workshops c) and the formation of inter-organizational teams. These three practices are particularly relevant in international alliances because they enable personal interaction and bridge geographical distance in international alliances.

**Task discourse.** To measure task discourse, we applied Pesch and Bouncken’s (2017) three item scale. The three items refer to the openness and regularity with which divergent opinions, ideas, processes, and procedures are discussed within the alliance.
Inter-organizational trust. To measure inter-organizational trust, this study applies Zaheer et al.’s (1998) scale, which includes three items: one item reflects the fairness component of trust, one refers to the reliability component of trust, and one directly addresses the partner’s trustworthiness.

Managerial cultural intelligence. Empirical research on firms’ managerial cultural intelligence is in its infancy. We applied a pre-test with Ang and Inkpen’s (2008) measurement suggestion that includes nine items. The fit indices (CFI=0.93; RMSEA=0.09; SRMR=0.06) and validity (AVE=0.47) were not adequate. To improve the managerial cultural intelligence measure, we discussed the scale with three alliance managers and four researchers in the field of international management and decided to shorten it. The participants reported problems evaluating three items, and one item addressed economic and legal aspects rather than culture-specific aspects. The final five-item measure asked key informants to evaluate their firm’s managerial cultural intelligence in terms of employees’ a) confidence in intercultural collaboration, b) knowledge about the cultural values and beliefs of other cultures, c) language skills, d) awareness of cultural differences, and e) ability to modify nonverbal behavior when required by cross-cultural interaction. The reliability and validity were adequate for the five-item measure in our final study (CR = 0.83, AVE = 0.53).

Alliance performance. Even though research on alliance performance is vast, no consensus exists on how to measure alliance performance (Krisnan, Martin et al. 2006). Evaluating alliance performance is more difficult than evaluating performance on the firm level. We cannot, for instance, draw on financial performance indicators because most alliances do not report financial data. Further, alliances are transitory in nature (Olk 2002), which makes termination an inappropriate indicator of alliance performance (Yan and Zeng 1999)—termination could indicate the achievement of the desired purpose. To measure alliance performance, scholars (Isobe, Makino et al. 2000; Judge and Dooley 2006; Krisnan,
Martin et al. 2006; Pak, Ra et al. 2009) rely on managers’ evaluations of alliance performance. However, such a perception-based performance measure requires managers who are knowledgeable about the alliance of interest (Krishnan, Martin et al. 2006). Because all of our key informants belonged to top and middle management and because we ensured that they possessed sufficient knowledge about the focal alliance, we are confident that our key informants were able to evaluate alliance performance properly. We applied a scale consisting of three items, referring to Judge and Dooley (2006) and Krishnan, Martin, and Noorderhaven (2006), to measure alliance performance. The three items measure whether the performance objectives of the alliance and the common collaboration objectives were achieved.

**Validation.** We applied confirmatory factor analysis ($\chi^2=91.51; \text{df}=71, \text{CFI}=0.97, \text{RMSEA}=0.05, \text{SRMR}=0.06$) and, based on the results, calculated the composite reliability, average variance extracted, and Fornell-Larcker Ratio to validate our reflective constructs (see appendix). The Fornell-Larcker discriminant validity criterion can also be applied to flag problems of multicollinearity. Grewal et al. (2004) have shown that if the Fornell-Larcker criterion is satisfied in structural equation models, an inference error through multicollinearity is unlikely to exist.

**Controls.** To isolate the effect of our predictor variables, we considered several relevant control variables. We added one dummy variable for the biotechnology industry; the photonics industry represented the baseline group to control for differences in the primary industry in which a firm operated. Previous research has shown that alliance management capabilities depend on firm size (Hannan and Freeman 1984); thus, we included firm size as a control variable. We measured firm size using the logarithm of each firm’s number of employees. We further added the firm’s general experience with alliances to our model because greater experience with alliances will lead to increased interaction quality and better inter-organizational routines (Rahman and Korn 2014). Using a five-point Likert scale, we
asked our key informants about the breadth of their alliance portfolio to measure alliance experience. Experience with previous empirical studies had taught us that asking managers for an exact number of current or past alliances leads to many missing values because respondents—particularly those from large firms—are often unable to quantify their experiences.

On the alliance level, we controlled for the alliance form using a binary variable (0 = non-equity alliance, 1 = equity alliance). If no separate entity was built, the alliance was coded as a non-equity alliance, and conversely, if a separate entity was established, the alliance was coded as an equity alliance. We further controlled for exploration alliances because a higher task conflict potential is likely in exploration alliances (Kumar and Patriotta 2011). To capture the explorative character of alliances, we asked respondents whether a given alliance was formed to develop novel products. This variable was coded in a binary fashion (no = 0; yes = 1). On the alliance level, we also considered interaction frequency, as given frequent interactions, affective tensions become more likely. Additionally, empirical evidence shows that frequent interaction is positively correlated with task discourse (Pesch and Bouncken 2017). Interaction frequency was measured on a five-point Likert scale (1 = ‘very seldom’, 5 = ‘permanent’).

On the cross-national level, we controlled for cultural, religious, language, economic, and geographic distance. These different types of distance are sources of interactional and task ambiguity, which drive conflicts (Cheung, Myers et al. 2011; Simonin 1999). Considering cross-national differences enables us to control the conflict potential of alliances. To measure cultural distance, we applied the Kogut and Singh index (Kogut and Singh 1988). We used the measures developed by Dow and Karunaratna (2006) to measure language and religious
distance.\footnote{We applied the values Dow provides on his website (https://sites.google.com/site/ddowresearch/home). He calculated the language and religious distance values for 120 countries.} Based on World Bank data, we calculated economic distance as the logarithm of the difference between countries’ gross domestic product per capita. To measure geographic distance, we calculated the logarithm of the kilometers between the capitals of both parties.

Additionally, we applied a multigroup analysis to determine whether the effects of socializing practices, managerial cultural intelligence, and task discourse depend on alliance duration. Alliance research stresses that early-stage alliances face higher levels of ambiguity and thus stronger conflict potential compared to mature ones (Kumar 2014; Vlaar, Bosch et al. 2006). To measure alliance duration, we asked key informants about the number of months that their alliance had existed. We also applied a multigroup analysis to test whether the relationships in our hypothesized model depend on the degree of formalization. Formalization is a trust-building mechanism that helps to overcome affective tensions and stimulate sensemaking processes (Vlaar, Bosch et al. 2006). To measure the degree of formalization, we asked how strong formal specifications were in a given alliance. Answers were recorded on a five-point Likert scale.

**Controlling for endogeneity**

Our results may be biased due to endogeneity issues, such as common method variance, measurement error, or omitted variables (Antonakis, Bendahan et al. 2014). We attempted to control for such biases in several ways.

**Common method variance.** Relationships between variables measured in self-report surveys may be biased due to common method variance. Several authors have remarked that previous research has tended to exaggerate the problem of common method variance (for a summary of this controversy, see Schaller, Patil et al. 2015). Common method variance that inflates effects is more likely in excessively simple models and less likely in complex models.
that include interaction and indirect effects, as in our hypothesized model (Siemsen, Roth et al. 2010). Nevertheless, if common method variance is left unaddressed, it can potentially bias statistical conclusions. To minimize this risk, we engaged in several activities recommended by the literature. First, we reduced both the social desirability effect and evaluation apprehension by assuring all respondents of complete confidentiality and anonymity during data collection and analysis (Podsakoff, MacKenzie et al. 2003). We further paid careful attention to the wording of items to reduce ambiguity (Tourangeou, Rips et al. 2000). To assess the potential impact of common method variance, we applied the latent method factor approach (Podsakoff, MacKenzie et al. 2003). For identification purposes, we constrained the method factor loadings, making them equal, when estimating this model. The results indicate that all significant paths in the model without the latent method factor remained significant in the model with the latent method factor.

**Measurement errors.** A further source of endogeneity problems is measurement error, a common phenomenon in management science because the constructs of interest cannot be perfectly measured. We applied structural equation modeling for hypothesis testing, which ‘is the method of choice’ for treating measurement error in latent constructs (Antonakis, Bendahan et al. 2014, p. 104).

**Omitting variables.** Omitted variables may also cause endogeneity problems in this study. Specific alliance characteristics could be potential sources of endogeneity in the context of our hypothesized model. To limit this risk, we inserted alliance experience, alliance form, interaction frequency, and cross-cultural differences (cultural, religious, language, and geographic distance) as covariates in our model. In a post hoc analysis, we further tested whether the results were contingent on alliance duration, alliance formalization, industry, or the explorative character of the alliance by applying a multigroup analysis. These techniques and tests confirm that endogeneity is not a serious issue in terms of biasing our results.
RESULTS

To test our hypothesized model, this study utilizes Mplus (V.7.2). We used the MLR estimator to handle non-normality. Table 1 shows the means, standard deviations, and correlations.

- Insert Table 1 here
- Insert Table 2 here

In the first model, we tested the linear effects (CFI=0.94; RMSEA=0.43; SRMR=0.61). Regarding the control effects, the results indicate that alliance experience (β=0.16 p<0.1), interaction frequency (β=0.14 p<0.1), language distance (β=0.28 p<0.05), and geographic distance (β=0.22 p<0.05) have significantly positive associations with task discourse, while religious distance (β=0.21 p<0.05) and economic distance (β=0.28 p<0.01) have significantly negative associations with task discourse (see Table 2). Economic distance has a significantly negative relationship with inter-organizational trust (β=0.16 p<0.1). The results further indicate a significantly positive association between task discourse and alliance performance (β=0.27 p<0.05), supporting hypothesis 1. The results do not support hypothesis 2a, which assumes a positive relationship between socializing practices and alliance performance (β=0.24 p<0.05). The relationship between socializing practices and task discourse is significantly positive (β=0.17 p<0.1), as assumed in hypothesis 2b. This effect becomes insignificant with increasing model complexity (see models II and III). The association between socializing practices and inter-organizational trust is insignificant. However, hypotheses 3b and 3c find support. The associations between inter-organizational trust and alliance performance (β=0.49 p<0.001) and between trust and task discourse (β=0.24 p<0.01) are significantly positive. In model II, we tested the effect of managerial cultural intelligence on task discourse and the interaction effect of managerial cultural intelligence and socializing practices on alliance performance.
The results indicate a significantly positive association between managerial cultural intelligence and task discourse ($\beta=0.32$ $p<0.01$), while the assumed interaction effect of managerial cultural intelligence and socializing practices on alliance performance is insignificant. Instead, the interaction effect of socializing practices and managerial cultural intelligence on inter-organizational trust ($\beta=0.47$ $p<0.1$) is significantly positive, supporting hypothesis 4c (see model III).

We plotted the interaction between socializing practices and managerial cultural intelligence to obtain a clearer understanding of the interaction effect and its direction (see Figure 2). The plot indicates that the high application of socializing practices increases inter-organizational trust given high managerial cultural intelligence, while socializing practices impede the development of inter-organizational trust given low managerial cultural intelligence.

In models II and III, we also controlled for the interaction effects between socializing practices and the various cross-national distance variables to consider that interactional ambiguities and the potential for relationship conflict strongly depend on the level of cross-national distance in international alliances (Kumar 2014). The results indicate a significantly negative interaction effect of socializing practices and cultural distance on trust and on alliance performance and a significantly positive interaction effect of socializing practices and geographic distance on trust and alliance performance. The scaled chi-square difference test indicates a significant model improvement for model II ($\chi^2=18.16$ $p<0.05$ $\Delta df=9$) and model III ($\chi^2=22.34$ $p<0.01$ $\Delta df=9$) compared to model I.

Post hoc analysis
**Other contextual factors.** The opposing interaction effects of cultural and geographic distance inspired us to determine whether socializing practices may only be beneficial for alliance partners with specific cultural backgrounds. Using Ronnen and Shenkar’s (2013) cultural clusters (Anglo cultures, African, Arabic, etc.), we tested this assumption with additional calculations. To do so, we added, instead of cultural distance, a binary variable representing the specific cultural cluster (1 = the cultural cluster of interest; 0 = the rest of the world) and calculated the interaction effects of the cultural cluster variable and socializing practices. The interaction effects between the Arabic, European, African, Eastern, and Latin American cultural clusters and socializing practices on trust are insignificant. In contrast, the significantly positive interaction effect of the Anglo cultural cluster variable and socializing practices on trust reveals that socializing practices have a beneficial effect for alliances between German firms and firms from Anglo cultures, such as the USA (see Figure 3). The significantly negative interaction effect between the Asian cluster variable and socializing practices indicates that socializing practices worsen interaction in alliances between German and Asian firms (see Figure 3).

By applying multigroup analyses, we further tested whether alliance characteristics and the task environment influence the effects in our model. We considered the industry and the explorative character of the alliance to be important task environment factors. In exploration alliances, the task conflict potential is assumed to be higher (Kumar and Patriotta 2011). The industry comparison (biotechnology versus photonics) and the comparison between exploration and non-exploration alliances revealed no significant differences in the hypothesized model. We further tested whether the effects were different between young and mature alliances because previous research has noted that alliances are dynamic and that their
outcomes and processes can change over time (Kumar 2014). We used a median split to divide the dataset into young and mature alliances.

The results indicate that the effect of socializing practices on trust is significantly positive in the low-alliance-duration group ($\beta=0.29 \ p<0.05$), while this effect is insignificant in the high-alliance-duration group. The chi-square difference test indicates a significant difference. Significant differences also exist for the relationship between task discourse and performance and for the relationship between trust and performance (see Table 3).

We also conducted a multigroup analysis for alliance formalization because the formalization of expectations, duties, and procedures shapes sensemaking (Vlaar, Bosch et al. 2006), and the development of trust within alliances influences the ability to cope with conflict. The results reveal that the effect of task discourse is insignificant with low levels of alliance formalization and significantly positive given high levels of alliance formalization ($\beta=0.54 \ p<0.01$). Significant differences also exist regarding the relationship between trust and performance and the relationship between trust and task discourse.

**Antecedents of firms’ managerial cultural intelligence**

Additionally, we examined factors that may influence a firm’s managerial cultural intelligence. Because research shows intercultural training, cultural exposure, and education to be crucial antecedents of intercultural competencies (Crowne 2008; Earley and Ang 2003), we tested the impact of intercultural training, alliance experience, and the firm’s share of foreign employees on managerial cultural intelligence. We further considered firm size as an antecedent because a firm’s capabilities are dependent on firm size. The results indicate that only alliance experience has a significantly positive association with a firm’s managerial cultural intelligence ($\beta=0.29, \ p<0.01$).
DISCUSSION

This paper was motivated by the potential and challenges associated with Type I and II diversity in international alliances (Parkhe 1991; Tallman and Shenkar 1994, Tallman and Phene 2007; Chua 2013) and the need for instruments that can help firms to cope with those conflicts related to diversity in international alliances. We stress task discourse as an instrument that can be used to make sense of various task understandings and methods of task completion. Without appropriate instruments to prevent and resolve task disagreements among alliance partners, latent task conflicts may escalate into a spiral of destructive conflict. The results of our empirical study show that task discourse improves alliance performance and that managerial cultural intelligence is a crucial antecedent of task discourse. These findings contribute to research on sensemaking (Cheung, Myers et al. 2011) and task conflict in international alliances (Hambrick, Li et al. 2001; Li and Hambrick 2005; Parry, Song et al. 2008). By highlighting ways to gain advantages from international alliances’ inherent diversity, our study also contributes to a more balanced perspective on cross-national differences in cross-cultural management (Stahl and Tung 2015).

Surprisingly, our empirical findings reveal that socializing practices reduce alliance performance and that only under specific conditions do they have beneficial effects on international alliances. Previous research, by contrast, assumed that social events, on-site visits, and inter-organizational teams encourage understanding, bonding, and the transfer and sharing of tacit knowledge, organizational values, norms, and goals (Cousins, Lawson et al. 2008; Cousins and Menguc 2006; Javidan, Stahl et al. 2005; Lawson, Petersen et al. 2009; Poppo and Zhou 2014). Thus, our results question the assumption that socializing practices are always beneficial to alliances.

Why are socializing practices destructive?
Our findings regarding the negative and positive influences of socializing practices draw attention to multiple categorizations (Crisp, Walsh et al. 2006). Individuals from two allied firms who attend socializing events will experience their firm membership as a baseline condition for categorization. Categorization can lead to subgroup building (‘us versus them’ thinking), resulting in an ingroup-favoring bias that impedes interaction and communication with the outgroup. In international alliances, nationality and cues from culturally influenced behavior, in particular, may be additional important categories that foster basic subgroup categorization through firm membership. Research highlights that the affective state can shift evaluations (Crisp, Walsh et al. 2006): a positive mood can lead to the perception that former outgroup members are closer to the ingroup. This may explain the positive and negative effects of socializing practices. Our empirical results indicate that with increasing cultural distance, socializing practices negatively affect trust perceptions and thus become counterproductive in terms of handling affective tensions, while socializing practices have positive effects given high managerial cultural intelligence. Socializing practices serve to develop familiarity and a positive climate among alliance partner employees. However, the perceived cultural distance experienced during socializing practices can complicate direct interaction and even foster stereotyping and social categorization, creating tension, mistrust between partners, and finally ingroup-outgroup thinking (Björkman, Stahl et al. 2007; Van Knippenberg, De Dreu et al. 2004). In socializing practices, employees will find more visible differences and a richer picture of diverse and, potentially, even annoying behavior. Managerial cultural intelligence can help to understand this culture-specific behavior, resulting in a more positive mood toward alliance partner employees.

Interestingly, socializing practices have negative effects on alliances between German and Asian firms. In contrast, socializing practices enhance the trust perceptions in alliances between German firms and firms from Anglo cultures and have no effect in other country
contexts. We were interested in obtaining further clarification of this issue. Considering
cultural classifications, the main differences between Germany and Asia are power distance
(Hofstede 2001) and the directness of communication (Hall and Hall 1990).

To deepen our understanding, we conducted semi-structured interviews with 17 managers
from 16 firms after data calculation and interpretation. These firms belong to the engineering,
avtomobile, aluminum, chemistry, textile, glass, and software industries. Even though our
quantitative findings reveal negative effects of socializing practices, all interviewees
highlighted the relevance of socializing practices in building social bonds and clarifying
misunderstandings due to cross-national differences. Firms engaged in social events, joint
dinners, web conferences, inter-organizational teams, quarterly meetings, and workshops.
Managers noted that these socializing practices support the open exchange of ideas and even
opposing actions and solutions. Socializing practices also provide for a better understanding
of the other party, thus avoiding the escalation of conflict. Comparable to our quantitative
findings, managers describe problems with socializing practices, especially in alliances with
Asian firms. Through an interactive process of analysis and review, we analyzed why
socializing practices are destructive in alliances with Asian firms. To analyze the interviews,
we applied the three-step process suggested by Gioia et al. (2013). In the first-order analysis,
we identified 13 codes. In the second-order analysis, we identified five theoretical themes
(power distance, task focus, reserve, thoughtfulness, and communication), and we aggregated
these into two dimensions (mindset and behavior) in the third step (see Figure 4).

We found that mindset differences—particularly power distance and task focus—are
perceived by German employees as troubling factors in socializing practices with Asian firms.

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2 The interviews took a minimum of 16 minutes and a maximum of 53 minutes and were audio-recorded with the
informant’s consent and transcribed verbatim for qualitative analysis.
As one manager noted:

Five so-called ‘long noses’ like us can come. They [the Chinese] do not care. Only the boss counts.

Chinese employees’ focus on the supervisor creates a tense atmosphere during social events or joint workshops because German employees do not feel valued. Because our results indicate that socializing practices are not destructive in alliances with other high-power-distance cultures, such as Arab or South American cultures (Hofstede 2001), there might be further reasons. One specific characteristic of Asian cultures is their long-term and socio-emotional orientation to relationship building. In contrast to the Protestant ethic of separating social-emotional and instrumental concerns (Weber 1904/1930), workplace relationships in Asian cultures combine affective and instrumental ties (Chua, Morris et al. 2009).

As one manager stated:

As a preliminary point, you have to build trust. That takes longer with Asians compared to Norwegians or Americans, for instance.

Regarding alliances with Chinese firms, another manager said:

The Chinese wants to get to know his partner in detail at first. This can take half a year or a year. Well, you meet for the 10th time, and you do not talk about business. If you get too impatient, as in the German mentality and culture and thinking about efficiency, this can sometimes lead to failure. If you want to address the real topic too quickly, then the partner will react in a reserved way […]. Well, this patience must be learned, and it is important and very different; impatience is inappropriate there.

These different expectations for relationship building clash during socializing practices. German managers are more task- and target-oriented and may become frustrated that it is taking longer than expected to build a relationship and achieve targets. This can lead to reserve during socializing practices because German managers will question the alliance partners’ intentions, increasing the development of mistrust. German employees reported a general mistrust toward Asian employees’ intentions and actions in the alliance, supporting our quantitative results indicating a negative relationship between socializing practices and
trust perceptions. German managers also perceived a general reticence on the part of Asian employees; this may have been caused by German employees’ impatience and insufficient consideration of the affective and long-term dimension of Asian relationship building. The reticence on the Chinese side triggers more critical concerns among German managers, leading to a spiral of destructive interaction. On the behavioral level, we further identified thoughtfulness.

As one manager said:

Particularly during such social events with Asians, you have to be more mindful, of course, that you offend or disregard no one. This is really difficult. You have to always be alert, but it helps.

Employee thoughtfulness can impede levity and the fun nature of socializing practices, fostering ingroup-outgroup thinking. In line with our quantitative findings, another employee compares socializing practices between Asian and Anglo cultures:

Asia is completely different. […] It is easier for me with Anglo cultures because I can better measure them up compared to Asians.

The interviews also reveal that communication is a factor influencing the effectiveness of socializing practices. For some Asian countries (such as China), managers perceive that a low level of English language competence complicates interactions. Three companies described using a translator during socializing practices with Asian firms. Although a translator may enable communication between alliance partner employees, the translator could also impede the development of familiarity and informal communication. One manager described the use of translators in alliances with Chinese firms as follows:

It is always more difficult to create a familiar atmosphere with a translator. […] People make deals, and therefore, it is about sympathies and creating a personal level of communication, and this is always easier when you can talk directly. This is normal. I have a Spanish business partner. Because my wife—she speaks Spanish perfectly—joins us on occasion, the relationship is completely different. Very suddenly, everything is slightly more relaxed. In addition, this is only Europe.
In addition to low levels of English language skills, managers perceived differences in communicative behavior.

Regarding an alliance with a Korean firm, one manager stated the following:

With Koreans, it takes much longer because you get no clear ‘yes’ or ‘no.’ You have to study nuances in detail.

Another manager described communication with the employees of an Indian alliance partner:

In India, the method of communication is very important. While we Germans always want to achieve a target, want to achieve this target very quickly and do not want to spend two days talking about it that do not get us anywhere, that is totally different in India.

These communicative differences address Hall and Hall’s (1990) context-orientation dimension. While individuals in low-context cultures (such as Germany) communicate explicitly and in a goal-oriented fashion, people in high-context cultures (Asian cultures) use a large number of contextual elements in communication situations. In high-context cultures, the kernel of the communicated meaning is interwoven with the more implicit context of the information. These differences in communication behavior can create miscommunication, leading to interaction problems and mistrust (Hall and Hall 1990). Summarizing these findings, we state that the application of socializing practices in alliances characterized by a high cultural distance, particularly those involving Asian firms, enhances interactional ambiguities and affective tensions.

As the results indicate, socializing practices can also have positive effects on international alliances. Greater managerial intelligence may prevent stereotyping and destructive subcategorization processes, as it can help to improve interpretation of the habits of the various parties. Managerial cultural intelligence influences the first impression obtained in
direct interaction and further guides the evaluation and anticipation of the other party’s behavior.

Additionally, our comparison between short and long alliance durations underlines the importance of socializing practices in young alliances. The empirical results of our post hoc analysis reveal significantly positive effects of socializing practices on trust in young alliances, while this effect is insignificant in mature alliances. In the early stages, during which firms are confronted with many interactional and task ambiguities (Kumar 2014), socializing practices create possibilities for personal contact, through which employees can overcome these ambiguities and thus avoid the escalation of latent conflicts.

The post hoc results further indicate that formalization supports the application of socializing practices. Formal guidelines and specifications for the alliance and interactions help to reduce fear of other party’s opportunistic behavior, overcome interactional ambiguities, and set a framework for joint interaction (Vlaar, Bosch et al. 2006), all of which create a positive atmosphere and facilitate personal interaction during socializing practices.

**Contextual factors of task discourse**

The comparison between young and mature alliances also reveals that task discourse is more important in the earlier than in the later stages. Learning potential is much higher in young alliances compared to mature ones. In mature alliances, employees have already learned from one another and realized many learning opportunities through previous task discourses. This finding is in line with the argument that ambiguity levels and the need for sensemaking are higher in the early stages of inter-organizational relationships (Vlaar, Bosch et al. 2006). The results further reveal that the explorative character of the alliance does not shape the effect of task discourse on performance. Although in explorative alliances, task ambiguities may be stronger and tensions more likely (Kumar and Patriotta 2011), no difference appears to exist
between innovation and non-innovation tasks in terms of the usefulness of task discourse. Future research might examine other task specific characteristics.

Our results show that the usefulness of task discourse depends on a sufficient level of formalization in an alliance. This finding is in line with the view that formalization supports sensemaking, as set out in Vlaar et al.’s (2006) theoretical framework. They argue that formal documents, directives, and rules focus the attention by selectively highlighting some issues and marginalizing or omitting others and force the articulation of, deliberation on, and reflection on ambiguities. Our contextual findings on task discourse advance research on task discourse and sensemaking in international alliances (Cheung, Myers et al. 2011; Pesch and Bouncken 2017).

Limitations

Our study has certain limitations. First, our research draws on a relatively small sample of international alliances. However, despite the small sample size, the results indicate that the effects were sufficiently large to be statistically significant. Second, we selected two specific industries (photonics and biotechnology); therefore, it is difficult to generalize our results. Third, our findings rely on data from just one side of these alliances. The use of respondents from both sides of the dyad was not practical given the size of the sample and the anonymity of the alliance partners. Even though surveying only one key informant in the alliance is a limitation of our study, this is an often-used and accepted approach in alliance research (Mjoen and Tallman 1997). Fourth, there may be other mechanisms of conflict resolution, such as conflict management directives. We encourage additional research into the antecedents of task discourse and potential moderating variables influencing the relationship between socializing practices and the various performance dimensions of international alliances.
ACKNOWLEDGEMENTS

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REFERENCES


### TABLES

**Table 1: Means, standard deviations, and correlations**

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n=148  
*p < 0.1  
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**p < 0.01  
***p < 0.001, two-tailed test
Table 2: Structural parameters

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n = 148

*p < 0.1

*p < 0.05

**p < 0.01

***p < 0.001, two-tailed test
### Table 3: Multigroup analysis

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*p < 0.1
* p < 0.05
**p < 0.01
***p < 0.001, two-tailed t-test
FIGURES

Figure 1: Conceptual framework

Figure 2: Plotted interaction
Figure 3: Effects of socializing practices in dependence of cultural clusters

Figure 4: Data structure

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<tr>
<th>1st Order Codes</th>
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<td>Expectations about hierarchy</td>
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<td>German employees’ focus on fast results</td>
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<td>German employees’ efficient driven thinking</td>
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<td>Use of translators</td>
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APPENDIX: SURVEY SCALES

All scales base on a five point Likert scale (1=totally disagree; 5=totally agree)

**Task discourse** (CR=0.79, AVE=0.56, FLR=0.60)
We regularly discuss different ideas regarding the common approach with our partner.
Different ideas and opinions are openly expressed in the collaboration.
We discuss regularly the appropriate design of procedures and processes with our partner

**Socializing practices** (CR=0.76, AVE=0.53, FLR=0.20)
We conduct social events with our partner frequently.
We conduct joint workshops with our partner frequently.
We form interorganizational teams with our partner.

**Inter-organizational trust** (CR=0.81, AVE=0.59, FLR=0.69)
Our partner keeps promises made to our firm
Our partner is always trustworthy.
Our partner has always been evenhanded in its negotiations with us.

**Firm’s managerial cultural intelligence** (CR=0.83, AVE=0.53, FLR=0.63)
Our managers are confident in the collaboration with business partners from different cultures.
Our managers know the cultural values and religious beliefs of other cultures.
Our managers know languages of other cultures.
Our managers are aware of cultural differences when interacting with business partners from different cultural backgrounds.
Our managers can modify their nonverbal behavior when a cross cultural interaction requires it.

**Alliance performance** (CR=0.83, AVE=0.62, FLR=0.65)
We mostly achieve the set performance objectives of the collaboration.
In the collaboration with this partner we always achieve set performance objectives.
In general, we can achieve our common collaboration objectives.

CR=Composite reliability, AVE=average variance extracted, Fornell-Larcker Ratio=FLR