

## **Strategic Alliances and Corporate Sustainability, a Signaling Approach**

My research is motivated by the important and crucial role of strategic alliances in the sustainable development of focal firms. In general, alliances are an important instrument for strategic collaboration and (inter)- organizational learning. Moreover, both inter-firm and inter-organizational alliances are important for applying sustainability strategies. However, Up until now, for-profit partnering (inter-firm alliances) has received relatively little attention in the CS literature, specifically as the mechanism of a firm sustainability appraisal in terms of legitimacy.

Inter-firm alliances/for-profit partners are not only essential in general business but become more and more important for managing sustainability. When firms sell sustainable products and services to end-users, they need to consider sustainability in the entire value chain and, therefore partnering or collaborating with sustainable partners is important. In my study, I investigate whether and how alliances, actively and fundamentally based on collaboration, can play a crucial role in the sustainable development of a focal firm. The underlying assumption is that alliance activities become increasingly important for stakeholder's assessment of firm behavior concerning sustainability. For example, on the one hand, cooperating with partners who have already a high sustainability orientation can potentially play an influential role in shaping the focal firm's legitimacy for sustainability. On the other hand, collaborating with the 'wrong' partner can have significant negative impacts on the focal firm's sustainability legitimacy. Still, firms might want to take responsibility for the industry and help to move less sustainable firms to do better. How can this be done? And how do stakeholders know about it? Whether and how can a firm use sustainable alliance activity as a signal to make stakeholders understand that they are sustainable in their value creation activities?

One main proposition is that partnering with organizations with high sustainability orientation plays an influential role in shaping a focal firm's legitimacy of sustainability. Stakeholders give increasing attention to sustainability, thereby with whom firms go into the partnership, becomes a vital factor for stakeholders' interpretation in the context of the legitimacy of sustainability. I build on signaling theory (Connelly, Certo, Ireland, & Reutzel, 2011) a theoretical framework to shed light on the complex process of legitimacy formation. First, the legitimacy of sustainability is a socially constructed phenomenon, driven by different interpretation patterns of various stakeholders. Second, from the focal firm's standpoint, selecting the 'right' partner can be challenging and complex due to the uncertainty and difficulties in evaluating the quality of (potential) partners dealing with sustainability.

Based on the literature, signaling theory reduces information asymmetry and mitigates uncertainty. It has three components, signaler (sender), signal (which is the quality indicator of unobservable activities of a signaler) and receiver. For example certificates, such as ISO certificates, or environment-friendly labels on products are a kind of signal. A signal can have different attributes or characteristics, such as the cost of signal, observability, signal's fit and honesty, and the frequency of the signal which can impact the interpretation of signals. Interpretation of signals can be different from the stakeholders' perspective to focal firms' perspective because of differences in needs and business strategies.

The research findings offer valuable advice for (top) managers about the importance of taking into account the quality of sustainability orientation of a (potential) business partner. Moreover, they will show how this can materialize in legitimacy assessments. No matter what is the scope of businesses; patisserie and bakery, crystal business, they have a high dependency on customers and partners for value creation.

As with any theory, the proposed conceptual model builds on several assumptions that provide an avenue for future research. One straightforward path that could be followed in the future is the empirical validation of the theoretical contentions; for example, an in-depth case study showing the process of decision making. It is also imperative to discover to what extent characteristics of a signal influence stakeholder assessment of a focal firm. Firm-based legitimacy of sustainability results in stakeholders' perceptions and assessment of what they define and see as legitimate. However, some stakeholders, in particular external stakeholders, might have a false claim or an unrealistic expectation of focal firms (Scherer, Palazzo, & Seidl, 2013) which as a result, damages the focal firms' legitimacy. The correct perception of the legitimacy of sustainability by stakeholders becomes crucial since in a dynamic environment, with often contradictory sustainability demands, it can help the effectiveness of focal firms' potential strategies, which have an impact on their legitimacy.