



Influence factors of trust building in cooperation agreements [☆]



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ABSTRACT

Trust is a key success factor in cooperation agreements. Therefore, identifying the factors that make the greatest contribution toward building trust is fundamental for an understanding of cooperation agreements. This paper analyzes two factors that might contribute to generating trust for successful agreements during the initial stages of the relationship. These factors are the partner's reputation and prior partnering experience. The study aims to confirm and complete the understanding of the relationship between these two variables and the success of cooperation agreements, by examining the indirect effect, through trust building, that these factors have on the success of agreements. The study analyzes these relationships by applying a structural equation model on the basis of partial least squares (PLS) methodology. The total impact of previous cooperation experience and the partner's reputation on the success of cooperation agreements is strong, positive, and significant.

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1. Introduction

The current economic environment is highly complex and dynamic (Collet & Philippe, 2013). Securing a favorable competitive position on the basis of an individual dominant capability is therefore becoming increasingly difficult. Companies can, however, create routines in their cooperation agreements that yield relational rents (Dyer & Singh, 1998).

The literature on cooperation agreements discusses key factors as regards the success of this business partnership model. Many of these studies use diverse theoretical approaches for justification and development, and show the relevance of a large number of factors that are very difficult to integrate into a model. Variables may, however, exist that, in addition to having a direct influence on the success of a cooperation agreement, also have an effect on other variables that indirectly improve success rates. The main contribution of this paper is, therefore, an illustration of the factors with the greatest significance and relevance in the literature, and an analysis of the relationship between them as regards their impact on success.

For two different companies, an evaluation of their success when they attain the same result may also be different. The best means to

assess the success of cooperation agreements is therefore the use of subjective variables. This study centers on two operational measures: the partner's level of satisfaction (Mohr & Spekman, 1994) and the achievement of the objectives of the agreement (Phillips, Lawrence, & Hardy, 2000).

The most determinant factor in the success of cooperation is trust (Gulati & Higgins, 2003; Stuart, 2000; Thorgren & Wincent, 2011). Understanding trust generation in cooperation agreements and their success is therefore important. Previous experience of cooperation and the partner's reputation are factors with a substantial social component that could help build trust during the initial stages of an agreement. Previous works show the impact of previous cooperation experience (Heimeriks & Duysters, 2007) and the partner's reputation (Anand & Khanna, 2000; Saxton, 1997) on the success of cooperation agreements. The aim of this paper is to analyze the impact of these factors on trust, and thus their indirect impact on the success of cooperation agreements. A review of these relationships leads to the conclusion that companies can initiate good cooperation agreements if they have prior experience in cooperation and encounter partners with good reputations.

Most existing empirical studies analyze high-technology industries (Haeussler, Patzelt, & Zahra, 2012; Stuart, 2000). Business cooperation in mature industries with a low technological intensity, however, receives little attention in the literature. But cooperation agreements can also be effective in mature industries, owing to the high volatility of such environments. This paper therefore studies the Spanish agro-food industry in order to bridge the gap in research, and since this sector records R&D expenditure as a percentage of Gross Value Added that is much lower than the average in other industries.

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2. Trust as a principal determinant of the success of cooperation agreements

One of the topics that scholars most frequently analyze regarding cooperation agreements is the link between trust and the success of cooperation agreements. Previous studies show that mutual trust between partners is a common factor in many successful cooperation agreements (Das & Teng, 1998).

Gambetta (1988, p. 217) defines trust as the probability that one economic actor will make decisions and take actions that will be beneficial, or at least not detrimental, to another. Trust has two main components. The first is trust before initiating the agreement. If a company has previous experience with its partners then the two partners will already have inter-organizational trust. The second component is trust during the development of an agreement. As the agreement is developing, trust will increase between the companies if all parties fulfill expectations (Ring & Van de Ven, 1994).

The principal benefits that trust generates in cooperation agreements are: a reduction in transaction costs, mitigation of the risk of investing in specific assets, and the facilitation of the decision-making process. These aspects give rise to commitment, and allow the partners to assume more risks, which generates value (Thorgren & Wincen, 2011). A high level of trust allows partners to share knowledge, resources, and capabilities, which has a positive impact on agreement outcomes because partners feel safe from opportunistic behavior from each other (Stuart, 2000). Moreover, an adequate level of trust helps predict the partner's behavior during the initial stages of an agreement, and fosters desirable behavior as the agreement develops (Das & Teng, 1998). A high level of trust therefore allows companies to meet their cooperation goals and improve satisfaction with their partners.

3. The influence of reputation and experience of cooperation on trust

3.1. The importance of reputation in cooperation agreements

Companies can cut transaction costs during the initial stages of a cooperation agreement through trust between partners if their partner's reputation is adequate. A positive reputation can reduce information asymmetries and help increase the number of cooperation agreements with this partner (Houston, 2003). Reputation can therefore be a substitute for costly mechanisms that verify intentions and monitor a partner's actions. Moreover, partners sometimes perceive positive reputation as being more important than the threat of legal sanctions to ensure cooperation in alliances.

Arend (2006) shows that the variables to do with reputation indicate how companies value the importance of their partner's skills in fulfilling their own objectives. If the information about the partner (i.e., features of the organizations concerning the quality of their products, their management, or their financial status) is positive, then both the partner's image and reputation will be positive (Mora, Montoro, & Guerras, 2004).

When entering into cooperation agreements, companies will seek partners with good reputations, since this reputation transmits trust during the initial stages of an agreement and is therefore conducive to an effective start to the relationship (Das & Teng, 1998). A good reputation is indicative of quality and legitimacy (Dacin, Oliver, & Roy, 2007).

Thus, when a company is in an alliance, carries out activities well, and other firms can observe positive cooperation behaviors, both reputation and trust between partners increase. A firm's reputation is therefore an important resource, which can both attract alliance partners and contribute to alliance success (Saxton, 1997).

H1. The partner's reputation has a positive relation with trust building in the cooperation agreement.

H2. The partner's reputation has a positive relation, directly and indirectly through trust development, with the success of the cooperation agreement.

3.2. The importance of previous experience of cooperation in the cooperation agreement

Some studies show a positive relationship between previous experience of cooperation and the outcomes of agreements. These relationships may be linear (Anand & Khanna, 2000; Heimeriks & Duysters, 2007) or curvilinear (Sampson, 2005).

From an evolutionary perspective, when organizations develop consecutive cooperation agreements, they accumulate a collective knowledge of inter-organizational activities (Zollo, Reuer, & Singh, 2002), and a specific knowledge of organizational culture, management systems, and the partner's capabilities and weaknesses (Reuer & Ariño, 2007). This tacit knowledge reduces coordination and development efforts in new agreements, and thus makes building trust with partners easier.

Xia (2011) confirms that developing cooperation agreements improves both trust and mutual dependence in future agreements, as well as the likelihood of survival. Furthermore, according to the resource-based view (RBV), previous experience of cooperation generates cooperation management capabilities that enable firms to forge new alliances (Gulati, Lavie, & Singh, 2009; Ring & Van de Ven, 1994) and increase the chance of success in new partnerships (Sampson, 2005). Cooperation therefore generates relational rents (Dyer & Singh, 1998) that create value for the company (Anand & Khanna, 2000) through the trust they bring.

The experience of cooperation obviously improves the efficiency of new cooperation agreements, through the learning that takes place and the trust that develops from fulfilling previous objectives.

H3. Previous experience of cooperation has a positive relationship with trust building in the cooperation agreement.

H4. Previous experience of cooperation has a positive relationship, directly and indirectly through trust development, with the success of the cooperation agreement.

4. Methodology

4.1. Sample design

The population under study is that of agro-food companies that engage in cooperation agreements. These agreements come from a review of national economic newspapers for the period from January 2001 to December 2005, and from singling out agro-food businesses planning to sign cooperation agreements or having just done so.

One of the main dilemmas during the study of alliances is that of deciding on the unit of measurement. This study analyzes cooperation from the point of view of the company, since its objective is to ascertain the perception of Spanish agro-food companies that decide to cooperate. This research disregards alliance as the unit of analysis, since this study does not seek to evaluate companies from other sectors (in diversified agreements) or other countries (international agreements), which may distort the aims of the study.

A series of mailings of questionnaires comprise the data collection procedure. Senior executives such as CEOs, marketing managers, general managers, and managing directors, who are knowledgeable about cooperation agreements, complete and return these questionnaires, of which 52 are valid, giving a response rate of 18.5%.

4.2. The model

A structural equations model (SEM) tests the hypotheses. SEM permits the specification of the relationships between the constructs

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