Deceitful behaviors of alliance partners: potential and prevention

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Abstract

Purpose – To provide decision makers in strategic alliances a risk-time framework to: categorize types of potential deceitful behaviors by partners; and adopt appropriate deterrence mechanisms to curb and control such behavior.

Design/methodology/approach – The article identifies four types of deceitful behavior, based on: the degree of relational risk that characterizes interactions of a firm with its alliance partner; and the length of the deceit horizon.

Findings – Suggests a number of deterrence mechanisms for controlling the different types of deceitful behavior, with the aim of enhancing confidence in partner cooperation in alliances.

Practical implications – The article provides a practical template for alliance managers to decide what kinds of deterrence mechanisms to adopt on the basis of the type of perceived deceitful behavior of alliance partners.

Originality/value – The article responds to an unmet need of managers with alliance responsibilities for a framework to help select the most effective mechanisms to deter different kinds of potential deceitful behavior of alliance partners.

Keywords Strategic alliances, Risk management, Trust

Paper type Conceptual paper

Need for vigilance about alliance partners

Like thorns on the stems of roses, the popularity of strategic alliances has been plagued by potential for deceitful behavior by partners. We know that alliances, or cooperative arrangements among businesses, have been growing very rapidly in recent years. However, alliances have also failed at remarkably high rates, owing to the deceitful behavior of the member firms. Deceitful behavior refers to the self-interest seeking behavior of alliance firms that involve deceit. The threat of potential deceitful behavior hinders the collaborative efforts of member firms in alliances, destroys inter-partner trust and confidence, injects uncertainties about alliance performance, and leads, eventually, to alliance termination.

Writing on the subject of cooperative behavior of alliance partners, experts have commented along the following lines: "Given that it is often impossible to identify who is likely to act opportunistically, the interesting question is what enables alliance partners to garner enough confidence in partner cooperation so that they are not overwhelmed by the potential hazards in alliances" (Das and Teng, 1998, p. 491). Low confidence levels arising from deceitful behavior not only discourage the formation of alliances but also perpetuate suspicion among partners even after the alliances are

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formed. However, not much is known about how deceitful behavior affects confidence in partner cooperation and how it might be controlled and managed. A framework is presented in this article that business executives involved with alliances can use to employ deterrence mechanisms to curb and control the incidence of deceitful behavior.

Deceitful behavior in alliances

The objective of deceitful behavior by a partner firm is to seek gain for itself at the expense of other members in the alliance. Withholding or distorting information and shirking or failing to fulfill promises or obligations are examples of deceitful behavior. Williamson observes that "opportunism extends the conventional assumption that economic agents are guided by considerations of self-interest to make allowance for *strategic* behavior" (Williamson, 1975, p. 26). Therefore, those who are least principled are likely to be most deceitful, and would likely exploit those who are more principled (Williamson, 1985, p. 64). In fine, the potential for deceit characterizes an alliance partner's behavior, and should be distinguished from other forms of self-interest seeking behavior.

It is widely recognized that all alliance members have potential for deceitful behavior to some degree. However, the tendencies for deceit may be latent or dormant. Most member firms refrain from behaving deceitfully for fear that they may be found out, resulting in possible contractual termination, loss of reputation, and so on. Nevertheless, when a firm enters into an alliance with a partner, it needs to be wary of its partner's attitude, regardless of its own behavior. Especially when making alliance-specific investments, a firm becomes vulnerable to its partner's future behavior (which may have little resemblance to its initial behavior).

Risk-time framework of deceitful behavior

Deceitful behavior has generally been conceived in relatively simplistic terms. It is rare to find a sophisticated conceptualization of deceitful behavior, although some suggestions have been made recently. For example, a framework of four different forms of opportunism (evasion, refusal to adapt, violation, and forced renegotiation) has been proposed by Wathne and Heide (2000). We suggest that such deceitful behavior has two fundamental dimensions: risk and time-horizon of deceitful behavior. The risk dimension captures the degree of the potential adverse impact of deceitful behavior in terms of the apprehension that a partner may not be committed to mutual interests in an alliance. Risk in alliances is made up of relational risk and performance risk (Das and Teng, 1996, 1999). Briefly, relational risk in an alliance is the probability that the partner will not cooperate fully. Performance risk refers to the probability of not attaining the performance goals even when the partner cooperates fully. Clearly, deceitful self-interest seeking generates only relational risk. Performance risk, by definition, does not relate to deceit because it is based on the given condition of full partner cooperation. Thus, performance risk in interfirm alliances is no different from that in single firms. Relational risk, however, is unique to strategic alliances. The potential deceitful behaviors of the partner firm that may not cause any substantial harm to an alliance member can be said to entail low relational risk, whereas the behaviors that may severely damage the member would pose high relational risk.

The time dimension relates to the duration of potential adverse impact of deceitful behavior on interfirm cooperation. This temporal dimension is thus the time-span of deceit, or deceit horizon. Deceit horizon can be considered as somewhat akin to the well-known notion of time-span of decisions (Jaques, 1979).

An appreciation of the role of both these dimensions is necessary for an adequate understanding of the essential nature of deceitful behavior. The risk consequences of deceitful behavior can be better understood and more effectively controlled and prevented if they are recognized in terms of specific time-based categories.

Figure 1 lays out the four types of deceitful behavior that can be used as a template to discuss how specific deterrence mechanisms can be used to control deceitful partner behavior in strategic alliances (see Das, 2004a). The four types of deceitful behavior are:

- type 1: low relational risk, short deceit horizon;
- type 2: high relational risk, short deceit horizon;
- type 3: low relational risk, long deceit horizon; and
- type 4: high relational risk, long deceit horizon.

Deterrence mechanisms for controlling deceitful behavior

In using the risk-time framework of deceitful behavior, alliance managers should incorporate appropriate deterrence mechanisms to curb and control such behavior in order to enhance confidence in partner cooperation. Given that there are a number of mechanisms available for the purpose, alliance managers need to assess the applicability of particular mechanisms for specific purposes. The more significant deterrence mechanisms are: contracts, governance structure, mutual hostages, monitoring, participatory decision making, and staffing and training.

A summary of our discussion is given in Table I. Managers should note that each of these mechanisms, used properly, would achieve desired results within the limited circumstances of potential partner intentions, but none of them would be effective on a consistent basis because of the ever-present potential for deceitful partner behavior. Thus, for synergistic benefits, alliance managers should consider adopting tailored sets of deterrence mechanisms, depending on the type of potential deceitful behavior that is perceived.

Contracts

Contracts determine and influence the policies and procedures that are to be followed in alliances. As Williamson (1999, p. 1090) observes, "Credible contracting is very much an exercise in farsighted contracting, whereby the parties look ahead, recognize hazards, and devise hazard mitigating responses – thereby to realize mutual gain." Pre-specified rigorous contracts are important because they reduce the risk of defection and facilitate legal enforcement. According to Crocker and Reynolds (1993, p. 127), the parties to a contract may mitigate post-formation cheating and investment distortions by the use of more complete agreements, but only at the expense of a great deal of resources dedicated to crafting the document. The higher the degree of contractual completeness, the lower the marginal benefits and the higher the marginal cost associated with crafting the contract. Contracts need to be rigorous in such a way that it retains flexibility even while providing adequate guidelines for the operation of an alliance. According to Klein (1996, p. 447), "rather than attempting to determine all of

Risk level	Deceit horizon: Short	Deceit horizon: Long
Low relational risk	Type 1 "misrepresenting one's abilities" (Deeds and Hill, 1998, p. 143) "reluctance of members to fulfill commitments to partners in cooperative arrangements" (Gassenheimer, Baucus and Baucus, 1996, p. 70) shirking "involves the withholding of full effort and cooperation in an ongoing relationship. Shirking, free riding, and stonewalling are examples of such behaviors" (Griesinger, 1990, p. 487) "shirking or failing to fulfill promises or obligations" (John, 1984, p. 278) providing products that are of an inferior quality than originally agreed upon (Provan and Skinner, 1989, p. 204) non-adherence "to the explicit or implicit controls governing the relationship" (Weaver and Dickson, 1998, p. 507)	Type 3 "withholding ... information" (Deeds and Hill, 1998, p. 143; John, 1984, p. 278) reacting dishonestly in response to contractual specifications to cause moral hazards (Klein, 1996, pp. 461-462) "calculated efforts to ... confuse"; "incomplete . . . disclosure of information" (Williamson, 1985, p. 47) "strategic manipulation of information" (Williamson, 1975, p. 26)
High relational risk	Type 2 "expropriation of tacit technological knowledge" (Dutta and Weiss, 1997, p. 347) infidelity "results when an agreement is abrogated or a relationship abandoned to the advantage of the instigator but without provision or remedy for the other party" (Griesinger, 1990, p. 486) "hold-up" (Klein, 1996, p. 461) "stealing"; "cheating" (Williamson, 1985, p. 47)	Type 4 "distorting information" (Deeds and Hill, 1998, p. 143; John, 1984, p. 278) "willful deception" (Gassenheimer, Baucus and Baucus, 1996, p. 69) dishonesty "comes into play when one party to an exchange possesses information about a transaction that could significantly alter the other party's assessment of the outcomes," and such information is concealed, misrepresented, or not contributed. (Griesinger, 1990, p. 486) "defect ... while pretending to be trustworthy" (Nooteboom, 1996, p. 989)

Source: Adapted from Das (2004a, p. 751)

Figure 1.
Risk-time framework of deceitful behavior

Table I. Deterrence mechanisms for different types of deceitful behavior in alliances

Deterrence mechanisms	Level of effectiveness Type 1 Low relational risk/short deceit horizon	Type 2 High relational risk/short deceit horizon	Type 3 Low relational risk/long deceit horizon	Type 4 High relational risk/long deceit horizon
1. Contracts	*High*. Possible to address near future contingencies	*Moderate*. Possible to address near future contingencies	*Low*. Not possible to address distant future contingencies	*Low*. Not possible to address distant future contingencies
2. Governance structure	*High*. Harms the alliance, not the firm	*Low*. Harms the firm, not the alliance	*Low*. Retaliation not feasible	*High*. Retaliation feasible
3. Mutual hostages	*Low*. Retaliation not justified – self-defeating if alliance is the focus of retaliation	*High*. Retaliation justified – not self-defeating	*Moderate*. Wearing off of hostage value	*Low*. Illusion of hostage exchange
4. Monitoring	*High*. Deterrence possible after detection, and useful if deceit has low impact	*Low*. Deterrence not possible after detection, if deceit has high impact	*Low*. Secretive nature makes detection difficult	*Moderate*. Deterrence possible if detection is early enough for counter measures
5. Participatory decision making	*High*. Genuine goal alignment possible	*High*. Genuine goal alignment possible	*High*. Genuine goal alignment possible	*Low*. Goal alignment of partners may be deceiving
6. Staffing and training	*High*. Recruitment and training of appropriate personnel possible	*Moderate*. Temptation of grand gains makes staffing and training ineffective, although staffing may help in securing critical information	*High*. Recruiting people who believe in full-disclosure, and training to devalue withholding	*High*. Persuading people against deceit, and training to detect such deceit

the many events that might occur during the life of a contractual relationship and writing a pre-specified response to each, the gains from exchange are increased by the use of incomplete contracts." It would be unrealistic to expect comprehensive contracts that insures against future surprises. Indeed, contractual rigor and flexibility need to be balanced.

Littler and Leverick (1995) argue that policies and procedures can control the behaviors of alliance members. Different instances of type-1 deceitful behavior (low relational risk/short deceit horizon) can be addressed in contract provisions to enhance confidence in partner cooperation. Although a comprehensive contract can help a firm minimize the risk of hold-up by a deceitful partner, this may not always be feasible. Birnberg (1998, p. 424) argues that "while the parties contract and those contracts provide incentives that direct behavior, rules and co-operation also are necessary to allow for greater levels of uncertainty that makes the writing of a complete contract inappropriate." For instance, Tabeta (1998, p. 2) refers to type-2 deceit (high relational risk/short deceit horizon) when suggesting that "after a contract has been struck and a specialized machine has been developed and installed, the supplier could threaten to hold up production to coerce the buyer into offering a higher price. Because of the specificity of the machine, the buyer cannot switch suppliers without costly delay." Therefore, rigorous contracts at best will be moderately effective in deterring type-2 deceitful behavior. Contractual provisions may not be effective against partners engaging in long-horizon deceitful behavior (types 3 and 4), because formal provisions cannot comprehensively capture the possibility of occurrence of these types of deceitful behavior. Contractual terms cannot cover distant-future contingencies, because the number of possible outcomes becomes far too many to grasp or conjecture (Das, 1991). Thus, rigorous contracts will not be effective against types 3 and 4 deceitful behavior, such as disclosing incomplete information and misrepresenting intentions.

Managers need to realize that contracts tend to be more effective in the short term. Whereas it is impractical to try to address all future contingencies in a contract, managers should nevertheless try to identify as many of them as possible (Das, 2004b). However, they should not seek an overly comprehensive contract because, after all, contracts per se do not ensure compliance.

Governance structure

Governance arrangements in alliances range from joint ventures, minority-equity exchanges, supplier relationships, R&D agreements, technology licensing, and so on. Alliance structures are commonly classified into equity and nonequity alliances. The literature generally suggests that, as compared to nonequity alliances, equity alliances are more effective in restraining deceitful behavior. A governance structure based on equity will serve to curb type-1 deceitful behavior because of a heightened concern for alliance performance. A potentially deceitful partner with a high equity stake in an alliance will be disinclined to shirk, waste alliance resources, etc. (type-1 deceitful behavior), because such behavior will likely harm alliance performance. This deterrence mechanism will not be very effective against type-2 deceitful behavior, in which a firm (not so much the alliance) is taken advantage of by a deceitful partner to secure unfair gains. For example, a member firm is directly affected by its partner's stealing and cheating, but the larger alliance is much less so. However, the idea behind equity structure is to increase a potential deceitful partner's concern for the alliance, which in effect will curb deceitful behavior. Of course, a type-2 deceitful partner will steal and cheat whenever there is scope, irrespective of its share of equity in the alliance.

An alliance partner that engages in type-3 deceitful behavior may withhold critical information from the focal firm. The latter usually does not have the option to retaliate because of the intangible and ambiguous nature of type-3 deceitful behavior. As a result, the firm will have to dissolve the alliance when it realizes the presence of type-3 deceitful behavior. In such a situation, an equity alliance may leave it with little choice but to tolerate the partner's type-3 deceitful behavior. In such circumstances, a firm is better off with a nonequity alliance, because that will allow it to leave the alliance without much loss immediately on learning about a partner's type-3 deceitful behavior. On the other hand, an equity alliance will be an effective deterrent for type-4 deceitful behavior, such as pretending to be trustworthy while actually being deceitful. An equity structure binds the deceitful partner to a significant level of commitment. A type-4 deceitful partner may also risk retaliation from the affected firm, because it will still be around, given the long-span character of this kind of deceitful behavior.

Managers should try to control potential deceitful behavior through appropriate governance structure of alliances if they fear that the alliance itself is the primary target of deceit. In some cases, an equity structure provides some retaliatory power to a member firm. However, this power may diminish over time. Thus, the structural choice should not be made solely to gain retaliatory power against the potential deceit of an alliance partner.

Mutual hostages

The notion of mutual hostages suggests the exchange of critical resources between partners, such that each member firm becomes vulnerable to potential losses, thereby materially demonstrating credible commitment to each other and to the alliance. Unless parties make similar amounts of transaction-specific investments, there would be a strong incentive for parties making less transaction-specific investments to behave deceitfully. Thus, the possibility of deceitful behavior will be proportional to the differences in transaction-specific investments by alliance members.

The notion of mutual hostages suggests the exchange of critical resources between partners, such that each partner becomes vulnerable to potential losses, thereby materially demonstrating credible commitment to each other and to the alliance. According to Hwang and Burgers (1997, p. 105), "alliance-specific investments provide the credible commitment that buttresses mutual assurance. Thus, mutual commitment offers a way of enhancing the robustness of cooperation and diminishing the attractiveness of defection." Unless parties make similar amounts of transaction-specific investments, there would be a strong incentive for parties making less transaction-specific investments to behave deceitfully. Thus, the possibility of deceitful behavior will be proportional to the differences in transaction-specific investments by alliance members.

Due to this vulnerability on both sides, a partner will hesitate to engage in deceitful behavior for fear of losing its own critical resources held hostage by the presumptive "victim" firm. Unless the gain from deceit is considered greater than the loss of the hostage resources, a partner will refrain from deceitful behavior even if there is scope for it. However, credible commitments will not always have a significant effect on deterring deceitful behavior.

For type-1 deceitful behavior, such as failing to fulfill commitments and supplying inferior quality products, this mechanism will not be very effective. Since type-1 deceitful behavior of a partner adversely affects principally the alliance and not the focal firm, a reprisal can be problematic. On the one hand, a counteraction will antagonize the deceitful partner, jeopardizing the prospects of a continuing cooperative relationship. On the other hand, if a retaliatory action (i.e. an attempt at retribution with an act similar to that of the deceitful partner) of type-1 deceit harms the alliance instead of the partner, the whole idea of using hostages as a counterbalance becomes self-defeating. After all, the proximate reason for such retaliation is the partner's type-1 deceit that negatively impinges on the alliance. Thus, it does not make sense to retaliate if it further hurts the alliance. The use of mutual hostages may be effective in deterring type-2 deceit because the partner's purpose is to take advantage of the affected firm, and the firm can retaliate against the partner as long as it holds critical resources as hostage. Implementing this mechanism will deter type-2 deceit because the partner will be in fear of the affected firm's retaliatory power in terms of the mutual hostages.

In the case of type-3 deceitful behavior, such as calculated efforts to confuse and obfuscate alliance situations, mutual hostages may be useful only during the initial stages when the deceitful partner values its own hostage resources. It is possible that over time the criticality of the hostage resources provided by the deceitful partner may wear off. The potential victim firm cannot then successfully retaliate in response to partner deceit. The efficacy of this mechanism is doubtful in deterring type-4 deceitful behavior. For example, distorting results and misrepresenting information may lead a focal firm from the outset to be under the illusion that it holds certain critical resources of its partner as hostage. However, it could well be that not only does the so-called hostage resources cease to retain its importance to the partner, but the member firm's genuinely critical resources may remain with its partner as hostage. This kind of situation will worsen the vulnerability of the affected firm. Thus, this mechanism will not be effective against type-4 deceit and, thus, should not be used as a deterrence mechanism.

When potential partners discuss the exchange of hostages to establish credible commitments, managers of alliancing firms should beware of fake hostages. Even genuine hostages are likely to lose their value over time. Therefore, mutual hostages need to be exchanged periodically. That way, even if a prior hostage begins to lose its value, the new one will be a suitable replacement. Also, managers should be open and candid about the critical resources that they are willing to commit as hostage. A firm can only hope that its partner will reciprocate such transparency. The advantage of openness is that it increases the probability of the partner acting in a trustworthy manner. However, managers need to be cautious in assessing the genuineness of their counterpart's hostage offer, notwithstanding their own candid approach.

Monitoring

Monitoring can restrict the deceitful tendencies of alliance partners once a contract is signed. Monitoring suggests close, first-hand supervision of activities of partners and the alliance. The idea is to discourage a partner from being deceitful, on the reasoning that it will be difficult for it to behave deceitfully when other alliance members are monitoring it.

Since the nature of type-1 deceitful behavior, e.g. delaying payments, supplying inferior goods, etc. is usually clearly discernible, an alliance member can identify this kind of deceit through the monitoring mechanism. The effects of type-1 deceit is relatively less serious *vis-à-vis* the effects of other types of deceitful behavior. Therefore, a firm can take preventive actions once its monitoring reveals possible type-1 deceitful behavior. Accordingly, a deceitful alliance partner will not be able to easily gain from type-1 deceit if this deterrence mechanism is in place. Monitoring can be potentially effective in detecting type-2 deceit, such as stealing proprietary technology. However, because of the grave impact of type-2 deceit, its detection after the fact will not be of much help to the affected firm. Some other deterrence measures, such as using mutual hostages and setting up an equity structure for the alliance, can better restrain type-2 deceit once monitoring has successfully revealed its presence.

Type-3 deceitful behavior is usually secretive in character, such as in withholding critical information from alliance members. For that reason, monitoring may not be sufficient for detecting all instances of type-3 deceitful behavior. At least during the initial stages, type-3 deceitful behavior is not very serious in its impact because it allows a focal firm to take corrective measures whenever the monitoring mechanism successfully detects it. However, type-4 deceitful behavior (high relational risk/long deceit horizon) is not as secretive in nature as type-3 deceitful behavior, such as distorting information. As a result, a firm will be able to detect type-4 deceitful behavior through monitoring, such as when distorted information does not match actual operations and performance. The timing of detecting type-4 deceitful behavior is critical though, because a firm may become misguided by its partner's type-4 deceit if it goes on for an extended period.

An alliance member may consider monitoring its partner to make sure it abides by contractual provisions and mutually understood roles and expectations. However, excessive monitoring may jeopardize mutual trust-building efforts because monitoring requires close scrutiny, which often detracts from trusting behavior. Monitoring should be done as unobtrusively as possible. Ideally, continuous monitoring would ensure the detection of deceitful behavior. However, continuous monitoring is ordinarily expensive. An alternative is periodic monitoring, which, however, will not be effective if its timing is predictable. Therefore, managers of a focal firm need to monitor partner behavior in a random fashion to ensure that the partner will be always on guard about engaging in deceitful behavior.

Participatory decision making

Participatory decision making processes help align the visions and values of alliance members. According to Johnson et al. (1996, p. 91), "shared decision making has positive consequences in the IJV relationship in that it inhibits opportunistic tendencies." As Saxton (1997, p. 446) also notes, "the close interaction and the investment partners make through shared decision making signify two things: (1) a commitment to and interest in outcomes, which decrease the perceived likelihood of opportunistic behavior and (2) the likelihood that a partner's opportunistic behavior will be recognized." This mechanism will be responsive to potential conflicts and facilitate goal congruence. Continuous goal congruence is necessary for smooth alliance functioning, for otherwise it could create conflicts and jeopardize the cooperative environment needed in an alliance. Besides the economic aspects, the social aspects also need to be managed for controlling potential deceitful behavior (Das and Teng, 1998). Scholars have argued that similar backgrounds among alliance partners are helpful in achieving and sustaining goal congruence. For example, Deeds and Hill hypothesize that "a congruence between the backgrounds of the partners in a research alliance will decrease perceived opportunism" (Deeds and Hill, 1998, p. 146).

This mechanism will be a successful deterrent of deceitful behavior as long as it leads to goal congruence between partners. Short horizon deceit with both low and high risks (types 1 and 2), as well as type-3 deceitful behavior (low relational risk/long deceit horizon), do not presuppose long-term deceit for dishonest gains. For example, when a deceitful partner delays payment to a firm, exploits its quasi-rents, and withholds certain information, these do not involve any prolonged or high levels of deceitful behavior. Participatory decision making processes can effectively help coalesce the interests of all members, thereby neutralizing many of the factors responsible for these kinds of dishonest intentions. However, this mechanism may not be useful in deterring type-4 deceitful behavior, since it involves willful deception, distortion of intention, etc. For example, a type-4 deceitful partner may falsely claim that its own goals are compatible with the member firm's goals, and render the latter more vulnerable.

Negotiation skills are a basic necessity to implement this mechanism. Managers of an alliance firm should search for the root causes for differences in their own goals and those of their partner's. Listening carefully to the partner's arguments is extremely important for this mechanism to work. Once the partner's major issues have been clearly identified, the member firm's managers should attend to those issues within the framework of the participatory decision making processes to achieve goal congruence. However, even when goal congruence is achieved, managers should not be complacent, because such congruence may turn out to be deceptive. Managers should weigh, on a continuous basis, how much credence to place on the congruence of goals.

Staffing and training

Staffing and training serve to regulate and standardize behavior within alliances. While staffing allows alliance members to select managers and lower-level employees for the alliance following certain criteria, training enables alliance members to impress certain behavioral norms on the alliance staff and nurture desired skills. Through training, an alliance member can persuade the alliance staff to behave in an appropriate fashion. Also, staffing and training are comparatively more effective when the alliance structure leans toward hierarchical governance.

This mechanism will be effective in controlling most types of deceitful behavior because it can create a culture of trust, efficiency, high performance, and so on (Das and Teng, 2001). In so doing, it will be able to deter type-1 deceitful tendencies, such as making insufficient efforts, delaying payments, etc. Training can further condition the alliance staff to avoid these deceitful tendencies. However, type-2 deceitful behavior, such as exploiting partner's transaction-specific investments, has a strict economic rationale with very little behavioral aspect to it. Therefore, staffing and training will not be effective in curbing type-2 deceitful behavior when suitable occasions arise for the partner. Usually, the unfair gain from type-2 deceitful behavior is very substantial, and it is quite possible that the temptation of this gain may overwhelm the trustworthiness and behavioral training of personnel. One exception to this is the use of staffing to place trusted member firm employees to control the dissemination of certain types of information, so as to prevent the partner firm from expropriating any critical know-how or technology.

Through proper training, a firm can attempt to inculcate in the personnel the practice of full disclosure of information and results. In a joint venture, the alliance staff from the parent firm can also be trained similarly, so that they reinforce the value of being open with critical information of relevance to the partner. Thus, this mechanism may serve to discourage type-3 deceitful behavior. Training can also deter various types of distortion, an example of type-4 deceitful behavior. Behavioral training can persuade the alliance staff (particularly those of the partner) not to practice type-4 deceitful behavior by repeatedly demonstrating the desirability of sharing pertinent information. Moreover, training should include the development of skills to detect possible type-4 deceitful tendencies and possibilities.

A firm should only assign its more competent and astute managers to work with its partner. This is important because these people will be the only direct link between the firm and its partner. It must also be noted that senior managers, if left without proper controls for too long in an alliance, may run the risk of being socialized in the partner's ways and, possibly, enticed away. To reduce the potential dangers of such eventualities, a firm should be careful in assigning technical experts or individuals who know a great deal of a firm's proprietary information.

Managers of an alliance firm, given the potential of partner deceit, should try to have a say in recruiting alliance employees. In the staffing process, they should be able to call the shots or at least veto the partner's choice in who gets recruited and placed in what position. Similarly, the training curriculum should also be jointly decided with the partner.

Guidelines for alliance managers

Identify the types of potential deceitful behavior

Identify the specific types of potential deceitful behavior that an alliance firm anticipates from its partner in different situations, keeping in mind the four types of such behavior in the risk-time framework. This selection has been problematic heretofore because managers have had to consider deceitful behavior as a relatively simple, if jumbled, phenomenon, so that they had no clear idea about which deterrence mechanism to deploy for what type of potential deceitful behavior. The conventional advice to managers of alliance firms has been to consider using some precautions if and when a particular threat of deceit is perceived.

Select appropriate deterrence mechanisms

Select one or more of the deterrence mechanisms discussed here, to achieve the desired level of prevention and control of deceit. The approach to implementing deterrence mechanisms proposed here is based on different types of deceitful behavior. The six selected deterrence mechanisms should be understood in terms of how each of these will have varying deterrence effects on different types of deceitful behavior. In other words, a specific deterrence mechanism will be effective for certain types of deceitful behavior and not so for other types. This contingent approach should help in the selective deployment of available deterrence mechanisms.

Evaluate effectiveness of the selected deterrence mechanisms

Managers need to recognize that even among these mechanisms not every one will be compatible with the others. On the one hand, if a firm applies incompatible deterrence mechanisms, the effectiveness of all the mechanisms will be reduced. On the other hand, the effectiveness of particular deterrence mechanisms may be enhanced when certain compatible mechanisms are used in tandem. This conscious calculation will also help managers to avoid the use of deterrence mechanisms that may be ineffective for specific types of deceit. Although we have discussed a robust set of deterrence mechanisms, our understanding of which one to use when with others remains less than satisfactory. With the refined categories of deceitful behavior proposed here, managers should be in a position to get more purchase on specific deterrence mechanisms that would be appropriate in different situations. Managers need to explore the calculus of effectiveness with different sets of deterrence mechanisms to determine the most viable combinations of mechanisms for particular types of deceitful behavior.

Consider the appropriateness of deterrence mechanisms for each alliance stage

It would be worthwhile to identify the appropriate deterrence mechanisms for each stage of the alliance making process. Researchers have studied the evolution of alliances in terms of various stages (Das and Teng, 2002). The deterrence mechanisms can be easily identified as belonging to either pre-agreement and post-agreement categories, so that one category will be more relevant during the pre-formation and early stages of the alliance making process, while another in the implementation or later operating stages. For instance, decisions on contractual rigor and governance structure are more relevant for the early stages of negotiating an alliance agreement, whereas decisions concerning monitoring and participatory decision making are more applicable to the later stages of setting-up and operating the alliance. Plainly, proper timing of implementation of various deterrence mechanisms is critical for maximum effectiveness.

Understand and keep in mind the contingent character of the effectiveness of deterrence mechanisms

Managers of alliancing firms should also be careful in implementing specific deterrence mechanisms in conjunction with others, because, as we noted earlier, the effectiveness of some mechanisms may be constrained by the presence of other mechanisms. For example, certain aspects of monitoring mechanisms may conflict with contractual provisions that permit flexibility in decision making by alliance members. The objectives of monitoring may also contradict the spirit of participatory decision making. Given that deterrence mechanisms are expensive to implement, alliance managers should aim for optimal effectiveness of these mechanisms in their totality. The risk-time framework and the discussion of deterrence mechanisms should be helpful in the systematic understanding and management of potential deceitful behavior in strategic alliances.

Conclusion

In conclusion, the most significant obstacle in developing confidence in partner cooperation in strategic alliances is the potential for deceit. Although the hazards of deceitful behavior are well known, they need to be assessed in a fairly sophisticated manner. The deterrence mechanisms employed to curb and control deceitful behavior also need to be considered in a contingent manner to optimally address the different kinds of deceitful behavior. The approach suggested here has clear advantages over the traditional approach to controlling deceitful behavior. By treating each type of deceitful behavior differently, and deterring them in different ways, alliance managers can significantly improve the chances of success. The careful assessment of each type of deceitful behavior would reduce the redundant and ineffective use of deterrence mechanisms.

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