

RUNNING HEAD: Strategic Alliance Team diversity

**STRATEGIC ALLIANCE TEAM DIVERSITY,  
COORDINATION, AND EFFECTIVENESS**

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September 2008

We thank Mike Hitt for helpful comments, and all alliance team members, team leaders, and executives for participating in the study and the four companies for sponsoring this work. This research has been supported in part by a National Science Foundation CAREER Grant (SES 0552089) and a Provost's Distinguished Professorship at the University of Texas at Dallas.

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**ABSTRACT**

Drawing upon literatures on strategic alliances, teams, and diversity, we propose that strategic alliance team diversity warrants further examination. We suggest that strategic alliance team coordination moderates the relationship between strategic alliance team diversity and effectiveness. Specifically, we hypothesize that coordination strengthens the negative relationship between observable diversity characteristics of nationality and gender and team effectiveness. We also argue that coordination strengthens the positive relationship between nonobservable diversity characteristic of functional background and team effectiveness. Results partially support our hypotheses.

Keywords: Strategic alliance teams, diversity, nationality

Strategic alliances are undoubtedly important. However, considering that approximately 60% of alliances fail (Child and Faulkner, 1998), there is much to learn regarding ways to facilitate alliance success. Research in this area has focused on the macro-level (Beamish and Berdrow, 2003; Hitt et al., 2004; Kumar and Seth, 1998; Lyles and Salk, 1996; Park and Ungson, 1997; Steensma et al., 2005; Tong, Reuer, and Peng, 2008). However, as noted by Hambrick, Li, Xin, and Tsui (2001) and Oliver and Roos (2002), the alliance team, a micro-level mechanism vital to alliance success, has received scant attention. Endeavoring to partially fill this gap, in this article we address two underexplored questions: How does nationality, gender, and functional background diversity of the alliance team affect its effectiveness? How does coordination within the team moderate the diversity-effectiveness relationship?

Considering the extensive literature in organizational behavior concerning diversity issues in groups (Jackson, Joshi, and Erhardt, 2003; Milliken and Martins, 1996; Williams and O'Reilly, 1998) and the importance of strategic alliance teams in accomplishing alliance outcomes (Leung and White, 2006), we emphasize diversity in strategic alliance teams—consisting of nationality, gender, and functional background. Strategic alliance scholars have highlighted partner cultural differences at the societal, national, organizational, professional, and managerial levels (Jackson and Schuler, 2003; Parkhe, 1991; Sirmon and Lane, 2004). However, they have typically focused on these issues at the macro-level of the alliance itself, and have not paid significant attention to micro-level issues such as the diversity of strategic alliance teams.

We suggest that it is beneficial to study diversity, particularly nationality, gender, and functional background diversity, in strategic alliance teams for two reasons. First, alliance teams face unique challenges that can influence alliance outcomes. In international strategic alliances, the influence of nationality on strategic alliances revolve around communication, conflict, and

collaboration challenges (Park and Ungson, 1997; Salk and Shenkar, 2001), which are interpersonal issues and processes occurring within teams (Gladstein, 1984; Jackson et al., 2003; Mathieu et al., 2000; Pelled, Eisenhardt, and Xin, 1999). Extending the work on racial diversity (Richard, Murthi, and Ismail, 2007), we argue that nationality diversity is likely to affect the ability of alliance teams to achieve partner goals because of its influence on team processes and effectiveness. Gender diversity not only influences interactions (Harrison and Klein, 2007), but also alliance outcomes. Similarly, functional background diversity—the extent to which teams are composed of members from different functional units—has also been found to influence group effectiveness in teams (Ancona and Caldwell, 1992; Earley and Ang, 2003, Earley and Gibson, 2002; Earley and Mosakowski, 2000). However, research finds inconsistent results regarding the effects of these types of diversity, with positive, negative, and sometimes no relationship to outcomes (Bunderson and Sutcliffe, 2002; Hoffman and Maier, 1961; Pelled et al., 1999; Tsui, Egan, and O’Reilly, 1992; Williams and O’Reilly, 1998). Given these mixed results, how diversity influences alliance team effectiveness is unclear. Thus, a second motivation for studying diversity in alliance teams is to explore these relationships further. As some firms establish functional units dedicated to alliances (Kale et al., 2002) and push for positive alliance outcomes, alliance teams’ composition becomes important. Therefore, it is useful to study the influence of diversity at the strategic alliance team level.

Specifically, we argue that strategic alliance teams’ observable diversity characteristics of nationality and gender negatively relate to alliance team effectiveness, while the nonobservable diversity characteristic of functional diversity positively relates to alliance team effectiveness. In addition, we suggest that coordination—“activities required to manage interdependencies with the team work flow” (Kozlowski and Bell, 2003: 352)—moderates these direct relationships.

Overall, our research makes three contributions to the literature. First, it extends research on strategic alliances by exploring not only the micro (i.e., team) level of analysis, but also the impact of diversity on alliance team effectiveness. Thus, we contribute to the literature in strategic alliances by examining the largely ignored organizational behavior phenomena of groups, rather than the overall alliance itself (Leung and White, 2006). To our knowledge, Hambrick et al. (2001) and Li and Hambrick (2005) are the only researchers to have explicitly considered group composition in the context of international alliance teams. However, their focus is on group faultlines, a view that is similar to but differs from diversity (Harrison and Klein, 2007). A study of diversity in strategic alliance teams, thus, could benefit the field. Second, by examining nationality, we highlight an important component of strategic alliances: the international component. Finally, we also add to the literature on diversity by being one of the few to simultaneously study observable and nonobservable diversity characteristics.

## **THEORETICAL BACKGROUND**

The diversity literature provides a wealth of research regarding the impact of diversity on outcomes, as well as on various typologies of diversity. With regard to the impact of diversity, there are inconsistent findings. Some studies have found positive relationships between diversity and outcomes, while others have found negative relationships, and still others no relationship (see Milliken and Martins (1996), Jackson et al. (2003), and Williams and O'Reilly (1998) for reviews). Despite these divergent findings, the theoretical basis for research on diversity is remarkably consistent. Although some researchers have adopted ecological and cognitive models, distributive justice theory, tournament theory, status characteristics theory, and information/decision-making perspectives as theoretical bases for diversity (Harrison and Klein,

2007; van Knippenberg and Schippers, 2007), as Williams and O'Reilly (1998) point out, the majority of research on diverse groups is based on social identity theory (SIT) and its extension, self-categorization theory (SCT). SIT and SCT concern how individuals categorize themselves and others into social groups based on various demographic characteristics (Tajfel, 1982; Turner, 1982, 1987). Individuals consider themselves (and others) as part of a group based on any number of attributes and seek to derive a positive self-identity from such a category. This leads to an in-group bias, where individuals tend to favor their in-group over others (Tajfel, 1982; Tajfel and Turner, 1986). This is consistent with Byrne's (1971) similarity-attraction paradigm where members prefer to interact with their own social group of people (Tsui et al., 1992).

There has been some discussion in the alliance literature regarding diverse alliance teams having rifts due to member characteristics. For example, Hambrick et al. (2001) propose that coalitions (or subgroups) can form within alliance teams based on any number of demographic and psychological attributes. Similarly, Li, Xin, and Pillutla (2002) suggest that members of IJV teams could experience factionalism from identification with different parents, which negatively impacts communication, commitment, and ultimately performance. Along the same lines, Salk and Shenkar (2001) find that members of IJV teams tended to identify more strongly with their national country of origin or their parent firm than the JV itself. Thus, due to identification with social categories such as nationality and parent company, alliance team members may experience difficulties interacting with dissimilar others in the alliance team, and potentially experience lower affective reactions to the team.

These social categories can be formed based on any number of demographic attributes, which can be grouped into categories. Perhaps the most consistently used typology categorizes the bases of diversity into (1) observable, visible, readily detectable attributes such as age and

gender, and (2) nonobservable, less visible, underlying attributes such as personality and values (Jackson et al., 2003; Milliken and Martins, 1996; Pelled, 1996). We use this typology in our paper, specifically examining the observable characteristics of nationality and gender and the nonobservable characteristic of functional background.

Studies of both observable and nonobservable diversity characteristics are sparse (Cunningham and Sagas, 2004; Phillips and Loyd, 2006). One of the best-known studies is Harrison, Price, and Bell (1998), who find that, over time, nonobservable diversity in terms of satisfaction and commitment had more impact on cohesion than observable diversity attributes of age, sex, and race/ethnicity. Continuing this stream of research, Harrison, Price, Gavin, and Florey (2002) report that actual observable and nonobservable diversity characteristics positively relate to team members' perception of these types of diversity, which negatively impacts team social integration, which in turn positively impacts task performance. In addition, their results show that collaboration moderates the negative relationship between perceived diversity and team social integration such that observable diversity reduces the strength of this relationship, while nonobservable diversity increases the strength of this negative relationship. Jehn, Northcraft, and Neale (1999) examine both types of diversity and find that observable diversity is positively associated with perceived performance, satisfaction, intent to remain in the group, and commitment, while nonobservable diversity in terms of values is negatively related to perceived and actual group performance, group efficiency, satisfaction, intent to remain, and commitment.

Along similar lines, Cunningham and Sagas (2004) demonstrate that groups with nonobservable diversity in terms of values are associated with lower job satisfaction and higher turnover intentions compared to homogeneous groups, but that this relationship is not significant

for observable, ethnic diversity. In contrast, Mohammed and Angell (2004) find that neither observable nor nonobservable diversity impact relationship conflict. Phillips and Loyd (2006) examine the interaction effect of observable and nonobservable diversity on dissenting group members, and show that congruence between these two types of diversity is more beneficial in terms of sharing unique perspectives on the task than incongruence in these two types of diversity. They suggest that observable diversity (versus homogeneity) may be beneficial to incongruent groups. Phillips, Northcraft, and Neale (2006) also demonstrate that observable diverse groups outperform observable homogeneous groups regardless of nonobservable similarities. Finally, Peltokorpi (2006) finds that both observable- and nonobservable value diversity negatively affects interpersonal communication, with the exception of relative tenure diversity, which has a positive effect.

Based on the literature reviewed, it seems that different types of diversity can at times influence outcomes differently, lending support to the notion that these are two separate categories of diversity variables. We explore these relationships further in the next section.

## **HYPOTHESES**

In our study, we explore the influence of diversity on alliance team effectiveness. Strategic alliance team effectiveness refers to the extent to which alliance teams achieve the goals and strategic objectives of alliance partner firms, satisfactorily and efficiently perform alliance tasks, and are viable (Zoogah, 2006). Alliance team effectiveness may be measured by (1) affective, (2) cognitive, or (3) behavioral variables. Affective alliance team effectiveness refers to the ability of strategic alliance teams to sustain or increase the affective desire of alliance partners to cooperate even if immediate goals are not being met. An example of affective

alliance team effectiveness is satisfaction. Cognitive alliance team effectiveness refers to the ability of strategic alliance teams to maximize knowledge or learning outcomes for partner firms. Finally, behavioral alliance team effectiveness refers to the ability of strategic alliance teams to engender cooperative behaviors from partner firms. Examples include goal achievement and productivity. Because alliances are always managed by teams, one major determinant of strategic alliance effectiveness is strategic alliance team effectiveness. If strategic alliance teams, which usually manage alliance tasks, activities, and processes are effective, it is very likely strategic alliances will be effective (Leung and White, 2006). In this paper, we combine these three aspects of effectiveness to study whether alliance executives are satisfied with the performance of alliance teams.

We specifically examine the different effects of observable and nonobservable diversity characteristics and the moderating role of coordination on strategic alliance team effectiveness. Due to inconclusive and mixed findings on the effects of diversity (Milliken and Martins, 1996; Jackson et al., 2003; Williams and O'Reilly, 1998), van Knippenberg and Schippers (2007) conclude that complex models of diversity incorporating moderator variables are the next step in diversity research. We believe group coordination represents a key moderator of the diversity-alliance team effectiveness relationship. Consistent with Pelled et al. (1999), we define diversity in terms of heterogeneity, the extent to which an alliance team varies with respect to demographic characteristics. We conceptualize diversity in terms of variety, the degree of difference among team members on any given characteristic (Harrison and Klein, 2007), in our context the degree of difference in the observable characteristics of nationality and gender, and the nonobservable characteristic of functional background. The categorization of these diversity

characteristics into observable and nonobservable is consistent with prior research (Harrison et al., 1998, 2002; Peltokorpi, 2006; Phillips et al., 2006; Richard, Ford, and Ismail, 2006).

### **Diversity and Alliance Team Effectiveness**

Prior to specifying moderator relationships, we start with the direct impact of diversity. Pelled (1996) suggests that diversity attributes vary on their visibility and job-relatedness. She proposes (1) that visible, low job-relatedness diversity dimensions of gender and race are associated with affective conflict, which may ultimately hurt performance, and (2) that less visible, job-related diversity dimensions such as functional background may increase task conflict, which improves performance. These relationships are generally supported by Pelled et al. (1999).

The idea that observable diversity characteristics may hinder performance is consistent with SIT (Tajfel, 1982; Turner, 1982) and the similarity-attraction paradigm (Byrne, 1971), suggesting that members of diverse groups are likely to identify with, give preference to, and prefer to work with a subgroup within the alliance team, rather than the team itself. Thus, such diversity may hinder group interactions, cohesion, and communication (Jehn, 1995; Pelled et al., 1999; van Knippenberg, de Dreu, and Homan, 2004; Zenger and Lawrence, 1989), and potentially lower performance (Jehn, 1995, 1997; Williams and O'Reilly, 1998).

On the other hand, functional background diversity, by affording additional perspectives, backgrounds, and skill sets related to the task, should generally be positively associated with group performance (Williams and O'Reilly, 1998). As stated above, functional background diversity has been shown to positively relate to task conflict, which encourages more careful discussion of the task and can improve performance (Jehn et al., 1999; Pelled et al., 1999). Functional diversity has also been found to be directly related to innovation (Bantel and Jackson,

1989), firm growth, strategic initiatives, and ability to respond to environmental shifts (Murnann and Tushman, 1997), and performance in general (Hambrick, Cho, and Chen, 1996). Thus:

*Hypothesis 1a: The observable nationality and gender diversity of a strategic alliance team is negatively related to its effectiveness.*

*Hypothesis 1b: The nonobservable functional diversity of a strategic alliance team is positively related to its effectiveness.*

### **The Moderating Role of Team Coordination**

Coordination encompasses an integration of different activities through appropriate timing to achieve synchronization of activities (Kozlowski and Bell, 2003; Zalesny, Salas, and Prince, 1995). If an alliance team is unable to coordinate its task activities due to lack of members' coordination skills or situational constraints, group performance often suffers (Doz and Hamel, 1998; Larson and Schaumann, 1993). In diverse alliance teams, coordination among members is critical, as this could impact the alliance team as well as overall alliance outcomes. The key question is: How much coordination among members is needed for effective alliance functioning? We investigate the importance of coordination in alliances taking both observable and nonobservable diversity characteristics into consideration. Following van Knippenberg et al.'s (2004) recommendation, we not only differentiate between observable and nonobservable diversity characteristics to explore this moderated relationship, but specifically examine three diversity dimensions within this typology: nationality, gender, and functional background. Our predictions depart from previous research on observable and nonobservable diversity because we theorize on each unique diversity dimension.

*Observable diversity attributes of nationality and gender.* Coordination can be difficult to accomplish in culturally diverse groups because individual differences are further accentuated by national culture (Elron, Shamir, and Ben-Ari, 1999). People who have different cultural values

often have different preferences with regard to work tasks and processes. For example, people from highly uncertainty avoidance cultures may prefer more structured tasks, and hence prefer more coordination compared to those from low uncertainty avoidance cultures (Hofstede, 2007). Similarly, collectivists may prefer high levels of cooperation and coordination with their ingroup to achieve group goals (Triandis, 1995) compared to individualists who may prefer separate, independent individual tasks that give them autonomy (Hofstede, 1980; Triandis, 1995). Thus, there is likely to be disagreement among the ideal level of coordination among alliance team members of different nationalities. Higher levels of coordination may be preferred by some, but not others, which could influence group members' performance. Some may perform better with coordination, while others feel restricted and perform worse, which could lead to the alliance team as a whole performing worse than expected. Furthermore, differences in time orientation and relationships among people (Kluckhohn and Strodtbeck, 1961; Trompenaars, 1994) may accentuate disagreement regarding task and coordination details, potentially creating issues in both planning and real-time coordination, which influences task performance (Janicik and Bartel, 2003).

In addition, coordination may lead to lower performance in nationally diverse strategic alliance teams due to differences in business practices and languages. Research on cross-country alliances suggests variations among decision-making criteria (Hitt et al., 1997), attitudes toward power and control (Parkhe, 1991), and managerial preferences for different styles of conflict management, decision-making, leadership, and problem-solving (Parke, 1991), which can hinder coordination among alliance members. Furthermore, since people from different nations often speak different languages or dialects and have different communication norms (Hall, 1976), communication challenges are likely to ensue in alliance teams characterized by high national

diversity. This is likely to make it more difficult to accomplish tasks and work together. Alliance teams may have increased miscommunication and conflict when they work together on coordinated tasks, which may hinder performance. Thus, due to differences in cultural values, business practices, and language, high levels of coordination may be challenging to deal with among nationally diverse strategic alliance teams, and thus be associated with lower alliance team effectiveness.

*Hypothesis 2a: Coordination moderates the relationship between alliance team nationality diversity and effectiveness: Effectiveness will be high for more nationally diverse than less nationally diverse teams when coordination is low than when it is high.*

Similar to national diversity, we expect the negative relationship between alliance team gender diversity and effectiveness to be increased with higher levels of coordination because of different preferences for coordination among genders. Women have often been shown to put group attributes over their personal ego (Miller and Karahowsky, 2005), while men often produce behaviors of self-promotion, individualism, and competitiveness (Eagly, 1987; Eagly and Steffen, 1984). Thus, we might expect women to work more collaboratively in groups compared to men. Women may prefer more coordination, whereas men may prefer more independent activities, which may create divisiveness in a gender diverse group characterized by high levels of coordination. Such divisiveness could be associated with factionalism, communication problems, and conflict, which could hinder problem solving (Williams and O'Reilly, 1998) and performance in the alliance team. Thus, due to different preferences for and comfort with coordination, as well as associated process issues, gender diverse alliance teams with high levels of coordination are likely to perform worse than gender diverse teams with lower coordination.

*Hypothesis 2b: Coordination moderates the relationship between alliance team gender diversity and effectiveness: Effectiveness will be high for more gender diverse than less gender diverse teams when coordination is low than when it is high.*

*Nonobservable diversity attribute of functional background.* The nonobservable functional diversity can potentially impede group functioning particularly if group members' information is ignored or undervalued (Williams and O'Reilly, 1998). It may also lead to misunderstandings, miscommunications, and hence process losses (Milliken and Martins, 1996) due to different terminologies, perspectives, and skill sets. However, we expect the combination of high levels of functional diversity and coordination to positively influence performance satisfaction. Since coordination requires integration of tasks (Zalesny et al., 1995), it is necessary for members of functionally diverse alliance teams to communicate with each other and agree upon a course of action. This may increase both frequency of communication, which encourages careful discussion of the task at hand and is associated with improved performance (Jehn et al., 1999). In addition, since functional differences may be recognized as being job or task related (Pelled, 1993), alliance team members may appreciate the usefulness of functional diversity for their goal, expect difficulties from different perspectives, and be more willing to coordinate tasks with each other, all of which can facilitate performance. Therefore, we hypothesize that coordination will actually improve effectiveness among functionally diverse alliance teams.

*Hypothesis 2c: Coordination moderates the relationship between alliance team functional diversity and effectiveness: Effectiveness will be high for more functionally diverse teams than less functionally diverse teams when coordination is high than when it is low.*

## **METHODOLOGY**

### **Sample**

Our sample consists of 45 strategic alliance teams from 19 alliances involving 15 firms. There are more teams than alliances, since some alliances had multiple alliance teams, and some organizations had multiple alliances and teams. Each alliance team was composed of two to three members, one team leader, and one alliance executive. In all, there were 109 team members, 44 team leaders, and 34 alliance executives. Team members and leaders were generally mid-level managers managing operational and tactical (relatively non-strategic) aspects of the relationship. It was primarily their cooperation that resulted in the completion of alliance projects. Alliance executives were responsible for the performance of the alliance team. They were superiors of the alliance team and were not involved in daily alliance actions. Alliance teams interacted with other alliance teams from culturally different, geopolitically complex, and organizationally complicated environments. Alliance teams existed for the duration of alliance projects. Team interactions occurred often and were face-to-face, as well as virtual. Face-to-face interactions occurred four times a year with rotating locations. For example, if one partner firm hosted a meeting in January, the other firm hosted it in April. Virtual interactions involved the use of telecommunication (e.g. videoconferencing) and computer (e.g. internet meeting) media. Electronic mails and net-meetings supplemented virtual interactions. Team leadership was stable even though some members changed roles in and out of team settings. However, the stability of team leadership ensured continuity in team tasks.

In terms of macro-level alliance characteristics, our sample has 13 domestic alliances (within the United States) and six international (cross-border) alliances. The alliances cover a range of industries including pharmaceutical, information technology (IT), and services. The functional areas of team members include finance, manufacturing, marketing, and R&D.

After soliciting permission from the firms and the alliance teams agreed to participate, the first survey, which focused on diversity and coordination variables, was emailed to team members and team leaders (Time 1). Team members provided information on the variables, while team leaders rated coordination within alliance teams. This multisource approach enabled us to determine convergent validity (Podsakoff et al., 2003). One month later (Time 2), we emailed the second survey—the effectiveness survey—to alliance executives. To obtain an unbiased assessment of team effectiveness, the executives (not alliance team members) were requested to rate their satisfaction with each alliance team’s performance. The response rates for team members, team leaders, and alliance executives on their respective surveys were 86%, 90%, and 85%, respectively. Teams were composed of males (60%) and females (40%), and were from United States (55%), Hong Kong (15%), Germany (10%), France (10%), United Kingdom (5%), and South Africa (5%).

## **Measures**

*Diversity.* Following Harrison and Klein (2007), we measure all three forms of diversity—nationality, gender, and functional background—using Blau’s (1977) index of diversity, computed as  $1 - \sum_{i=1}^n p_i^2$  where  $p$  is the proportion of unit members in  $k$ th category.

Blau’s index can range from zero to  $(K-1)/K$ . National diversity has values ranging from .69 to 1.19. Values for gender diversity range from .70 to 1.20. Functional diversity values range from .56 to .74.

*Coordination.* Alliance team coordination is measured with five items adapted from Earley and Gibson (2003) and anchored on 5-point Likert scales ranging from strongly agree to strongly disagree. These items are (1) “My team distributes work among members and all members know who is doing what,” (2) “My team members ensure that information or ideas are

understood by relevant members,” (3) “Connected processes and activities are well coordinated with other teams,” (4) “Duplicated and overlapping activities are avoided by my team members,” and (5) “My team members have no problems in coordinating with other teams.” Cronbach’s alpha ( $\alpha$ ) for alliance team coordination is .75.

*Alliance team effectiveness.* Alliance team effectiveness is measured in two ways: (1) Alliance team performance satisfaction (i.e., the extent to which alliance organizations were satisfied with the performance of alliance teams) and (2) goal achievement (i.e., the extent to which alliance teams achieved the goals of alliance organizations). Similar measures have been used to measure alliance effectiveness in the past (Kozlowski and Bell, 2003). Our performance satisfaction items are adapted from Earley and Gibson (2004). Cronbach’s alpha ( $\alpha$ ) is .89. Goal achievement is measured with four items adapted from Earley and Gibson (2002). Cronbach’s alpha ( $\alpha$ ) was .76.

We include two variables—team size and average team experience—as controls because they could potentially impact the effects of diversity (Harrison and Klein, 2007).

Following Podsakoff et al. (2003), we control for common method variance in two ways. First, we obtained measures of the predictors and criteria from different sources (alliance team members, alliance team leaders, and alliance executives). Second, we obtained data at two different time periods (Times 1 and 2). Measures for diversity and coordination were obtained in Time 1 from alliance team members and alliance team leaders, respectively. Data for the satisfaction measure was obtained from alliance team members and alliance executives, respectively, in Time 2. The interval between Time 1 and Time 2 was five weeks on average.

## Data Analysis

We conducted preliminary analyses to examine the psychometric properties of the constructs across levels (reliability and inter-member agreement) and construct variability between units (intra-class correlation – ICC (1) and ICC (2)). Second, we conducted ordinary least squares (OLS) tests to examine the hypothesized relationships. In addition to the internal consistency estimates of the variables reported earlier (see measures), inter-member agreement ( $r_{wg(j)}$ ) for team coordination (.82) and performance satisfaction (.87) suggested a collective orientation of the variables and provide support for aggregation to the alliance team level (Bliese, 2000). We examined the construct variability of the measures between units by computing intraclass correlations [(ICC (1) and ICC (2))] at both levels. ICC (1) estimates for coordination is 0.12. ICC (2) estimates for the same variable is 0.35. ICC (1) and ICC (2) estimates for satisfaction are .09 and .33. F-test estimates for coordination (1.99) and performance satisfaction (3.18) are significant at the  $p < .05$  level, suggesting that the constructs varied between teams.

## RESULTS

Table 1 shows descriptive statistics and inter-correlations. The general pattern of correlations shows both negative and positive relationships. The effectiveness measure of performance satisfaction ( $M = 3.67$ ;  $SD = .67$ ) correlates with national diversity ( $r = .14$ ), gender diversity ( $r = .16$ ,  $p < .05$ ), functional diversity ( $r = -.01$ ), and coordination ( $r = -.01$ ), but at low levels. The alliance teams effectiveness measure of goal achievement ( $M = 3.69$ ;  $SD = .76$ ) also correlates with national diversity ( $r = .02$ ), gender diversity ( $r = .03$ ), functional diversity ( $r = -.14$ ), and coordination ( $r = .17$ ,  $p < .05$ )

--- Insert Table 1 about here ---

Table 2 shows the OLS results. The first (M 1) and fourth (M 4) models (control variables) are not significant. The second (M 2) and fifth (M 5) models are also not significant overall. However, the third model (M 3) regarding performance satisfaction when interactions were tested shows significant main effects of gender diversity ( $\beta = 2.7, p < .01$ ) and functional diversity ( $\beta = -3.2, p < .05$ ). Contrary to our hypotheses, gender diversity positively relates to performance satisfaction, while functional diversity negatively relates to performance satisfaction. Nationality diversity does not influence performance satisfaction ( $\beta = .29, n.s.$ ). The sixth (M 6) model regarding goal achievement in the presence of interaction effects also shows overall significance. Gender diversity relates to goal achievement ( $\beta = 2.87, p < .01$ ), though again in the opposite direction we hypothesized. The sixth model (M 6) does not show significant main effects of nationality diversity ( $\beta = -.03, n.s.$ ), functional diversity ( $\beta = -.63, n.s.$ ), or coordination ( $\beta = 3.74, n.s.$ ). Hypotheses 1a and 1b are therefore not supported.

With regard to our hypotheses regarding moderation, M 3 shows significant interaction effects for nationality diversity x coordination ( $\beta = -.41, p < .05$ ), gender diversity x coordination ( $\beta = -4.99, p < .01$ ), and functional diversity x coordination ( $\beta = 8.71, p < .05$ ) with regard to performance satisfaction. However, M 6 of goal achievement shows only the gender diversity x coordination interaction ( $\beta = -5.14, p < .01$ ) as significant. It should also be noted that the nationality diversity x coordination interaction ( $\beta = -.32, p < .10$ ) is also marginally significant. The interactions explain a significant proportion of additional variance (M 3:  $\Delta R^2 = .31$ ; M 6:  $\Delta R^2 = .21$ ). We have plotted the significant interactions +1SD and -1SD of the mean after centering the explanatory variable. Figures 1A, 1B, 1C, and 1D show the plots.

--- Insert Table 3, Figure 1A-1D about here ---

As shown in Figure 1A, for teams with high coordination, performance satisfaction is high when national diversity is low. In other words, for nationally homogeneous teams, performance satisfaction tends to be higher when there is high coordination, but lower when there is low coordination in the teams. However, the opposite is true for nationally heterogeneous teams. Performance satisfaction tends to be higher in more nationally heterogeneous teams when coordination is low than when it is high. The relationship between goal achievement and nationality is not significantly affected by coordination. However, considering the support for the relationship between nationality and performance satisfaction, there is partial support for Hypothesis 2a.

Gender diversity shows a similar pattern as nationality and performance satisfaction for both measures of effectiveness, as shown in Figures 1B and 1C. In the latter, goal achievement ratings are higher for less gender diverse teams when coordination is high than when it is low. Thus, there is robust support for Hypothesis 2b, suggesting that coordination moderates the relationship between the observable diversity characteristic of gender and alliance team effectiveness.

Hypothesis 2c suggests that the interaction between functional diversity and coordination would improve effectiveness such that high levels of functional diversity and high levels of coordination would be associated with more effectiveness. This relationship is significant for the performance satisfaction measure of effectiveness, as shown in Figure 1D. It is not supported for the effectiveness measure of goal achievement. However, since performance satisfaction is an aspect of effectiveness and is shown to be significant among highly coordinated functionally diverse teams, there is limited support for Hypothesis 2c.

## DISCUSSION

### Contributions

In our view, at least two sets of theoretical and empirical contributions emerge. Theoretically, we contribute to strategic alliance research by drawing on the relatively scant literature on strategic alliance teams (Hambrick et al., 2001; Oliver and Roos, 2002) and the organizational behavior topic of diversity (Leung and White, 2006). We have examined the issue of nationality diversity for these teams, a diversity characteristic that has received much less attention than ethnic or racial diversity in the organizational behavior literature (Millikens and Martins, 1996), yet may be critical for strategic alliance teams given the increase in cross-border alliances. We have also explored the effect of gender and functional diversity. Empirically, we have tested a model of observable and nonobservable diversity characteristics, thereby providing a more in-depth analysis of diversity characteristics in the context of alliance teams, and contributing to the comparatively small number of studies on both observable and nonobservable diversity characteristics in the organizational behavior and top management team literatures. Thus, we extend Hambrick et al.'s (2001) theoretical work by testing whether diversity (rather than compositional gaps) in both observable and nonobservable characteristics influence strategic alliance team effectiveness. Similar to Li and Hambrick (2005), we are concerned with the impact of demographic characteristics on strategic alliance teams. While we also include gender as a demographic characteristic, we have gone beyond Li and Hambrick (2005). Specifically, we measure two additional demographic characteristics (nationality and functional background), focus on the effect of diversity (rather than faultlines), and are interested in strategic alliance team effectiveness (rather than joint venture performance). In sum, we extend the literature on strategic alliance teams by studying the effect of diversity on team effectiveness.

In addition, by examining the moderating role of coordination, we have responded to van Knippenberg and Schippers' (2007) call for more complex models of diversity. This also enables us to further Hambrick et al.'s (2001) and Li and Hambrick's (2005) work on joint venture teams by exploring models that include moderation (rather than mediation) influencing the relationship between strategic alliance team composition and performance.

In terms of implications for practice, there are several. First, managers need not worry that diversity directly negatively impacts outcomes. Based on our findings, diversity on its own does not appear to hinder performance in strategic alliance teams. However, team processes do seem to have an effect. Coordination, we find, hinders performance of nationally and gender diverse alliance teams. Alliance executives may want to consider de-emphasizing the importance of coordination in alliance teams characterized by these forms of diversity. Alternatively, managers may want to engage team members in cross-cultural training to facilitate better communication and cooperation among members, which might limit the negative indirect effect of coordination. Finally, strategic alliance executives may want to make increased use of team members with diverse functional backgrounds or other nonobservable diversity characteristics that do not seem to be negatively influenced by coordination.

### **Limitations and Future Research Directions**

The lack of support for all our hypotheses has led us to search for explanations and limitations. First, we unexpectedly find that the direct relationship between nationality diversity and effectiveness is not significant. Two possible explanations are withholding and mistrust effects. With regard to withholding, due to cultural differences, alliance team members may not know how to interact with each other effectively (Sirmon and Lane, 2004). They may therefore withhold information, which neither helps nor hurts effectiveness. Another possible explanation

is that members from different cultural groups may not trust each other. Several studies in the alliance literature show mistrust hinders effective interaction (Butler, 2007; Douma et al., 2000), which could negatively affect team performance. However, even though mistrust may negatively influence effectiveness, when it is combined with withholding, the latter may dominate, thereby eliciting no impact on effectiveness. Future research could further explore these intervening factors' influence on the relationship between national diversity and effectiveness.

Second, our hypothesized direct effect of gender diversity is not supported. One reason may be the context. The complexity of alliances may have neutralized interpersonal differences that facilitate interaction. Another reason may be that other diversity characteristics (e.g., nationality) are dominant and minimize the main effects. This is likely considering that gender diversity interacted with coordination. We encourage future research on the dominance of certain diversity characteristics over others.

Third, we find that functional diversity does not influence performance satisfaction or goal achievement in the expected direction. Our evidence supports studies that show negative effects of functional diversity (Bunderson and Sutcliffe, 2002). One reason may be because we do not distinguish between specialist and generalist functions. Bunderson and Sutcliffe (2002) report that specialist functional diversity may have a positive effect because of complementary knowledge, while generalist functional diversity may have a negative effect on team outcomes. We therefore encourage future researchers to disentangle the different effects in relation to alliance team effectiveness.

Overall, the insignificant relationship between diversity and effectiveness is not entirely surprising, given the mixed findings in the literature, where diversity at times has a positive, negative, or insignificant effect on outcomes (Williams and O'Reilly, 1998). It is also consistent

with research suggesting that moderator relationships are key to understanding the relationship between diversity and outcomes (van Knippenberg and Schippers, 2007).

Finally, our study also has limitations due to its scope. Because of data collection challenges, we have a limited sample size. Future studies would ideally have a larger sample size, particularly with cross-border alliances. Also, future research could benefit from studying additional diversity characteristics, such as age and tenure, as well as other moderators, such as team cooperation or cohesion. Finally, we focus on diversity in general, rather than other configurations such as faultlines (Lau and Murnighan, 2005; Li and Hambrick, 2005) or other types of diversity than variety (Harrison and Klein, 2007). In the future, researchers may want to consider examining other forms of diversity in strategic alliance teams.

## **CONCLUSIONS**

Clearly, the strategic alliance team has been a missing link in the otherwise voluminous alliance literature. In this study, we have theoretically claimed and empirically documented the impact of the three types of diversity—nationality, gender, and functional background—on strategic alliance team effectiveness. We have also found that coordination moderates the relationship between diversity and alliance team effectiveness. In addition, we have extended the research on diversity, traditionally a micro topic, to strategic alliances, traditionally a macro topic, thereby linking the micro-macro divide. In conclusion, strategic alliance teams may be the micro-macro link enabling us to probe deeper into the drivers of strategic alliance effectiveness. We hope that more future research will be devoted to this crucial micro-macro link: the strategic alliance team.

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**Table 1**  
**Descriptive Statistics and Inter-correlations**

Variable	Mean	SD	1	2	3	4	5	6	7	8
1 Team Size	2.52	0.55	1							
2 Average Team Experience	2.36	0.89	-.10	1						
3 Functional Diversity	0.69	0.04	.13	.23*	1					
4 Nationality Diversity	0.92	0.11	.08	.24*	-.01	1				
5 Gender Diversity	0.96	0.09	.07	-.05	.08	.69**	1			
6 Coordination	3.68	0.60	-.01	.31**	-.11	.01	-.24**	1		
7 Performance Satisfaction	3.66	0.76	-.08	-.14	.01	.14	.16*	-.01	1	
8 Goal Achievement	3.69	0.76	-.21	-.06	-.14	.02	.03	.17*	.65**	1

N = 44; \* p < .05; \*\* p < .01

**Table 2**  
**Hierarchical Linear Regression Results**

Step	Variables	Performance Satisfaction			Goal Achievement		
		M1	M2	M3	M4	M5	M6
		$\beta$	$\beta$	$\beta$	$\beta$	$\beta$	$\beta$
1	Team Size	-.10	-.14	-.12	-.22	-.22	-.2
	Average Team Experience	-.15	-.23	-.26	-.09	-.15	-.07
2	National diversity		.19	0.29		.04	-.03
	Gender diversity		.02	2.7***		.05	2.9**
	Functional diversity		.07	-3.2**		-.05	-.63
	Coordination		.05	-2.8**		.22	3.7
3	Coordination x National diversity			-.41**			-.32*
	Coordination x Gender diversity			-4.9***			-5.14***
	Coordination x Functional diversity			8.7**			1.73
	<b><math>R^2</math></b>	0.03	.09	0.40	0.05	0.11	.32
	<b>Adj. <math>R^2</math></b>	-0.02	-.09	0.19	0.01	-0.04	.14
	<b><math>\Delta R^2</math></b>	0.03	-.06	0.31	0.05	0.05	.21
	<b><math>\Delta F</math></b>	0.61	0.48	4.13***	1.14	0.54	3.55**
	<b>Overall <math>F</math></b>	0.61	0.5	2.08**	1.14	0.72	1.99*

\*p < .10; \*\*p < .05; \*\*\* p < .01

**Figure 1**  
**Plots of (A) Nationality, (B, C) Gender, and (D) Functional Diversity and Coordination Interactions**

