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How does trust affect alliance performance? The mediating role of resource sharing

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A B S T R A C T

Although the direct impact of trust on alliance performance is well documented, little is known about *how* trust affects alliance performance. Based on the resource-based view, this study develops a model that employs resource sharing as a critical mediating mechanism through which trust affects alliance performance. Using survey data from 205 Chinese firms that were engaged in alliances, we find broad support for the mediated effects of trust. Interestingly, we also find that goodwill trust matters more to tangible than to intangible resource sharing, whereas competence trust matters more to intangible than to tangible resource sharing. Overall, our research provides important implications for firms seeking to translate their trust into superior alliance performance.

1. Introduction

Strategic alliances are defined as horizontal cooperative agreements between two or more firms from the same stage of the value chain aimed at jointly developing, manufacturing, and/or distributing products (King, Covin, & Hegarty, 2003; Zollo, Reuer, & Singh, 2002). In extant alliance literature, the realization that trust is critical to the development and success of strategic alliances has led to a proliferation of studies (Dyer & Chu, 2011). Interestingly, the empirical results are mixed and inconsistent. The relationship is shown to be positive in some studies (Krishnan, Martin, & Noorderhaven, 2006; Lavie, Haunschild, & Khanna, 2012; Robson, Katsikeas, & Bello, 2008; Zaheer, McEvily, & Perrone, 1998), non-significant in other studies (Fryxell, Dooley, & Vryza, 2002; Nielsen & Nielsen, 2009), and negative in yet others (McEvily, Perrone, & Zaheer, 2003). We believe that these conflicting results are due in part to the fact that existing studies, with a few exceptions (Inkpen & Currall, 1997; Zaheer et al., 1998), have focused largely on the direct influence of trust on alliance performance while ignoring the indirect, intermediate effects; rather, the key question must be: what are the processes through which trust affects alliance performance?

To address this important research question, this study focuses on a critical form of cooperative action in alliances—interpartner resource sharing—as an important intermediate mechanism through which trust affects alliance performance. Although prior work has not explicitly theorized resource sharing as a mediator between trust and alliance performance, this relationship has been implicit because: (1) trust, predicted by social capital theory which emphasizes the value of social relationships to actors (Acquaah, 2007; Inkpen & Tsang, 2005; Wu, 2008), is a necessary condition for interfirm resource sharing (Muthusamy & White, 2005); and (2) the adequate sharing of resources, as implied by the resource-based view of alliances which is concerned with the synergistic effect of pooled resources (Das & Teng, 2000; Lin, Yang, & Arya, 2009), seems very important to collaborative success (Samaddar & Kadiyala, 2006). By employing resource sharing as a mediator, this study offers an alternative explanation for the divergent empirical results of the direct trust–alliance performance relationship, thus providing additional knowledge regarding the critical research question of *how* trust affects alliance performance.

Our empirical study attempts to achieve the abovementioned research objectives in two ways. First, social capital theory suggests that trust is a relational lubricant consisting of several categorizations (Ireland & Webb, 2007). Following the lead of Nooteboom (1996) and Das and Teng (2001), we focus on two types of trust—goodwill and competence—because they differ with regard to their attributions or roots (Malhotra & Lumineau, 2011). Goodwill trust is emotional and rooted in the affective state of being interested in a partner's welfare (Lewis & Weigert, 1985), whereas competence trust is a rational evaluation of a partner's ability to carry out obligations (Rempel, Holmes, & Zanna, 1985). However, with the exception of a handful of studies (Jiang, Li, Gao, Bao, & Jiang, 2013; Lui & Ngo, 2004; Patzelt &

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Shepherd, 2008), previous alliance research has employed unidimensional or global measures of trust, or simply emphasized its goodwill dimension (Dyer & Chu, 2011; Morgan & Hunt, 1994; Ring & Van de Ven, 1994; Wu & Choi, 2004). The competence dimension of trust has, however, been paid much less attention in empirical alliance research. That is, the multidimensionality of alliance trust has been largely ignored (Brattström, Löfsten, & Richtnér, 2012). This treatment has therefore yielded inadequate findings regarding the nature, characteristics, and role of trust in alliances.

Second, since our focal interest is resource sharing, it is useful to define what we mean by *resources*. The resource-based view of alliances suggests that resources of interest in alliances consist of financial capital, technical and managerial skills, and other relevant assets (Lin et al., 2009). Following Lavie (2006), we differentiate between two types of resources: (1) tangible resources—easily acquired sources of value that can be touched physically and transmitted without loss of integrity, such as financial capital and equipment, and (2) intangible resources—hard-to-codify sources of value that do not have physical existence, classified as assets (e.g., reputation and patents) and skills (e.g., corporate culture, know-how, technology, and management) (Hall, 1992). This distinction is important because tangible and intangible resources purportedly function differently in cooperation. Compared with tangible resources, intangible resources are less mobile, imitable, and substitutable (Das & Teng, 2000), and therefore are more likely to produce a competitive advantage (Hitt, Bierman, Shimizu, & Kochhar, 2001). Since previous studies tend to bundle types of resources together (Lounsbury & Glynn, 2001; Wang, Jiang, Yuan, & Yi, 2013), or concentrate on specific types of resources such as financial resources, technological resources, and physical resources (Das & Teng, 1998, 2000; Hall, 1992; Meyskens, Robb-post, Stamp, Carsrud, & Reynolds, 2010), there has been little empirical evidence found regarding differences between how tangible and intangible resources are shared among alliance firms.

Drawing on social capital theory and the resource-based view, we develop a conceptual framework that explicates how trust matters for resource sharing and subsequent alliance performance. Specifically, we (1) explore the direct influences of two types of trust (goodwill and competence) on alliance performance, and (2) defend a mediation model by considering (a) how goodwill trust and competence trust differentially affect the sharing of tangible and intangible resources, (b) how resource sharing affects alliance performance, and (c) how resource sharing acts as a mediating mechanism between trust and alliance performance. We investigate these relationships by using data obtained from 205 alliance firms in China, using a structural equation modeling approach.

Through these efforts, this study endeavors to contribute to the existing literature in three ways. First, through conducting a fine-grained analysis of alliance trust with reference to the goodwill and competence dimensions, this study, drawing upon social capital theory, makes significant progress beyond traditional alliance trust research findings, which focus merely on unidimensional measures of trust. Second, this study enriches the alliance-context resource-sharing research literature by empirically showing the relative effects of goodwill trust and competence trust on the sharing of tangible and intangible resources. Third, it is one of the first attempts to investigate how resource sharing functions as a mediating mechanism that connects trust to alliance performance, extending beyond past research that emphasizes the direct effect of trust on alliance performance.

2. Theoretical framework and hypotheses

2.1. Trust in alliances

Trust, an active and representative ingredient of social capital (Moran, 2005), is the subject of widespread attention in social capital theory (Inkpen & Tsang, 2005). Social capital is defined as the sum of the actual and potential resources that accrue to social relationships for benefits, including a structural, a cognitive, and a relational dimension (Nahapiet & Ghoshal, 1998). In this study, we specifically turn to insights into the relational dimension of social capital (i.e., relational capital) to understand trust in alliances. Relational capital consists of the strength of social exchange relationships which indicates how well an actor knows its exchange partners (McFadyen & Cannella, 2004; Nahapiet & Ghoshal, 1998). It emphasizes the trust between actors as a fundamental characteristic of social relationships (Carey, Lawson, & Krause, 2011). In many studies advocating social capital theory, trust is deemed as one of the key aspects of relational capital (Inkpen & Tsang, 2005; Nielsen & Nielsen, 2009) and a governance structure that is based on social relationships between and among actors (Molina-Morales & Martínez-Fernández, 2009).

According to social capital theory, trust is based on social judgments such as assessment of the other party's benevolence, integrity, and competence (Inkpen & Tsang, 2005; Mayer, Davis, & Schoorman, 1995). Accordingly, scholars have defined trust as one party's positive expectations regarding another party's motivations and/or actions (Zaheer et al., 1998). Trust, so defined, can be categorized into two types as mentioned above: goodwill trust and competence trust. Specifically, goodwill trust is generated by a partner's benevolence, integrity, and good faith, while competence trust is the belief that a partner possesses adequate resources and capabilities to meet cooperative requirements (Lui & Ngo, 2004; Patzelt & Shepherd, 2008). These two types of trust may vary independently of each other (Patzelt & Shepherd, 2008). A focal firm may believe in a partner's capabilities of fulfilling an alliance obligation and simultaneously suspect that partner's goodwill if it observes the partner's reluctance to commit itself completely to the alliance. The converse scenario, in which the focal firm believes that the partner will not behave opportunistically, but in which the partner is not as competent as the firm thought it to be—that is, placing high goodwill trust but low competence trust in the same partner—is also universal in alliance practices. These distinctions reveal that it is not suitable to equate a given level of trust along one dimension with the same level of trust along another dimension, or with the overall level of trust.

We emphasize that the analysis presented hereinafter is based on a basic premise, which is that trust is a proper reflection of the real world rather than a blind one (Adler, 2001). As ‘I trust you’ is equivalent to ‘I believe that you are trustworthy’ (Becerra, Lunnan, & Huemer, 2008: 708), if we say that the focal firm has a high level of trust in a partner's goodwill or competence, this implies that the partner has a positive attitude towards the alliance or possesses sufficient competence to fulfill the alliance goals. That is, the more trust the focal firm places in a partner, the more likely the firm is to act in a trustworthy manner. In turn, the partner assesses the focal firm's activities and reacts in the same manner.

2.2. Trust and alliance performance

2.2.1. Goodwill trust and alliance performance

We predict that goodwill trust will be positively associated with alliance performance because it may simultaneously reduce cooperative costs and increase cooperative benefits. On the one hand, goodwill trust should decrease both ex-ante and ex-post cooperative costs, which are negatively related to alliance performance (Krishnan et al., 2006). At the beginning stage of an alliance, alliance firms with high levels of goodwill trust are “more readily able to arrive at a ‘meeting of the minds’” (Zaheer et al., 1998: 144). Thus, agreements are reached more quickly and easily with lower negotiation costs. As the collaboration deepens, the perceived risk of opportunism will decrease; where alliance firms discern high levels of partner trustworthiness and the intention to cooperate, they can reduce costs by minimizing monitoring and contractual safeguards against opportunism (Chiles & McMackin, 1996). Therefore, alliance firms might devote additional time to beneficial actions and