



ANTECEDENTS AND CONSEQUENCES OF TRUST IN STRATEGIC ALLIANCES

Jane L. Menzies & Helen De Cieri

*Working Paper 8/03
April 2003*

WORKING PAPER SERIES



ISSN 1327-5216

Abstract

In this paper we present a framework for the antecedents and consequences of trust in strategic alliances. Through a qualitative research methodology utilising semi-structured interviews with 18 organisations (5 of those being international), we investigate trust in strategic alliances using the theoretical perspective of social exchange theory. We find that network relationships, type of alliance, communication, information exchange, fairness preservation and inter-firm adaptation have implications for trust in strategic alliances. Trust is an important factor for the success of a strategic alliance, because the presence of trust facilitates the obtainment of goals in conjunction with rules of conduct, and mechanisms for enforcing those rules.

This paper is a work in progress. Material in the paper cannot be used without permission of the author.

ANTECEDENTS AND CONSEQUENCES OF TRUST IN STRATEGIC ALLIANCES

INTRODUCTION

Strategic alliances are one form of cooperative organizational strategies, increasingly popular due to their apparent propensity to facilitate competitive advantage in today's turbulent business environment (Das & Teng, 1999). As Cullen, Johnson & Sakano (2000) have noted, trust is essential for successful international strategic alliances. Given the importance of trust in strategic alliances for international business, we develop and test a model of the antecedents and consequences of trust within strategic alliances, from the perspective of social exchange theory.

First, we investigate the antecedents of trust by exploring network relationships (Nohria & Eccles, 1992) and build upon work by Das and Teng (1998) by exploring the type of alliance, communication, information exchange, fairness preservation and interfirm adaptation. Second, our research explores the consequences of trust for the performance of strategic alliances. Our research has several implications for research and practice with regard to the management of trust in strategic alliances.

EXAMINING STRATEGIC ALLIANCES FROM THE PERSPECTIVE OF SOCIAL EXCHANGE THEORY

We utilize social exchange theory to identify and analyze factors that may influence trust in strategic alliances. Derived from a sociological perspective, social exchange theory is based upon concepts borrowed from economics (Blau, 1964; 1987). Social exchange theory postulates that there exist unspecified, broad and open-ended obligations for any and all parties involved in a relationship. Such obligations are generally voluntary actions by one party motivated by the returns these actions are expected to bring from another party (Blau, 1964). Key concepts in social exchange theory are, first, that there is a give-and-take exchange central to social exchange (Blau, 1987), and second, that a social exchange is not always an explicit arrangement (Keller & Dansereau, 1995). Social exchange theory is a useful perspective from which to examine the social context (Granovetter, 1985) in which transactions are made in a strategic alliance, in contrast to the limited view provided by economic theories such as transaction cost theory (Gulati, 1995). Thus, social exchange theory provides the foundation for our examination of trust in strategic alliances.

Trust begins "as an exchange of activity, tangible or intangible, and more or less rewarding or costly, between at least two persons" (Homans, 1961:13) and develops as exchange obligations expand. As Blau (1964) described the process, individuals initiate exchange by making an investment (often a very small one) in another party by offering a rewarding activity, gift, or favor. The party has no way to ensure an appropriate return for their favor, so they initially have to trust others to discharge their obligations. The party relies on the norm of reciprocity, that others will be motivated to reciprocate their favor in a similar and timely fashion. When the other party reciprocates, the original party receives an obligation to reciprocate in return. The gradual expansion of exchanges promotes the trust necessary to maintain the exchange and relationship (Blau, 1964). In Figure 1, we present a framework informed by social exchange theory, to examine antecedents and consequences of trust in strategic alliances. Each of the variables included in this framework are discussed below.

Insert Figure 1 about here

TRUST IN STRATEGIC ALLIANCES

The concept of trust has been considered from various disciplinary perspectives, including psychology, sociology and economics (Parkhe, 1998). Trust has generally been described as an [inter]personal

phenomenon by psychologists, while economists and sociologists have addressed trust as an [inter]organizational phenomenon, within and between organizations (Gulati, 1995).

We adopt the definition by Rousseau, Sitkin, Burt and Camerer (1998: 396); “Trust is a psychological state comprising the intention of [for our purposes a partner in a strategic alliance] to accept vulnerability based upon positive expectations of the intentions or behavior of another”. Within this definition, three key components are evident. First, trust inherently involves uncertainty about a future event (Lane & Bachmann, 1996) secondly trust implies vulnerability, that is, the risk of losing something of value (Hosmer, 1995) and thirdly, trust implies that one party is reliant on positive expectations of the intentions of their partner. Trust makes strategic alliances more efficient in their operation, is important when there are no binding contracts or legal penalties in place (Chadwick-Jones, 1974), and becomes even more important when managing across cultures (Cullen et al., 2000). On this basis, we developed our first broad research question:

Research Question 1: Is trust important in strategic alliances?

ANTECEDENTS OF TRUST IN STRATEGIC ALLIANCES

Exploring the antecedents to trust is important to understand the variables that influence trust, and the process by which trust is formed in strategic alliances. Mohr and Spekman (1994) suggest there is little guidance that exists regarding the processes required to develop and nurture trust in strategic alliances. Therefore, our second research question is:

Research Question 2: Which variables are important antecedents to trust in strategic alliances?

To address this research question, we investigated six variables that have been identified in extant literature as key antecedents of trust and developed research propositions relevant to each variable. These variables were: network relationships (Nohria & Eccles, 1992); type of alliance; communication/information exchange; fairness preservation and inter-firm adaptation (Das & Teng, 1998).

Network Relationships

Network relationships are defined as “the structure of ties among economic actors [or parties] in a social system” (Nohria & Eccles, 1992: 288). Actors/parties may refer to individuals, groups or organizations and ties may include conversation, affection, friendship, kinship, economic exchange and information exchange (Nohria & Eccles, 1992). When strategic alliances involve organizations in the same industry, it is likely that; parties will have some prior knowledge of their potential partner; may have had previous business relationships, or gathered information from other associates. Knowing or having information about strategic alliance partners has been argued to be an antecedent of trust, or even a proxy for trust. For example, in a multi-industry, longitudinal study of 2,400 strategic alliances formed by American, European and Japanese firms, Gulati (1995) used prior relationship as a proxy for trust and found that having a prior relationship made organizations less likely to choose equity as a governance mechanism in research and development (R&D)-based strategic alliances. The social network facilitated new strategic alliances by providing valuable information to firms about the specific capabilities and reliability of potential partners. This can be explained by social exchange theory; interactions and exchanges between partners builds trust (Granovetter, 1985).

Research Proposition 2a: The presence of prior network relationships (also known as repeated ties) is an antecedent to trust in a strategic alliance.

Type of Alliance

Yoshino and Rangan (1995:5) define strategic alliances as “two or more firms that unite to pursue a set of agreed upon goals and remain independent; partner firms share the benefits of the alliance and control over the performance of assigned tasks; and contribute on a continuing basis in one or more key strategic areas”. The literature conceptualizes three types of strategic alliances: joint ventures, minority equity alliances and

non-equity alliances (Das & Teng, 1998). Joint ventures are independently incorporated entities that are separate from the 'parent' organization, but are jointly run (Das & Teng, 1998). Minority equity alliances involve one party taking an equity stake in its partner. Non-equity alliances are those, which do not involve the sharing or exchange of equity. It is proposed that greater contractual control over a strategic alliance (i.e. in the case of a joint venture) will require less trust, as confidence is created through strict contracts. It is proposed that trust will be greater in minority equity alliances as there is contractual control over the strategic alliance, while in non-equity alliances confidence will be created through trust. Therefore, as Das & Teng (1998) suggest the development of trust is the opposite of tightening control.

Research Proposition 2b: A joint venture, characterized by high control will have a correspondingly low amount of trust. A minority equity alliance will be characterized by a medium amount of control and a medium amount of trust. A non-equity alliance will be characterized by low levels of control and high amounts of trust.

Communication and Information Exchange

According to social behavioral theories, honest and full communication and information exchange occurs in the presence of trust (Chadwick-Jones, 1974). Anderson and Narus (1990: 44) define communication as "formal and informal sharing of meaningful and timely information between partner firms." In a study of 102 vertical relationships, Mohr and Spekman (1994) found that communication was positively related to success, which was positively related to trust, whereas information exchange significantly predicted the satisfaction of the partnership, in which satisfaction was positively related to trust. Larson (1992) found that communication was an indispensable characteristic of a trusting relationship in dyadic partnerships. Aulakh, Kotabe and Sahay (1996) conducted a study of 257 *Fortune 500* US industrial firms and their major affiliates based in Asia, Europe and Central South America and found that information exchange was positively related to trust. To explain this in terms of social exchange theory, we postulate that trust thrives in an environment where communication and information exchanges take place, as these exchanges are part of the process of social exchange (Chadwick-Jones, 1974).

Research Proposition 2c: Communication is an antecedent to trust in strategic alliances.

Research Proposition 2d: Information exchange is an antecedent to trust in strategic alliances.

Fairness Preservation

Fairness preservation is defined as "the degree to which each organizational party judges that the other fulfils its commitments and that the relationship is worthwhile, equitable, productive and satisfying" (Das & Teng, 1998:504). Previous research has also shown that fairness is related to trust (Kumar, 1996). The concept of fairness is informed by social exchange theory (Blau, 1964), which emphasizes that participants in a relationship seek: (1) reciprocity, by which one is morally obliged to give something in return for something received, (2) fair rates of exchange between costs and benefits in a transaction and (3) there is distributive justice between parties.

Research Proposition 2e: Fairness preservation is an antecedent to trust in strategic alliances.

Inter-firm Adaptation

Inter-firm adaptation refers to "the adjustment of an organization's behavioural patterns in order to bring about a fit between partners" (Hallen, Johanson & Seyed-Mohamed, 1991:30). According to social exchange theory, trust can be earned through inter-firm adaptation, because the theory assumes that a process of exchange over time demonstrates trustworthiness (Blau, 1964). The logic is that one organization makes an adaptation, and then the partner organization(s) makes an adaptation to complement the first one, which results in further adaptation (Hallen et al., 1991). Thus, exchanges made on behalf of adaptations lead to the building of trust between alliance partners.

Research Proposition 2f: Inter-firm adaptation is an antecedent to trust in strategic alliances.

PERFORMANCE

In addition to exploring the antecedents of trust, we also sought to investigate the implications of trust for performance in strategic alliances. Several scholars have investigated the possible relationship(s) between trust and performance in organizations, leading to some variety in explanations of possible relationships between trust and performance. Zaheer, McEvily, Perrone (1998) found a direct link between inter-organizational trust and performance, but did not find such a relationship between interpersonal trust and performance. More specifically, Mohr and Spekman (1994) found that trust was significantly associated with satisfaction, and with sales and profit. It has been argued that trust reduces complex and uncertain realities quickly and economically and thus improves performance (Larson, 1992; Madhok, 1995). Evidence of such trust-based performance has been shown in comparisons of supplier relationships in the auto industries in Japan and the US (Barney & Hansen, 1994). Also, Aulakh et al. (1996) found that in cross-border marketing partnerships, trust becomes particularly important in explaining market performance when conditions exist for the opportunism of partner firms. We sought to explore the implications of trust for performance of strategic alliances, so we developed a third broad research question.

Research Question 3: What is the effect of trust on the performance of strategic alliances?

RESEARCH METHODS

This paper reports the results of a qualitative study conducted in 2000. Eighteen semi-structured interviews were conducted. Organizations involved in strategic alliances were identified by two methods. *Connect 4*, a listing of Australian Annual Reports between 1996 and 2000, was searched for companies involved in a strategic alliance. These companies were telephoned to identify potential participants for the study. Once some participants had been identified and interviewed, snowball sampling (Burgess, 1987) was used. Snowball sampling occurs where one informant identifies further informants to the researcher.

The sample includes, firstly, 12 organizations involved in independent and diverse strategic alliances. Five of these represented international strategic alliances, while the remaining 7 represented domestic (within-Australia) alliances. The industries investigated varied from postgraduate education, telecommunications, retail, airlines, building materials, professional services, computer hardware, and food products. In this group, annual turnover ranged from AUD\$38million to AUD\$84billion. Employee size of the organizations ranged from 191 to 157,000. Secondly, the sample includes six organizations in a minority-equity alliance in the outplacement and recruitment industry in Australia. The organizations in this group varied in annual turnover from AUD\$150million to AUD\$22.5billion, while employee size varied from 40 to 20,100 employees. This strategic alliance was a minority equity agreement, which was involved in the supply of outplacement and recruitment services in Australia nationally.

Participants were assured of confidentiality, in that no individuals or companies would be named. All interviews were tape recorded and transcribed within 24 hours. Interview duration ranged from 30 minutes to 90 minutes, with an average of 44 minutes per interview. The interview schedule followed the antecedents and consequences of trust discussed above. The first researcher and a colleague then scored the themes. Inter-rater reliability for these scores was calculated with 75 per cent accuracy between scorers. After discussion, differences in scoring were resolved, and an overall inter-rater reliability was calculated to 95 per cent (Goodwyn & Goodwyn, 1985).

RESULTS AND DISCUSSION¹

Trust

Our first research question asked: *Is trust important in strategic alliances?* The consistent response from participants was affirmative: trust was important in their strategic alliance. Supportive of extant research

¹ In presenting the results, direct quotes from interviewees are shown in italics.

findings by Granovetter (1985), trust was considered to be of critical importance: *“We are talking about human relationships and people, and therefore it is something that you cannot take lightly.”*

Drawing upon the definition of trust proposed by Rousseau et al. (1998), we explored whether the following three components were evident in trust: uncertainty about a future event, vulnerability of partners and reliance. First, uncertainty about a future event (for example uncertainty about obtaining strategic objectives of the strategic alliance) was an issue highlighted by eight participants. As one participant stated: *“Trust is important, so that doubt between partners is minimized.”*

Second, we found that vulnerability is also an important component of trust, because partners are vulnerable to losing these investments. Vulnerability was mentioned by seven of the participants. One participant stated: *“We put our life in their hands in some sense, we absolutely have to trust them.”* The third trust component under investigation, reliance, was referred to by twelve participants. Reliance refers to the confidence that the partner has the intent and ability to meet their obligations and to make their required contributions to the strategic alliance (Cullen et al., 2000). Reliance is important because it allows partners to have knowledge of future directions (Kumar, 1996). For example one participant stated: *“At the end of the day if the partner says that they are going to do something, they actually do it.”*

Several interesting issues with regard to trust emerged in our interviews. For example, a participant in an international strategic alliance commented:

To me trust is very important, but then our organisation would consider me naïve, when I sit with the group I would trust the alliance members, more than other people, some of the people would say that you are too nice. I am like this because maybe I have been exposed to international business.

This comment supports Parkhe’s (1998) idea that trust varies across cultures as managers have different patterns in behaving and believing, and fundamentally different cognitive blueprints for interpreting the world. Therefore the individual felt he had more trust for his strategic alliance partners because his international business experience had exposed him to different ways of thinking.

Antecedents of Trust

Our second research question is: *Which variables are important antecedents to trust in strategic alliances?* To explore this research question, we proposed that six variables are antecedents to trust in strategic alliances. These six variables are: network relationships, type of alliance, communication, information exchange, fairness preservation, and inter-firm adaptation.

Network Relationships

With regard to research proposition 2a, we found that network relationships are an antecedent to trust in strategic alliances. The findings from our data support past research (Chung, Singh & Lee, 2000; Gulati 1995), with 12 of the participants reporting that the partners they have strategic alliances with are also part of a network in which their organization is involved:

You take some of the information from the market place, you learn who has been burnt, and you learn of their reputation and of the partner in previous deals. The normal information in the market place helps you generate whom you would have negotiations with and whom you would partner with.

Previous business relationships (or repeated ties) have been shown to promote the chance of future strategic alliances (Gulati, 1995). Fourteen of the participants stated that they had previous business relationships with their partners. One participant remarked on the beneficial quality of having past business relationships: *“Our company has a lot of long-term and standing relationships with its suppliers, which is an asset to our company.”*

Participants reported that they had gathered information about their partners. This would typically include information not available to the public, such as in-depth detail of the partners business operations, their

strategic outlook, client details, and product information. Through this process organizations are able to determine their partners trustworthiness (Gulati, 1995) by making an informed assessment of their partner. For example, one of our participants represented an Australian organization that developed an international strategic alliances via networks within Hong Kong. The following quote describes the formation of this alliance:

Someone knew the Chairmen and the Chief Executive Officer in that they were Hong Kong businessmen. We talked about whether we could do anything on exports to Hong Kong, and what they wanted to do about the Australian market, for they were only exporting to Australia.

Type of Alliance

With regard to research proposition 2b, we found that the type of alliance did affect trust: in that the alliance agreement promoted trust, because partners could rely on contractual obligations. The study included seven participants involved in non-equity alliances, nine participants involved in minority-equity alliances, and two participants involved in joint ventures. Participants noted that joint ventures were managed by formal contracts, which supports Das & Teng (1998) research on control and trust. The following point made by a participant summarizes this:

The formal alliances in this company, which are worth millions of dollars, they are not done on trust, they are done on strict contracts; if the terms were breached I would then apply the full letter of the law, and the strategic alliance agreement would be brought into play.

Trust is not manifested in this strategic alliance; because the contract is specifically relied on to achieve performance (Das & Teng, 1998). Also, an inference can be made that the degree of investment that is contributed to the strategic alliance will be related to the type of alliance agreement, which is not related to trust. However, seven participants reported that their alliance agreements gave them trust, in that they could rely on getting the job done because the agreement enforced that. In a non-equity alliance, even though partners had contracts trust was used to sort out issues:

It is fair to say that the agreement signed between parties is very quickly shelved and gathers dust. I can't give you an example where we have had to pull the agreement out and sought to seek remedy ...we just don't do it, we manage to sort out our issues on a personal level.

Strategic alliance agreements cannot account for every issue or contingency that may arise (Cullen et al., 2000). Trust must supplement the formal strategic alliance agreement to make the agreement function and operate efficiently, and to facilitate intangible social exchanges between partners.

Communication and Information Exchange

In support of research proposition 2c, we found communication to be an antecedent of trust in strategic alliances, reported by eight participants. Fourteen of the participants reported that they had open communications with their partner(s). Openness included both transparent and frank communications between partners. As social exchange theory explains, 'actors' communicate with each another, which is a form of exchange. As these exchanges increase, trust is promoted (Blau, 1964). Nine participants indicated that the communication in their alliance allowed them to trust their partners in support of extant research (Larson, 1992; Mohr & Spekman, 1994). The following quote iterates this point:

Very constant, open and transparent from day one, we don't have time to skip the truth. If their expectation for an alliance is up there and ours is down there then we will tell them, which comes back to the trust issue.

Taking cultural issues into account, issues of communication and information exchange are more complex in an international strategic alliance, for example:

I think that the Germans will communicate more with the Americans, and the Swiss, than with us. I think that the problems lies is that they are Western and we are from the Orient. They pick up the phone and talk together and maybe they don't feel comfortable with the Thais or the Brazilians.

This suggests that the alliance partners are not always culturally sensitive in communications to alliance partners, and this has an effect on trust. This supports previous research examining trust and communication in an international strategic alliance (Johnson, Cullen, Sakano & Takenouchi, 1996).

With regard to research proposition 2d, we found that the relationship between information exchange and trust in strategic alliances is not linear: Some information exchange is common and valuable, but alliance partners may find it necessary to limit the type or amount of information to be exchanged. For example:

We keep every thing down to like a briefing type thing. We might just give them a one-page overview of where we are. If they want to go into further detail that is possible and it will be done at the appropriate level.

It is evident from the data that strategic level information is commonly shared between the partners. As one participant reported: *“Our plans of where we are going in the future and where our partners are going in the future which is utmost respected information.”* In the context of this alliance, this organization needed to partner with other organizations to obtain their long-term goals, so the sharing of strategic information between partners was important. As such, information exchange is related to trust (Aulakh et al., 1996). Again, social exchange theory can explain how trust is built through exchanges (namely information) (Blau, 1964).

Fairness Preservation

In support of research proposition 2e, we found that fairness preservation is an antecedent of trust in strategic alliances, in seven of the cases. It was also found that control (be it contractual or management control) was an antecedent to fairness reported by six participants. All 18 participants stated that fairness is generally preserved within their strategic alliance. Fairness is also related to trust as one participant reported: *“If we are in a fortuitous position of reciprocating by inviting our partners to participate in a new deal that builds trust.”* This point iterates the social exchange process of reciprocation, where one organization gives something in return for something received (Blau, 1964). However, several participants reported that there was, at times, unfairness in their strategic alliance. The most pertinent reason for unfairness was the structure of the strategic alliance agreement. For example, a participant noted:

If our organization was proactive, and was able to win business, the strategic alliance would be fair. In other cases if the partner won the business, then the strategic alliance would not be fair. Furthermore, if we both obtained business together, then the deal would be fair.

The data also suggest that there would be negative results if there were unfairness. Kumar (1996) suggests that unfairness can result in business failure and inefficiency. Our data also show this point: *Unfairness could result in business failure, which would leave us bereft without a supplier and us in receiver mergers, and we don't want that to happen so it is important to us to keep fairness.*

Inter-firm Adaptation

In support of research proposition 2f, we found that inter-firm adaptation is an antecedent of trust in strategic alliances, with eight participants stating that inter-firm adaptation built trust. Nine of our participants reported that inter-firm adaptation was related to trust in their strategic alliance. One participant reported: *That could well be a key element because there had been a push to make changes and it really required a high level of cooperation and it did enhance the levels of trust.*

This highlights the importance of social exchange theory (Blau, 1964) in the process of inter-firm adaptation. As one organization makes an adaptation for the strategic alliance, then the partner organization will also make an adaptation. This would then result in further adaptations. As this continues, trust builds and strengthens the relationship between the parties, in anticipation of future business (Hallen et al., 1991).

Performance

Our third research question asked: *What is the effect of trust on the performance of strategic alliances?*

Performance measures in strategic alliances includes a range of possible outcomes (Cullen et al., 2000). All of our participants reported that they used financial measures of performance. These generally included items such as an economic benefit, costs, return on earnings, cash flows, revenue, performance within budget, and profitability. Supplementing traditional performance measures participants specified that they used market share (8) and customer satisfaction (7) as a means to assess their performance. Participants also reported that they used brand exposure, and meeting the objectives of the contract to measure performance. One striking outcome raised by a participant was that enjoying a relationship made other strategic alliance performance measures less important: *“If there is trust, you’re keen and enthusiastic and you’re having fun, the more objective KPIs [key performance indicators] fall out when you start to think about the other ones.”* This highlights how trust and intangible benefits can supplement the costs of contract monitoring (Das & Teng, 2000).

Past research has suggested that without trust, strategic alliances will fail to reach their strategic objectives (Cullen et al., 2000; Madhok, 1995). A majority of the participants noted that their strategic alliance would not succeed if there were no trust: *“If you don’t have it then you can’t go forward”*. Trust was also described as better than any other form of control (Aulakh et al., 1996). As one participant stated: *In the world you could not ever hope to create a document that would engender trust, and deliver the outcome that trust can deliver.*

FUTURE RESEARCH AND PRACTICAL IMPLICATIONS

One of the key limitations of this study is the small sample size. Obviously, it is difficult to generalize our findings to other strategic alliances (Cassel & Symon, 1994). Despite this limitation, our framework makes a valuable contribution to our understanding of antecedents and consequences of trust in strategic alliances. Future studies could build upon our exploratory work examining strategic alliances across multiple international business contexts, from the negotiation/bargaining stage, to the management stage, and the dissolution stage, to identify and investigate salient variables and varying trust levels at each point.

To encourage the development of trust in international strategic alliances, the following recommendations for organisations are made: Organisations should employ managers who have international networks and contacts in the target industry for the strategic alliance. Having international business relationships is an opportunity to develop trust, and to assess the ability to have a successful strategic alliance. Partners need to communicate and exchange information effectively with their partners; cross-cultural communication training is recommended to deal with communication problems. It is important that partners are fair within their strategic alliance, and rewards equal the investments. Adaptations between alliance partners are also important trust building exercises and are recommended to organisations. Finally having a trusting relationship is helpful for the performance of strategic alliances and organisations should strive to maintain healthy and trustworthy relationships.

CONCLUDING REMARKS

The broad research aim of our study was to determine the effect of trust on the performance of strategic alliances. It was found that trust is built up through exchanges, such as network relationships, communication, information exchange, fairness preservation and inter-firm adaptation. The process of building trust is explained through social exchange theory (Homans, 1961, Blau, 1964). Building trust is important to complement forms of contractual controls, to enhance the efficiency and smooth running of a strategic alliance (Das & Teng, 1998). We argue, similarly to Das and Teng (1998), that trust should not be used in isolation of contracts and formal mechanisms of control, but that it should be used as complementary. Trust improves performance as it enables organizations to operate with the knowledge that their interests are being preserved without the need to enforce contracts to an excessive extent. This supports extant empirical research findings of a positive relationship between trust and performance in strategic alliances (Aulakh et al., 1996; Mohr & Spekman, 1994; Zaheer et al., 1998). This study utilized a qualitative methodology to explore the complex area of trust, its antecedents and consequences for performance in both domestic and international strategic alliances. It is suggested that future research will benefit from implementation of such exploratory approaches in order to build knowledge of this increasingly significant area of international business.

REFERENCES

- Anderson, J., & Narus, J. (1990). A model of distributor firm and manufacturing firm working partnerships. *Journal of Marketing*, 54(1): 42-58.
- Aulakh, P.S., Kotabe, M., & Sahay, A. (1996). Trust and performance in cross-border marketing partnerships: a behavioural approach. *Journal of International Business*, 27(5): 1005-1032.
- Barney, J.B., & Hansen, M.H., (1994). Trustworthiness as a source of competitive advantage. *Strategic Management Journal*, 15: 175-216.
- Blau, P.M., (1964). *Exchange and power in social life*. New York: Wiley.
- Blau, P. M., (1987). Microprocess and Microstructure. Pp 83-100 in K. S. Cook (Ed.), *Social Exchange Theory*, Newbury Park: Sage.
- Burgess, R., (1984). *In the field: An introduction to field research*. London: George Allen and Unwin.
- Cassel, C., & Symon, G., (1994). *Qualitative methods in organizational research*. London: Sage Publications.
- Chung, S., Singh, H., & Lee, K., (2000). Complementarity, status similarity and social capital as drivers of alliance formation. *Strategic Management Journal*, 21(1):1-22.
- Chadwick-Jones, J.K., (1974). *Social Exchange Theory: its structure and influence in social psychology*. London: Academic Press.
- Cullen, J.B., Johnson, J.L., & Sakano, T., (2000). Success through commitment and trust: The soft side of strategic alliance management. *Journal of World Business*, 35(3): 223-240.
- Das, T.K., & Teng, B.S., (1998). Between trust and control: Developing confidence in partner cooperation in alliances. *Academy of Management Review*, 23(3): 491-512.
- Das, T.K., & Teng, B.S., (1999). Managing risks in strategic alliances. *Academy of Management Executive*, 13(4): 50-62.
- Das, T.K., & Teng, B.S., (2000). Instabilities of strategic alliances: An internal tensions perspective. *Organization Science*, 11(1): 77-101.
- Goodwyn, L.D., & Goodwyn, W.L., (1985). Statistical techniques in AREJ articles, 1970-1983: The preparation of graduate students to read the international literature. *Educational Researcher*, 2: 5-11.
- Granovetter, M.S., (1985). 'Economic action and social structure: The problems of social embeddedness. *American Journal of Sociology*, 91: 481-510.
- Gulati, R., (1995). Does familiarity breed trust? The implications of repeated ties for contractual choice in alliances. *Academy of Management Journal*, 38(1): 85-112.
- Hallen, L., Johanson, J., & Seyed-Mahomed, N., (1991). Inter-firm adaptation in business relationships. *Journal of Marketing*, 55(2): 29-37.
- Homans, G.C., (1961). *Social Behaviour: Its Elementary Forms*. London: Routledge and Kegan Paul.
- Hosmer, L.T. (1995). Trust the connecting link between organizational theory and philosophical ethics. *Academy of Management Review*, 20(2): 379- 403.
- Kumar, N., (1996). The power of trust in manufacturer - retailer relationships. *Harvard Business Review*, Nov-Dec: 92-106.
- Johnson, J. L., Cullen, J. B., Sakano, T., & Takenouchi, H. (1996). Setting the stage for trust and strategic integration in Japanese-US cooperative alliances. *Journal of International Business Studies*, 27(5): 981-1004.
- Keller, T., & Dansereau, F., (1995). Leadership and empowerment: A social exchange perspective. *Human Relations*, 48: 127-146.
- Lane, C., & Bachmann, R., (1996). The social constitution of trust: Supplier relations in Britain and Germany. *Organization Studies*, 17(3): 365-396.

- Larson, A., (1992). Network dyads in entrepreneurial settings: A study of the exchange of governance of exchange relationships. *Administrative Science Quarterly*, 37(1) 76–104.
- Madhok, A (1995). Revisiting multinational firms' tolerance for joint ventures: A trust based approach. *Journal of International Business Studies* 26(1): 117–137.
- Mohr, J., & Spekman, J., (1994). Characteristics of partnership successes: Partnership attributes, communication behaviour, and conflict resolution techniques. *Strategic Management Journal*. 15(2) 135-152.
- Nohria, N. & Eccles, R., (1992). Face-to-face: making network organizations work. Pp. 288-308 in N. Nohria & R. Eccles (Eds.), *Networks and organizations: structure, form and action*, Boston: Harvard Business School Press.
- Parkhe, A., (1998). Building Trust in International Alliances. *Journal of World Business*, 33(4) 417–437.
- Rousseau, D.M., Sitkin, S.B., Burt, R.S., & Camerer, C., (1998). Not so different after all: A cross discipline view of trust, *Academy of Management Review*, 23(3): 393–404.
- Yoshino, M., & Rangan, S., (1995). *Strategic Alliances: An Entrepreneurial approach to Globalization*. Boston: Harvard Business School Press.
- Zaheer, A., McEvily, B., & Perrone, V., (1998). Does trust matter? Exploring the effects of inter-organizational and interpersonal trust on performance. *Organization Science*, 9(2) 141- 159.

Figure 1: Integrative Framework of Trust in Strategic Alliances

