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Publication Date

2010

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How Power is Lost: Illusions of Alliance Among the Powerful

By

Sebastien Brion

A dissertation submitted in partial satisfaction of the

requirements for the degree of

Doctor of Philosophy

in

Business Administration

in the

Graduate Division

of the

University of California, Berkeley

Committee in charge:

Professor Cameron Anderson, Chair

Professor Barry Staw

Professor Laura Kray

Professor Serena Chen

Spring 2010

ABSTRACT

How Power is Lost: Illusions of Alliance Among the Powerful
by

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Doctor of Philosophy in Business Administration

University of California, Berkeley

Professor Cameron Anderson, Chair

Effective leadership in organizations is predicated not only on technical, but also social competence (Barry & Crant, 2000; Huselid, 1995; Pfeffer & Veiga, 1999; Weick, 1979). Leaders rely heavily on their social interactions and relationships with others to succeed in organizational contexts. As a result, leaders need to be able to establish relationships and alliances to effectively engender acceptance and compliance from others. However, leaders often fail to establish effective alliances and consequently are unable to successfully lead and maintain their power. This dissertation investigates the psychological processes that inhibit the ability of powerholders to effectively form alliances and maintain power. Specifically, I examine the impact *illusions of alliance*, which I define as the overestimation of the strength of one's alliances with others, on the loss of power. I argue that powerholders who hold illusions of alliance fail to promote and develop effective alliances, and ultimately lose power. Moreover, building from the literature on the psychological effects of power, I also argue that power itself increases the propensity to hold illusions of alliance. This deleterious effect of power might explain why power is often said to lead to its own demise.

In two studies, I found that power increases the propensity to hold illusions of alliance. In Experiment 1, I investigated the impact of self-perceptions of dispositional power on illusions of alliance in long-term project teams that met over several months. As hypothesized, I found that individuals who believed they were dispositionally powerful also tended to hold illusions of alliance. In Experiment 2, to examine the causal role of power on illusions of alliance, I experimentally primed high (or low) power among individuals engaged in long-term project teams and found that individuals primed with high power were more likely to hold illusions of alliance as compared to those primed with low power or controls.

In a separate set of studies, I also found that powerful individuals lose power to the extent that they hold illusions of alliance. In Experiment 3, I developed a task in which three individuals of varying power participated in a coalition building exercise. Participants in the high power role who overestimated their alliances were more frequently excluded from the final coalition. In Experiment 4, to examine the causal role of illusions of alliance, I used a similar coalition building task and manipulated the extent to which the high power actor held illusions of alliance. As in the previous study, high power actors who held illusions of alliance were excluded from the coalition more frequently.

Taken together, these findings address one way in which powerholders fall from positions of power. Specifically, while most accounts of power loss focus on ethical breaches or performance deficiencies, my findings speak to the social and interpersonal dynamics that lead individuals to lose power. I argue that the possession of power increases the propensity to form illusions of alliance, and that such illusions lead to the loss of power. By overestimating the strength of their alliances with others, powerholders fail to effectively form and maintain alliances. In addition to examining the psychological effects of power, these findings have important implications for a number of outcomes critical to leaders and other organizational actors, including selection, turnover, and the development of leadership competencies.

TABLE OF CONTENTS

ABSTRACT.....	1
LIST OF FIGURES.....	iii
LIST OF TABLES.....	iv
ACKNOWLEDGMENTS.....	v
CHAPTER 1.....	1
<i>Introduction.....</i>	<i>1</i>
<i>Power Acquisition.....</i>	<i>3</i>
<i>Power Loss.....</i>	<i>5</i>
<i>Alliances in Organizations.....</i>	<i>9</i>
<i>Power and Illusions of Alliance.....</i>	<i>12</i>
<i>Consequences of Illusions of Alliance for Powerholders.....</i>	<i>14</i>
<i>Summary.....</i>	<i>16</i>
CHAPTER 2.....	18
<i>Introduction.....</i>	<i>18</i>
<i>Method: Experiment 1.....</i>	<i>18</i>
<i>Results and Discussion: Experiment 1.....</i>	<i>20</i>
<i>Method: Experiment 2.....</i>	<i>20</i>
<i>Results and Discussion: Experiment 2.....</i>	<i>22</i>
CHAPTER 3.....	24
<i>Introduction.....</i>	<i>24</i>
<i>Method: Experiment 3.....</i>	<i>24</i>
<i>Results and Discussion: Experiment 3.....</i>	<i>26</i>
<i>Method: Experiment 4.....</i>	<i>27</i>
<i>Results and Discussion: Experiment 4.....</i>	<i>28</i>
CHAPTER 4.....	31
<i>General Discussion.....</i>	<i>31</i>
<i>Limitations.....</i>	<i>32</i>
<i>Future Directions.....</i>	<i>33</i>
<i>Conclusion.....</i>	<i>35</i>

REFERENCES.....	36
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LIST OF FIGURES

Figure 1. Proposed Model of Power Loss

Figure 2. Social Monitoring System and Perceptions of Alliance

Figure 3. Illusions of Alliance as a function of role (Experiment 3)

Figure 4. Illusions of alliance as a function of condition (Experiment 4)

LIST OF TABLES

Table 1. Effects of Self-Perceived Sense of Power on Illusions of Alliance (Experiment 1)

Table 2. Effects of Power Prime Manipulation on Illusions of Alliance (Experiment 2)

ACKNOWLEDGMENTS

“What makes the desert beautiful is that somewhere it hides a well.”

~Antoine de Saint-Exupéry, *The Little Prince*

Writing a dissertation often feels like roaming a desert, and I am grateful for having had a supportive dissertation committee to help show me the way. Specifically, I wish to thank the members of my dissertation committee, Cameron Anderson, Barry Staw, Laura Kray, and Serena Chen for their advice and support.

I am also extraordinarily fortunate to have had considerable guidance from an insightful, patient, and encouraging advisor and dissertation chair, Cameron Anderson. Cameron’s tenacity in working with me to help me understand how to approach organizational research is unparalleled. I can only aspire to be as tolerant and determined with my own advisees in the years to come. Thank you for your steadfast support, Cameron.

I am also grateful to the Institute of Industrial Relations, the Experimental Social Science Laboratory (Xlab), and the Management of Organizations group for research support.

CHAPTER 1

Introduction

Power is a central force in organizations. As many organizational scholars have recognized, being an effective organizational actor requires some degree of power. For example, initiating change, obtaining assistance, and implementing new ideas all require the capacity to influence, direct, or modify others' behavior (Kanter, 1977; Kipnis & Schmidt, 1988; Mowday, 1978; Yukl & Falbe, 1990). As a reflection of the significance of the role of power in organizational life, social psychological and organizational research has extensively investigated the ways in which individuals acquire power in organizational settings (Bacharach & Lawler, 1980; Mintzberg, 1983; Pfeffer, 1992). Much work has investigated the dispositional (Anderson, Flynn & Spataro, 2008; House, 1988; Keltner et al., 1998; Kilduff & Day, 1994), functional (Keltner et al., 2008; Ridgeway & Diekema, 1989), and structural (Balkundi & Kilduff, 2005; Brass, 2002; Pfeffer, 1981) predictors of power. This focus on factors that lead to the acquisition of power reflects the importance and organizational relevance of identifying how individuals come to assume positions of power.

Equally important, however, is the opposite effect, how power is lost. Investigating the factors that contribute to power loss is especially relevant in organizational contexts given the individual and organizational level consequences of power loss. Much research, for instance, has investigated the enormous costs associated with turnover among leaders. In a review of base rates of management failure, Hogan, Hogan, and Kaiser (2010) found that between 30-67% of managers fail (i.e., are dismissed). Such turnover rates are particularly costly at the upper echelons of management, with estimates ranging from \$500,000 to \$1,500,000 in costs due to derailment of senior managers (Hogan et al, 2010). Hogan et al. have also noted that the number of leaders who are dismissed for performance deficiencies has increased over the last 15 years and that the tenure of organizational leaders has also dropped in that period of time. Organizations thus would stand to benefit from an increased understanding of the factors contributing to power loss. Research investigating power loss may also benefit individuals by providing insight into the behaviors that contribute to power loss. Moreover, from a theoretical perspective, investigations of factors that contribute to power loss can provide a more thorough understanding of the full cycle of power acquisition and loss. Powerholders, for instance, may lose power as a function of biases developed while acquiring power. Therefore, processes that contribute to power acquisition may inform our understanding of how power is lost, and vice versa, advancing the knowledge of power's antecedents and consequences.

Despite the importance of power loss for individuals and organizations, little empirical research has investigated the factors that contribute to the loss of power. While a number of books in the popular business press written as guides for managers have provided hints of the processes contributing to power loss (e.g., Dotlich & Cairo, 2003; Finkelstein, 2003; Sonnenfeld & Ward, 2007), little empirical work exists. The limited empirical work in this area has primarily investigated the role of exogenous factors (Burkhardt & Brass, 1990; Hambrick & Canella, 1993), structural factors (Boeker, 1992; Zajac, 1990), ethical transgressions (Kipnis, 1972), and decision-making biases (Anderson & Galinsky, 2006; Audia, Locke, & Smith, 2000) that may contribute to power loss. However, organizational scholars have long recognized that power is inherently relational; powerholders rely on their relationships and alliances to maintain their power (Cyert & March, 1963; Emerson, 1962; Ocasio, 1994; Pfeffer & Salancik, 1978; Thompson, 1967). Powerholders can thus lose power as a function of interpersonal issues that inhibit their ability to successfully form and maintain alliances.

Despite the importance of alliance formation on the maintenance of power, little work has investigated how powerholders perceive, form, and maintain alliances. Nevertheless, examples of powerful individuals who have lost power as a result of their biased perceptions of alliances, and consequently, their inability to form and maintain alliances, abound. A number of cases have been chronicled in books and scrutinized heavily in the press, including Pete Peterson at Lehman Brothers, a young Steve Jobs at Apple, Phil Purcell at Morgan Stanley, and Jimmy Cayne at Bear Stearns, to name a few. Each of these cases follows a very similar pattern of power loss; these individuals lost power because they overestimated how much others in the organization were allied to them, and subsequently failed to form and maintain alliances critical to their survival. For instance, in a case often taught in MBA classes, although Pete Peterson was considered superb in bringing in business to Lehman Brothers, he was vulnerable to being ousted by Lou Glucksman because he failed to form alliances with the partners at Lehman Bros. Similarly, Jeff Pfeffer (1992), in *Managing With Power*, points to Steve Jobs as a clear example of this phenomenon: although a visionary during his early career, Jobs was ousted from Apple early on largely due to “his inability and unwillingness to cultivate support within the firm, particularly [with] the board of directors” (p. 109).

More recently, Patricia Beard chronicled the downfall of Phil Purcell in her book, *Blue Blood and Mutiny: The Fight for the Soul of Morgan Stanley*. Phil Purcell was the CEO of Morgan Stanley until he was removed by the board. Although Purcell had appointed loyalists to the board, he failed to take seriously a mutiny from within Morgan Stanley that was led by a group of former executives, because he felt that the board was strongly allied to him. Ultimately, the mutiny succeeded in overthrowing Purcell because he did not adequately defend himself against their actions. Finally, William Cohen in his book, *House of Cards: A Tale of Hubris and Excess on Wall Street*, argued that Jimmy Cayne of Bear Stearns suffered a similar fate. Although was quoted as saying that executives at Bear Stearns “would jump off a cliff for me”, and consistently believed that others were allied to him, others did not feel the same way. Even after he was ousted from Bear Stearns, he maintained the belief that he was supported by those around him. This belief ultimately contributed to his removal as CEO of Bear Stearns.

These cases, and others like them, all suggest that one critical interpersonal way in which individuals may lose power is that they fail to accurately perceive their alliances, and subsequently fail to effectively form and maintain alliances with important organizational actors. As these examples demonstrated, a loss of alliances may lead to a loss of power. The primary aim of this research, therefore, is to investigate how power is lost through the loss of alliances. Specifically, I examine how power impacts perceptions of alliances, and in turn, how this process may lead to the breakdown of alliances. I demonstrate empirically that the possession of power leads individuals to engage in *illusions of alliance*, which I define as the overestimation of the strength of one’s alliances with others. Further, I find that illusions of alliance hamper the ability of powerholders to form and maintain alliances, and consequently lead to the loss of power.

I examine illusions of alliance in a series of four experiments. In Experiment 1, I find that dispositional power predicts the extent to which individuals overestimated the strength of their alliances with others in a long-term project team. In Experiment 2, I demonstrate the causal relationship between power and illusions of alliance by experimentally manipulating power in the laboratory. I find that individuals primed with high power were more likely to hold illusions of alliance than those primed with low power or control participants. In Experiments 3 and 4, I examine the impact of illusions of alliance on the loss of power using an alliance formation

exercise in the laboratory. In Experiment 3, I find that high power individuals who overestimate their alliances are excluded more frequently from alliances. In Experiment 4, I experimentally manipulate illusions of alliance, and again find that participants with illusions of alliance are excluded more frequently from alliances. Taken together, these studies demonstrate that power can lead to the systematic overestimation of alliances, which in turn can lead to the loss of those alliances. This deleterious effect of power may be one reason power is often said to lead to its own demise.

Throughout this research, I define power as the relative capacity to modify others' states by providing and/or withholding resources or administering punishments (Keltner, Gruenfeld, & Anderson, 2003). This definition is drawn from, and consistent with, a number of other conceptualizations of power in the literature (Blau, 1964, 1977; Magee & Galinsky, 2008; Pfeffer & Salancik, 1978; Thibaut & Kelley, 1959). This definition of power also distinguishes power from the related concept of status, which refers to a person's standing in a social hierarchy (Anderson, John, Keltner, & Kring, 2001).

Power Acquisition

Given the importance of power for individuals in organizations (Brass, 2002; Kanter, 1977; Kipnis & Schmidt, 1988; Pfeffer & Salancik, 1978), much theoretical and empirical research has explored how individuals acquire power. Research has investigated various predictors of power acquisition, including the effects of demographics and personality characteristics, functional benefits that individuals may provide to groups, and structural components of networks. I briefly discuss each of these streams of research below.

Demographics and Personality

Research investigating the impact of individuals' demographics and dispositions has examined a number of predictors of power. Status characteristics theory (Berger, Cohen & Zelditch, 1972; Berger & Zelditch, 1985), for instance, has provided an empirically supported theoretical argument for the impact of demographics on power acquisition. Status characteristics theory argues that individuals form expectations for each other's competence based on observable characteristics. These expectations contribute to the development of status hierarchies, such that individuals with high status characteristics are provided with more opportunities to perform, are evaluated more positively on their performance, and come to exert more influence in group decisions (i.e., have more power). Status characteristics such as age, sex, and race (Berger et al., 1972; Nemeth, 1986) have been shown to afford power to individuals. More recent research has also demonstrated that demographic features such as physical attractiveness (Anderson et al., 2001), height (Judge & Cable, 2004), body weight (Klein, Snyder, & Gonzalez, 2009), and even "babyfacedness" among black (but not white) CEOs (Livingston & Pearce, 2009) also contribute to power acquisition among individuals.

In addition to demographic predictors of power acquisition, research has also demonstrated that a number of personality factors also lead to the acquisition of power. For instance, Weber (1947) long ago recognized the role of charisma in power acquisition. Other research has also demonstrated that personality factors such as extraversion (Anderson et al., 2001), dominance (Anderson & Kilduff, 2009; Lord, Vader, & Alliger, 1986), overconfidence (Anderson & Brion, 2010), assertiveness (Ames & Flynn, 2007), and self-monitoring (Kilduff & Day, 1994), are related to the acquisition of power. Moreover, in recent comprehensive meta-analyses of leadership, leadership emergence has been shown to be related to a number of factors including intelligence (Judge, Colbert, & Ilies, 2004; Lord et al., 1986) and four of the Big 5 components, including extraversion, conscientiousness, emotional stability, and openness to

experience (Judge, Bono, Ilies, & Gerhardt, 2002). In an attempt to provide a theoretical basis for the multiple findings noted above, Judge, Piccolo, and Kosalka (2009) argue that the relationship between traits and leadership is derived from evolutionary and genetic origins, such that certain traits have evolved to predispose certain individuals to gain leadership roles in groups. Regardless of the underlying theoretical basis, much research supports the notion that demographics and personality impact the extent to which certain individuals acquire power.

Functional

Research has also demonstrated that power is often conferred to individuals to the extent that they provide benefits to groups. For instance, much research suggests that competence at a group-relevant task has been shown to predict the acquisition of power in various situations (Anderson & Kilduff, 2009; Ridgeway & Diekema, 1989; Van Vugt, 2006). Similarly, status theorists have also argued that in interdependent task groups, deferring to competent others is in the rational self-interest of group members (Berger et al., 1974; Berger & Zelditch, 1985).

In addition to competence, a number of theories also suggest that power is acquired as a function of the extent to which leaders engage in group-oriented behaviors. For instance, Keltner et al.'s (2008) social engagement hypothesis argues that the acquisition of power is not necessarily a function of manipulation, aggression, or strength, but rather on the ability to act in ways that advance the interests of the group. Keltner et al. (2008) argue that group-oriented behaviors are central to power acquisition as a consequence of the interdependence inherent in human social life. Rather than attaining power by relying on physical size or aggression, social power is afforded to individuals by other group members. Individuals who therefore provide for others and actively engage in others' interests will be afforded power by other group members. This social engagement hypothesis has received support among non-human primates (Aureli & DeWaal, 2000) as well as interactions among humans (Keltner et al., 1998; Savin-Williams, 1977).

In a separate, but related line of research, Willer (2009) found results consistent with the social engagement hypothesis. Willer found that individuals who contributed more to collective action earned more interpersonal influence. Participants who acted in the best interests of the group, and who consequently appeared to be group motivated, wielded more influence, were cooperated with more, and received gifts of greater value from group members. Willer argues that such power acquisition rests not only on the value of exchanges that leaders provide, but also on the extent to which such behaviors by leaders send signals that demonstrate their devotion to the group. Members who contribute to collective action signal their devotion and motivation to help the group, and consequently obtain greater power. Overall, much evidence points to the critical role of advancing the interests of the group in the acquisition of power.

Structural

Much research has also investigated the impact of social networks on the acquisition of power. Balkundi and Kilduff (2005) argue that network approaches to leadership define leadership "not in the attributes of individuals but in the relationships connecting individuals" (p. 942). Similarly, Pfeffer (1981) and Brass (2002) have argued that power is primarily a structural phenomenon; while behaviors or individual differences may impact power, power largely results from formal and informal sources of power derived from structural components of social networks. Indeed, research employing social networks methodologies has demonstrated that the characteristics of an individual's social network can impact power acquisition.

Network characteristics such as the size and strength of the ties between people in the network have been shown to impact the extent to which individuals derive social capital from

their networks (Anderson, 2008). One principal form of social capital, informational benefits derived from positions in social networks, has been shown to lead to a number of positive outcomes for individuals, such as faster promotions and higher levels of compensation (Burt, 1992, 2000). Many such findings are consistent with Burt's structural hole theory, which argues that network position, specifically, positions that bridge structural holes, provide benefits in the form of social capital, and subsequently power (Burt, 1992). By having access to diverse sources of information, and being relied on to pass resources and information to others, individuals' may acquire power as a function of their structural position. Broadly speaking, the networks literature suggests that various characteristics of interpersonal networks such as betweenness centrality, density, and diversity in network ties contributes to power acquisition (Balkundi & Kilduff, 2005).

Power Loss

While much theoretical and empirical research has explored how individuals gain power, little work has directly examined how individuals lose power. Yet as discussed above, a systematic investigation of power loss would provide a deeper understanding of power dynamics, and would also address the organizational ramifications of power loss, which are particularly relevant given the critical and costly role that turnover plays in organizational settings. While little research directly examines power loss, the broad literature on power points to a number of mechanisms that may account for the loss of power. This literature can be broken down into four broad categories, including exogenous and endogenous factors that contribute to power loss. I describe the research on exogenous factors next, then examine the research on endogenous factors in three following sections: structural, ethical, decision-making endogenous factors.

Exogenous

First, power can be lost due to exogenous factors outside of the control of powerholders. Within the organizational domain, a number of exogenous factors such as industry characteristics, environmental changes, and mergers and acquisitions have been shown, under certain circumstances, to correlate with power loss, specifically among CEOs (for a review see, Stein & Capapé, 2009).

One stream of research finds that industry characteristics impact the extent to which powerholders such as CEOs lose power. The likelihood of forced turnover, and thus power loss, among CEOs has been shown to be greater in homogeneous industries that consist of similar firms than in heterogeneous industries (Parrino, 1997). Parrino argues that this occurs because turnover is less costly in homogenous industries, where firms can more easily replace outgoing CEOs with qualified outside successors. Such exogenous industry effects impact CEO turnover regardless of the powerholders' performance or other endogenous characteristics.

Exogenous changes that occur within and outside of firms also contribute to power loss. For instance, Burkhardt and Brass (1990) found that technological changes within firms contributed to power loss for some individuals. Specifically, they found that the introduction and diffusion of a technological innovation in an organization contributed to changes in the organizational structure, and consequently the extent to which individuals retained or lost power in the organization. Environmental factors such as mergers and acquisitions outside the control of powerful actors may also contribute to power loss. When a firm is either acquired by another firm or merges with another firm, redundancies, particularly in the upper echelons of organizations often result. A loss of power via dismissals is often an inevitable consequence, particularly for the members of the firm that has the lowest relative standing (Hambrick &

Canella, 1993). Finally, economic conditions outside of the firm may also contribute to CEO turnover. For instance, Osborne et al. (1981) found that volatility in the economic environment of a firm contributed to higher rates of CEO turnover.

Aspects of the dynamics underlying executive succession may also contribute to power loss among CEOs. Conger and Nadler (2004), for instance, argue that the success of a CEO relies in part on the behavior of the preceding executive team. For instance, CEOs may inherit the problems of the individuals they are replacing; previous CEOs who failed to take on challenges and strategic changes that needed to be made, or who put the firm at long-term jeopardy with ineffective and risky acquisitions may impact the tenure of their replacements. Lingering political and strategic issues may therefore contribute to power loss among powerful actors in organizations, regardless of their own performance or other endogenous characteristics.

Finally, much research also points to additional exogenous factors that may contribute to power loss among CEOs, such as characteristics of the boards of directors, industry, company size, and age of the powerholder (Stein & Capapé, 2009). While most of the empirical work on power loss due to external factors has focused on CEOs and other top organizational actors, external factors also contribute to power loss in other domains. For instance, the existence of political term limits contributes to power loss that is outside the control of many publicly elected officials. Similarly, the changing demographics of districts, despite politicians' best attempts at "gerrymandering" may also contribute to their loss of power (i.e., electoral defeat) in what was otherwise a well-represented district. These and other factors point to the various ways in which exogenous factors contribute to power loss.

Endogenous: Structural Factors

The organizational literature also points to a number of endogenous structural factors that may contribute to power loss. Such structural factors include factors such as CEO stock ownership and pay structure (Salancik & Pfeffer, 1980), influence over the board of directors (Boeker, 1992) and insider versus outsider status (Zajac, 1990). These are factors within the control of CEOs that reflect the structural arrangements of their positions and careers.

For instance, the extent to which CEO's own stock in their firms has been shown to impact turnover rates in a number of studies (Salancik & Pfeffer, 1980; Parrino, 1997). Salancik & Pfeffer (1980), for instance, found that the extent to which CEOs owned stock in their firms moderated the extent to which poor performance led to dismissal. CEOs who own stock in their firms have lower rates of turnover – a function of their power in the organization. Similarly, following a signaling hypothesis, Boyer and Ortiz-Molina (2008) find that the extent to which senior executives own stock in their firms also predicts the likelihood that they will be selected for promotions; managers with larger ownership stakes in the firm increase their chances of being selected as CEOs.

Influence over the board of directors has also been found to impact rates of power loss among CEOs. Boeker (1992), for instance, found that CEO dismissal increases during periods of poor financial performance, but that CEO power moderates dismissal rates. Powerful CEOs are less frequently dismissed when poor performance is extant. Boeker argues that CEO power is derived from a number of sources including, favorable boards of directors (i.e. board members who were appointed during the CEO's tenure) and, consistent with Salancik & Pfeffer's (1980) findings, stock ownership. Boeker's findings also suggest that while powerful CEOs are less likely to be dismissed during periods of poor performance, the factors that make CEO's powerful also lead to scapegoating, whereby top managers are more susceptible to dismissal during poor performance

Research also suggests that the origin of the CEO – as either an insider to the firm or selected from outside of the organization – also impacts the likelihood of power loss. While the impact of insider vs. outsider status on CEO tenure has resulted in mixed findings (Stein & Capape, 2009), research suggests that outsider CEOs have higher rates of turnover than insider CEOs (Collins, 2001).

Finally, the networks literature, describe above, indicates a number of structural factors that may contribute to power loss. While much of the networks research focuses on the beneficial consequences of certain structural components of networks, this research suggests an increased propensity towards power loss when individuals fail to bridge structural holes or build networks with high betweenness centrality (Anderson, 2008; Balkundi & Kilduff, 2005; Burt, 1992).

Endogenous: Ethical Factors

Research also suggests that power can be lost as a function of ethical transgressions by powerholders. From Lord Acton's observation that "power corrupts, and absolute power corrupts absolutely" to the Iron Law of Oligarchy (Michels, 1962) -- much research has investigated the corruptive influence of power that lead to ethical transgressions that may precipitate the loss of power.

Keltner, Gruenfeld, and Anderson's (2003) approach/inhibition theory of power suggests that powerholders may engage in unethical behavior as a consequence of the approach orientation that results from being in positions of power. Powerholders have been shown to focus on rewarding aspects of their environments and to follow their self-interest more than the powerless (Galinsky, Gruenfeld, & Magee, 2003). Moreover, power has been shown to reduce sensitivity to social disapproval (Emerson, 1962; Thibaut & Kelley, 1959) and the suffering of others (van Kleef et al., 2008), which may otherwise reduce the propensity to engage in unethical behavior. In a recent examination of the effect of power on ethical behavior, Lammers, Stapel, and Galinsky (in press) have found that while powerholders are stricter in their ethical judgments of how others should behave, powerholders are more lenient in following ethical norms themselves. The authors found that power led individuals to cheat more on a task, but also led powerholders to condemn others' cheating more forcibly. The authors propose that this occurs because powerholders feel a sense of entitlement – both in judging others' behaviors, but also in deviating from ethical norms.

Research on abusive supervision (Tepper, 2007), moreover, suggests that powerholders engage in non-physical forms of hostility against subordinates, including derogation, explosive outbursts, and undermining behaviors (Tepper, 2000). Such abusive supervision has shown to lead to retaliation by subordinates, which may contribute to power loss (Tepper et al., 2009). Research has also suggested that power may lead to increased aggression, both physical and non-physical (Fiske, 1993; Keltner et al., 2001), with threats towards one's power increasing the propensity with which powerholders engage in aggressive behaviors (Fast & Chen, 2009; Morrison, Fast, & Ybarra, 2009). Similarly, research on destructive leadership behaviors (Einarsen, Aasland, & Skogstad, 2007) argues that power may lead to destructive behaviors aimed not only at subordinates, but also at the organization itself. Finally, power has also been shown to lead to increased stereotyping and discrimination. For example, Sachdev and Bourhis (1985) found that members of powerful groups not only discriminated against subordinate group members, but also felt comfortable doing so.

Within the organizational literature, CEOs and other top organizational actors have been shown to engage in unethical behaviors in countless situations. Examples of powerful CEOs who

made unethical decisions that have led to their downfall abound. In one study of factors contributing to unethical behaviors among executives, Zhang et al. (2008) have argued that pay structures contribute to unethical behaviors among CEOs, particularly when performance is low. Drawing from prospect theory, Zhang et al., find that CEOs are more likely to manipulate earnings when their stock options were underwater. To the extent that compensation is tied to stock options and CEO's firms are doing poorly, CEOs are consequently in a loss frame and are therefore more likely to engage in unethical risk-taking and, ultimately, lose power.

Endogenous: Decision-Making Factors

Research has also examined decision-making biases that may result from being in positions of power. In addition to structural factors and ethical transgressions, power has been shown to lead to a number of perceptual and behavioral tendencies that may impact the way in which powerholders interpret their environments, and ultimately contribute to a loss of power.

The approach/inhibition theory of power (Keltner, Gruenfeld, & Anderson, 2003) suggests that powerholders focus on rewarding aspects of their environments. A focus on rewards may account, in part, for findings by Audia et al. (2000) who provided evidence of a "paradox of success" in which powerholders engaged in a form of cognitive-rigidity that led to strategic failure; powerholders failed to perceive and attend to negative aspects of their environment that were critical in determining organizational strategy. Similarly, Inesi (2010) found that power reduces loss aversion by reducing powerholders' perceptions of the negative anticipated value of losses. Powerholders predicted that negative outcomes will feel less painful and therefore sought to avoid negative outcomes less. By focusing on rewarding aspects of their environments, and reducing the tendency to engage in loss aversion, powerholders may lose power because they fail to perceive deteriorating environments and strategies that require attention.

Power has also been shown to lead individuals to engage in riskier behaviors, and to overestimate their ability to control outcomes (Anderson & Galinsky, 2006; Fast, Gruenfeld, Sivanathan, & Galinsky, 2009; Hayward & Hambrick, 1997). Anderson & Galinsky (2006) found that powerholders engage in riskier behaviors in a number of contexts, including contexts that involve minor or major risks, risks that are relevant to the self or not, and controllable or uncontrollable risks. The authors found that powerholders engaged in riskier behaviors as a function of an increased optimistic outlook on the potential outcomes of risky actions. Similarly, Fast et al. (2009) found that experience of power leads to an illusion of personal control, in which powerholders overestimate the extent to which they can control outcomes; powerholders overestimated their control in situations, even when situations are based entirely on chance, such as the rolling of dice.

Finally, power has also been shown to contribute to biases in group-decision making. For instance, Fodor and Smith (1982) examined the extent to which power impacted the propensity to share information in group discussions and make proposals for action. The authors found that groups whose leaders scored high on power motive discussed less factual information from their role sheets and discussed fewer action proposals than groups whose leaders scored low on power motive. Such outcomes may contribute to power loss to the extent that powerholders inhibited the effective functioning of their groups.

Power Loss: Interpersonal Factors

The broad literature on power reviewed above suggests that power may be lost as a function of a number of factors, including exogenous, structural, ethical, and decision-making related factors. While most empirical research has focused on these dimensions, a number of

studies have suggested that interpersonal factors may also contribute to power loss. Indeed, survey research suggests that powerholders may lose power, in part, because of problems with their interpersonal relationships. For instance, in a survey of managers, Longenecker, Neubert, and Fink (2007) found that 78% of managers say that poor working relationships and interpersonal skills accounted for power loss among their colleagues. A number of qualitative studies also highlight the role of interpersonal factors that contribute to power loss (for a review, see Gentry & Shanock, 2008). Research in this domain provides various taxonomies of behaviors that organizational members, ex post, associate with derailment of their colleagues and supervisors, often highlighting problems with interpersonal relationships as a critical factor (Gentry & Shanock, 2008; Hogan et al., 2010).

Despite the apparent importance of these interpersonal factors, however, such factors have received little empirical attention. Yet one particularly pervasive way in which individuals might lose power – and that I focus on here – is through social or interpersonal processes. Power is inherently relational (Emerson, 1962) and most organizational and psychological definitions of power argue that power is derived primarily from the control that individuals have over others. For instance, according to one of the most commonly cited definitions, power is “an individual’s relative capacity to modify others’ states by providing or withholding resources or administering punishments” (Keltner et al., 2003, p. 265). Moreover, Fiske and Berdhal (2007) argue that “power is always socially situated” (p. 680). Therefore, the way in which power affects the social or interpersonal behavior of powerholders should be central to an understanding of how power is lost. Moreover, one specific area in which the interpersonal behavior of powerholders is likely to impact their power is in the formation and maintenance of alliances. Indeed, much organizational and psychological research has emphasized the importance of alliances and their interpersonal foundations in the acquisition and maintenance of power.

Alliances in Organizations

Within organizations, the formation and maintenance of alliances is critical to the acquisition and maintenance of power. From functional accounts, such as Cyert and March’s (1963) behavioral theory of the firm and Pfeffer and Salancik’s (1978) resource dependence theory to structural accounts, such as Kanter’s (1977) emphasis on homophily and Burt’s (1992) structural hole theory, organizational theorists have long recognized that beyond formal power afforded by hierarchical position, power is largely derived from alliances that individuals form within organizations. Thompson (1967), for instance, broadly indicated that “coalition behavior is undoubtedly of major importance to our understanding of complex organizations” (1967, p. 126). Bacharach and Lawler (1980) similarly claimed that alliances are the “primary mechanism through which individuals and subgroups acquire, maintain, and use power” (p. 126). Overall, organizational research suggests that individuals derive power from their alliances with others. Below, I present three streams of research that demonstrate that alliances provide power in three distinct ways: reducing dependence, supplying political support, and providing information.

Before turning to the organizational research on alliances, I hope to provide some clarity to the reader by providing a definition of alliance. Organizational theorists define alliances as “two or more parties who agree to cooperate in order to obtain a mutually desired outcome” (Polzer, Mannix, & Neale, 1998). This definition of alliances is focused specifically at the interpersonal level of analysis, of alliances between individuals, which differentiates it from alliances at the organizational level, which may occur between two or more organizations. As the emphasis in this work is on the factors that contribute to power loss among individuals, the discussion below specifically focuses on alliances between individual actors. Moreover, this

definition rests on the assumption that alliances are formed when individuals are unable to obtain desired outcomes alone (Kahan & Rapoport, 1984), a situation commonly found in organizational settings that often require consensus (Pfeffer, 1981).

Reduce Dependence

One of the principal ways in which alliances lead to the acquisition and maintenance of power is through a reduction of dependence. Thompson (1967) proposed that organizational members seek power equal to or greater than their dependence on others. Moreover, Thompson argued that when an individual's power is less than their dependence, they seek to form coalitions with others in the external environment that increase their power. By forming coalitions with others, individuals are able to reduce their dependence thereby increasing their power.

Similarly, power circulation theory (Michels, 1962; Ocasio, 1994; Shen & Cannella, 2002) proposes that power within upper-echelons of organizations relies substantially on the ability to form alliances. According to power circulation theory, top management teams undergo a constant struggle of contestation, in which executives attempt to increase their own power through a process of constant power struggles. Alliances enable individuals (e.g., senior executives) to increase their power over higher power others (e.g., CEOs) by reducing their dependence on the high power actor. Similarly, high power actors (e.g., CEOs) form alliances with other executives in an effort to maintain their power. Alliances therefore serve to both defend against a loss in power (e.g., CEOs forming alliances with executives) and to precipitate power circulation (e.g., executives form alliances amongst themselves to challenge the CEO). The extent to which executives choose to form alliances with either other executives or the CEO is argued to be a function of the power of the CEO. Executives are less likely to challenge powerful CEOs to the extent that the CEOs maintain sources of formal, reward, and coercive power that would challenge coalitions between executives.

Political Support

Alliances also provide power in the form of political support. Organizations have been viewed as shifting political coalitions, in which organizational goals, and ultimately power, are determined by coalitions that form along common interests among organizational members (Cyert & March, 1963; March & Simon, 1958). March & Simon (1958) argued that conflicts of interest within organizations emerge given uncertainty, incomplete contracts, and goal heterogeneity among organizational members. Politics and alliance formation emerge as a response to organizational conflict, whereby coalitions form to achieve the diverse goals of organizational members. Such alliance behavior reflects the organizational reality that high power actors often do not have the necessary unilateral power to make decisions on their own. Alliances are often a necessary mechanism for obtaining sufficient resources to influence others and implement one's own ideas. Moreover, powerholders may also form alliances because alliances deflect the negative political consequences of making unpopular unilateral decisions. Broadly, much organizational theory argues that individuals form alliances in order to increase their power and facilitate the achievement of their goals.

Similarly, Pfeffer & Salancik's (1974, 1978) resource dependence theory supports the notion that alliances provide political support to organizational actors. Resource dependence essentially argues that individuals attempt to form alliances in order to obtain and provide the most critical and non-substitutable resources, thereby increasing their ability to exert influence over organizations. Pfeffer & Salancik (1978) also emphasized the fundamentally social and interpersonal basis of alliances that afford power to individuals. Pfeffer & Salancik (1978)

argued that power within organizations is derived not only from an individual's or alliance's contribution to organizational performance, but also to the social commitments and obligations that alliances produce. This *institutionalization of power* (Pfeffer & Salancik, 1978) reflects not only the economic exchange underlying relations between organizational actors, but also social and interpersonal foundations of exchange.

Information

Finally, social networks approaches have largely argued that social capital derived from one's connections to others is an important source of power for individuals. Alliances provide individuals with both access to information and control over the flow of information. Indeed, Anderson (2008) found that managers with larger social networks reported having access to a greater diversity of information. In numerous streams of research, information benefits resulting from social ties have been argued and shown to be a key form of social capital (Burt, 1992, 1997; Granovetter, 1973; Podolny & Baron, 1997). Moreover, much research has demonstrated that social capital results in a number of benefits to organizational actors, such as increased promotions and compensation (Burt, 2000).

Burt's (1992) seminal theory on structural holes supports the crucial role of social ties on social capital, and ultimately power. Within organizations, certain individuals occupy more advantageous positions in social networks than others. Those who bridge the structural holes between disconnected others gain access to more diverse information and facilitate and control the exchange of information between others. As noted previously, such access to and control of information has been tied to increases in power in the form of faster promotion rates and increased compensation (Burt, 1992; 2000).

The role of informal social networks on alliances and the determination of power was also emphasized in Kanter's (1977) classic ethnography. Kanter's (1977), *Men and Women of the Corporation*, emphasized the power derived from informal social networks, formed as a function of homophilous ties. Alliances, often formed on the basis of demographic similarity, largely determined the extent to which individuals were provided with information from their peers, and were supported by powerful executives. Such informal social networks play an important role in providing individuals with access to critical information.

Evolutionary Foundations of Alliances

Overall, a diverse set of organizational theories and empirical findings support the notion that alliances are critical for attaining and maintaining power. Underlying this organizational research are psychological and evolutionary mechanisms that emphasize the critical role of alliances in power. Evolutionary theorists and primatologists have provided support for the existence and importance of alliance formation as a central part of group behavior. De Waal and Harcourt (1992) have argued that natural selection should have favored the development of behavioral mechanisms best fitting the social organization of each species. The existence of many behaviors that appear to be specific to alliance formation among human and non-human primates suggests the importance that coalitional activity must have had during evolutionary history (De Waal & Harcourt, 1992).

Research on non-human primates has largely emphasized the role of alliance formation in the maintenance of dominance hierarchies. De Waal and Harcourt (1992) have found that dominance hierarchies among many non-human primates are a function of two orthogonal dimensions: "linear dominance rank" (who, alone, is the most powerful/dominant) and "proximity to the central hierarchy" (how allied an individual is to the principal coalition). Dominance among non-human primates has been found to be a function of both the power of an

individual actor and how well allied that individual is with other important actors (De Waal & Harcourt, 1992). This is true also of other species such as hyenas, who rely on both fighting ability and maternal social rank when establishing social status (Holekamp, 2007). Such findings suggest the importance that alliances must have had during evolutionary history. The formation and maintenance of alliances therefore appears to constitute an evolved tactic of power acquisition and maintenance that is central to organizational actors.

Indeed, evolutionary theorists have put forth the social intelligence hypothesis, which has emphasized the relational aspects of power and the importance of alliances in evolved species. Humans and other primates have larger brains relative to their body size, with an especially large neocortex, often referred to as the “executive brain” (Byrne, 2007). While initial explanations relied on ecological or technical reasoning (i.e., increased brain mass to build more advanced tools for hunting), Dunbar (2003) and others more recently have argued that evolutionary forces favored large brains as a consequence of the cognitive demands of living in large social groups. Individuals in social groups benefit from the ability to use knowledge about other individuals' behavior to predict and manipulate the behavior of those individuals.

Overall, a broad and robust set of theoretical and empirical findings suggest that alliances have played a critical role in power throughout evolutionary history, supporting the vast organizational literature that emphasizes the importance of alliances in organizations.

Power and Illusions of Alliance

Although alliances are critical to power in organizations, a number of research streams suggest that individuals may have difficulty accurately assessing, and therefore forming, alliances. Within the organizational literature, much empirical work on alliance formation has relied on game theory as a basis for theoretical development (Murnighan, 1985). Much research has focused on predicting the behavior of players in coalition games using complex calculations based on game theoretic approaches. A recent move towards a more social conceptualization of alliance formation is taking shape, however. For instance, Baker (1981) has suggested that game theoretic models of alliance behavior such as Bargaining Theory do not account for bounded rationality. A growing body of evidence suggests that boundedly rational actors are unable to form and rely on the extensively complex calculations that game theory's assumptions require (Camerer, 2003; Raiffa, 1982). The formation and assessment of alliances is therefore subject to a number of psychological constraints and biases.

Indeed, organizational scholars have argued that perceptions of alliances are prone to a number of biases that result from social psychological processes (Polzer et al., 1998; Wilke & van Knippenberg, 1983). Specifically, research suggests that power itself may bias individuals' perceptions of their alliances. This may occur for two broad reasons: first, powerholders may engage in *biased perceptions* of their alliances, and second, powerholders may receive more *biased feedback* about their alliances from others. Evidence from both streams of research, discussed in detail below, suggests that powerholders may be prone to holding illusions of alliance.

Biased Perceptions

Support for the notion that powerholders are prone to illusions of alliance due to biased perceptions is in part provided by research that indicates that power leads individuals to reduce their social attention towards others. For instance, Lee and Tiedens (2001) have argued that power impacts individuals' self-construals, or perceptions of the self. As individuals gain power, they become less reliant on others to achieve their goals, and thereby feel less interdependent. To the extent that powerholders have independent self-construals, they reduce their social attention

towards others. Fiske and colleagues have also examined the cognitive and motivational constraints that limit the social attention of powerholders. Fiske (1993), for instance, has noted that cognitive load reduces the accuracy of powerholders – there is usually a one-to-many ratio of high to low powerholders in organizations, making it more difficult for those in power to make accurate assessments.

Additionally, research on the subordination hypothesis (Hall, Halberstadt & O'Brien, 1997) has demonstrated that individuals with low power are often more accurate social judges than are individuals with high power. Much empirical research supports the subordination hypothesis, which argues that individuals with low power attend to powerholders more than vice versa. By paying more attention to their high power counterparts, individuals with low power are more attuned to behaviors, both verbal and non-verbal, required to make accurate assessments of others (Erber & Fiske, 1984; Fiske, 1993; Goodwin, Gubin, Fiske, & Yzerbyt, 2000; Keltner & Robinson, 1997; Neuberg & Fiske, 1987, but see, Hall, Murphy, & Carney, 2006; Overbeck & Park, 2001).

In addition to reducing social attention, power has also been shown to impact the extent to which individuals focus on rewarding versus threatening aspects of their environments. The approach-inhibition theory of power (Keltner et al., 2003) suggests that powerholders are more attentive to rewarding aspects of social environment, while the powerless are more attentive to threatening aspects. For instance, a number of studies have demonstrated that men, who are often assumed to occupy positions of elevated power, perceive sexual interest in women's ambiguous behavior (Abbey, 1982; Keltner et al., 1998; Simpson, Gangestad, & Nations, 1996). Moreover, the powerful appear to be more likely to believe they have more control than they actually do (Fast et al., 2009), leading them to focus on their ability to control positive outcomes above the inability to avoid potential failure. Finally, research has also demonstrated that the powerful focus less on negative information – powerholders, for instance, fail to know when others are angry at them (Anderson & Berdahl, 2002) and fail to see threats in their environments (Anderson & Galinsky, 2006). Similarly, van Kleef et al. (2008) have found that power is associated with diminished emotional responses to others' suffering – powerholders may fail to perceive another person's distress. These findings suggest that powerholders may miss negative cues that signify deficiencies in their alliances.

Evidence from the organizational literature is consistent with the psychological literature on the biasing effects of power. For instance, research in social network analysis has shown that powerholders have less accurate perceptions of friendship and advice networks than the powerless (Casciaro, 1998; Johnson & Orbach, 2002; Simpson & Borch, 2005). Additionally, research in the multisource feedback literature has found that higher-level managers may be more "out of touch" with how they are perceived by others than lower-level managers (Goleman, Boyatzis, & McKee, 2001). Previous research has shown that the discrepancy between self and observer ratings widen as managerial level increases (Conger & Nadler, 2004; Goleman et al., 2001; Ostroff, Atwater, & Feinberg, 2004; Sala, 2003). These findings further support the notion that powerholders may be biased in the way they perceive their alliances and how others feel about them.

Biased Feedback

In addition to biased perceptions, powerholders may also face difficulty in accurately assessing their alliances as a function of the biased feedback that they receive from subordinates. Research on interpersonal sensitivity, for instance, has shown that low power individuals are less expressive in their thoughts and feelings than high power actors, consistent with the expressivity

hypothesis (Snodgrass, 1985, 1992). Powerholders have been shown to have more difficulty in accurately assessing their subordinates' expressions; this effect appears to be due to the fact that subordinates send less clear messages that are more difficult for both high and equal power participants to decode (Hall et al., 2006; Snodgrass, Hecht, & Ploutz-Snyder, 1998). Powerholders may therefore have difficulty assessing alliances as a function of the unclear verbal and nonverbal feedback they receive from subordinates.

Research also suggests that powerful actors may receive overly positive signals from low power counterparts. Research has demonstrated that individuals in low power positions tend to smile more at high power individuals than do those in high power (Dovidio, Brown, Heltman, & Ellyson, 1988; Henley & Harmon, 1985). Individuals have been shown to flatter and show more deference toward high-status individuals (Hecht & LaFrance, 1998; Keltner et al., 1998). Moreover, economists such as Prendergast (1993) have argued that economic incentives within firms encourage subordinates to provide overly positive feedback to supervisors. Prendergast (1993) attributes the "yes men" phenomenon to endogenous incentives within the firm that motivate subordinates to eschew honesty in favor of opinions that confirm to the opinion of supervisors.

Taken together, this research suggests that powerful individuals may be particularly prone to biased assessments of their alliances. Powerholders may form overly positive assessments of their alliances (i.e., illusions of alliance), in part because they reduce their attention to social information, direct attention towards positive information, and receive overly positive feedback from others. These findings suggest that powerholders both overestimate their alliances relative to individuals who lack power, and overestimate their alliances with others relative to objective standards (i.e., their actual alliances).

Hypothesis 1a: The powerful overestimate their alliances relative to the powerless.

Hypothesis 1b: The powerful overestimate their alliances relative to objective assessments of alliance (i.e., exhibit illusions of alliance).

Consequences of Illusions of Alliance for Powerholders

The tendency of powerholders to overestimate the strength of their alliances with others may also lead to interpersonal consequences. Specifically, illusions of alliance may hamper the ability of powerholders to effectively form and maintain alliances, ultimately leading to a loss of power. Research on the social monitoring system (Pickett & Gardner, 2005) and strategic interpersonal behavior (Jones & Pittman, 1982), suggest that powerholders who hold illusions of alliance may lose power to the extent that they fail to effectively monitor their social environments and engage in appropriate relationship building behaviors that enable the formation and maintenance of alliances. This research is discussed in detail below.

Social Monitoring System

Individuals have been shown to monitor and develop alliances through a social monitoring system (Pickett & Gardner, 2005). A number of psychologists and evolutionary theorists have argued that humans have evolved a monitoring system in which they gauge the health of their social relations (Leary & Baumeister, 2000; Pickett & Gardner, 2005; Kerr & Levine, 2008; Schlenker & Pontari, 2000). Individuals assess the strength of their social relations to avoid rejection and exclusion from their peers and allies, thereby promoting access to critical resources from others. When individuals perceive a deficiency in their connections or alliances, they act to correct those deficiencies by engaging in two behaviors: monitoring their social environment more vigilantly and acting strategically to correct deficiencies (Pickett & Gardner, 2005).

This research suggests that to the extent that individuals overestimate the strength of their alliances with others, they may fail to detect deficiencies in their social environments, thereby failing to act strategically to strengthen their social relations (See Figure 2). Specifically, powerholders with illusions of alliance may fail to engage in a number of behaviors that have been shown to enhance the strength of social relationships and, by extension, increase the likelihood of forming and maintaining alliances (Jones & Pittman, 1982; Leary, 1996; Tedeschi & Melburg, 1984). In their classic typology, Jones and Pittman (1982) identified five strategies relevant to strategic interpersonal behavior in organizational settings: ingratiation, strategic self-presentation, exemplification, supplication, and intimidation. Through years of empirical testing, two forms of behaviors derived from the Jones and Pittman (1982) typology, ingratiation and strategic self-presentation, have been shown to be the two primary ways in which people act strategically to manage others impressions and strengthen their social relations (Bolino, Kacmar, Tumley, & Gilstrap, 2008; Gardner & Martinko, 1988; Gordon, 1996; Higgins, Judge, & Ferris., 2003).

Ingratiation is defined as engaging in behaviors designed to increase interpersonal attraction and to make oneself appear friendly in order to get what one wants (Bolino et al., 2008; Kumar & Beyerlein, 1991). Social psychological and organizational research has differentiated three broad types of ingratiatory behavior in which individuals engage: *flattery*, defined as complementing or otherwise enhancing another's self-concept; *deference*, defined as providing others with respect, politeness; and *opinion conformity*, defined as engaging in verbal statements or other behaviors that are consistent with the opinions held by another person. The literature characterizes these behaviors as primarily attempting to evoke interpersonal liking and attraction.

Strategic self-presentation is defined as engaging in behaviors aimed at creating an appearance of competence. Social psychological and organizational research has demonstrated that individuals engaging in strategic self-presentation attempt to communicate abilities and accomplishments to attempt to appear competent. Strategic self-presentation is aimed at influencing performance judgments or evaluations of competence (Godfrey, Jones, & Lord, 1986; Stevens & Kristoff, 1995).

Several lines of research have empirically demonstrated that individuals benefit from engaging in ingratiation and strategic self-presentation. A number of studies have shown beneficial effects in organizationally relevant domains such as interview performance, promotion, and compensation (see Bolino et al., 2008, for a review). For instance, in a field study of directors of U.S. corporations, Westphal and Stern (2007) showed that directors increased their chances of receiving additional board appointments to the extent that they engaged in ingratiatory behavior toward peer directors. Successful ingratiation and strategic self-presentation has therefore shown to directly impact the ability of powerholders to form, maintain, and strengthen relations with others. Similarly, Westphal and Stern (2006) found that managers who engage in ingratiatory behavior towards their CEO's increased their likelihood of being appointed to boards of other firms in which the CEO serves as director. Finally, Westphal and Bednar (2008) found that CEOs who engaged in ingratiation towards institutional fund managers were more successful at reducing the likelihood of being forced to adopt changes to board structure and composition, CEO compensation, and corporate strategy that were against the CEO's interests. Broadly, this research suggests that organizational actors' networks and alliances can be strengthened by engaging in ingratiation and strategic self-presentation.

Taken together, research on the social monitoring system and effective relationship building behaviors suggest that to the extent that powerholders hold illusions of alliance, they may fail to effectively monitor their alliances and, consequently, fail to engage in effective alliance formation and maintenance behaviors. Powerholders who overestimate the strength of their alliances may fail to adequately monitor the strength of their alliances with others, thereby failing to perceive deficiencies in their alliances that require attention. By failing to perceive deficiencies, powerholders with illusions of alliance may consequently fail to engage in critical alliance formation and maintenance behaviors, such as ingratiation and strategic self-presentation, that have been shown to contribute to the formation and strengthening of alliances. Therefore, consistent with the critical role of alliances for power in organizational settings, by failing to effectively monitor, form, and maintain alliances, powerholders may subsequently lose power.

Hypothesis 2a: Powerholders fail to form alliances (are more frequently excluded from alliances) to the extent that they hold illusions of alliance.

Although powerholders are predicted to form fewer alliances to the extent that they hold illusions of alliance, powerholders with illusions of alliance may be able to form alliances to the extent that they trade-off effective interpersonal behaviors with resource concessions. Powerholders with illusions of alliance who fail to build effective alliances using interpersonal techniques (such as ingratiation and strategic self-presentation) may be able to make up for this deficiency by making broader concessions in their alliances. In other words, by offering greater resources to low power counterparts, powerholders may be able to make up for their lack of alliance formation behaviors, at the cost of their own share of resources in alliances. Perhaps Bob Dylan captured this best in his song, *Neighborhood Bully*: “He’s the neighborhood bully. He got no allies to really speak of. What he gets he must pay for, he don’t get it out of love.”

Hypothesis 2b: Powerholders derive less value (obtain a smaller share of resources) from alliances to the extent that they hold illusions of alliance.

Finally, the process that underlies the detrimental effects of illusions of alliance may be accounted for by the perceptions that powerholders’ potential alliance partners form as a result of the powerholders’ illusions of alliance. Powerholders who fail to engage in effective alliance building behaviors, such as ingratiation or strategic self-presentation, towards their potential alliance partners may lead their partners’ to have more negative views of the potential alliance. The extent to which the high power actors’ potential partners perceive the alliance negatively between themselves and the powerholder may mediate the relationship between a powerholder’s illusions of alliance and their ability to obtain resources from their alliance partners when they do form alliances.

Hypothesis 3: The effect of illusions of alliance on the share of resources that powerholders obtain from alliances is mediated by peer-ratings of the strength of the alliance.

Summary

In the current work, I examine the interpersonal factors that contribute to the loss of power. Specifically, I examine how interpersonal biases that result from being in positions of power may lead powerholders to overestimate the strength of their alliances with others, and consequently, to the inability to form and maintain critical alliances with others. The model described above (see Figure 1) outlines how powerholders who overestimate the extent to which others are allied to them, i.e., hold illusions of alliance, may lose power. The model is specifically focused on providing insight into how powerholders’ overestimations of their

alliances with others can contribute to the inability form alliances, and therefore to a loss of power.

I conducted four experiments to test my primary hypotheses: (1) power leads individuals to hold illusions of alliance, and (2) powerholders with illusions of alliance fail to form alliances. Chapter 2 presents two experiments that address the impact of power on the propensity to hold illusions of alliance. Chapter 3 presents two experiments that address the impact of powerholders' illusions of alliance on the formation of alliances.

CHAPTER 2

Introduction

Studies 1 and 2 investigated the prevalence of illusions of alliance among members of long-term team projects. These studies addressed the extent to which power increases the propensity with which individuals engage in illusions of alliance.

Experiment 1 addressed whether people who feel powerful in general tend to engage in illusions of alliance. I sought a social environment that would provide a reliable measure of alliances across multiple relationships, over significant periods of time, and in an interdependent context. In this study, participants worked together in groups of 4-5 throughout a 15-week period on various projects and deadlines. Prior to the formation of the group, as part of a larger unrelated questionnaire, participants reported their dispositional sense of power. Power has been shown to be both a relational variable (Emerson, 1962) as well as a psychological property of individuals (Anderson et al., 2005; Bargh, Raymond, Pryor, & Strack, 1995; Bugental, Blue, & Cruzcosa, 1989; Chen, Lee-Chai, & Bargh, 2001; Galinsky, Gruenfeld, & Magee, 2003). Dispositional power was therefore used as a measure in this study as it has been shown to be a reliable measure of power (Anderson & Galinsky, 2006) and to correlate with people's standing in power hierarchies as well as the likelihood of occupying powerful roles (Anderson et al., 2009). I predicted that participants high in dispositional power would hold higher illusions of alliance vis-à-vis their fellow team members than participants low in dispositional power.

Method: Experiment 1

Participants

Participants were 115 undergraduate business students enrolled in an introductory organizational behavior course at a West Coast university. Seven participants failed to complete a prescreening measure distributed at the beginning of the semester, which included our central measure of dispositional power, and were dropped from the analyses. The participants were 22 years old on average ($SD = 2.80$). Fifty-one percent of participants were male; 67% Asian, 21% Caucasian, 5% Middle Eastern, 3% Hispanic/Latino, and 4% who reported "other."

Procedure

The data were collected as part of a semester-long class project that was required for the completion of class requirements. At the beginning of the semester, students were randomly assigned to project groups of 4-5 persons each (23 groups total, $M = 4.69$). Each group jointly conducted the project, which required students to study a real organization, making use of the concepts and methods of the course. Students had deadlines throughout the semester, and their responsibilities included completing a research proposal, coauthoring a term paper, and making a presentation to the class. The group project grade accounted for 30% of the students' final grades.

At the end of the 15-week period, participants made round-robin ratings (i.e., each participant rated each of their group members) of their alliances with their teammates, in addition to assessments of various group-related behaviors. Peer-ratings were made at the end of the semester, after students completed their group project, but before final grades were distributed. To provide peer-ratings, students were provided with a link to a website that enabled them to logon with their student identification number and team number. Upon logging on, students were presented with the names of their team members, and were asked to make peer-ratings on various items.

Students were given 48 hours to complete the website and were informed that they could only login once to complete the website. To motivate students to respond honestly and

accurately, students were assured that all of their answers were anonymous. Students were also informed that at the end of the semester they would be provided with aggregated feedback from their team members. Upon logging in, students read the following,

Note that graduating students have commented that they spend a great deal of time working in teams, but never receive direct feedback about their team skills. This exercise is designed to fill that important gap in your learning, and thereby provide feedback for your own benefit and professional development. The feedback you receive will only be helpful if you answer the questions honestly and accurately. Feedback to individuals will be aggregated, so you can rest assured that your responses will not be individually identifiable.

Measures

Dispositional Power. At the beginning of the semester, as part of a larger prescreening questionnaire that contained a number of scales, participants completed the Sense of Power scale (Anderson et al., 2010), and reported their generalized beliefs about the power they have in their relationships with others. Participants were asked to rate their agreement with eight items such as 'In my relationships with others, I think I have a great deal of power,' on a scale from 1 ('Strongly disagree') to 7 ('Strongly agree'). As in previous research, the scale showed high internal consistency, $\alpha = 0.78$ ($M = 5.29$, $SD = 0.67$).

Alliance. After the group project was completed, participants rated the strength of their alliances with their group members on two sets of questions. I developed an alliance measure that was grounded in the psychological and organizational literature on interpersonal alliances, which defines alliances as two or more parties who agree to cooperate in order to obtain a mutually desired outcome (Polzer et al., 1998). First, participants rated how allied they felt to each of their group members. Participants were asked to rate their agreement with four items, including 'I would be willing to do a favor for this person', 'If this person needed help, they could count on me to help them', 'I would work with this person again in the future', 'I feel loyal to this person', on a scale from 1 ('Strongly disagree') to 7 ('Strongly Agree'). This served as our criterion measure of alliance.

Perceived Alliance. Participants rated how allied they believed each member of the team felt towards them. Participants responded to items similar to the items on the alliance criterion scale, but assessed how they believed others felt towards them on the four items, including 'This person would work with me again in the future', 'This person would be willing to do a favor for me', 'This person would help me if I asked for it', and 'This person feels loyal to me.'

To account for nonindependence in the groups, I implemented the social relations model analyses of the round-robin (i.e., peer) ratings using the software program SOREMO (Kenny, 1994). SOREMO calculated two scores for each participant: a *target score*, which is an index of how that individual was typically perceived by the others in the group, and a *perceiver score*, which is an index of how the individual typically perceived others. SOREMO removed group differences, making target and perceiver scores statistically independent of group membership and thus appropriate for conventional least squares procedures that assume independence (see Kenny & La Voie, 1984). This measure of alliance (*target scores* of the four alliance measures) showed high internal consistency, $\alpha = 0.91$ ($M = 0.00$, $SD = 0.59$), as did the measure of perceived alliance (*perceiver scores* of the four perceived alliance measures), $\alpha = 0.91$ ($M = 0.00$, $SD = 1.00$).

Illusions of alliance. Drawing from a method developed in previous research (Bonnano, Field, Kovacevic, & Kaltman, 2002; John & Robins, 1994; Paulhus, 1998), I calculated an

illusion of alliance index by regressing actual alliance (an individual's *target score* on the alliance measure, assessing how allied group members generally felt towards the individual) on perceived alliance (an individual's *perceiver score* on the perceived alliance measure, assessing how allied an individual thought others felt towards them), and retaining the standardized residual. The residual score represents the variance in perceived alliance after the variance predicted by actual alliance has been removed. High scores on this alliance measure indicate illusions of alliance. The illusions of alliance measure ranged from -3.40 to 2.50 ($M = 0.00$, $SD = 1.00$).

Results and Discussion: Experiment 1

Did dispositional power predict illusions of alliance? As hypothesized, dispositional power correlated with illusions of alliance in the group, $r(105) = .251$, $p = .010$. Moreover, in a step-wise OLS regression controlling for gender, English fluency, and grade point average, dispositional power predicted illusions of alliance in the group (see Table 1). Participants high in dispositional power had higher illusions of alliance than participants low in dispositional power.

Summary

The findings in Experiment 1 suggested that individuals with a high sense of power hold illusions of alliance. Participants who rated themselves high on dispositional sense of power were more likely to overestimate the extent to which others in long-term work groups were allied to them.

Method: Experiment 2

The results from Experiment 1 found that those with high dispositional power overestimated the extent to which others were allied to them in the group. However, because Experiment 1 used a correlational design, I was unable to establish whether dispositional power caused illusions of alliance. I therefore used an experimental design in Experiment 2 to establish the causal priority of power. In this experiment, participants were given a mind-set priming task to activate the sense of power (Galinsky et al., 2003). In this task, participants were asked to recall a situation in which they either possessed power over someone else, or in which another possessed power over them. Experiment 2 was thus a conservative test of this hypothesis; would making individuals temporarily feel more or less powerful (by recalling a time in which they had power in an unrelated domain) lead them to perceive their relationships with others differently? More specifically, would making some individuals temporarily feel more powerful lead them to hold more biased, overly positive perceptions of their alliances? Consistent with Experiment 1, I anticipated that participants primed with high power would demonstrate illusions of alliance, whereas those in low power or control conditions would have more accurate perceptions of their alliances.

Participants

Participants were 53 undergraduate business students (17 women and 36 men) enrolled in an introductory organizational behavior course at a West Coast university. The participants were 22 years old on average ($SD = 2.50$). Thirty-eight percent of participants Asian, 26% Caucasian, 9% Hispanic/Latino, 2% Middle Eastern, and 25% who reported no ethnicity.

Participants in this experiment were recruited from an introductory organizational behavior class that, as described in Experiment 1, also required the completion of a semester-long class project. Participants in this experiment were recruited from a different class than participants recruited for Experiment 1. At the beginning of the semester, students were randomly assigned to project groups of 4-5 persons each (35 groups total, $M = 5.30$).

Approximately 30% of the class was recruited to participate in this experiment.

Procedure

Participants arrived in the lab one week before the students completed the online feedback exercise described in Experiment 1. During their experimental session, participants made round-robin ratings of their team members on alliance- and group-related behaviors. At the end of the semester, all students made robin-ratings of their alliances with their teammates, in addition to assessments of other group-related behaviors.

The experiment involved three conditions, a high-power, low-power, and control condition. Participants arrived in the laboratory in groups of 7 to 10 and were seated at a computer workstation. To manipulate power, I asked participants to complete experiential primes in which they were asked to recall a particular incident in their lives (Galinsky et al., 2003).

Participants assigned to the high-power condition were instructed as follows:

Please recall a particular incident in which you had power over another individual or individuals. By power, we mean a situation in which you controlled the ability of another person or persons to get something they wanted, or were in a position to evaluate those individuals. Please describe this situation in which you had power— what happened, how you felt, etc.

Participants assigned to the low-power condition were instructed as follows:

Please recall a particular incident in which someone else had power over you. By power, we mean a situation in which someone had control over your ability to get something you wanted, or was in a position to evaluate you. Please describe this situation in which you did not have power—what happened, how you felt, etc.

Participants in the control conditions were asked to, “Please recall your day yesterday. Please describe your experiences yesterday—what happened, how you felt, etc.”

To reduce suspicion between the power manipulation and the principal measures, following the power prime, participants completed a filler task which was described as a “social perception task”. Participants were presented with still images of two individuals (selected from Ames, Kammrath, Suppes, & Bolger, 2008) and asked to make a number of ratings of each individual. Following the filler task, participants made round-robin ratings of their perceived alliances and group-related behaviors with team members from the class project.

Measures

Perceived Alliance. During the experimental session, participants rated how allied they believed others felt towards them. Participants were given the following instructions: “Please rate how you think your group project teammates feel about you on the items below. Please try to take the perspective of each of your group members, and think about how they will rate you.” Participants assessed how they believed others felt towards them on the same four items from Experiment 1, with the addition of one item which was added to better capture conflict within alliances. The items included ‘This person would work with me again in the future’, ‘This person would be willing to do a favor for me’, ‘This person would help me if I asked for it’, ‘This person feels loyal to me’, and ‘This person sees me as an adversary’ (reverse coded), on a scale from 1 (‘Strongly disagree’) to 7 (‘Strongly Agree’). Participants showed reliability in their judgments of perceived alliance, $\alpha = .66$. I thus combined their perceived alliance scores across targets to form an overall measure of perceived alliance.

Alliance. Approximately one week after the experimental session, as part of the class feedback exercise, participants rated how allied they felt to each of their group members. Participants were asked to rate their agreement with five items that served as the criterion measure of alliance. These items matched the content of items in the *perceived alliance* that participants completed in the laboratory, and included, ‘I would be willing to do a favor for this

person', 'If this person needed help, they could count on me to help them', 'I would work with this person again in the future', 'I feel loyal to this person', and 'This person thinks of me as an adversary' (reverse-coded), on a scale from 1 ('Strongly disagree') to 7 ('Strongly Agree').

As in Experiment 1, to control for nonindependence in the groups, I implemented the social relations model analyses of the round-robin (i.e., peer) ratings using the software program SOREMO (Kenny, 1994) on the alliance measure. Participants showed reliability in their judgments of their alliances across the 5 items, $\alpha = .81$. I thus combined their alliance scores across targets to form an overall measure of alliance for the criterion measure.

Illusions of alliance. I calculated an index of illusions of alliance as in Experiment 1. I calculated an illusion of alliance index by regressing actual alliance (an individual's *target score* on the alliance measure, assessing how allied group members generally felt towards the individual) on perceived alliance (an individual's *perceiver score* on the perceived alliance measure, assessing how allied an individual thought others felt towards them), and retaining the standardized residual. The residual score represents the variance in perceived alliance after the variance predicted by actual alliance has been removed. High scores on this alliance measure indicate illusions of alliance ($M = .00$, $SD = .65$).

Positive Affect. Following the power prime, I measured participants' positive affect. This measure was included to account for the possibility that power may lead to illusions of alliance simply because it makes people feel better in general. Positive affect was measured using the positive affect scale of the Positive and Negative Affect Schedule, or PANAS (Watson, Clark, & Tellegen, 1988). Participants reported to what extent they felt 10 emotions "you feel this way right now, that is, at the present moment": *interested, excited, enthusiastic, proud, alert, strong, inspired, determined, attentive, and active*, on a scale from 1 ("Very slightly or not at all") to 5 ("Extremely"). The scale showed satisfactory internal consistency, $\alpha = .78$ ($M = 2.52$, $SD = .64$).

Results and Discussion: Experiment 2

Did primed power predict perceptions of the strength of alliances? To test whether power impacted the perceived strength of alliances, the data were analyzed using an ANOVA in which the average ratings that participants made of their perceived alliances with their teammates served as the dependent variable, and the power prime condition, Low Power (LP), High Power (HP), and Control, served as the independent variable. There was a significant effect of condition, $F(2,52) = 5.58$, $p = .007$. Scheffe post hoc comparisons indicate that the HP ($M = 5.99$, $SD = .54$) differed from LP ($M = 5.46$, $SD = .53$), $p = .015$, and Control ($M = 5.51$, $SD = .59$), $p = .041$, but LP and Control did not differ from each other. This analysis suggested that those who were made to feel powerful perceived their alliances as stronger than those who either in control conditions or who were made to feel as though they lacked power, regardless of how others actually felt towards them. In the following analyses, I address the extent to which power led to overestimations of the strength of the alliances, or illusions of alliance.

Did primed power lead to illusions of alliance? Next, to address the extent to which power led to illusions of alliance, an ANOVA was performed in which the illusion of alliance index served as the dependent variable, and the power prime condition, Low Power (LP), High Power (HP), and Control, served as the independent variable. There was a significant effect of condition, $F(2,52) = 6.29$, $p = .004$. Scheffe post hoc comparisons indicate that the HP ($M = 0.38$, $SD = .52$) differ from LP ($M = -.23$, $SD = .60$), $p = .011$, and Control ($M = -.20$, $SD = .65$), $p = .023$, but LP and Control do not differ from each other (see Table 2). Therefore, this suggests that those placed in a high-power mindset held illusions of alliance relative to

participants who were in control conditions or who were made to feel as though they lacked power.

Positive affect. Consistent with past research employing the power priming manipulation (Galinsky et al, 2003), positive affect was not affected by the power prime, $F(2,52) = .334$, n.s. Moreover, in an ANCOVA, controlling for positive affect, the effect of the power prime condition on illusions of alliance remained significant, $F(2,52) = 5.863$, $p = .005$. The manipulation of power therefore did not impact positive affect, and positive affect did not impact illusions of alliance.

Summary

As hypothesized, the power manipulation predicted illusions of alliance, such that participants primed with high power demonstrated higher illusions of alliance than either those primed with low power, or control participants. Taken together, Experiments 1 and 2 suggest that power, whether measured as a disposition or experimentally manipulated in the lab using a priming task, increases the propensity with which individuals engage in illusions of alliance.

CHAPTER 3

Introduction

The results from Experiments 1 and 2 suggest that power, whether measured as a disposition or elicited via a manipulation, leads individuals to overestimate the extent to which others are allied to them. In Experiments 3 and 4, I examined the extent to which powerholders with illusions of alliance fail to form and maintain alliances.

To test whether illusions of alliance lead powerholders to fail to form and maintain alliances, Experiments 3 and 4 used an experimental paradigm in which participants interacted with others in an alliance formation exercise. By using an experimental procedure and measuring the impact of illusions of alliance on alliance formation in the laboratory, it was possible to control for many confounds that would otherwise accompany coalitional behavior in organizations. The experimental procedure also afforded the ability to examine two critical elements: the causal nature of illusions of alliance and behavioral mediators that may account for the loss of alliances.

The experimental procedure was carefully selected based on two critical criteria: participants had varying levels of power within the task and participants could freely form alliances with others that potentially excluded some actors. I employed a modified version of an alliance formation exercise, Federated Science Fund (Mannix, 1993), as it provided the most coherent framework for investigating the impact of illusions of alliance on alliance formation. Federated Science Fund is a three-person task in which participants enact the role of a firm competing for funding from a third party source. To receive funding, participants must form alliances that potentially exclude one of the parties from the final agreement. Furthermore, participants vary in the amount of power that they have. Although power differs, high-powered participants must still form alliances with others to succeed at the task – a context that mirrors real world situations in which certain individuals may have more power than others, but still ultimately rely on others to accomplish their goals.

Participants in both Experiments 3 and 4 engaged in this alliance formation exercise. In both experiments, the focus of analysis was on the behavior of participants in the powerful role. In Experiment 3, I measured both the extent to which the high-powered participants engaged in illusions of alliance and the frequency with which they were subsequently excluded from the final alliance. In Experiment 4, I manipulated illusions of alliance for the high-powered actor and again measured rates of exclusion. In both experiments, I predicted that powerholders would be excluded more frequently from the final alliances to the extent that they held illusions of alliance.

Method: Experiment 3

Participants

Participants were 147 undergraduate business students (66 women and 78 men, 3 not reporting sex) enrolled in an introductory organizational behavior course at a West Coast university. The participants were 22 years old on average ($SD = 3.29$). 40.8 percent of participants Asian, 26.5% Caucasian, 8.8% African American, 3.4% Hispanic/Latino, and 20.5% who reported mixed or no ethnicity.

Procedure

Participants in this experiment engaged in a three-party negotiation exercise. The negotiation was modeled after Federated Science Fund (Mannix, 1993), a negotiation in which three research organizations (Stockman, Turbo, and United) are bidding for research funds from a funding agency, the Federated Science Fund. Participants are told that the funding agency is willing to provide funds to any two- or three- party alliance. The values of the alliances are as follows: the

three-party alliance obtains the maximum funding of \$460,000, an alliance between Stockman and Turbo or Stockman and United is worth \$460,000, and an alliance between Turbo and United is worth \$440,000. All participants receive the same information.

Based on the value of each alliance, a “quota”, or power level, can be derived for each party. Stockman’s contribution to the alliance is \$240,000, while Turbo and United’s contribution is \$220,000. Thus, consistent with conceptualization of power as symmetric control over valued resources (Emerson, 1962; Polzer et al., 1998), Stockman has the greatest amount of power (i.e., control over resources) while Turbo and United have the least.

To help engage participants in the task, an incentive was provided for performance. Participants were told that one group from the experiment would be randomly selected and provided with a prize. The prize was value of their agreement divided by 1000. For example, in an agreement between Turbo and United worth \$440,000, the prize would be \$440. Participants were told that the prize would be split among members of the agreement according to the terms of their agreement.

Upon reading all instructions for the task, participants were given 10 minutes to read the negotiation materials and prepare for the negotiation. After preparing for the negotiation, but before beginning the negotiation, participants rated the extent to which they anticipated forming an alliance with each of the other participants, as well as the extent to which they felt that each of their partners anticipated forming an alliance with them. These measures, as described below, were used to compute the illusion of alliance measure. Although this illusion of alliance measure was captured before participants interacted, it is possible that as a consequence of being in a position of power, illusions of alliance extend to anticipatory perceptions of alliances with others. That is, powerholders not only overestimate the strength of their current alliances, they overestimate the likelihood of forming strong alliances with others. Given the framework described above, this suggests that illusions of alliance may stem independently from both the *biased feedback* that powerholders receive from others and, in the case of this experiment, the *biased perceptions* that powerholders have of their social environments.

After completing the illusion of alliance measure, participants were subsequently directed to online chat rooms in which they were able to communicate with their negotiation counterparts. Each participant was provided with three chat rooms: a main chat room in which they could communicate with both of their counterparts simultaneously, and two chat rooms in which they could communicate with each of their counterparts privately. Participants were given 30 minutes to negotiate the terms of their agreements, which consisted of forming an alliance with at least one other participant, and establishing how the funds would be shared among the alliance members. After coming to an agreement, participants were subsequently asked to complete a number of post-negotiation surveys.

Measures

Illusions of alliance. Before the alliance task, to assess the extent to which individuals in the high power role held illusions of alliance, participants made two sets of ratings. First, participants rated the extent to which they anticipated forming an alliance with each of the other participants. Second, participants rated the extent to which they felt that each of their partners anticipated forming an alliance with them. For example, participants in the high-power role (Stockman) rated both how much they anticipated forming an alliance with their low-power (Turbo and United) counterparts, as well as how much they believed that their low-power counterparts anticipated forming an alliance with them. An illusion of alliance would result from an overestimation of the degree to which participants thought that others anticipated forming an

alliance with them. As in Experiments 1 and 2, I calculated an index of illusions of alliance in which I regressed the average of an individual's partners' alliance ratings, assessing how allied negotiation partners felt towards a member of the group, on the average of an individual's assessments of how allied their partners felt towards them, and retaining the standardized residual. The residual score represents the variance in perceived alliance after the variance predicted by actual alliance has been removed. High scores on this alliance measure indicate illusions of alliance ($M = .00$, $SD = .99$).

Results and Discussion: Experiment 3

Did power lead to illusions of alliance? Consistent with Experiments 1 and 2, power predicted the extent to which participants held illusions of alliance. The extent to which participants held illusions of alliance differed as a function of the participants' roles, $F(2,144) = 18.09$, $p < .001$. A planned contrast indicated that participants in the high power role ($M_{\text{Stockman}} = .62$, $SD_{\text{Stockman}} = .76$) overestimated the strength of their alliances relative to participants in the low power roles ($M_{\text{Turbo}} = -.22$, $SD_{\text{Turbo}} = .95$; $M_{\text{United}} = -.39$, $SD_{\text{United}} = .97$), $t(144) = 5.94$, $p < .001$. Finally, illusions of alliance for participants in the high power role were significantly different from 0, indicating a tendency to overestimate their alliances, $t(48) = 5.71$, $p < .001$.

Do powerholders with illusions of alliance lose alliances? To test whether powerholders who held illusions of alliance lost power, I tested both the frequency of exclusion from an alliance and the final values of alliances for the high-power negotiator. The extent to which high power participants held illusions of alliance predicted their frequency of exclusion from the alliance, binary logistic regression, $\beta = 1.26$, Wald (1) = 6.62, $p = .01$, such that high power participants were excluded more frequently to the extent that they held illusions of alliance. The extent to which high power participants held illusions of alliance also impacted their final points in the negotiation. Higher illusions of alliance led to lower points for the high power negotiators, $\beta = -.363$, $t(48) = -2.674$, $p = .01$. High power participants with illusions of alliance thus ultimately were excluded more frequently from the final alliance and obtained a smaller share of resources, suggesting a loss of control over resources, and thus a loss of power.

Do low-power actors' perceptions of the strength of the alliance mediate the effect of high power actors' illusions of alliance on loss of alliances? To test whether the low-power actor's perceptions mediated the effect of high power actors' illusions of alliance on the loss of power, bootstrapping analyses were conducted using methods described by Preacher and Hayes (2008) for estimating direct and indirect effects with mediators. Preacher and Hayes' (2008) method for testing mediation provides two principal benefits: first, unlike the Sobel test, it does not rely on the assumption of a normal sampling distribution, which often is unlikely in small samples, and second, the number of inferential tests is minimized, thus reducing the likelihood of Type 1 error. This method uses a bootstrapping method with bias-corrected confidence estimates to test mediational hypotheses (see also, MacKinnon, Fairchild, & Fritz, 2007; Preacher & Hayes, 2004).

Hypothesis 3 predicted that the effects of illusions of alliance on the extent to which powerholders obtain a share of the resources when they do form alliances is mediated by peer-ratings of the strength of the alliance. Peer-ratings of the strength of the alliance were calculated as the average of the two low-power actors' ratings of the strength of their alliance with the high-power actor, on two items ('I feel allied to this person.' and 'I feel loyal to this person.'). A test of mediation was performed investigating the impact of the mediator on final points in the negotiation (H3). High power actors' illusion of alliance score was entered as the predictor variable, and low power actors' perceptions of the strength of the alliance were entered as the

proposed mediator. All analyses were performed using the SPSS macro provided by Preacher and Hayes (2008), which runs the bootstrapping procedure. Bootstrapping involves the repeated extraction of samples from the data set and the estimation of the indirect effect in each resampled data set. A 95% confidence interval for the effect size of the indirect effect is calculated based on the estimated indirect effects. A confidence interval that includes zero indicates a nonsignificant effect.

Results for final points in the negotiation supported Hypothesis 3. The bootstrap results indicated that the total effect of illusions of alliance on total points in the negotiation (total effect, $c = -50010.78$, $t(49) = -2.6741$, $p = .0029$) became nonsignificant when the peer-rated alliance mediator was included in the model (direct effect, $c' = -33710.92$, $t(49) = -1.8825$, n.s). Furthermore, the analyses revealed, with 95% confidence, that the total indirect effect (i.e., the difference between the total and direct effects) of high power actors' illusions of alliance on total points in the negotiation was significant, with bootstrap confidence interval of -38915.27 to -1201.432 . This result indicated that peer-perceptions of the strength of the alliance was a significant mediator ($p < .05$) of the effect of illusions of alliance on points in the negotiation. High power actors who held illusions of alliance led their partners to feel less strongly allied to them, which then led to lower points in the final agreements.

Summary.

Experiment 3 demonstrated that high power actors were excluded more frequently from alliances to the extent that they held illusions of alliance. Powerholders also received smaller payouts in the alliance task to the extent that they overestimated their alliances with others. Moreover, the low-power actors' perceptions of the strength of their alliances with the high power actor mediated the effect of the powerholders' illusions of alliance on their share of the final agreement. This experiment, however, was correlational; to establish the causal role of illusions of alliance on power loss, Experiment 4 experimentally manipulated illusions of alliance. Participants again engaged in a three-person negotiation in which they were randomly assigned to either high- or low-power roles. The high-power negotiators' perceptions of their alliances were manipulated, and I examined the extent to which illusions of alliance led to a loss of power for the high-power negotiator. Consistent with Experiment 3, I predicted that participants in the illusions of alliance condition would be excluded more frequently than participants who were not led to overestimate their alliances.

Method: Experiment 4

Participants

Participants were 93 undergraduate business students (46 women, 46 men, and 1 not reporting sex) enrolled in an introductory organizational behavior course at a West Coast university. The participants were 22 years old on average ($SD = 2.66$) and 60.2 percent of participants were Asian, 24.7% Caucasian, 4.3% Hispanic/Latino, 4.3% African American, and 6.5% who reported no ethnicity.

Procedure

The procedure for this experiment followed that of Experiment 3, with one exception. After reading the instruction for the task, some participants in the high-power role (Stockman) were provided with information intended to lead them to overestimate the extent to which others in the alliance exercise felt allied to them (i.e., hold illusions of alliance). These perceptions of alliance were manipulated by providing the high-power participants with false information about outcomes of previous alliance games. Participants were told,

To help you prepare for the negotiation, we are providing you with two pieces of information about this case. First, this negotiation has been conducted in hundreds of MBA classes in universities across the United States. The results of these many replications suggest that in 95% (15%) of cases, the Stockman role is included in the final agreement. Second, surveys completed by participants before the negotiation have consistently found that both Turbo and United feel highly (*un*)allied to Stockman, and anticipate joining Stockman in an alliance (*excluding Stockman from their alliance*) before the negotiation begins.

The remainder of the experiment was identical to the procedures in Experiment 3.

Measures

Manipulation Check. To assess the extent to which the illusion of alliance manipulation led participants in the high power role to overestimate their alliances, I created an illusion of alliance index similar to the index created in Experiment 3. Participants rated both the extent to which they anticipated forming an alliance with others (*Actual Alliance*), and the extent to which they felt that each of their partners would form an alliance with them (*Perceived Alliance*). As in Experiments 1 and 2, I calculated an index of illusions of alliance in which I regressed *Actual Alliance* (the average of an individual's partners' alliance ratings, assessing how allied negotiation partners felt towards a member of the group) on *Perceived Alliance* (the average of an individuals' assessments of how allied their partners felt towards them), and retaining the standardized residual. The residual score represents the variance in perceived alliance after the variance predicted by actual alliance has been removed.

Loss of alliances. To assess the extent to which powerholders with illusions of alliance lose power, the main dependent variables of interest in this experiment are whether the high power negotiator is included in a final alliance (or, the frequency of alliances that exclude the powerful negotiator), and the share of the final agreement that the powerholder receives.

Positive affect. Following the negotiation, participants completed the positive affect scale of the Positive and Negative Affect Schedule, or PANAS (Watson et al., 1988). Participants reported how much they felt 10 emotions "in general, or on average": interested, excited, enthusiastic, proud, alert, strong, inspired, determined, attentive, and active, on a scale from 1 ("None") to 5 ("Extreme"). The scale showed satisfactory internal consistency, $\alpha = .73$; the mean score was 2.91 ($SD = .60$).

Self-perceived power. Following the negotiation, participants rated their own self-perceived power. Participants reported how much they felt that they had power in the negotiation on 4 items: 'I was in control in the negotiation exercise,' 'I was dominant in the negotiation exercise,' 'I led the negotiation,' and 'I was powerful in this negotiation.' The four items showed high internal consistency, $\alpha = .92$, and were combined to form an overall measure of self-perceived power ($M = 4.91$, $SD = 1.37$).

Results and Discussion: Experiment 4

Manipulation Check. The manipulation successfully increased illusions of alliance for high power participants in the illusion of alliance condition. High power participants in the illusions of alliance condition ($M = .60$, $SD = .56$) held higher illusions of alliance than those in the underestimation condition ($M = -.64$, $SD = .80$), $t(29) = -5.004$, $p < .001$. The manipulation of illusions of alliance did not impact positive affect among participants ($M_{\text{over}} = 2.9$, $SD_{\text{over}} = .68$, $M_{\text{under}} = 2.9$, $SD_{\text{under}} = .72$, n.s.), suggesting that the manipulation did not increase positive mood for the high-power negotiators. The manipulation also did not impact the self-perceived power of the high-power negotiators ($M_{\text{over}} = 4.87$, $SD_{\text{over}} = 1.42$, $M_{\text{under}} = 4.96$, SD_{under}

= 1.33, n.s.), suggesting that the manipulation was isolated to increasing the extent to which high power participants expected others to want to form an alliance with them.

Do powerholders with illusions of alliance lose alliances? To test whether powerholders who held illusions of alliance lost power, I tested both the frequency of exclusion from an alliance and the final values of alliances for the high-power negotiator. Due to the frequency of cell counts, I employed a Fisher's exact test to measure whether the frequency of exclusions from the alliance for the high-power actor differed between conditions. Results from this analysis indicate that, as hypothesized, the high-power negotiator was excluded more frequently in the overestimation (37.5%) than the underestimation (6.7%) condition ($p = .05$, Fisher's exact test). Tests of the share of the final agreement that the powerholders receive also supported the hypotheses. High-power negotiators in the overestimation of alliance condition received a smaller share of the agreement ($M = 126,896$, $SD = 117,954$) than high-power actors in the underestimation of alliance condition ($M = 205,222$, $SD = 70,455$), $t(29) = 2.23$, $p = .035$. Consistent with Experiment 3, results from this experiment suggested that illusions of alliance increased the extent to which high power actors were excluded from final alliances and decreased the share of resources that high power actors obtained.

Do low-power actors' perceptions of the strength of the alliance mediate the effect of high power actors' illusions of alliance on loss of alliances? As in Experiment 3, to test whether the low-power actor's perceptions mediated the effect of high power actors' illusions of alliance on the loss of power, bootstrapping analyses were conducted using methods described by Preacher and Hayes (2008) for estimating direct and indirect effects with mediators.

Hypothesis 3 predicted that the effects of illusions of alliance on the propensity with which powerholders are excluded from alliances and obtain a share of the resources when they do form alliances is mediated by peer-ratings of the strength of the alliance. As in Experiment 3, peer-ratings of the strength of the alliance were calculated as the average of the two low-power actors' ratings of the strength of their alliance with the high-power actor, on two items ('I feel allied to this person.' and 'I feel loyal to this person.'). The test of mediation was performed investigating the impact of the mediator on final points in the negotiation (H3) with experimental condition dummy-coded (illusions of alliance = 1, no illusions = 0) and entered as the predictor variable, and low power actors' perceptions of the strength of the alliance were entered as the proposed mediator. All analyses were performed using the SPSS macro provided by Preacher and Hayes (2008) which runs the bootstrapping procedure. Bootstrapping involves the repeated extraction of samples from the data set and the estimation of the indirect effect in each resampled data set. A 95% confidence interval for the effect size of the indirect effect is calculated based on the estimated indirect effects. A confidence interval that includes zero indicates a nonsignificant effect.

Results of the mediation analysis supported hypothesis 3. The bootstrap results for frequency of exclusion indicated with 95% confidence, that the total indirect effect (i.e., the difference between the total and direct effects) of high power actors' illusions of alliance on final points in the negotiation was significant, with bootstrap confidence interval of -41946.63 to -763.64.07. These results indicated that peer-perceptions of the strength of the alliance was a significant mediator ($p < .05$) of the effect of illusions of alliance on final points in the negotiation. High power actors who held illusions of alliance led their partners to feel less strongly allied to them, which then led to be receive lower points in the final agreements.

Summary

Across Experiments 3 and 4, as hypothesized, powerholders who held illusions of alliance, whether manipulated in the lab or measured via survey responses, were excluded more frequently from alliances and received smaller payouts in the alliance task. Moreover, the results from Experiments 3 and 4 also replicate the findings from experiments 1 and 2, which demonstrated that power, whether measured as a disposition or experimentally manipulated in the lab, leads to illusions of alliance. In Experiments 3 and 4, participants in the high power role had significantly higher illusions of alliance than participants in the low power roles. In short, power led individuals to hold high illusions of alliance, and powerholders were less effective at forming alliances with low power actors to the extent that they overestimated their alliances with others.

CHAPTER 4

General Discussion

The research reported here aims to extend the literature on power by addressing how power is lost. While much research investigates how power is acquired, there is a surprising lack of research assessing the loss of power. The results of this research begin to fill this gap by assessing the extent to which biased perceptions of alliances impact the behaviors of powerholders. In two experiments I provided evidence for a unique consequence of power, illusions of alliance, in which powerholders overestimate the extent to which others are allied to them. In two additional experiments, I examined the consequences of these illusions, and in particular, the extent to which illusions of alliance led to a failure to form and maintain alliances. I found that powerholders failed to form alliances and consequently lost power to the extent that they held illusions of alliance.

Overall, an important implication of these findings is that powerholders who make biased assessments of their alliances in organizations face significant consequences. Indeed, a number of examples of powerful individuals, including CEOs, who have lost power due to illusions of alliance suggest the critical function of correctly assessing one's alliances. The cases of Pete Peterson, Jimmy Cayne, and Phil Purcell discussed in the introduction highlight the critical way in which illusions of alliance can contribute to the loss of power.

Given the importance of alliances in organizational settings (Cyert & March, 1963; Pfeffer & Salancik, 1978; Thompson, 1967) powerholders should be aware of the hazards of failing to effectively monitor their social environments. Powerholders should closely monitor their alliances, form accurate perceptions of their alliances, and actively engage in strategic behaviors aimed at fortifying the strength of their relations with others. The research outlined above, however, suggests that within organizational settings, powerholders face a difficult environment in which to accurately gauge the strength of their relations. Biased perceptions that result from being in positions of power, and the reluctance of subordinates to provide accurate feedback to superiors, makes the ability of powerholders to accurately assess their alliances quite difficult.

The findings reported here also suggest that powerholders are particularly prone to an interpersonal form of overconfidence. This suggests that efforts to develop leadership competencies should emphasize not only technical competencies, but also interpersonal competencies that enable leaders to form accurate perceptions of how they are perceived by others. Many multisource ("360 degree") feedback measures emphasize soft skills, but do not specifically address perceived alliances. Yet it is the perception of alliances that may predict the extent to which leaders engage in the skills and behaviors necessary to be (perceived as) effective leaders. The results reported here suggest that leaders who hold illusions of alliance may fail to see the necessity of engaging in strategic behaviors such as ingratiation and strategic self-presentation that may improve their relations with others. Efforts to address and improve leadership competencies, including executive coaching, could therefore benefit from an increased focus on interpersonal perceptions, and specifically forming accurate perceptions of one's alliances.

While the results reported here addressed the impact of illusions of alliance across a broad conceptualization of power, these effects may be particularly prominent for organizational leaders such as CEOs and other top executives. For instance, research on top management teams (Hambrick & Mason, 1984; Ocasio, 2002; Shen & Cannella, 2002) suggests that coalitional behavior is particularly active in the upper echelons of organizations. Moreover, and somewhat

paradoxically, research has shown that the more power a CEO has, the more executives beneath the CEO engage in coalitional behavior such as forming alliances and political insurgencies (Eisenhardt & Bourgeois, 1988).

Additionally, research in the networks tradition also suggests that patterns of information diffusion in organizations may also highlight the detrimental effect of illusions of alliance. For instance, in a study of managers in a high tech firm, Burt and Knetz (1995) found that negative information passed by third parties, such as distrust-related information, can impact interpersonal relations between managers. In light of Kramer's (1994) finding that low power individuals tend to make overly negative and dispositional (i.e., sinister) attributions about the behaviors of powerful others, Burt and Knetz's research suggests that CEOs and other top organizational actors may need to be particularly vigilant about the negative information that spreads through organizations' social networks. By holding illusions of alliance, powerholders in organizations may fail to attend to cues that diffuse quite readily through social networks. Studies of diffusion could provide a fruitful avenue for future research on the impact of illusions of alliance.

Taken together, this research suggests that illusions of alliance may be a particularly insidious problem for CEOs and other top organizational actors; to the extent that power leads to illusions of alliance, powerful individuals such as CEOs may fail to monitor and address the coalitions that frequently form beneath them. However, while these results suggest that overly positive perceptions of alliances can contribute to power loss, one unexplored area is the other end of the spectrum, paranoia. While Andy Grove, the former CEO and Chairman of Intel is famous for arguing that "only the paranoid survive," this strategy may not be suitable for interpersonal relations. Being paranoid may contribute to effective organizational strategy, but it may be debilitating with respect to interpersonal relations. Indeed, Kramer's (1994, 2001) research on organizational paranoia suggests that paranoia can lead to self-defeating cognitive and behavioral consequences such as heightened and exaggerated mistrust and suspicion of individuals in organizational settings. Future work should examine the delicate balance between ignorance, vigilance, and paranoia with respect to perceptions of alliances.

Limitations

One limitation of the current work is the setting in which the data were collected. Experiments 1 and 2 involved long term study groups, in which the participants were students who were randomly assigned to small interdependent groups. Although the group members had substantial interaction and investment in the groups, these groups may not fully reflect the political and social dynamics of organizational actors who interact over longer periods of time. Similarly, in Experiments 3 and 4, participants engaged in an alliance-building exercise in the laboratory. Although a substantial prize was offered as an incentive for participants to become engaged in the task, and a review of the transcripts from the interaction suggested that participants were substantially involved in the task, the short-term nature of the exercise may again not fully reflect the perceptions and behaviors of individuals in organizational settings. However, the short-term nature of the task in Experiments 3 and 4 may provide a conservative test of these hypotheses. Organizational actors faced with forming and maintaining long-term alliances that extend beyond the hour-long interaction in the laboratory may be more reluctant to form alliances with powerholders who overestimate their alliances when they anticipate having frequent and long-term interactions with such individuals.

An additional limitation in Experiments 3 and 4 is the manner in which power was manipulated. Participants were randomly assigned into high and low power roles and were not provided with reasoning or justification for why they were assigned accordingly. Both Wilke

and Von Knippenberg (1983) and Miller and Wong (1986) observed that the extent to which power was legitimized by the experimenter moderated the extent to which high power actors were excluded from final coalitions. Conditions in which power was arbitrarily granted, and thus, in which some participants were provided with an undeserved advantage, led to greater revolutionary coalitions in which high power actors were excluded from the final coalition. Moreover, alliances with long-term powerholders may be more committed and unshakable in organizations, due potentially to the fact that many long-term powerholders may be responsible for having hired the low-power individuals with whom they interact. Such processes may have impacted the base rates of exclusion for the high power party in the experiments reported here, although would not necessarily have impacted the extent to which illusions of alliance by the high power actor impacted their chances of exclusion. Nevertheless, future research should examine the extent to which arbitrarily granting power roles versus granting power based on merit, would impact these results.

Finally, in Experiments 3 and 4, the low power actors were equally low in power – they were provided with the same quotas and thus had the same resources to contribute to potential coalitions. In many organizational settings, potential coalition partners have varying levels of power and status, and such differences may impact the types of coalitions that ultimately form. Lawler (1976), for instance, found that fewer revolutionary coalitions, which exclude the high power actor, form when status differences exist among low power actors. Status differences undermined the sense of common interest among low power actors, which led to a decrease in the frequency with which they engaged in coalitional activity against the high power actor. Future research should examine the extent to which power and status differences among low power actors impact the effects of illusions of alliance on the ability of high power actors' to form alliances.

Future Directions

My dissertation is part of a larger research plan in which I hope to broadly examine how power is lost. I intend to take this research in a number of directions. First, I intend to examine the formation and impact of illusions of alliance in organizational settings. For instance, I intend to investigate the role of illusions of alliance in longitudinal field studies on organizationally relevant phenomena including promotions, tenure, and turnover. Such field studies would supplement my use of experimental research in assessing the role of illusions of alliance on the loss of power by addressing the loss of power more directly. Field studies would also enable the use of a network methodology to assess the impact of illusions of alliance. While Krackhardt (1990) demonstrated that accurate perceptions of networks are correlated with perceptions of power, an analysis of the impact of illusions of alliance from the perspective outlined here might provide further information on the longitudinal and behavioral consequences of overestimating one's alliances with others.

The use of field studies would also provide contextual moderators that may identify situations in which illusions of alliance are particularly likely or detrimental. For instance, the power of the CEO, measured for example as duality (also acting as chairman) or stock ownership (Shen & Cannella, 2002), may moderate the extent to which powerholders such as CEOs engage in illusions of alliance. Additionally, firm performance may moderate the effects of illusions of alliance on CEO outcomes. Ocasio (1994) has found that during times of poor organizational performance political contests for power are likely to emerge within organizations. The ability of powerholders to form and maintain alliances at times when organizations are performing poorly may therefore be particularly critical to maintaining power. Pay differentials may also be one

important contextual moderator that impacts the frequency with which low power actors engage in revolutionary coalitions (Siegel & Hambrick, 2005). Finally, the empowerment of lower managers may also reduce the likelihood of revolutionary coalitions, where empowered managers may feel less need to engage in coalitional behavior to achieve their goals. Overall, field studies provide a fruitful avenue for the investigation of contextual moderators of the impact of illusions of alliance and coalitional behavior in general.

Broadly speaking, I also intend to directly examine the role of ingratiation and strategic self-presentation on the negative consequences to illusions of alliance. In future work, I hope to measure the extent to which high power actors engage in these critical forms of alliance building behaviors, and the extent to which these behaviors may account for the loss of power among high power actors who engage in illusions of alliance.

I also intend to examine dispositional and situational moderators that account for why and when powerful actors develop illusions. For instance, narcissism may be a key personality construct that leads powerholders to engage in illusions of alliance. Moreover, one important situational moderator may be the insider versus outsider status of a CEO or powerful individual. Powerholders who are outsiders, may have a fresh perspective and be more vigilant about their social environments (see Kramer, 2001, p. 19). However powerholders who are insiders may have more access to information about others and their social environments. I intend to address these, and other moderators, in future work.

I also intend to examine organizational correctives that may counter the impact of illusions of alliance on the loss of power. Traditional multisource feedback techniques may improve self-awareness and accuracy on task-related aspects of job performance, but individuals may benefit from an increased emphasis on feedback related to relational or alliance-based perceptions. Examining the extent to which feedback on one's alliances increases the accuracy of the perceptions of one's alliances will help scholars further understand the role of illusions of alliance on power.

Finally, in addition to further examining individual level effects of illusions of alliance, I also intend to investigate organizational level implications of illusions of alliance. For instance, I intend to examine the extent to which illusions of alliance by leaders may impede the effective functioning of groups or organizations. Leaders with illusions of alliance may not only negatively impact their own power, but they may seed group conflict and other dysfunctional group dynamics that may negatively impact group, and even organizational, performance. In addition, leaders who hold illusions of alliance may fail to make politically expedient decisions for their organizations, such as managing the composition of their board of directors. Hillman (2005), for instance, found that companies in highly regulated industries benefited financially to the extent to which they had former politicians on their boards. Such board members provide not only information, but also access to important political resources that may benefit the firm. CEOs who overestimate their alliances with others, both within and outside of the firm, may fail to pursue opportunities, such as selecting appropriate board members, to develop and strengthen alliances with key organizational actors (see also, Westphal, Boivie, & Chng, 2006).

On the other hand, leaders who form accurate perceptions of their alliances with others, and who are particularly adept at forming and maintaining alliances, may hold onto power longer than their actual performance in their roles would otherwise justify. Such politically savvy leaders may indeed hold onto power longer than those inclined towards illusions of alliance, but may only do so at the expense of organizational performance. For instance, as entrenched

leaders' skills and strategies become obsolete (Ocasio, 1994), they may constrain the ability of organizations to adapt to their environments.

Conclusion

Power is a central force in organizations. While much research has examined the acquisition of power, considerably less work has investigated how power is lost. This work aimed to address this omission in the power literature and suggested one way in which power may be lost. Consistent with the critical role that the alliances play in organizations, I argued and found that powerholders lose alliances, and thus power, to the extent that they overestimate their alliances with others. Moreover, consistent with the psychological literature on power I argued and found that power itself increases the propensity with which individuals hold illusions of alliance. Overall, this deleterious effect of power might explain, in part, why power is often said to lead to its own demise.

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Figure 1. Theoretical Model

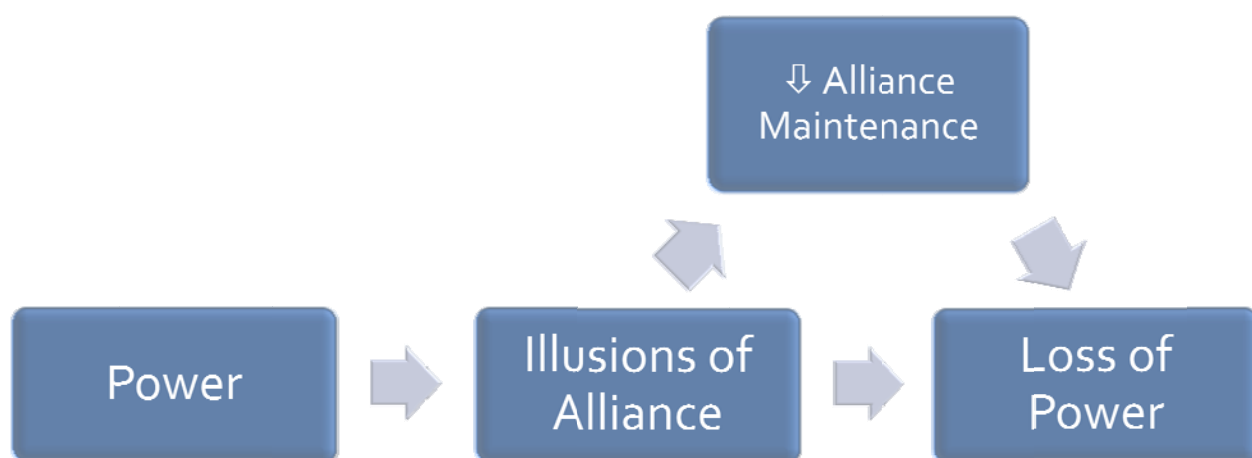


Figure 2.

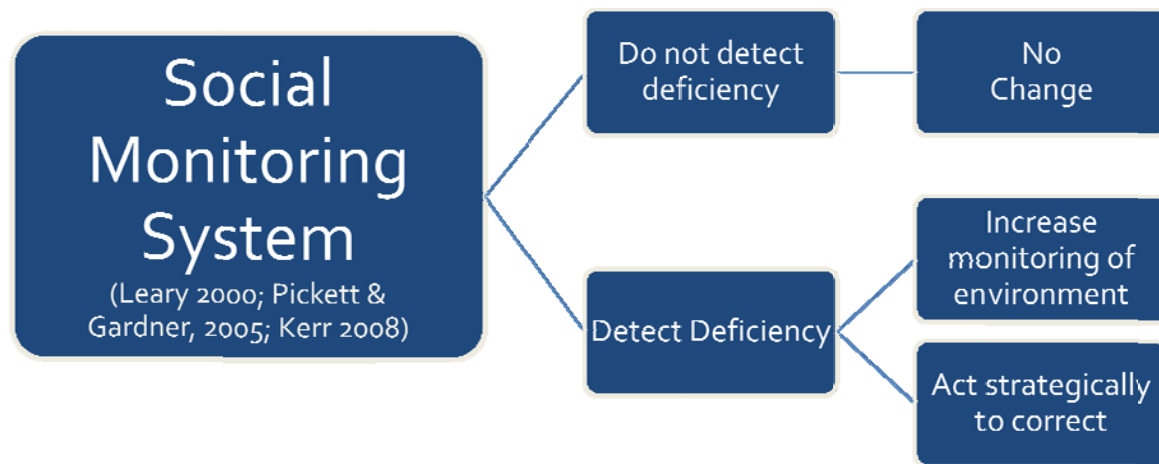


Figure 3. *Illusions of Alliance as a function of role (Experiment 3)*

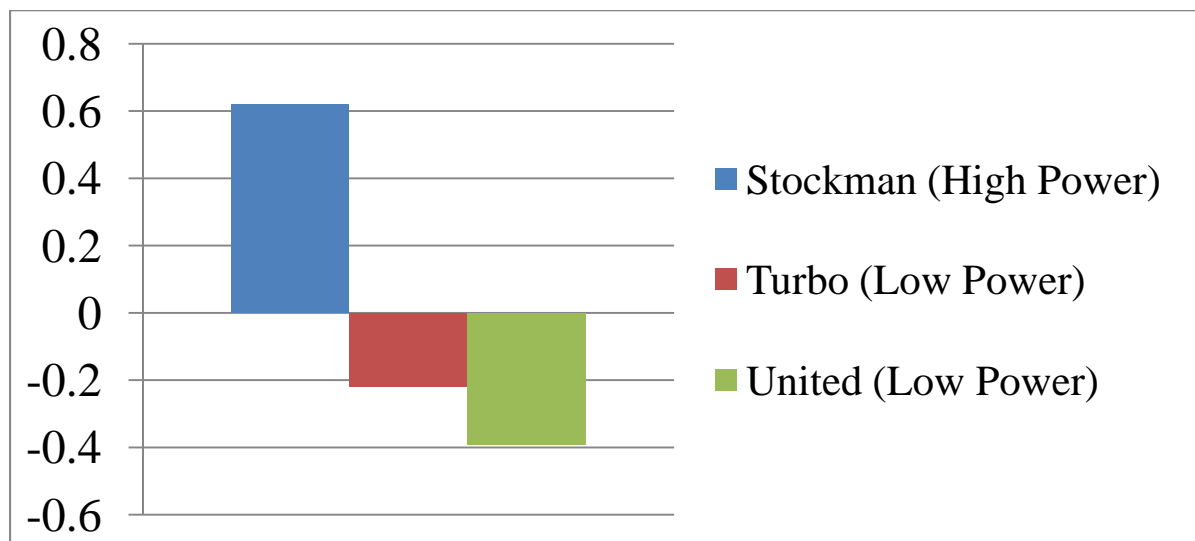


Figure 4. *Illusions of alliance as a function of condition (Experiment 4)*

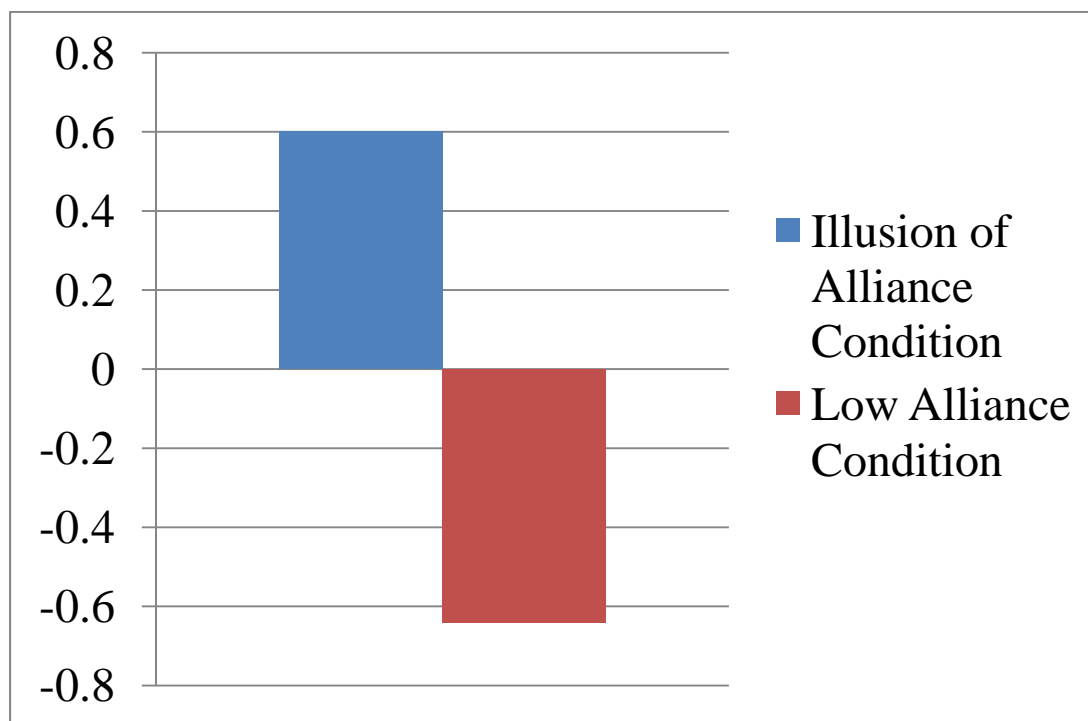


Table 1. *Effects of Self-Perceived Sense of Power on Illusions of Alliance (Experiment 1)*

Variable	Model 1	Model 2
Male	0.185 (0.197)	0.137 (0.194)
Fluency	0.276 (0.247)	0.187 (0.244)
GPA	0.173 (0.315)	0.154 (0.309)
Sense Of Power		0.345* (0.145)
R2	0.024	0.076
F for change in R2		5.703**

* $p < .01$, ** $p < .05$; two-tailed tests

* Standard errors are in parentheses.

Table 2. *Effects of Power Prime Manipulation on Illusions of Alliance (Experiment 2)*

Effects of Power Prime Manipulation on Illusions of Alliance (N=53)

Variable	Low Power	Control	High Power
Illusions of Alliance	-0.23 _a	-0.20 _a	0.38 _b
	(0.60)	(0.65)	(0.52)

* Standard deviations are in parentheses.