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**TRUST AS A TOOL FOR
COLLABORATION
-In an inter-organisational context**

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Abstract

The West Sweden Chamber of Commerce and Industry and the Region of Västra Götaland have initiated a project, “Ökad Offertkraft” (Bidding Power), in order to enhance the possibilities of economic growth for the SMEs (Small and Medium sized Enterprises) in the region of West Sweden. The objective of the project is to get SMEs to collaborate with each other and with other institutions, like research centres and universities, which have cutting edge competencies. This will hopefully entail in increased ability for SMEs to improve their bidding process towards large international corporations and this will in turn lead to economic development in the region of West Sweden.

We found that trust plays an important role for the development of an inter-firm collaboration network, as intended by “Bidding Power”. This thesis therefore has two purposes: theoretically, to illuminate how trust could shorten the time frame in collaboration settings and, practically, to give recommendations how trust could be engendered in such settings.

The research has been conducted in the region of West Sweden during the autumn of 2003. Nine organisations operating in the technical textile industry were interviewed regarding their views on trust and collaboration in a context such as “Bidding Power”.

We found the important factors for the development of trust in such a setting to be: benevolence, ability, prior experiences, control systems, openness, integrity, level of asymmetry in the relation and perceived risks and benefits.

Keywords: Trust building, trust parameters, strategic alliances, regional development, inter-firm collaboration and relationships.

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Gothenburg, December 2003

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Appendix 1. Abbreviations

Appendix 2. Elements of Relational Quality

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INTRODUCTION

CHAPTER 1. INTRODUCTION

In this introductory chapter we will give the background of the chosen problem area and discuss why this research has been initiated. The problem discussion will follow, which presents the research question with sub-questions. Finally the disposition of the thesis will be presented.

1.1 Background

West Sweden has a long history of big successful global companies like, Volvo, SKF and SAAB. These companies are operating in mature industries, and in recent times large U.S based companies have acquired Volvo Cars and SAAB. This creates a sense of anxiety about the economical growth in the region of West Sweden.

During the last few years, the Swedish vehicle industry has accounted for 20-25% of all industrial investments in Sweden. This sector employs 150,000 people, including all suppliers in Sweden, and it accounts for 14% of the total export of Sweden (Öinert, 2003). The automotive cluster in the region of West Sweden is the sixth largest cluster in terms of people employed in Sweden. The cluster employs 75,000 people (Lindqvist et al, 2002). If General Motors (the owner of SAAB Automobile) and Ford (the owner of Volvo Cars) decide to move the production elsewhere, not only 75,000 people will be affected but also all people connected to the cluster such as universities, authorities, financial actors, consultancies etc. It is important for the region that other industries which are internationally competitive have the ability to grow, as it can spread the risks and decrease the impact if something would happen to the automotive industry in the region.

It seems to be a trend that Small and Medium Sized Enterprises (SMEs) are not developing into larger enterprises in this region, according to the project leader Tomas Hultgren. (T. Hultgren, personal communication, 20 August 2003). The West Sweden Chamber of Commerce and Industry (WCCI) and the Region of Västra Götaland (VGR) have initiated a project, Ökad Offertkraft (Bidding Power), in order to enhance the possibilities of economic growth for the SMEs in the region. Appendix 1 is a glossary of the abbreviations used in this thesis. The map (figure 1.) illustrates the region of Västra Götaland but the regional borders from this thesis' point of view have not been fixed. Some areas of northern Halland and northwest of Småland have also been included in our target population as demonstrated in figure 1.

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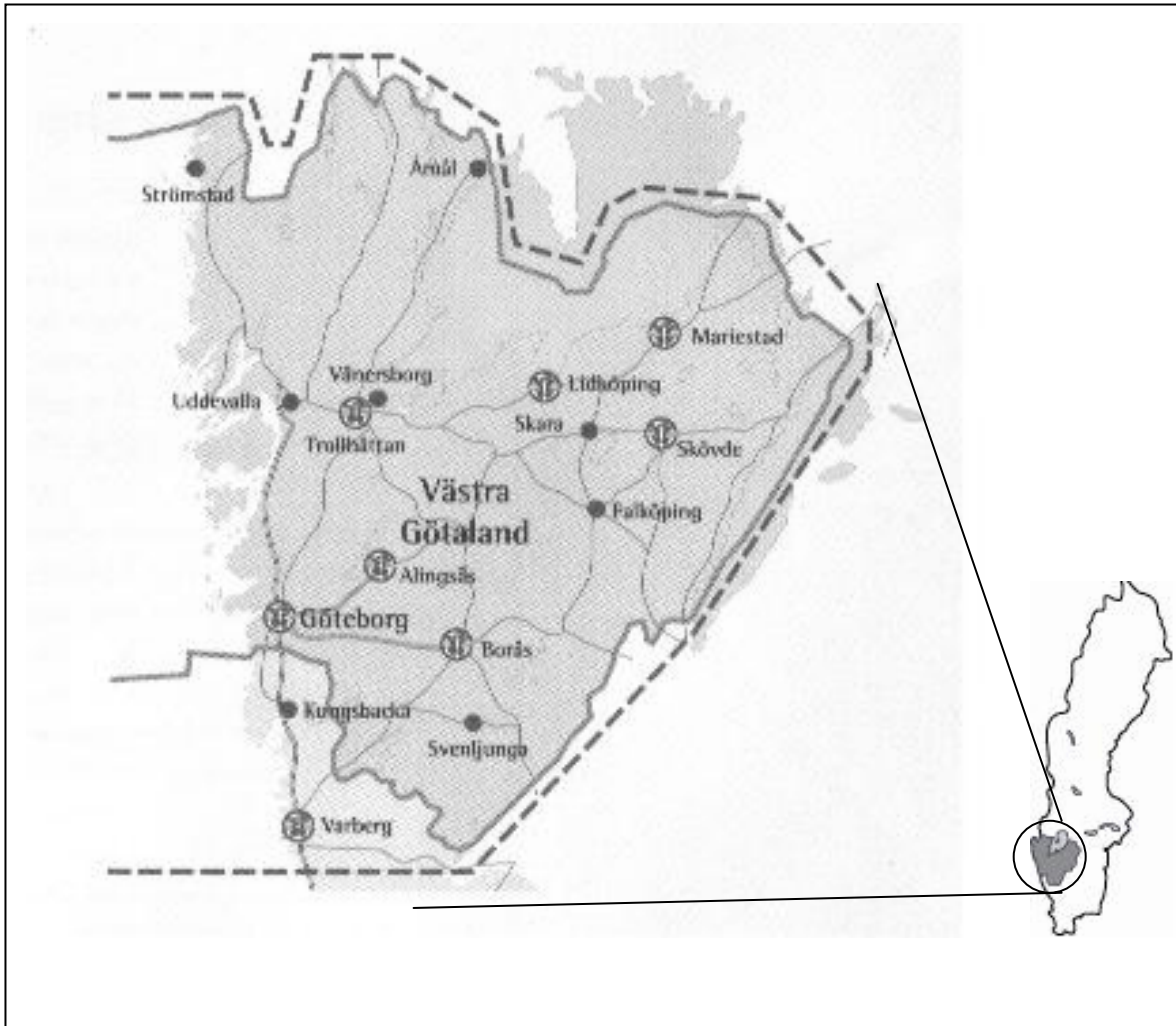


Figure 1. West Sweden. Source: Västsvenska Industri och Handelskammaren (2003, p.5)

The objective of the project is to get SMEs to collaborate with each other and with other institutions, like research centres and universities, which have cutting edge competencies. This will hopefully result in an increased ability for SMEs to improve their bidding process towards Multi National Corporations (MNCs). Creating a regional competence network system, which in turn could result in synergy effects and globally competitive constellations, might fulfil the objective of the project. In this thesis the regional competence network system will be managed by an organisation which we will call the Bidding Organisation, BO.

Figure 2, The Process of the “Bidding Power” and the system, illustrates our understanding of the system and the processes involved.

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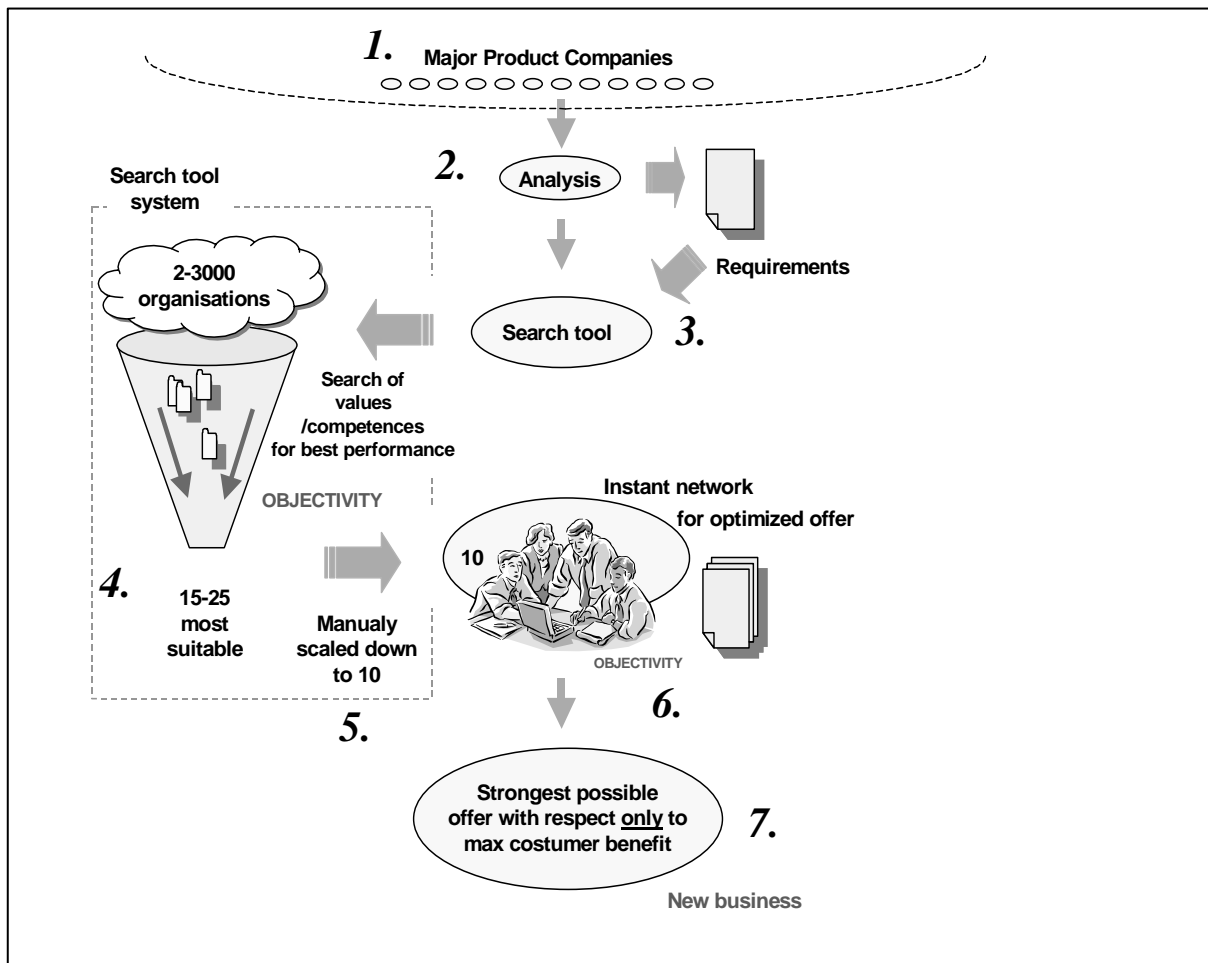


Fig. 2 the process of the “Bidding Power” and the system. Source: T. Hultgren, personal communication, 13 November, 2003

The idea behind the project “Bidding Power” and the different steps of figure 2:

1. Major international companies like IBM, General Electric, Nokia etc., operating in the global arena, are always looking for optimal solutions for their demands. The companies send a request to the people/organisations in their present network.
2. When the BO (Bidding Organisation) is made aware of the request from a MPC (Major Product Company) it starts to analyse what requirements will be needed in order to meet the request.
3. The requirements are then transferred into a computerised system. The system contains 2-3000 different SMEs and other institutions (Network Members, NMs) with unique competencies. All these NMs are situated in the region of West Sweden.
4. The system selects 15-25 NMs which best answer the demands of the MPCs.
5. The BO manually scales down the 15-25 NMs to a more manageable number of organisations.

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6. The selected NMs are assembled in order to identify those who can collaborate and fulfil the requirements of the MPC.
7. The newly formed network delivers a suggested solution of the requirement to the MPC. This will hopefully lead to a successful bid which will create jobs and economic prosperity as mentioned earlier.

The way in which companies compete and collaborate has changed over the years and the organisational ability to manage the increased complexity of relations will be a competitive advantage for organisations in the future. This has led to an increase in interest regarding strategic collaboration (Planander, 2002). Strategic collaboration between firms could be seen as a necessity to cope with the fast market changes and survive in the globalisation era. In order to gain synergy effects, knowledge sharing between firms is indispensable. However, the fast changes in the market place require fast constellations between firms, but there is a lack of time for socialisation and the creation of relationships.

Another dilemma which obstructs trust building is the contradiction of compounding corporations seeing each other as direct or indirect competitors. A requirement of the project is that the collaboration partners must start to collaborate fast in order to be able to compete with other already existing constellations (e.g. existing MPC suppliers and other similar networks). As will be discussed later, trust is seen as the foundation of successful collaboration constellations. Most of the literature elucidating the trust phenomenon claim that trust, and trustworthiness, is difficult and takes a long time to build, yet it can be destroyed in a short time and by small means. Trust is built through close relationships and is not created over night and people are initially unsure of the trustworthiness of persons or organisations they have not previously dealt with. We agree that trust grows or “breaks” throughout personal relationships, however, could collaboration be facilitated without long personal relationships on an inter-firm level? More specifically, how could trust be used to increase the speed of the collaboration process?

This thesis has two purposes: theoretically, to illuminate how trust could shorten the time frame in collaboration settings and, practically, to give recommendations how trust could be engendered in such settings.

The initial process of the project, Bidding Power, involves a number of students from different faculties: IT University of Göteborg, Graduate Business School and School of Economics and Commercial Law within the University of Gothenburg. There are, in total, three groups of students involved in this project:

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- One group is investigating the structure of the computerised system and identifies the competencies that could be relevant for the system.
- Another group is studying potential strategy formation of the Bidding Organisation towards its stakeholders.
- Our group will investigate how trust could shorten the time frame in collaboration settings and practically give recommendations how trust could be engendered between potential network members in such a setting.

The basic idea behind the project is to identify and map different competencies and to create competitive NMs in this region which could be matched in order to gain synergy effects. However, our intention is not to study competencies in detail but competence is a core issue in this project. Therefore our definition of competence is based on Hamel and Prahalads' (1994) definition of core competence; they claim that it might be hard to identify the core competence of a business. If a company has found 40-50 or more "competences" it is likely that the company is describing individual or technological competences. On the other hand, only identifying one or two competences is probably a too broad definition. Ideally a company should find about five to 15 core competencies. A core competence has to fulfil three criteria: the value to the customer, differentiation, and versatility.

1.2 Purpose and research question

The project aims at improving the bidding process of the regional companies towards MNCs. The intention is to achieve this by creating a dynamic network consisting of local companies and institutions. The members of the network are selected on the basis of having unique competencies which will give them a high business potential.

The long-term objective of the project is to create a globally competitive region by mapping competences of small and medium-sized businesses within the western region of Sweden.

This thesis will contribute to the objective of the project by answering the following research question:

How could trust facilitate the efficiency and shorten the time frame in collaboration settings between potential network members, i.e. in an inter-firm context, as intended by the project "Bidding Power"?

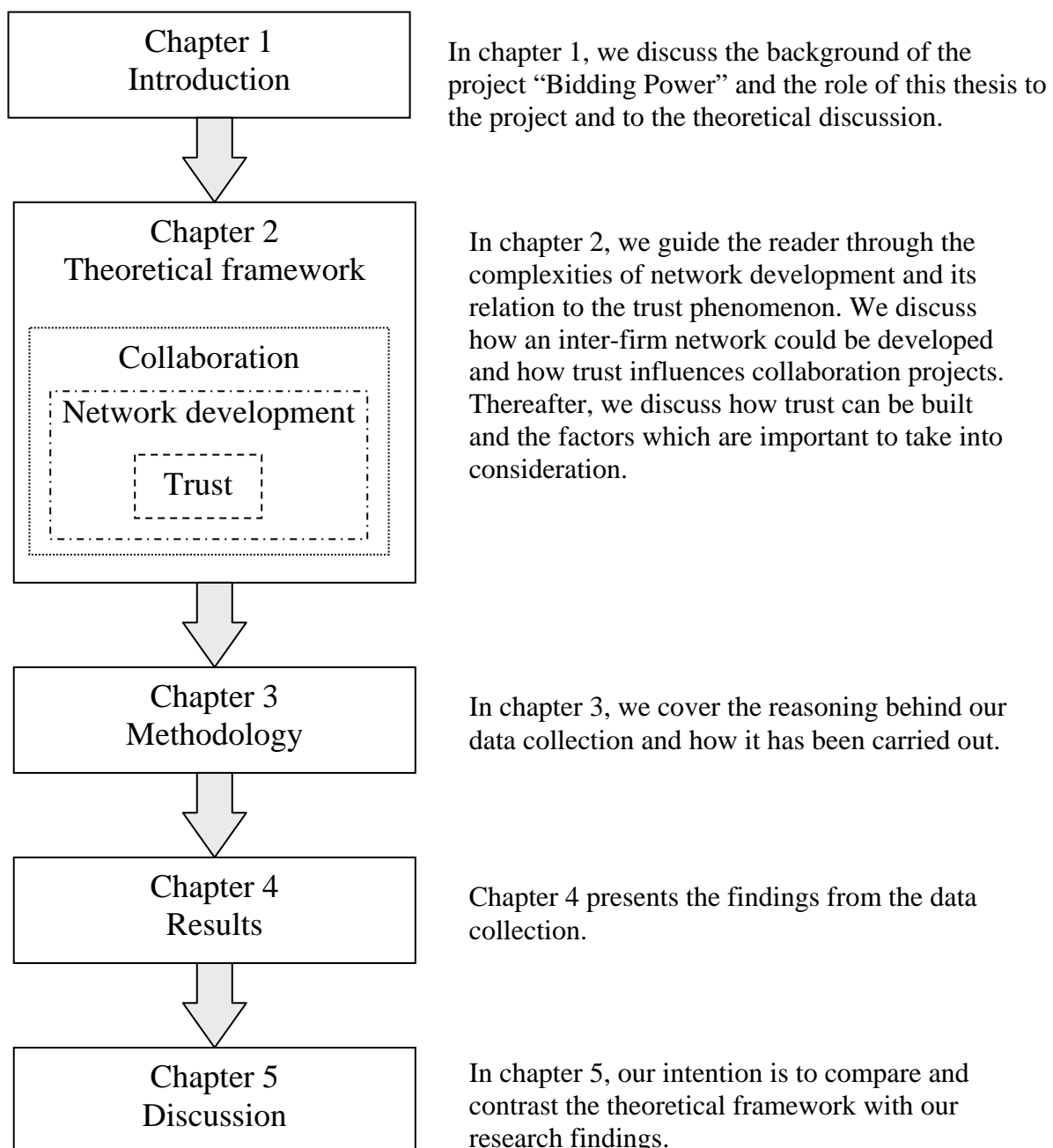
In order to answer our research question we divided our main research question into three sub questions:

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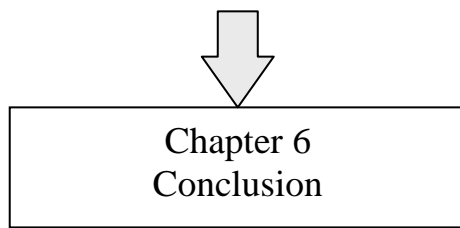
1. What is *trust* and how is it created?
2. Which trust parameters should the Bidding Organisation (BO) focus on?
3. What tools can the BO use in order to create a sufficient level of trust?

Furthermore, our ambition with this thesis is to contribute to the existing body of knowledge on trust building in fast alliance formations where none of the parties involved has any personal relationships with one another.

Figure 3, outlines how we have chosen to construct our thesis from introduction to conclusion.



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In the conclusion we will highlight the major research findings, give our recommendations to the project “Bidding Power”, draw our conclusions, and suggest further research areas.

Figure 3. Dispositions of the chapters

CHAPTER 2. THEORETICAL FRAMEWORK

Trust is a complex word with many different dimensions. The ambition of this chapter is to highlight important theories and give the reader an understanding of the problem areas. We will first describe strategic alliances and their motives. We will then give an example of how a network can be created. The differences between collaboration and co-operation will be discussed and that will lead into the element of trust. The role of trust in networks and why and when it is important in the context of the project will be covered. From which sources the parties collect the information they base their trust on and how trust can be built will then be discussed. We will finally summarise our theoretical framework by developing our own model based on the theories used.

2.1 Strategic Alliances and motives

Strategic alliances include many different forms of collaboration between companies. The term Strategic Alliances includes (among other things) coalitions, networks, alliances, partnerships, and hybrids according to Planander (2002). According to Gustafsson (1988) there are three main types of Strategic Alliances:

- License collaboration
- Co-operate agreements or contractual joint ventures
- Joint ventures

Das & Teng (1998, p. 491) defines Strategic Alliances as *"interfirm cooperative arrangements aimed at achieving the strategic objectives of the partners. Joint ventures, minority equity stake, coproduction and joint research and development are just some forms of strategic alliances."*

There exist many different motives for creating a Strategic Alliance (Gustafsson, 1988 and Planander 2002) and some of the most important reasons are:

- Technology (access to knowledge)
- Marketing/Sales (access to new markets and new sales channels)
- Finance and risk reduction
- Production (economies of scale)
- Image (positive effects on brand image)

Ouchi (1980) claims that the success or failure of the Strategic Alliance depends on mutual needs, strong united goals, social relations and a willingness to reach goals for mutual partner benefit.

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2.2 Creating networks

The objective with the project is to create a competence network which will gather the competencies, and to get the owners of the competencies to collaborate and, hopefully, share knowledge. The network could, therefore, be seen as a form of knowledge network as presented by Büchel and Raub (2002). Büchel and Raub conducted a survey of members from a group of leading multinational corporations, the Geneva Knowledge Forum. The group consists of 16 corporations, which often meet to discuss knowledge management and how it is best practised. However, the initiated knowledge network of this thesis will have its focus on collaboration between different companies and not within a single company as suggested by the authors. However, the theory of building a knowledge network within a company could perhaps be applied when building a network between companies as well.

Büchel and Raub (2002) suggest four stages to pay attention to in order to gain the most benefits of the network within a company and those stages are illustrated in figure 4.

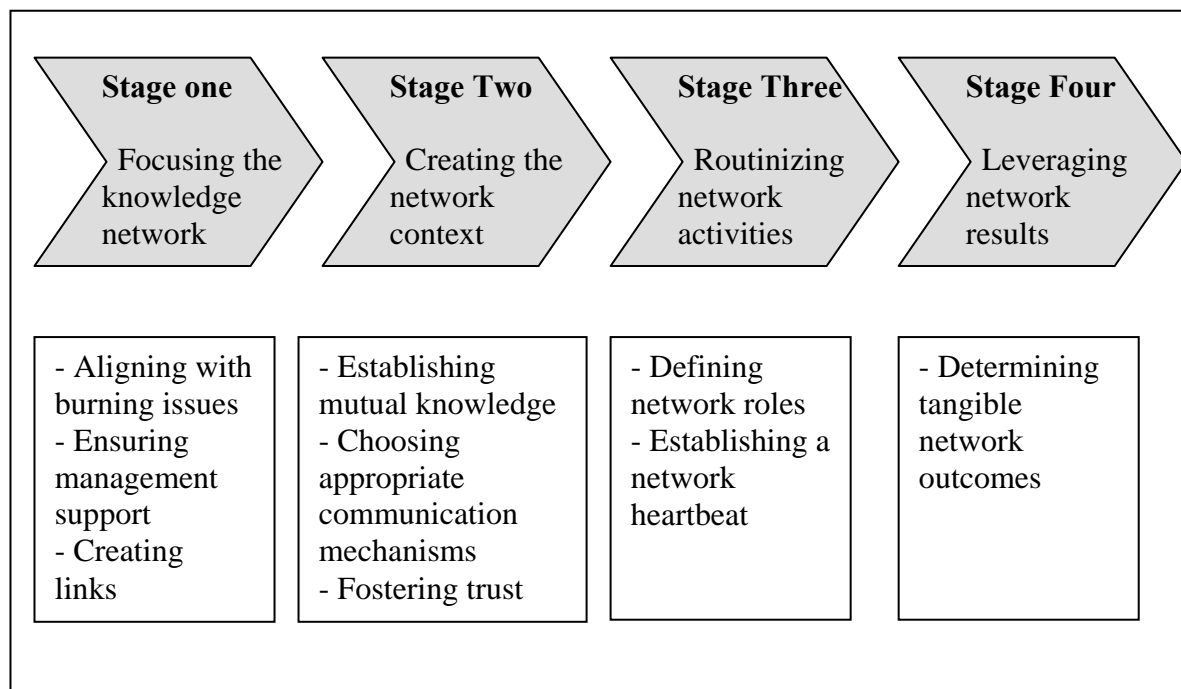


Figure 4. Four stages of Network Development. Source: Büchel and Raub (2002, p. 591.)

According to stage two, Büchel and Raub (2002) think that fostering trust plays an important part in network development. *“Trust is necessary to pass on tacit knowledge from one network member to another. Building trust can therefore*

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be considered the foundation of knowledge generation within networks.” (Büchel and Raub, 2002 p.593)

Büchel and Raub continue by asserting that having a strategic alliance requires that knowledge is shared between the members, and “*sharing one’s expertise with other network members requires trust that shared knowledge will not be used against oneself.*” (Büchel and Raub, 2002 p.593).

Therefore we find it interesting to study what potential NMs will experience when working in close collaborative arrangements and to notice the role that initial trust plays in those arrangements.

2.3 Collaboration vs. co-operation

A great amount of the literature uses the words co-operation or collaboration interchangeably, but the fact is that there is a subtle difference between the two terms. According to Gilderson (2000), co-operation has a connotation of one-sidedness. One example of the use of the term is criminals co-operating with the police in order to get a lighter sentence. The term collaboration, on the other hand, focuses on people working together for a common purpose. When authors use the term co-operation or collaboration we will not make any distinction between them in this thesis. Andersson (1979, p. 88 own translation) states that “*collaboration is a voluntary long-term agreement where two or more independent companies coordinate some of their resources. Collaboration is performed by mutual commitment for a common objective and this results in an increase in individual partner goal fulfilment. This can be achieved by integrating certain corporate function while other functions are kept separated from the partnership*”.

We will use the term collaboration for all the different forms of possible collaborations that are supposed to take place after the matching is completed by the system. (See figure 2. on page 3). Andersson (1979) states that the collaboration must be a “voluntary long-term agreement” and the companies, which will become NMs, will do so on a voluntary basis.

Our assumption when writing this thesis is that it is not the role of the BO to be involved in the final form of collaboration the selected firms will use; a joint venture, a consortium, a merger, an acquisition etc. In some collaboration forms it might stay with a strict buyer-seller relationship.

All these forms of arrangements involve the co-ordination of two or more partners in pursuing shared objectives and achieving satisfactory collaboration in

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order for the alliance to be successful. Strategic alliances have a high failure rate and many researchers, among others: Mayer et al (1995), Gulati (1995) cited in Planander (2002), Pettersson (1999), cite the reason as the absence of collaboration and the existence of opportunistic behaviour of the alliance partner(s). Opportunistic behaviour is the behaviour of “*grasping at opportunities without the regard for moral considerations.*” Webster’s (1990, p. 704.) Das & Teng (1998, p. 492.) state several examples of opportunistic behaviour in alliances, and those examples are: “*cheating, shirking, distorting information, misleading partners, providing substandard products/services and appropriating partners’ critical resources*”.

On the other hand, successful partner collaboration is characterised by honest dealings, fair play, and complying with agreements. It is difficult for organisations to predict who will act opportunistically. The interesting question is what enables alliance partners to gather enough confidence in partner collaboration in order not to be overwhelmed by all the potential hazards involved in the alliance. Das & Teng (1998, p. 492) define confidence in partner cooperation as “*a firm’s perceived level of certainty that its partner firm will pursue mutually compatible interests in the alliance, rather than act opportunistically.*”

Strategic Alliances represent a somewhat paradoxical situation according to Das & Teng (1998). A company might have its own corporate intentions and these intentions might be contradictory to the mutual interest of the alliance. The competitive environment is fierce and it is only natural that companies organise all their processes, develop an organisational culture etc. that enables the organisation to respond, and act on market opportunities before any competitor makes the move. The paradox is that organisations are at the same time moving into more strategic collaborations, as expressed by Planander (2002), and collaborations demand different behaviours from the companies in order to reach the agreed goal.

2.4 Trust

Planander (2002) states that the need of trust has increased as companies have moved from hierarchical to a flatter organisational structure. Trust includes a risk which increases the vulnerability of the company since many alliances take place in competitive industries. Trust can be considered as “*predictability about another’s behaviour*” and “*confidence in another’s goodwill*” according to Ring & Van de Ven (1992). Ring & Van de Ven (1992) also emphasise that when trust is established it will stabilise the collaboration, but trust is both difficult to develop and maintain.

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Planander (2002) states that the competitive situation of today, including fast technology development, globalisation, and alliances, which involves a great amount of people, make it necessary to discuss the forms and functions of trust. She says that earlier research has focused on long-term transactions but the long-term orientation in alliances is not considered important nowadays due to the fast technology changes and the extreme competitive business environment. What happens in the market today are unexpected situations which are impossible to predict and plan for and it is therefore important to analyse interactions between people in a social-cultural context. The situation for the BO and its members will be characterised by their mutual need for fast alliance formation and operation in order to respond to market opportunities before it is too late. The project "Bidding Power" also has a focus on technology transfer and development.

Planander (2002) states that there are several different theoretical perspectives dealing with trust.

- Economic/rational perspective (rational dealing with trust)
- Organisational/Inter-organisational perspective (personal characteristics which creates trust)
- Sociological perspective (trust is a central dimension in social interaction and related to the social context)

When comparing the three different perspectives you can find some common ideas. The difference is how individuals act, self-interest or accordance to social norms and common values. Our viewpoint for this thesis is from an organisational/inter-organisational - and a sociological perspective. Our stance is to look upon competence of the organisation as one entity, and not consider competencies on the individual level. In the initial stage of trust development the concerned individuals will not be able to establish personal relationships, however, the individuals need to reduce the uncertainty or risk level before they consider joining a relationship (Tomkins, 2001). This thesis will touch the trustworthiness on an organisational level. We base this notion on the basic idea behind the project, that the collaboration projects, which will be the result from the network, will involve competencies from different industries in new constellations between companies with no prior experience or knowledge of each others existence or competence. The absence of established relationships is an obstacle for the establishment of collaboration projects and therefore the initial trust will first be based on an organisational level and gradually turn to more individual trust as the collaboration progresses.

There is however a disadvantage with personal relationships as they are not totally objective. The core idea behind the project "Bidding Power" is to combine cutting edge competencies within different areas with disregard to earlier exist-

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ing relationships. It is not certain that the collaborating organisations, which have been based on personal relationships, have the best competence available. We assert that personal relationships can not be considered totally objectively, and the collaborating company might therefore miss the opportunity for utilizing the best competence in the collaboration if they turn to their existing network when looking for a collaboration partner.

2.4.1 Definition and types of trust

Mayer et al. (1995, p. 712) define trust as “*the willingness of a party to be vulnerable to the actions of another party based on the expectation that the other will perform a particular action important to the trustor, irrespective of the ability to monitor or control that other party.*”

The quote focuses on aspects which are important for the discussion of trust: willingness, vulnerability and dependability. The term *trustor*, used in the trust definition of Mayer et al, is the trusting party (gives trust). On the other hand a *trustee* is a party who is worthy of trust (receives trust).

Das & Teng (1998, p. 494) define trust as “*the degree to which the trustor holds a positive attitude toward the trustee’s goodwill and reliability in a risky exchange situation.*” A certain minimum level of trust is important in making an alliance function according to Das & Teng (1998). Having a relationship is about giving and receiving on a continuous basis, and all the details in the complex exchange process are impossible to monitor. If one of the parties feels that what they contribute to the relationship is more than what they get from the relationship, tensions will likely occur in the long run. The contributing party must have trust that the other party will give something of value back.

Mayer et al (1995) state that trust is synonymous with: co-operation, confidence and predictability. Planander (2002) states that there are a lot of definitions of trust. The term is often utilised synonymously with co-operation, confidence and predictability. Webster Dictionary (1990, p. 1059) defines trust as “*confidence in a partner or thing because of the qualities one perceives or seems to perceive in him or it.*” We would now like to define and clarify adjacent terms in order to prevent any misunderstandings of how we understand trust and use it in this paper. Hart (1988), cited in Planander (2002), states that *faith* is emotional and a person believes without any proof. *Confidence* means that the individual has a firm belief in some others’ skills/abilities or to a system. This confidence is based on routines and what is already known. *Trust* is achieved gradually and must be repeatedly reconfirmed. *Reliance* is an expression for total confidence but is tied to a particular person. When there is no choice this reliance will change to de-

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pendency. *Belief* is a free personal choice to make commitments without total knowledge. Hart (1998), cited in Planander (2002), continues by stating that trust lies somewhere between the words “faith” and “confidence”. It is also easy to mix up the terms trust and confidence. Trust relates to the level of expectations one party has regarding the motives of the other. Confidence, on the other hand, “*deals with the perceived level of certainty that the partner will behave in a desirable manner. Thus, the key difference is that whereas trust refers to expectations about positive motives, confidence refers to certainty about cooperative behaviours*” (Das & Teng, 1998, p. 494). One example of the difference between trust and confidence could be as follows: a man wants to sell his house. He will probably contact a broker house and he will have confidence in their ability to sell his house. This confidence will be based on routines, what is well known, and the image of the broker house. Trust, however, will not come automatically. Trust grows gradually as the broker has proved that he is doing a “good job”. Our thesis will mainly focus on trust and confidence.

Flores & Solomon (1998) distinguish between four different forms of trust:

- Simple trust
- Basic trust
- Blind trust
- Authentic trust

Simple trust is about taking things for granted and is based on common sense. There are a lot of things we take for granted and one example could be electrical power. Most individuals in Sweden are certain that they will have electricity tomorrow as well.

Basic trust is quite similar to simple trust as it deals with taking things for granted. Basic trust however, consists of physical and emotional security and situations where basic trust is violated such as random acts of violence and war, according to Flores & Solomon (1998).

If one sticks to a certain idea despite strong contradicting evidence, then it is considered *blind trust*. One person can have positive ideas about another person despite hard evidence proving the opposite. We sometimes want the perception we have of an individual to be correct to the extent that we neglect contradicting information, according to Brytting (2003). Blind trust is visible in violent relationships where one partner stays with an abusing partner despite regular mistreatment. Blind trust might be a sort of cognitive dissonance as expressed by Nooteboom and Six, 2003, p.8 “*One does not want to face evidence of untrustworthiness because it conflicts with deep-seated convictions or feelings.*”

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Authentic trust is a form of trust that is only expressed after rational reasoning. Authentic trust is about taking a calculated risk when trusting someone else. This is probably the most common form of trust and we choose to trust different people every day for different reasons.

The element of vulnerability must be present in order for trust to exist according to Brytting (2003). The exact form of the trust (simple, basic, blind and authentic) depends on the situation. In our thesis we think that authentic trust is the most relevant for our network members, and we base this belief on the fact that companies are aware of different risks when collaborating and most likely they have some earlier experiences of collaboration.

2.5 Trust in network building

Büchel and Raub (2002) asked 25 executives from the Geneva Knowledge Forum to rank the importance and the level of difficulties when building networks. Their findings are presented in table 1. We have however altered the table if compared to its original source (Büchel and Raub, 2002, p. 595) in two ways in order to make it easier to understand. The activities have been ranked based on ease or difficulty of implementation and the three most important activities have been marked in grey in order to highlight those activities.

Ease or Difficulty of Implementation □	Activities	Importance of the Activity ●
5.32	Demonstrating tangible network outcomes	6.37
4.95	Fostering trust between members	6.37
4.47	Ensuring management support	5.68
4.42	Understanding each other's work context	5.32
3.79	Creating links between potential members	6.37
3.68	Establishing a regular meeting rhythm	5.26
3.47	Focusing on organizationally relevant issues	5.37
3.37	Choosing appropriate communication	5.63

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2.89	Defining network roles (e.g. coordinator)	5.94
<p>● Ranking is based on a 1-7 scale, where 1 = "not at all important" and 7 = "very important"</p> <p>□ Ranking is based on a 1-7 scale, where 1 = "very easy" and 7 = "very difficult"</p>		

Table 1. Challenges in network building. Source: in Büchel and Raub, 2002 p. 595

The table highlights an important point as the areas that are considered very important (demonstrating tangible network outcomes, fostering trust between members and creating links between potential members) are also rated difficult to implement. This is particularly true for demonstrating tangible outcomes and fostering trust between members. The survey conducted by Büchel & Raub (2002) pinpoints important areas that the BO could focus on. The table also illustrates the importance of trust development for building networks and the relevance of trust for the BO.

2.5.1 The Economic rationale for trust

Perfect competition where all the information is free and correct and all the decisions are made rationally, does not exist. People do not always behave rationally and individuals may even sometimes act opportunistically. There are a lot of factors which determine what customers finally pay for a product and the customers do not have all the information to make a rational choice. Examples of factors that are unknown for the final consumer could be: cartels, relationship within the industry, etc. There are several other costs which the customer must pay for. Brytting (2003, p.1 own translation) states four other costs which will add to the cost of the transaction.

1. *Costs for getting and controlling information about the abilities of the product/service.*
2. *Costs for defining and carrying out all the terms spelt out in the contract.*
3. *Costs for predicting and/or controlling the buyer or sellers future behaviour.*
4. *Costs for assuring that the expenses are covered in the event something unexpected happens.*

These costs could also be apparent in business networks. Das & Teng (1998) and Sako (1998) mention that there are many advantages of having trust in strategic alliances. Benefits which they state are: lower transaction costs, reducing the extent for formal contracts, and facilitating in resolving potential

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conflicts. High transaction costs may prevent a business transaction even if the price of the product/service is attractive, according to Brytting (2003). A high level of trust creates low transaction costs according to Ouchi (1980). There is often shortage of organisational resources, especially the lack of time when organisations collaborate, and we assert that a high level of trust will render better use of time in the joint bid collaboration projects.

Contracts take a long time to construct and can easily become complicated. Trust can have a lowering effect on this cost. If no trust exists at all then all the details must be spelled out in the contract and this can become time consuming and expensive. The collaboration arrangements between potential NMs will be complex as they are. If both parties trust each other they will not be forced to use resources to control the abilities of the product/service. For example, if company A has trust in the competence of company B they will not have to spend money in having external consultants or testing facilities to reconfirm the promised abilities of the competence. They will instead perceive the other party as honest and trust the information given about the products/service abilities.

It is cheaper for companies to do business when the transaction costs are low. A study conducted by North, discussed in Brytting (2003), showed that 45% of the U.S. GDP consisted of transaction costs in 1970. The figure was only 25% a hundred years earlier. The increase in transaction costs over the years has had a negative effect on the growth aspects of the economy according to North. Trust is a useful tool for lowering transaction costs because it decreases the risks involved in business arrangements and the increase of transaction costs over the years signals a need for an increased focus on trust in business arrangements. North's study also helps to showcase the relevance of our study for the BO and the business community as a whole.

2.5.2 Trust and control as a base for collaboration

Authors who discuss the relation between collaboration and trust often see trust as a possible base for co-operative behaviour. Collaboration can exist without trust though, according to Mayer et al (1995, p.712). *“Although trust can frequently lead to cooperative behaviour, trust is not a necessary condition for cooperation to occur.”* Examples of situations where collaboration can exist without trust are in hierarchies and when there exist different types and levels of coercion. Gambetta (1988, p. 220) describes coercion in the following manner; *“Coercion, or at least its credible threats, has been and still is widely practiced as a means to ensure cooperation. ... It introduces an asymmetry which disposes of mutual trust and promotes instead power and resentment.”* If one uses this knowledge it seems that trust is mainly important in relations

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which are equal and with a low level of asymmetry. A low asymmetric relation implies little existence of a power/dependency situation within the relationship.

Trust based on characteristics can arise from attributes of a partner such as societal and corporate culture according to Parkhe (1998). It is quite natural that people from the same culture, social class, or with the same characteristics (gender, background, education etc.) have a propensity to trust each other. The character of an individual can also create trust. Some people are charismatic and the result is that people tend to trust them, according to Eriksson & Ohlsson (2003). Parkhe (1998, p. 423.) states that *“the greater the similarity of societal and corporate cultures, the greater may be the knowledge of and familiarity with each other’s modes of thinking and behaving, hence the greater the comfort level and the lower the learning cost and time.”*

Petersson (1999) has developed a model of the relationship of trust and the situation in which it appears. The model, Figure 5: Trust and Situation, is illustrated below. This model is valuable for explaining the importance of trust for the Bidding Organisation. The boxes marked in grey indicate that trust is relevant and meaningful as a base for making collaboration work well.

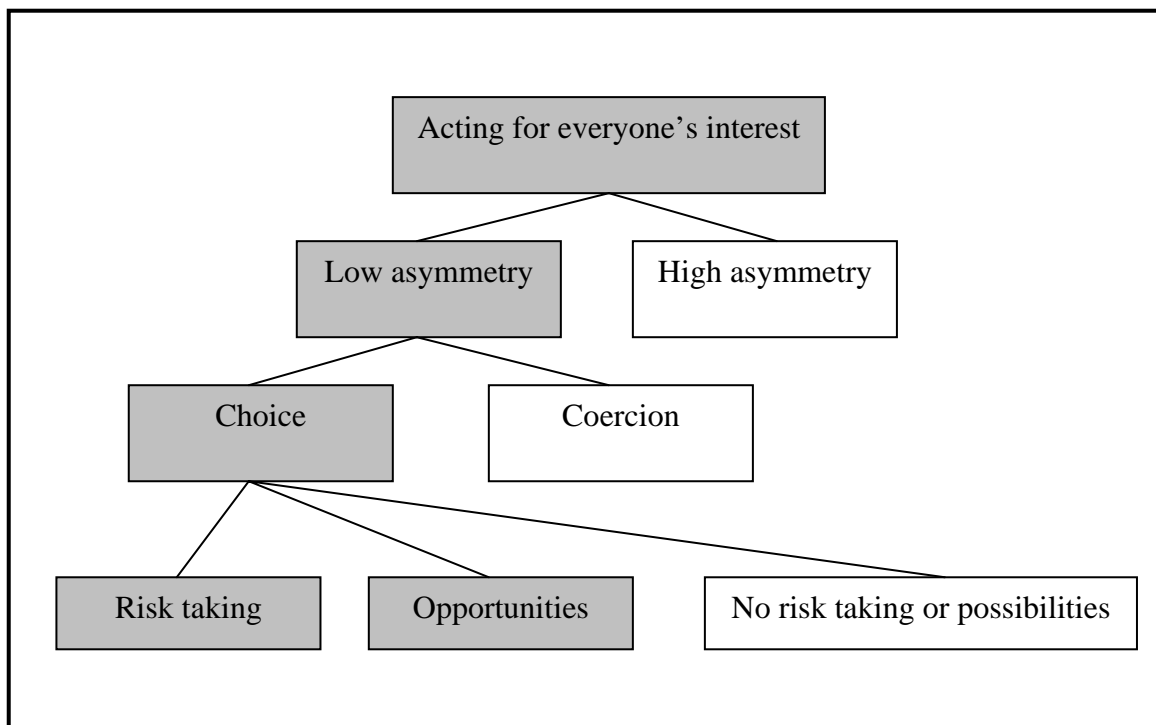


Figure 5. Trust and Situation. Souce: Petersson (1999, p. 38. own translation.)

The Bidding Organisation and its members will be characterised by a low asymmetric relation and there will not be a dominant actor in the network. All

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companies, which are gathered to collaborate for a particular tender, will meet as they complement each other. They will also be mutually dependant on each other for the success of the alliance. All the companies will also have a choice to be part in the system and in an eventual alliance.

Several authors, such as Planander (2002), Das & Teng (1998), Parkhe (1998), and Brytting (2003), state that risk is an important aspect when studying trust. There is a potential risk for companies with the desire in joining the Bidding Organisation and later collaborating with other companies. The companies will bring to the table their most valuable asset, their core competence. The basic idea behind the Bidding Organisation is that individual companies will bring their technical expertise to different collaboration forms. The main reason why the companies are participating in a collaboration project is that the other companies in the project lack that particular competence. There is therefore a risk that the other companies will have the incentive to act opportunistic. Trust is visible in situations where there is a high value of risk but trust can also be visible in situations where possibilities exist. A possibility, which is an important incentive for the entire idea of the Bidding Organisation, is the idea that many companies will have new business opportunities because they might be able to produce and develop products that earlier were outside their competence area. There is an opportunity to network and to create long-term relationships stretching outside a particular tender. Another potential advantage with the system is the great possibility of organisational learning within the idea of "Bidding Power". Companies will learn more about themselves but also gain a deeper knowledge of other companies and their processes.

Companies active in alliances are usually more confident about the partner collaboration when they are able to have an adequate level of control of their partners. Leifer & Mills (1998, p. 117) define control as "*a regulatory process by which the elements of a system are made more predictable through the establishment of standards in the pursuit of some desired objective or state*". If an organisation is characterised with low trust, top management must implement formal control mechanisms, according to Brytting (2003). The end result is a hierarchical, bureaucratic organisation and these kinds of organisations are not very flexible. An organisation that has high levels of trust implements less formal control mechanisms. Examples of less formal control mechanisms might be the development of common values and a common organisational culture. Common values and/or a common organisational culture give the employees much more freedom and increased flexibility in the organisation as a whole. One of the most important resources for organisations today is the competence of the individuals employed. The competence of the individuals can only be fully utilised by the organisation if the individuals voluntarily and devotedly choose to share their competence (Brytting, 2003).

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The logic behind having control mechanisms is that it prevents nasty surprises which may damage the collaboration between the companies involved. A control mechanism can also aid companies in managing and executing their organisational activities in a way that fulfils the goals for the alliance. Das & Teng (1998, p. 493) state that “*firms use control to make the attainment of organisational goals more predictable, which ensures more certain outcomes, and it is in this sense that effective control is believed to help generate a sense of confidence.*”

Das & Teng (1998) state that the levels of confidence which are needed will be affected by a number of factors like:

- Partner risk propensity
- Type of knowledge involved
- Amount of resources committed
- Objective of the alliance
- Type of alliance

Das & Teng (1998) argue that the sense of confidence comes from two sources: trust and control. The deliberate building of trust and more effective control mechanisms should be pursued simultaneously because it can generate confidence in partner collaboration.

Trust and control seems to be two different approaches to build confidence in alliances. Das & Teng (1998) state that if a relationship is characterised with complete trust there is no need for any form of control. Control is only useful when the adequate level of trust is non-existent. Choosing and developing a control mechanism such as budgets, planning systems, and cost-accounting systems can be expensive. Neither is trust building a cheap activity, as it involves planned activities like social gatherings and networking over a period of time. Achieving an optimal level of confidence is something many organisations fail to do, the reason being the costs associated with improving trust and control as mentioned earlier. Another dilemma is that organisations active in alliances have no common level of confidence that is acceptable to everybody. It is natural that a small company, which contributes its core competence and a large percentage of its resources, will demand a high confidence level in an alliance.

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2.6 Sources of trust

On what facts do we base our trust and how do we get access to it? Arino et al (2001) have compiled a number of different theories of sources of trust (see appendix 2.). Arino et al (2001) divide the sources into what they call the four elements of relational quality. These four elements are: initial conditions, negotiation process, partner interactions, and external events. Since this study focuses on how trust could facilitate the efficiency and shorten the time frame in collaboration settings between potential network members, a closer look at the first element of relational quality (initial conditions) is relevant and this is illustrated in table 2.

<i>Elements of Relational Quality</i>	Characteristics and Determining Processes
<i>Initial conditions</i>	
<ul style="list-style-type: none"> ▪ Demographic and Institutional Characteristics ▪ Reputation ▪ Prior experiences 	<ul style="list-style-type: none"> ▪ What may be inferred from the party’s institutional affiliations, professional standing and certification, or demographic characteristics; its nationality; or the quality of societal institutions that may affect the relationship as it evolves. ▪ What each party knows about the other through reputation, commentaries in the business press, and/or third-party gossip. ▪ The prior experiences of the parties with each other of their degree of mutual “familiarity” that derives from previous exchanges or partnerships.

Table 2. Elements of Relational Quality in Alliances. Source: Arino et al, 2001, p. 113

It is from these four sources we create or form our trust in somebody else. Arino et al (2001) base their table on Zucker (1986), amongst others, who declare that there exist three bases for the occurrence and the growth of trust in relationships. The three bases are: process-based, characteristic-based, and institutional based trust. All of these trust-building factors are within management’s control, according to Zucker (1986). Parkhe (1998) develops the ideas of Zucker when he discusses how trust can be built in international alliances. Parkhe (1998) states that consistency of behaviours in the past tends to lead to expectations of predictability.

It is not unusual that an organisation lacks experience from working with a particular partner. Though trust can still develop in those kinds of relationships and that trust is based on a partner’s reputation, according to Parkhe (1998).

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Reputation is based on past behaviour and past behaviour can be a useful reference for predicting future behaviour. “*The better a company’s past record, the stronger its reputation, and the more comfortable we feel is assuming continuing trustworthiness in the future.*” (Parkhe, 1998, p. 421). A good reputation is therefore a valuable asset for the company since it will increase the likelihood of future collaboration for the company. The best way managers can build a good reputation, according to Parkhe (1998), is to play fair. To play fair means recognising the other’s interest in entering into the alliance and attempting to manage the alliance in a way so it serves the interests of all parties involved in the alliance. Another way to communicate fair play is to actively bring issues, which affect partner interest, to the partner’s attention. This technique is called “issue spotting” and it is useful for building confidence in an alliance and it has been used in a number of successful alliances and one example is the alliance between Mazda and Ford (Parkhe 1998).

2.7 How to build trust

Organisations or individuals cannot demand that other parties trust them. Trust can only be given voluntarily, according to Brytting (2003). Many companies talk about having trust-capital, but their trust capital is actually possessed by external stakeholders. The only thing a company can have is trustworthiness while the stakeholders hold the trust (Brytting, 2003).

Das & Teng (1998) suggest four techniques in order to build trust in alliances:

- Risk taking
- Equity preservation
- Communication
- Inter-firm adaptation

If a trustee realises that the counterpart has taken a considerable risk in trusting him/her, he/she is more likely to behave in a trustworthy manner. Equity preservation means that the alliance should be fair regarding the parties’ input versus output. Communication is an important ingredient in any relationship and it is also proposed to be important when fostering trust (Das & Teng (1998). Parkhe (1998) supports the importance of communication. He states that the formation of formal and informal communication channels are important tools when achieving improvements in behaviour transparency. The communication channels have two important goals according to Parkhe (1998):

- Ensure that each partner knows the activities of the other collaboration partners on a regular basis. This goal ensures that the other members of the alliance are able to monitor the other side’s ability and willingness to work in the alliance.

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- Eliminate surprises and resolve behavioural contradictions fast and in a friendly manner.

In order for an alliance to work smoothly, the involved parties must also be able to compromise and be flexible towards each other i.e. inter-firm adaptation (Das & Teng, 1998). Das & Teng assert that trust can be built based on the four techniques mentioned above whilst Bews & Rossouw (2002) claim that trustworthiness can be created by the following six factors:

- Benevolence
- Competence
- Moral integrity
- Positive experiences from earlier interactions
- Evaluation of personal characteristics (benevolence, competence, integrity, openness) of organisational representatives
- Openness

If a company is considered to have the characteristics mentioned above it is considered trustworthy and will therefore be trusted. The six factors mentioned above are also ranked in order of importance according to the study carried out by Bews & Rossouw (2002). The study was conducted over a period of 41 months in South Africa and contained 897 informants from one company. Benevolence is considered to be more important than openness and competence more important than positive experiences from earlier interactions. All organisations can create guidelines regarding social responsibility, openness, competence etc. The guidelines should then be pursued and adequate control systems should be implemented. The final result should then be openly communicated. This would improve the trustworthiness of the organisation suggests Brytting (2003). Bureaucracy is discussed earlier in this paper and was stated that bureaucracy decreases organisational flexibility. Bureaucracy that is the result of the guidelines and the measuring aimed at improving trustworthiness can, however, be considered “good bureaucracy”, according to Brytting (2003). Good bureaucracy defines key areas and states best practice within those key areas and it can be helpful for many employees. Another advantage of good bureaucracy explained by Brytting (2003) is that it contributes to continuous learning and defines responsibility, which results in the organisation becoming more competent and predictable and thus improves the trustworthiness.

Mayer et al (1995) have developed a model that illustrates how trust is developed between two parties involved in some form of collaboration (the trustee is the party to be trusted and the trustor is the trusting party). This model gives an understandable overview of some factors which influence trust. Many researchers have investigated which characteristics contribute to trust development. Mayer et al (1995) compiled earlier research on the topic and came up with a model of trust. This model is illustrated in Figure 6.

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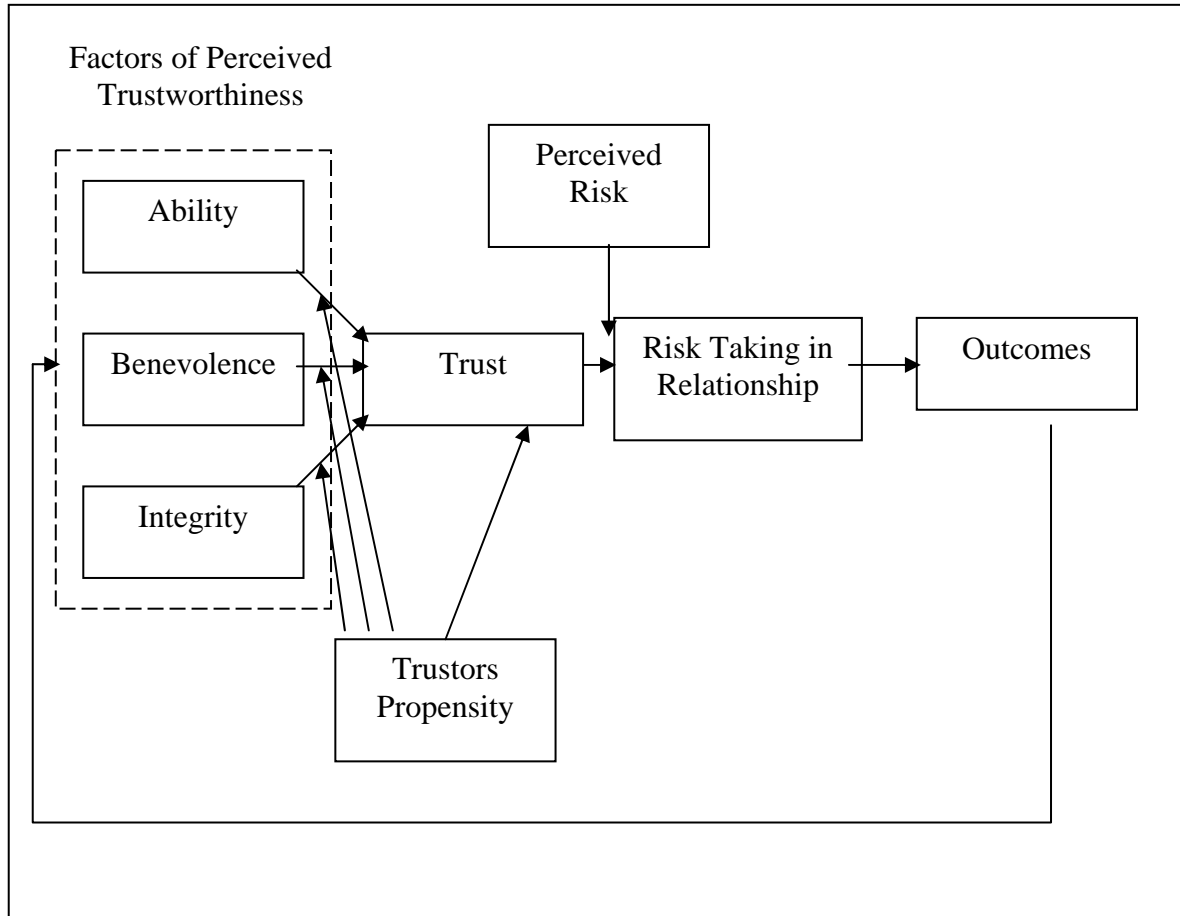


Figure 6, Trust development. Source: Mayer et al, 1995, p. 715.

Mayer et al (1995) identify three factors that repeatedly are mentioned in the literature and those factors can be used to describe the characteristics of the trustee. The three factors are: *ability*, *benevolence* and *integrity*. Many researchers have shown that these three factors influence the trustworthiness of the trustee.

Mayer et al (1995, p. 717) state that: “*Ability is that group of skills, competencies, and characteristics that enable a party to have influence within some specific domain.*” Ability is the skills, competencies and perceived expertise of the trustee in a certain context. When two parties are going to collaborate it is important that each party has the competence to contribute in the collaboration. Technical competence is important because it is the reason that many companies collaborate in the first place. Social competence is also important and each party must be able to collaborate on a social level. If that is not the case the relationship will experience problems, according to Mayer et al (1995). A good example of the importance of ability that Mayer et al (1995) give is the relationship between a mentor and a protégé. The mentor must have technical and social competence (ability) in the context where they collaborate

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and this competence must be useful for the protégé. If this is not the case the mentor will be less trustworthy to the protégé.

“Benevolence is the extent to which a trustee is believed to want to do good to the trustor” according to Mayer et al (1995, p. 718). It is important that both parties have the interest of the other parties in mind and act accordingly when collaborating. If this is not the case, trust will not be developed. All individuals have personal motives and intentions for engaging in a relationship and benevolence means that the individuals refrain themselves from pursuing those motives and intentions if they know that it will damage their partner. Mayer et al (1995) again cite the example of a mentor and his/her protégé. The mentor wants to help the protégé even if he/she is not required to do so. There is no real benefit for the mentor to help the protégé but he/she still wants to help him/her. The protégé acknowledges this fact and it creates trust in the mentor.

Integrity is the third factor that builds trustworthiness according to Mayer et al (1995). *“The relationship between integrity and trust involves the trustor’s perception that the trustee adheres to a set of principles that the trustor finds acceptable”* (Mayer et al, 1995, p. 719). People can have some certain principles but if the trustor and the trustee do not share those principles and values it will be difficult to build trust according to Mayer et al (1995).

If the protégé has knowledge of previous dealings between this particular mentor and other protégés that information can be useful for assessing the integrity of the mentor.

Integrity, benevolence, and ability are all needed for the development of trust and trust cannot be developed if one of the factors is missing, according to Mayer et al (1995). The example of the mentor and the protégé mentioned above, and the relationship between the two, is valuable for understanding the importance of the three factors and how those three factors are related. A protégé has the desire for the mentor to help him/her in his/her career, but how can this be done? The mentor must be competent and knowledgeable about the company and the job. The mentor must also have some social competence and be easy to work with. If the mentor scores high on ability it does not mean that the mentor will be useful to the protégé. He/she merely has the potential to be useful, according to Mayer et al (1995).

Even if the mentor has high integrity, it does not mean that he/she has competence and therefore might not be a good mentor. This will result in the protégé lacking trust in the mentor, according to Mayer et al (1995). Benevolence is important to build trust but benevolence by itself is not sufficient to build trust, according to Mayer et al (1995). If benevolence, integrity, and ability are high, the trustee will be considered trustworthy. However, there is an

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additional factor which influences the actual level of trust in the relationship; the trustor's propensity to trust.

People differ in their willingness to trust other objects. The trustee might have high ratings in ability, benevolence, and integrity and might therefore be considered trustworthy. This trustworthiness might be reconsidered due to the fact that the trustor has a different perception of what high ratings in ability, integrity, and benevolence really means. The minimum level of ability, benevolence, and integrity needed for the establishment of trust differs between individuals. Even organisations as an entity have principles and common values (integrity) and they can be seen as competent (ability) and also be regarded as having goodwill in relation to their stakeholders (benevolence).

Mayer et al (1995) suggest that the factor of integrity is the most important factor of trust building early in the relationship. As the relationship develops the trustor gets a feeling of the other party's benevolence. As this happens, benevolence will take a more dominant role in trust building according to Mayer et al (1995).

One key requirement, which is not covered in the model of Mayer et al (1995) (see figure 6), is the requirement of continuous involvement by people at the operational, planning, and senior management levels, according to Parkhe (1998). A lot of management time is allocated in the beginning of the development of an alliance. The contributed management time gradually decreases during the later development stages (Parkhe, 1998).

Another weakness of the model of Mayer et al (1995) is the absence of institutional based trust, building on Zucker (1986) and Parkhe (1998). Parkhe states that there exist a lot of standards, certifications, diplomas, awards etc. in the market environment. Each of these documents implies that the individual or the organization has met and been certified against some criteria which an independent qualified body has set up. A premium hotel appears to be trustworthy if the hotel has been awarded 5 stars. Certifications, awards, degrees etc. can play an important role in reducing risks and creating trustworthiness. The reason is that an independent organisation has ensured that the individual/organisation has fulfilled some requirements. It could be argued that institutional based trust could mainly be included under the dimension of ability. However institutional based trust could even be used to reassure integrity and to some extent even benevolence. For example, a person who is a member of a certain church is expected to have common moral values as the other members of the church (integrity). Voluntarily work in an organisation like "Médecins Sans Frontieres" communicates some level of benevolence. However, not being certified does not mean that a person lacks in ability, integrity, or benevolence.

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Mayer et al (1995) stated that integrity is the most important factor for the establishment of initial trust while Bews & Rossouw (2002) state that benevolence is the most important facilitator of trustworthiness. However, benevolence is more difficult to assess during the initial stage of collaboration, as there is less tangible evidence for its existence. Benevolence, ability, and integrity are demonstrated as the relationship develops and are constantly reevaluated. However institutional based trust does give the trustor some initial information regarding the trustworthiness of the trustee.

Another tool for creating trust which could be applied to the model of Mayer et al (1995) is the element of creating exit barriers for the collaboration. Exit barriers are context dependent and they keep the partners within a relationship and prevent members from casually leaving the alliance. Examples of exit barriers are investments in which the value is greatly reduced if the alliance ceases to exist. Parkhe (1998) states that if a company feels assured that the other company will carry out its obligations it will place trust in that company. The perceived risk in the collaboration will be decreased if there are some forms of exit barriers present. It is therefore important to organise all the collaboration in a way which ensures all parties involved carry out their obligations. Parkhe (1998) states that this can be done by creating a relationship which:

- Decreases the attractiveness of betrayal
- Increases costs of betrayal
- Enhances the possibilities of the collaboration

However, the exit barriers should be constructed in a way which both prevent organisations from leaving the collaboration and at the same time does not make organisations hesitate to join the relationship.

2.8 Summary of theoretical framework

After revising the theories which cover the aspects of trust creation in relationships we found the model of Mayer et al (1995) the most useful for our analysis. However, we found their model inadequate and thus, based on our theoretical framework, we developed their model as seen in fig. 7. This model will serve as the basis for our analysis of the results.

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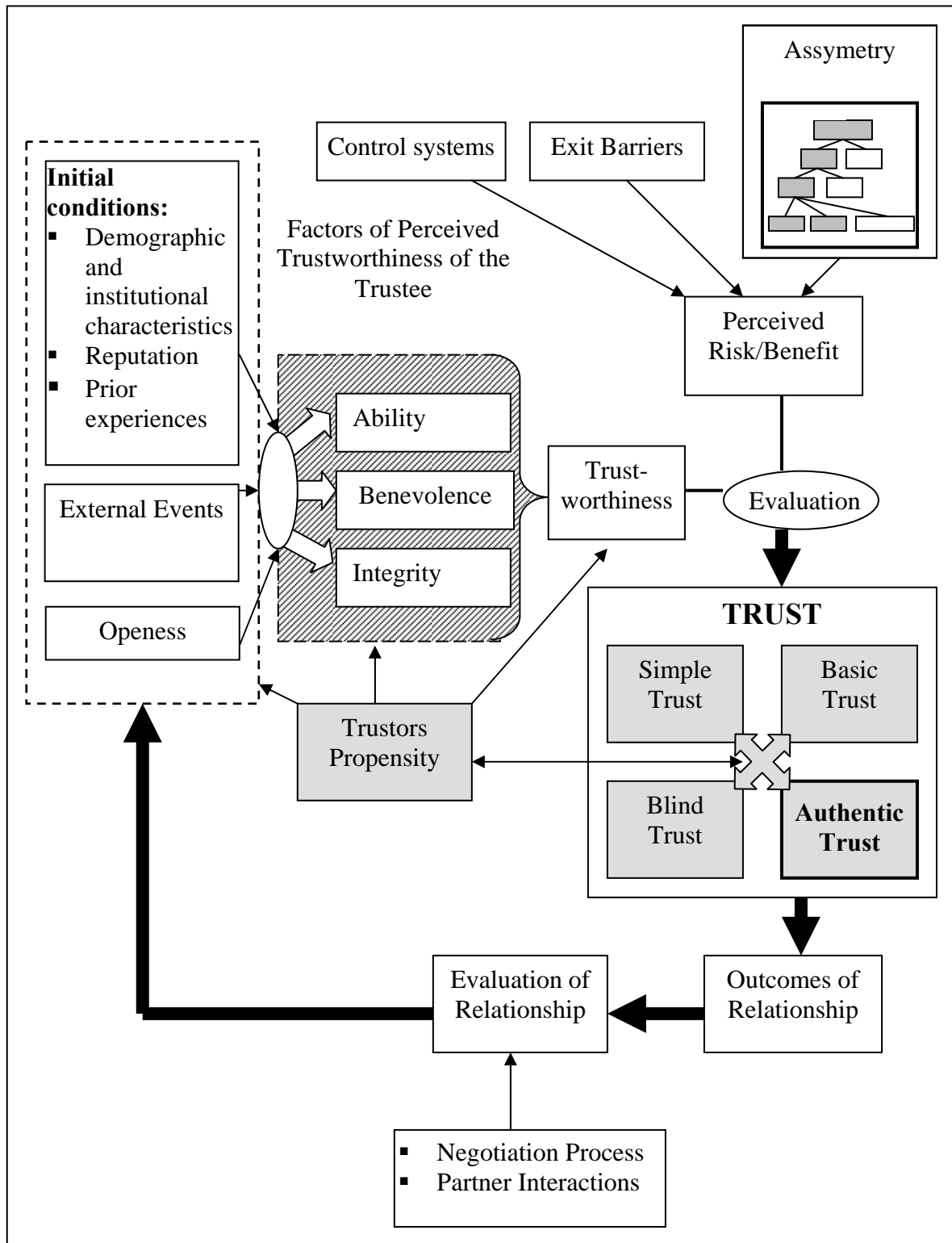


Figure 7. Developed model of trust building

This developed figure is based on the model of Mayer et al (1995). One party, the trustor, has a wish to start a relationship with another party which he/she has not met before, the trustee. The trustor would then like to know whether he/she can trust the trustee, and starts to evaluate the trustworthiness of the trustee based on initial conditions; demographic and institutional characteris-

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tics, and reputation of the trustee, on external events (recall Arino et al, 2001), and on the perceived openness (recall Das & Teng, 1998 and Bews & Russouw, 2002). The three factors of trustworthiness of the trustee; ability, benevolence, and integrity, do not automatically lead to trust when they have been fulfilled. These three trustworthiness factors need to be evaluated by the trustor in relation to his/her propensity to trust (which is also dependent on the trustworthiness factors, the initial conditions, external events, and openness). If the trustee is seen as trustworthy, and the trustor's propensity to trust is acceptable, a relationship might be considered after the two parties have considered the perceived risks or benefits the relation could result in. The perceived risk or benefit is based on the asymmetry relation (recall Petersson, 1999, Das & Teng, 1998 and Brytting, 2003), exit barriers (Parkhe, 1998), and control systems (Brytting, 2003). Thereafter the two parties need to evaluate whether the relationship is worth investing in, and then TRUST is developed. However, the form of trust developed is either simple, basic, blind, or authentic as based on Flores & Solomon (1998). When a relationship has been established the two parties will be able to evaluate the relationship based on their experiences with each other. Then they might consider the negotiation process and the partner interactions (recall appendix 2, Arino et al, 2001) when evaluating the trustworthiness of the partner. However, the initial conditions might have changed during the relationship and these factors are considered again. This process is constantly repeated as soon as any factor is changed.

This developed model (fig.7) is based on a relationship between two parties, however, this model can be applied to a multiple partner interaction as well and then each partner has to consider each factor in the process before trust can be developed. All the factors that influence the trust building are from an organisational point of view, however, the process could be applied on an individual level as well but then there are probably other perceived risk and benefit factors to consider. Note that the trustor is most certainly an individual in any context.

For this model to give a well functioning relationship, management time allocation is required as being mentioned by Parkhe (1995). Partners should also actively employ the principle of "*repeated reinforcement of positive experiences*" as it nurtures trust according to Parkhe (1998, p. 419). And as suggested by Das & Teng, (1998), equity preservation is another requirement that is required if trust should be developed in a collaboration setting between parties. Compiling the theories of trust building into a model makes it easier to understand how the different factors affect trust in relation to each other. Therefore, fostering trust in network development (see fig.4) is quite an extensive task to perform.

CHAPTER 3: METHODOLOGY

This chapter will account for the research perspective applied in this thesis, (i.e. our approach towards reaching the purpose of this research) and how we have tried to eliminate the potential errors we have encountered. Furthermore we will try to share our learning process to the reader.

The project, “Bidding Power” is in its initial stage and our research is focused on identifying potential problems for the Bidding Organisation within our area of research. We also have the ambition to identify possible solutions for avoiding those problems and evaluate what actions the BO should or could implement. However, our research findings will only be recommendations to the board of the BO, which is not set at the time of writing.

3.1 Interview sample

When starting the project the three groups of students had a seminar together with the project leader from WCCI. We discussed which companies and institutions could be of interest for the project to examine. We agreed upon three different research areas: technical textiles, composite materials, and electronics. This thesis aims to investigate the technical textile industry as follows:

- Parties operating in the West part of Sweden (see figure 1)
- Small and Medium sized companies and institutions
- Companies and institutions focused on manufacturing and research & development (R&D)

The region of West Sweden has hosted a successful textile cluster and the technical textile branch is an innovative sector within that mature industry. This sector was also of interest to us as they combine old experiences and knowledge with new technology for new areas of application. Examples of products from this sector are: 3D fabrics, intelligent fabrics, medical implantations (e.g. veins, organs) etc. From a trust point of view we chose to research this industry because it has survived despite tough changes in its market environment. Therefore this sector seems to have experienced various forms of collaboration, which could contribute to our research. Their survival might indicate that they have been trustworthy trustees.

Our method of selection has been *judgement sampling* and *snowball sampling* (Kinnear & Taylor, 1996 and Malhotra & Birks, 1999) in order to find the optimal companies and institutions to interview. We contacted different industry organisations and they helped us to identify key companies and institutions within the chosen sector that could be of interest for the project. At the end of the interviews we asked the informants to recommend other companies and

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institutions that they knew or thought could be of interest to the project. The reason why we chose these two sampling methods was that none of us had any prior knowledge or experience in the selected target group.

3.2 Measurement instrument

During a seminar in August we all brainstormed in order to find the most suitable method of how to collect the information needed and decided to conduct telephone interviews with about 200 people in total. However, after a couple more meetings we changed the method to personal interviews because we thought it would be hard to cover the depth of the subject over the phone. The interviews would last for about one hour and it would have been difficult to get the informants focused on the subject and feeling at ease. Furthermore, it would be difficult to explain the intention of the project, since it is rather complex.

We agreed to conduct qualitative interviews with about ten informants from different companies and institutions within the technical textile industry. According to our limitations we found that there were not more than a dozen companies in our geographical area. Two companies/institutions chose not to take part in our research due to various reasons. Some possible reasons for them not wanting to be part of this study could have been lack of time, away on business, or a lack of understanding of the project “Bidding Power” based on our phone conversation.

The people interviewed at the companies held positions as CEOs or R&D managers, and at the institutions we interviewed people who were well up in our research area. We chose to make the probing on a management level as we consider them a source of tender receiver and alliance or consortium deciders. It is important to interview these managers or CEOs as they are likely in the position of evaluating the trustworthiness of the other potential collaboration partners in the network. Not only will these managers and CEOs have the position of trustors, they will also have a considerable involvement on the trustworthiness of “their own” organisation externally and internally. All our interviews were conducted between the 13th of October and 10th of November 2003 on the premises of the informants.

Personal interviews are preferred when investigating what somebody else knows, thinks, or wants according to Merriam (1994). Another reason for choosing qualitative interviews is that we would be able to ask follow up questions when meeting face-to-face. If the informants show confusion it would be easier to give further explanations. Not only the words but also the body language plays an important role when communicating with people. Not all the

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respondents had experiences of similar forms of collaboration therefore we modified the questions for each case in order to suit the respondents' experiences. Our investigation will be based upon the experiences of the informants and we intend to investigate what the informants think about the project and how the trustworthiness can be facilitated without having prior knowledge or experiences of the potential collaboration partners.

We made an interview guide (see appendix 3) with six categories of our interview questions, with sub questions about collaboration and trust. We followed the interview guide during the interviews but as the informants had different experiences we adjusted our questions in accordance to the informant. We also practised to ask the questions to each other in order to be at ease with the situation. The first interview we conducted served as a test interview and the respondent agreed to answer further questions if necessary. After the interview we analysed the answers gained and we found that the interview guide was sufficient. During all interviews we participated and recorded all conversation on tape.

We asked our project assistants, our thesis supervisor and the other students in the project group to give us feedback on the interview questions.

3.3 Analysis of data

All the interviews were conducted in Swedish and tape-recorded and the core issues were then written down in English. None of the respondents opposed the idea of the interview being tape-recorded. There is a drawback of using a tape recorder and that is that it can influence the answers one gets. This was noticeable when the tape-recorder was switched off, the respondent started to talk more spontaneously.

The answers were divided into five categories with sub questions (see appendix 3). The five categories are:

- earlier experiences of collaboration
- what is important for collaboration
- sources of trust
- how to build trust
- how to build trust in the context of the project "Bidding Power"

We grouped the answers from the informants to be able to see different patterns. Thereafter these answers were compared to our theoretical framework (see figure 7) and compiled into table 3 from which we later could draw our conclusions.

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None of the respondents mentioned any desire that their answers should be confidentially treated. We have chosen not to refer to the respondents by name in the analysis and discussion but instead refer to the respondent as respondent from company A-I. Eleven informants were interviewed but only nine organisations were represented, i.e. two organisations had two respondents each. We assert that it would not add any value for our results and discussion, knowing which person said what.

3.4 Other data collection

In order to get an understanding of the problem area and create our theoretical framework we have chosen to review different sources. When the project was initiated in August 2002 we started to gather data for our theoretical framework. In the beginning we studied cluster development and regional cluster policy. The TCI (The Competitiveness Institute) conference was held in Gothenburg commencing on the 15th of September 2003 and we were able to participate in different seminars. Based on the discussions in the different seminars we started to understand that trust is an important issue in clustering activities.

Our theoretical framework has been developed from a wide range of sources. Journal articles have been the dominant source and from the references mentioned in those articles we have found other relevant sources of information. The continuing dialogues in our project group have been beneficial for the development of our understanding.

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CHAPTER 4. RESULTS

This chapter will present the findings from the interviews we have conducted in order to answer the research problem. After the responses from each informant we have written in parenthesis which trust factor they seem to refer to. These findings are then summarised in a table that is based on our developed model.

We have interviewed eleven respondents in nine organisations in total. Six manufacturing companies and three institutions or research centres, all located within our chosen research area and business field.

The companies where we have performed interviews are:

- CTF, Center för Textil Forskning, Högskolan i Borås.
- Proteko
- Autoliv, Textiles-Research & Development
- Eng-Text
- HGB Bäckstrands/Eurogym Sport AB
- Industri Textil JOB AB
- FOV Fabrics
- IFP Sicomp, Fibrous Materials and Composite Materials
- AB Bröderna Bourghardt

4.1 Background

The textile industry has experienced a competitive climate during the last decades in Sweden according to one of the respondents. Sweden had high tariffs earlier but those were removed in 1960. The removal of tariffs had a huge impact on the textile industry in the region and Borås lost 15,000 job placements in only two years. A lot of the production is labour intensive and much production capacity has been moved to countries where the labour costs are lower. The textile industry is however still important for this region. Some companies have moved from producing clothes to more technical textiles and it is still economically feasible to have technical textile production in Sweden. Sweden exports textiles worth 14.9 billion SEK and technical textiles stand for 50% of those exports according to the informant from CTF, Högskolan i Borås.

4.2 Earlier experiences of collaboration

Company H believes that the textile industry, in general, is very bad when it comes to collaborating with each other. The respondent believes that there is a worry about the neighbour stealing their ideas. But the respondent also thinks that the collaboration within the industry has increased. The informant further-

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more believes that it is good to keep competitors apart to make the collaboration work. (Lack of benevolence)

Company A has experiences in collaboration when it comes to R&D projects and has not experienced any problems when collaborating with other people that work in the R&D field. The informant at company A believes that people who are working in the same function have a similar culture even if they work in different industries. (Integrity)

Company B has also been involved in joint R&D projects and they find it easier to work with larger companies. In their experience different industries have different demands, for example, they have experienced the automotive industry focusing more on design than the other industries they have collaborated with. (Asymmetry)

Company C has limited experience of joint R&D projects. The customer often comes with a specified order and then it is up to the company to deliver based on those demands. The time frames in different orders are often too tight and it is not always possible to establish a relationship. Company C feels that it is more difficult to collaborate with other industries. (External events, ability)

Company E views their relationships with their customers and suppliers as a form of collaboration. The informant at company E states that they collaborate closely with five other companies and they view themselves as the nod in that collaboration. The other companies in this collaboration have no contact amongst themselves. Company E also states that in order for a collaboration partner to be of value, it has to be almost ten times larger than company E. The respondent states *“by buying or gathering the knowledge we need we keep the knowledge within the house. The risk is that we might not end up with the ultimate product”*. (Ability, asymmetry)

Company F has been involved in a lot of R&D projects with different companies and the informant asserts that it is very important for his/her company to collaborate with others in order to survive. Company F feels that their relatively small size can be a problem in different collaboration projects. Some collaboration projects are never completed but in the best cases the results can be outstanding. (Benevolence, asymmetry)

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4.2.1 Summary of earlier experiences of collaboration

All the companies interviewed stated that they have had some form of collaboration with other companies or institutions. However, none of the collaboration forms seemed to be similar. Two respondents did not express any tangible outcomes from their experiences of collaboration and we were unable to analyse their answers. Problems regarding collaboration which were identified by the respondents were:

- The companies within the industry are not very good in collaborating with each other
- It is difficult for competitors to collaborate together
- It is more difficult to collaborate with other industries
- Collaboration for small companies is more problematic

4.3 *What is important for collaboration*

The informant at company A believes that in order for collaboration to take place, the parties involved need to contribute with resources equally, especially time. It is very important that the parties which are going to collaborate define what they are going to contribute to the project. He/she also claims that personal chemistry between those who shall collaborate is important. *“One has to be able to respect each other’s abilities and knowledge. It is also useful to communicate clear demands and criteria for the collaboration as it simplifies the entire process”* according to the respondent. (Asymmetry, ability, control systems and integrity)

The informant at company B says that trust is the most important thing when collaborating. Communication also plays an important role. The respondent asserts, *“it is important that the collaboration partners speak the same national and professional language. The professional language or industry language usually comes naturally after some time during the collaboration process. Availability is another important issue and the collaboration partner must have the resources to be able to collaborate.”* The respondent at company B also thinks that knowledge is important. (Demographic characteristics, ability, openness, and asymmetry)

The informant at company C claims that the most important aspect for collaboration is the possibility for return on investments. If all parties have return on investment as their main priority then it will be easier to make the collaboration work. The respondent means that if one does not trust one party, one can turn to a third party that one trusts since the third party has trust in the first party. (Asymmetry and integrity)

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Company D believes that it is important that you know those you are supposed to work with, and that they have an even level of quality in their products, that they have delivery assurance, and when that has been fulfilled they then look at the price. (Prior experiences, ability)

The respondent at company E asserts that deliverance assurance, product and price are the most important factors for collaboration to take place. *“Our main priority is to make profits, but it is always nice if someone else benefits from it. However, we have to make profits first.”* (Ability)

The informant at company F stresses the importance of non-competing behaviours between the collaborating parties. When some part of ones business clashes with the business of the collaborative partner, one becomes restrictive and that has a negative effect on collaboration. The informant also states *“it is important to have a common way of working within a common project”*. (Benevolence, integrity)

The informant at company G claims that knowledge is the most important aspect for making a collaboration project to work. *“It is important that one does not promise more than one can deliver. It is better to be modest and fulfil the expectations”*. (Ability and openness)

The respondent at company H also believes that it is important not to include competing companies. (Benevolence)

“The most important aspect for collaboration is that it must be beneficial for the company”, according to the informant at company I. It is also important that the collaboration project is over a longer period of time. (Asymmetry)

4.3.1 Summary of what is important for collaboration

The respondents identified several important issues which are important for collaboration success. Some main issues raised are:

- All parties involved in the collaboration should contribute equally
- There must be clearly defined roles within the collaboration
- All parties must respect each other
- Clearly defined goals must exist
- Some level of trust must exist
- Clear and coherent communication
- Organisations which collaborate must be flexible
- The collaborating parties must have competence
- There must be a return on investment

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- Collaborating companies must be honest

4.4 Sources of trust

Many collaboration partners are found on exhibitions according to the informant at company A. *“Exhibitions are a good place for establishing new contacts and when one wants leads one can turn to those contacts and they can in turn help you find a relevant partner. Utilizing each other’s network is the only way to find the appropriate collaboration partner.”* (Benevolence, prior experiences and reputation)

The informant from company B asserts that in order to find a collaboration partner the best people to turn to are the people you already know. *“In order to certify if one can trust the new partner one can turn to organisations which supply that potential partner with something, for example, a machine supplier. If there only exist two suppliers of machines in the marketplace it can be very good to ask them what they think of the potential partner since they have nothing to lose and they want to please you as a customer.”* The informant from company B does not believe that it is a good idea to ask the customers of the potential collaboration partners, because they might claim the potential partner is better than he really is. Their intention might be to put pressure on all companies delivering products/services to them. (Prior experiences and institutional characteristics)

Company C also uses exhibitions in order to find new potential collaboration partners. The respondent from company C states that testimonials from the potential partners’ customers are extremely important. The partner does not want to jeopardize the relationship to customers and he will therefore give that little extra effort which will make the collaboration function. (Reputation, prior experiences, and benevolence)

The informant at company D states that this company first turns to their neighbours when they need help. *“The owner of the company has many contacts as he has been an entrepreneur for many years and he has good knowledge of all companies in this area. If we do not find any suitable collaboration partners in our neighbourhood or within our network we look for partners on the Internet. However the risk when using the Internet is that you cannot guarantee what you will get. But if you e-mail the potential companies you will get a response from those who are interested.”* (Demographic characteristics, prior experiences, and ability)

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The respondent from company E only relies on personal meetings in order to evaluate trust and chooses the right partner for collaboration solely on the basis of the products. (Ability, prior experiences)

The respondent from company F asserts that the company primarily uses their established network for finding collaboration partners. If the company does not know any potential partner they tend to contact IFP to see if they have any suggestions. Otherwise they tend to visit exhibitions or fairs to find potential collaboration partners. (Prior experiences, institutional characteristics, and reputation)

Company G uses personal relationships. (Prior experiences)

4.4.1 Summary of sources of trust

The respondents interviewed for this thesis have several sources which they turn to in order to evaluate the trustworthiness of a potential partner. Prior experiences are very valuable for establishing trust according to all the informants. Reputation was also considered very important and that is gathered from organisations which are perceived objective third party sources. Another interesting source of trust is familiarity about the organisation gathered from exhibitions and fairs. That kind of source is largely based on first hand observation without the actual establishment of a relationship.

4.5 *How to build trust*

The informant at company A admits that his company follows a lot of internationally recognised standards which define all the processes one works with. Environmental processes, quality processes, and development processes are included in the system. There are many different quality systems, like ISO 9001etc., and the idea behind the system is to create a sense of trustworthiness for ones processes. The respondent claims that it is quite difficult to implement ISO and it can often take a long time. However he does believe that an ISO certification is a good tool for assessing the processes of a potential collaboration partner. *“If a partner is certified, he has a structured way of working which is similar to our way of working and this makes it easier to collaborate”* according to the informant from company A. (Institutional characteristics, control systems, and ability)

Company B tries to gain the trust of other companies by acting decent and respectable. In order for company B to trust somebody else they need some written agreements, otherwise they need to know the other party. Company B

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values goodwill a lot, it must be reciprocated otherwise they will terminate the collaboration. If they feel betrayed they will tell that to other companies within their industry as a sort of punishment. The respondent at company B believes that such information is spread fast within the industry. (Benevolence, integrity, openness, control systems, and exit barriers)

Company C tries to act in a trustworthy manner by dealing with their parties in a decent way, they try to make their payments on time, give correct conditions, and be honest. They also try to correspond information that is trustworthy and in a good manner. (Benevolence, integrity, reputation, and openness)

Company D claims that their trustworthiness is built on very established relationships and they build trust by being honest. They also try to build trust by showing that they have knowledge about their products, or in other words, try to show competence. (Prior experiences, benevolence, and ability)

Company E creates trust by creating some value in the relationship. They also like to show others that they are competent. *“The things we sell should have a function.”* (Asymmetry and ability)

The respondent from company F states that *“all projects today have secrecy agreements which was not common five or six years ago. Today more and more companies apply for patents to protect their products and processes etc. In order to protect them it requires some form of formality, otherwise a company might come in five years time and say that they already knew that before we applied for that patent, and in that case one does not have much to say. Even if you were friends five years ago that might not be the case today. We also try to build trust by directing customers to other competitors or to an organisation like Proteko who has good knowledge or overview of the industry if we find out that we are not able to help the customer ourselves. We believe that directing the customer to another party that might solve their problem better than us will show that our intention is good.”* (Ability, benevolence, openness, control systems and institutional characteristics)

The informant at company G asserts that trust is built through relationships. When the parties have upheld what they promised the relationship continues to grow. *“Here the secrecy aspect comes in as well, it is very important that one does not break any secrecy agreements. We judge other companies as trustworthy if we believe that they are as competent in that area as they say they are, and if they fulfil their undertakings.”* (Prior experiences, benevolence, ability, control systems, and openness)

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The respondent from company H builds trust by trying to lead people who have questions in the right direction. *“This makes them come back, they know that we will be able to help them”*. Company H, also thinks that it is important that one not give any company preferential treatment. (Benevolence)

4.5.1 Summary of how to build trust

The respondents have different methods for how they build trust towards other organisations. This was expressed as:

- Having internationally recognised standards
- Acting decent and respectable towards other companies
- Fulfilling obligations
- Being honest
- Showing that they have superior knowledge
- An interest in the mutual creation of value
- Developing secrecy agreements which protect all parties involved in the collaboration in order to avoid too much openness
- A focus on fairness towards all collaboration partners
- Being helpful and guiding other companies to other organisations (competitors included) despite potential short term gains

4.6 How to build trust in the context of the project, *“Bidding Power”*

Company A and its informant state that if all parties were ISO certified it would be easier to start collaborating. *“A secrecy agreement that protects all the involved parties will be very important for the project, “Bidding Power””*. Company A never enters a collaboration project without a secrecy agreement and it is the secrecy agreement which takes a long time to be signed by all parties involved in the collaboration. *“It can range from ten minutes up to eight months and if it takes too long time, the market opportunity might be gone and the project is no longer of any interest. All the parties in the project must read and really understand the secrecy agreement. If the trust level in the relationship is high, then the secrecy signing process goes faster”*. The informant from company A suggests that the Bidding Organisation can construct a common secrecy agreement, which all parties in the network accept before they are included in the system. He/she also believes that companies, which are competitors in some areas, should not be included in the same project group, as it will not work. (Institutional characteristics, ability, openness, control systems, and benevolence)

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The respondent at company B also stresses the importance of writing an agreement or contract. And that it is “*important that everybody who contributes with something get some compensation in relation to how much time one has contributed.*” (Benevolence, openness, control systems, and asymmetry)

Company C also believes that writing some sort of an agreement is necessary in order for such a project as “Bidding Power” to work. However, “*the agreements need to be open for exit possibilities if a company would not be able to deliver. This usually ends with thick agreements with a lot of written exceptions. The agreement needs to minimise the risks for all the parties, and too many written exceptions is not good. Another suggestion is that all the parties sign a document which constitutes some common values.*” (Integrity, ability, exit barriers, and control systems)

Company D thinks that “*if all the members sign a form that affirms that they will meet certain requirements then one will know that the other members are as serious as they are. And this will speed up the trust process. It is also a good idea to know what requirements the bidding organisation has. One risk with a project like this is that competition might appear, but that is relatively easy to solve. Companies often believe that they are competitors, but in the end they are not since in most cases they have different customers.*” (Integrity, ability, control systems, and benevolence)

The respondent at company E thinks that it is important that the people who will select the companies, which will be members in the network, make a good selection. “*Should our competitors be involved in the system, which might be selected for the same project, and then it is most certain that war will occur. However, working with competitors might solve some issues that you never thought of. But if we end up with no competitors we will be delighted. If we will be forced to collaborate it will probably be very hard, since we would like to manufacture the end product*”. He/she supposes that the mix of people and companies needs to be good. “*But at the end of the day, who will make the decision of who should be involved in the collaboration and not? Preferably I would like to select the companies that should collaborate myself. I would look for competence and capacity. A company with only one employee is probably fully booked with daily business and does not have as much time to spare as would be required to provide anything to the project. I would also restrict competitors to collaborate, they would probably complicate the collaboration*”. He/she suggests that the BO should turn to his/her customers, in order to find out the needed information, “*they have already analysed us and the other potential suppliers.*” (Benevolence, ability, and reputation)

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Company F thinks that the BO should have the quality systems the companies use as one selection parameter in order to select companies that could work well together. *“If the companies have similar quality systems they will be able to communicate better since the quality system sets the framework for how the company works internally”*. He/she thinks that the risk with a project like “Bidding Power” is that distrust or scepticism might occur when the parties have not worked together earlier. *“One will not know what the others are going to do, want to do, and what they stand for. It will probably take some time to get the group together, and that time is not always available, preferably it should go fast as well. Not only is it enough to write it down, you need to be sure of it too before any secrets are revealed. One suggestion is that the organisation of “Bidding Power” compile a little book where some basic rules that should be applied for every member in the network are written out. These basic rules could even cover the secrecy agreements as well. If a company does not sign the little book it cannot be a member in the network either. This will probably shorten the run-up time.”* (Control systems, ability, benevolence, integrity, and institutional characteristics)

From their own experiences, company G, thinks that even such trivial things as drinking coffee together and socialising is a good way to build trust. (Openness)

Company H thinks that trust might be built if the selected companies do not compete with each other. (Benevolence)

4.6.1 Summary of how to build trust in the context of the project “Bidding Power”

The respondents had a lot of good recommendations for the establishment of initial trust when companies included in the competence network are gathered to collaborate. Here is a summary of those recommendations:

- Only include companies which are quality certified (e.g. ISO standards) as those companies will have a common way of doing things and a similar understanding and language
- Common secrecy agreements should be developed prior to the establishment of a collaboration network, an outside party considered trustworthy by all NMs should construct this secrecy agreement
- Competitors should not be involved in the same project, as they will have motives for acting in an opportunistic way and/or withholding information from their competitor involved in the same collaboration
- Fairness should be an important element in each collaboration project. The financial return collaborating parties receive should be in conjunc-

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tion to what they have contributed in terms of time, resources, expertise etc.

- A development of common values within the collaboration
- Determination of the roles within the collaboration with role requirements clearly specified so that all parties involved are assured as to what they can require and what is required of them
- Clear communication of the requirements that the Bidding Organisation (BO) has on the Network Members (NMs).
- The final selection of the companies (see step 5 in figure 2) who are going to collaborate for a particular project needs to be performed by competent people in an open manner. This will entail an increased trust in the system which, in turn, results in increased trust for the BO. It will also be useful for establishing the ability of the different companies which are going to collaborate
- Socialising between network members before any actual collaboration project is initiated can be a useful way of establishing some forms of cross industrial relationships that can be helpful in trust development. The relationships which are established through this socialisation can be useful when an actual collaboration project occurs. The collaborating parties will then not be total strangers

4.7 Other recommendations or reflections

Another suggestion from company A is that each project needs a project leader who could have an overview and manage the project, a leader who can write a project plan involving set goals for everyone to follow. *“Sounds simple but it is hard.”* He also believes that the project leader should come from one of the participating NMs (Network Members). *“Even if there are project leaders that one can hire from a consultant agency, a lot of the knowledge which is gained during the process will be lost.”*

Company B also thinks that it is important that there will be a leading party in the collaboration, otherwise he thinks the project will die.

Company C proposes that determining who the holder of the customer is is always a sensitive subject. *“A risk might be that if a company has a bid and turns to “Bidding Power” to get help in finding some collaboration partners and actually gets some very good partners. It might turn out that the end customer finds out that one of the collaboration partners could deliver the final end product by itself. This might later mean that the company who got the bid in the first place loses one important customer.”*

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Company D recommends that one company should be allowed to develop a product further. If one of the companies in the collaboration feels that they cannot develop it further with their competences then the other company should be allowed to search for new collaboration partners.

Company E suggests that one selection parameter could be that one requirement to join as a member in the network is whether the company has a research and development department that is big enough. But turnover per employee does not indicate how much pressure the staff is.

Company F proposes that the good examples should be used as a marketing tool for the organisation. They also think that a/or some well-recognised name(s) could be included in the system, for example Volvo or Eriksson. *“As long as these names do not scare any other companies to avoid being members. Most important is to include some companies that are well known for having good business ethics. It is important that no company step on someone’s toes, such information is easily spread. It is also important that the person who will represent the company is humble. If a company is doing something that is not accepted, that company could be excluded from the network. If a company is taking a free ride, the other company who did the work will then probably not be involved again. Therefore it is probably a good idea to have some sort of evaluation after each project is done, however, it will not be easy to set grades on each other, but some form of evaluation will be good.”*

One suggestion that the informant at company G had is that it would be good if there were some compensation for the joining parties.

Company H suggests that the BO let the final customer choose who should finally be in the collaboration project.

4.8 Summary of research findings

We have summarised our research findings into a table (see table 3.). The table was constructed as a way of documenting the data gathered from the interviews. The factors on the left hand side of table 3 are compiled from our theoretical framework, and how they are related is illustrated and explained in figure 7. The factors mentioned in the table are considered important for the development of trust in three different ways: sources of trust, factors of trustworthiness, and risks or benefits involved when developing trust. All these factors influence the final trust level in the relationship.

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The answers from the different interviews were analysed and we identified which trust factors they seemed to mention in their responses and inserted them in the table. Our ambition with this kind of analysis is to identify the factors the respondents thought to be the most important for the creation of trust.

Company Trust	A	B	C	D	E	F	G	H	I	Total
Demographic characteristics		■		○						2
Institutional characteristics	□●	○				○□ ●				6
Reputation	○		○□		●					4
Prior experiences	○	○	○	■○ □	○	○	○ □			10
External Events			▲							1
Openness	●	■□ ●	□			□	■□ ●			9
Ability	■□ ●	■	▲ ●	■○ □●	▲■ ○□ ●	○□ ●	■ □			20
Benevolence	○●	□●	○□	□●	●	▲■ □●	□	▲■ □●		18
Integrity	▲■	□	■□ ●	●		■●				9
Exit Barriers		□	●							2
Assymetry	■	▲■ ●	■		▲□	▲			■	9
Control Systems	■□ ●	□●	●	●		□●	□			10

Key

▲ Earlier experiences of collaboration	■ What is important for collaboration
○ Sources of trust	□ How to build trust
● How to build trust in the context of the project	

Table 3, Summary of results

The number of times each factor was mentioned is illustrated on the right hand side of the table, in the following order:

1. Ability

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2. Benevolence
3. Prior experiences and control systems
4. Openness, integrity, and asymmetry
5. Institutional characteristics
6. Reputation
7. Demographic characteristics, and exit barriers
8. External barriers

Another interesting point is which trust factors the respondents thought were important in the context of the project “Bidding Power”. The different factors were mentioned in the following order and the number in the parentheses is the number of respondents who mentioned that particular factor.

1. Benevolence (6)
2. Ability and control systems (5)
3. Openness and integrity (3)
4. Institutional characteristics (2)
5. Reputation, exit barriers, and asymmetry (1)
6. Demographic characteristics, prior experiences, and external events (0)

DISCUSSION

CHAPTER 5. DISCUSSION

This chapter will use the theoretical framework which we have discussed earlier in this paper and use those theories as a tool for analysing the empirical data that we have gathered from our interviews.

All of the respondents that we interviewed have experience in working closely with other companies and institutions in different research and development projects. This is good news for the BO because the companies will have some practical experiences of collaboration across organisational boundaries. The context where those collaboration projects have occurred is not similar to this particular project, however as most of the respondents preferred to collaborate with organisations which they have had prior contacts/experiences with.

The pressure to demonstrate tangible network outcomes is stated by Büchel and Raub (2002) as one of the most important network activities but also one of the most difficult activities to achieve. The informants whom we interviewed also stated that it is very important that the project “Bidding Power” actually results in tangible network outcomes for the companies in the system. If this does not happen companies will be reluctant to join the system and/or be a part in future alliances. It is important that the opportunities/benefits are greater than the risks. Otherwise it might be difficult to get the parties to trust each other.

5.1 Key Activities in network building

The major challenge exists in the notion that it is vital to demonstrate tangible network outcomes, but that must be done with alliance members which the individual organisation has no experience working with. Adding to the complexity of the situation is the fact that there will also be a fixed deadline for each bid. A majority of the respondents assert that it is important to know your collaboration partner and personal relationships are very important, but that might be difficult to achieve due to the deadlines. Büchel & Raub (2002) considered fostering trust as important as demonstrating tangible network outcomes and it is also considered very difficult to achieve. The informants supported the finding of Büchel & Raub (2002) that trust is important when building networks.

5.2 Economic rationale for trust

Trust is important in collaboration as it can make the collaboration more efficient but also more profitable. Brytting (2003) talked about the economic rationale for trust. If trust is absent in an alliance then it must be substituted with

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different control mechanisms and control mechanisms cost resources. One informant talked about secrecy agreements and the time span for getting it signed by the other party could range from 10 minutes to eight months even if the secrecy agreements were similar. The informant also stated that it is the element of trust that determines how long it takes. If trust is high the signing process will go faster. Many informants talked about secrecy agreements being used in almost all forms of collaboration when one works with cutting edge competencies. In the context of the project, control systems were considered more important than general trust building. This could be due to the respondents feeling uncertainty towards this new form of collaboration situation where they would not know the other parties. There is a real economic rationale in focusing on trust in alliances. If all parties are made aware of the importance of trust and the economic rationale behind it they will be more engaged in creating an environment where trust is fostered and developed.

5.3 The role of trust for the Bidding Organisation

Persson (1999) develops a model of the relationship between trust and situation (see figure 5). That model was valuable for understanding what role trust will play for the BO. All the organisations we have interviewed have a low level of asymmetry in relationship to each other. We base this idea on the notion that all partners are quite small in terms of size and that they probably have the same national culture. The organisations that will be involved in the project “Bidding Power” comes from the region of West Sweden. This will result in a quite homogeneous group of organisations and this will have a positive effect on trust building. It is interesting however that relatively few (two) of the respondents acknowledged demographic characteristics as important for collaboration or as a reason to value a party as trustworthy.

The level of asymmetry will of course be different for each alliance but the fact that each alliance member is part of the collaboration is because they possess some unique competence which the collaboration is dependent on for success. This gives each network member real power and creates a situation with a low level of asymmetry. The respondents we interviewed were all interested to be part of the system and they see a lot of opportunities. However, two organisations declined to be interviewed and we are therefore unable to make any comments on the willingness to be part of the system for those two particular companies. The companies can make the choice if they want to be included in the system or not. They can also make the choice if they want to be involved in each collaboration project.

DISCUSSION

On the basis of the model (Pettersson, 1999: Trust and situation) in figure 5, the element of trust will have an important role for collaborating parties in the project “Bidding Power” and all the informants confirmed this notion. But what can the BO do if it becomes apparent that it is impossible to create a sufficient level of trust? The model points out an alternative solution, in that the collaborations could be dominated by one strong organisation. The Major Product Companies could be invited to be an active player in the alliance. This would create an alliance with a high asymmetry level and the issue of trust would decrease in importance. The BO would still improve business opportunities for small and mediums sized companies in the region and create economic growth. However the drawback with this idea is that larger companies tend to be more bureaucratic and slower when it comes to reacting to opportunities in the market place and that is one of the strengths of the project “Bidding Power”. Larger organisations might also demand more control mechanisms and that might make the whole collaboration process more expensive and time consuming.

5.4 Sources of trust

Trust building between parties will differ for each relationship and each party will form some kind of preconceived notion about the other party even before meeting or working together. We base this notion on our results where it was apparent that the companies differed in their propensity to trust. The companies will probably try to find out how the selected collaboration companies usually work from their own established network, or try to find out some information through other sources like the Internet or as a respondent from organisation A stated: “*Utilizing each other’s network is the only way to find the appropriate collaboration partner.*” Our assumption is that the network members who should collaborate have not met each other before, otherwise they would have collaborated earlier and there would not be a need for such a network, as intended by “Bidding Power”. The region is not that large and the personal network of the people are probably fairly wide, and thus they might know somebody who knows someone who works at the company which they are supposed to collaborate with. Based on that information they will build a conception (of that party) based on rumours from the personal network. This preconceived notion or earlier/established conception could be either positive or negative.

It would be beneficial if all the Network Members (NMs) in “Bidding Power” have a positive reputation of being trustworthy when it comes all aspects of trustworthiness, the member companies should possess characteristics as ability (also based on institutional based requirements), benevolence, integrity, and

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openness. The BO will be able to "guarantee" that the NMs possess all these requirements if it has set strict requirements on the joining companies or institutions from the beginning otherwise they should not be allowed as members. As Parkhe (1998) mentions, institutional based trust can be gained from external formal social structures like standards, certifications, diplomas, awards etc. Certifications, awards, degrees etc. can have an important role in reducing risks and creating trustworthiness. The reason for that is that an independent organization has ensured that the individual/organization has met some requirement. Some respondents answered that they would be much more comfortable if they knew that the other members would be certified by ISO 9001 as this would give some indication of ability which was considered the most important factor by the respondents.

A drawback is of course that if one company does not meet the requirements, and if that organisation is really valuable for some collaboration arrangements, the collaboration will be weak or perhaps not even occur. But having, some strict requirements will also make the whole BO more trustworthy. If the NMs have the required abilities for being considered trustworthy, some of that trustworthiness might be replicated to the BO as the BO has access to those abilities. We recommend that the BO communicate to all NMs that the companies and institutions have fulfilled some requirements that are mutually acceptable by a majority of the NMs. Examples of requirements could be: organisational flexibility, honesty, fairness etc. This should be reinforced by evaluations after each project. Those who fail to meet the requirements should be excluded from the network.

5.5 How to build trust in general and in the context of the project "Bidding Power"

All the respondents we interviewed were interested in participating in the project and they also showed an awareness of the risks involved in participating in a project like "Bidding Power". Based on the ideas of Flores & Solomon (1998), all the respondents showed characteristics of authentic trust (rational reasoning of risks involved). This is positive for "Bidding Power" because if the organisations are aware of potential risks they will be more inclined to make an effort in reducing it.

Mayer et al (1995) defines three key components for the development of trustworthiness. Those were ability, benevolence, and integrity. All three components are mutually dependent for the establishment of trustworthiness according to the literature. Our informants mainly stated the importance of ability for successful collaboration and building trust. With ability they referred to the

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collaboration partner having knowledge and adding something to the collaboration.

Bews & Rossouw (2002) state that benevolence is the most important factor for creating trustworthiness followed by competence (ability) and integrity. Benevolence was also the most apparent in the context of the project as six out of nine respondents expressed this. Which trustworthiness factor is considered most important depends on what context the trust will be placed. If a person needs to go to a doctor the benevolence of the doctor will be the highest priority for the patient. The patient expects that the doctor will want to help him. Ability is of course important as well. The doctor must have the knowledge in order to be able to help the patient. Integrity will probably not be of high importance in such relationship. The patient does not care if the doctor shares the same moral values as the patient as long as he/she cures the patient. An example where integrity could be the most important aspect is if the Body Shop company would collaborate with a supplier of makeup. The ability of the supplier/producer of the make up would be important but it would not be the most important. Body Shop has built its brand on certain values, like no animal testing etc. It is important that any collaboration partner share those values with Body Shop, otherwise the company will damage its most valuable asset, its brand.

Brands/organisations are often considered trustworthy or non trustworthy by consumers. A good example of this is the ongoing scandal of the Swedish insurance company Skandia. The previous top management at Skandia acted in a way which damaged their trustworthiness and their ability in running the company has been questioned after they made some poor investment decisions. The top management have not been benevolent towards their stakeholders either they have received extremely high bonuses on the expenses of the shareholders. The factor of integrity has also been damaged. It is quite obvious that the principles, which govern the actions of the former top managers at Skandia, are very different from a majority of their stakeholders. The top managers have tried to hide their bonuses through creative bookkeeping and this is a violation of the openness factor which influences trustworthiness. The responsible managers have left the company but Skandia, as a company, is still seen as being untrustworthy and its reputation has probably been damaged for many years to come.

All three of the trustworthiness factors will be of importance in the collaboration projects initiated through this project. We mentioned earlier that many informants state that they view ability as being very important in order for them to have trust in others in a context like "Bidding Power". This makes it important for the BO to validate the competence of the different organisa-

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tions before they are included in the computer system. It is difficult to create any form of knowledge of any partners' benevolence prior to actually meeting the partner, and that claim is also supported by Mayer et al (1995). Some of the informants state that integrity could be communicated before one actually meets the collaborative partners. One suggestion from the respondents was that the Bidding Organisation could construct some form of letter of intent, which all parties have to sign before they can be entered into the system. The letter of intent will constitute some form of common values which all network members can accept. A letter of intent will reduce the potential risks involved in joint collaboration and the letter can be an important tool for reassuring benevolence and integrity in the relationship.

Mayer et al (1995) also talks about the propensity to trust. The fact that the propensity to trust differs between individuals creates many problems for the BO. It is important for the BO to keep in mind that people differ in their rationale for trusting someone. It will be difficult, if not impossible, for the BO to affect the propensity of the NMs to trust. Each individual is unique and everyone has unique experiences which shape the propensity to trust. It became evident through our interviews that people trust for various reasons and on various grounds. The different trust influencing factors identified in figure 7 were all mentioned by the respondents but some factors were mentioned more than others (see table 3). One recommendation is that the BO should focus on the three trustworthiness factors and try to identify and communicate the highest possible level of ability, benevolence, and integrity. The level will hopefully be enough for all the different people involved in the network so they would be confident in placing trust in the trustee.

5.6 Discussion of data collection

After analysing the research findings we found that some of the respondents did not give straight answers. As interviewers we tried to reformulate the question in different ways to lessen the chance of misinterpretation by the respondents. After asking similar questions a third time we thought that we started to ask leading questions and therefore moved on to other questions. The two organisations that we were unable to extract valuable answers from were interviewed in the end of the interview process, and we had not encountered such misinterpretations in the earlier conducted interviews, nor in the test interview. Perhaps the two respondents thought that the questions were too sensitive or maybe they felt unsure regarding how the BO would regard their role in the context of "Bidding Power". This uncertainty could have caused them to avoid our questions and instead focus on trying to persuade us of their usability in the context of the project.

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CHAPTER 6. CONCLUSION

In this chapter we will cover the theoretical and practical implications of the study and reflect upon what we have learned. Suggestions of further research will then be identified.

6.1 Trust as a tool for collaboration in inter-firm networks

Büchel & Raub (2002) discuss four stages of network development (see figure 4) and their model could be useful for the BO as it can help to pinpoint activities the organisation needs to focus on. If the organising of the network/alliance is done the right way the possibility for success will be much greater. We mentioned earlier that according to the informants the most important aspect in joining a collaboration project is that there need to be real tangible outcomes i.e. more money as a result from joining a particular collaboration project. Real tangible outcomes will result in more companies wanting to be active in the network which, in turn, will lead to better collaboration. If companies collaborate better it will be easier to achieve tangible network outcomes. This is why it is crucial for the BO to get it right the first time.

Besides determining tangible network outcomes, Büchel & Raub (2002) find fostering trust to be extremely important for success in network building between members (see table 1, challenges in network building). After performing our study we assert that these two activities are mutually dependent on each other for successful achievement. Trust, as explained in figure 7: Developed model of trust building, is affected by perceived benefits. If the perceived benefits are high (high tangible outcomes) less trust will be needed.

6.1.1 Focusing the knowledge network

In stage one the bidding organisation needs to consider different aspects: aligning with burning issues, ensuring management support, and creating links.

It is important that all parties which are involved in a collaboration project decide early what needs to be done collectively. A positive aspect with the project “Bidding Power” is that when the companies meet for the first time they will have a clearly defined goal to collectively deliver something to a Major Product Company. Before the potential network members can start to collaborate our recommendation is that they should sign secrecy agreements and discuss issues surrounding project management.

Ensuring management support is also important for creating a successful collaboration project. It is evident that all parties involved in the relationship must have the support of their managers in order to participate and contribute to the

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collaboration alliance. When a particular company is entered into the network, top management should be informed and be given a comprehensive understanding of the idea behind the system. This will result in faster top management approval when the real business opportunities arise and the formations of new collaboration projects are initiated.

Büchel & Raub (2002) talk about creating links, meaning to identify expertise and make sure that they know about the existence of each other. All the members must understand their role in the collaboration project and how their competence is needed for the development of a common solution towards the MPC. Again it is important that the system succeed in identifying the different cutting edge competencies that each organisation possesses since the informants considered ability as the main ingredient for the establishment of trust in such a context.

6.1.2 Creating the network context

The second stage involves choosing the appropriate communication channel. It is difficult for the BO to decide which communication channel should be used in each collaboration project. It will probably depend on the preferences of the parties involved. Our suggestion is to establish a communication channel which the BO can use to reach all its NMs (both passive, those waiting to be called for a project, and active members). Some form of network newsletter could be of great use for the BO. The newsletter could communicate what is happening in the context of the BO and general information about different collaboration projects that have been initiated and, hopefully, successfully completed. The newsletter can play an important role in communicating the openness, ability, benevolence, and integrity of the BO and the members and this could facilitate the trust process for all parties involved.

The fostering of trust is mentioned by Büchel & Raub (2002) as an important activity in network development, but on the basis of our interviews and theoretical framework, trust should be fostered all the time in the network development process. The trustworthiness of the trustee needs to be constantly reinforced and the trustee can work with developing his/her trustworthiness prior to actually engaging in the collaboration process. We recommend that the trustworthiness between the collaboration partners should constantly be evaluated and those who do not fulfil the requirements of being trustworthy should be excluded from the network. Therefore we think that fostering trust is a continuous activity, too important for being isolated to a particular stage in the network development.

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6.1.3 Creating routine in network activities

The third stage deals with defining network roles and the establishment of a network heartbeat according to Büchel & Raub (2002). The BO will not be involved in defining what different people do in the collaboration projects. The only thing the BO can do is to coach and help the collaborating parties understand the importance of having clearly defined roles within the collaboration. Since all informants interviewed state that they have experiences in collaboration they will most certainly have a good understanding of the different roles and responsibilities needed for successful collaboration.

An important function that the BO should focus on is to have a person who is responsible for documenting what is going on in the different collaboration projects. A key role for the BO is the function of documenting what is going on in different collaboration projects. We have discussed different factors which build trust, and those factors will be evident when parties start to collaborate. The BO will get a better understanding of the benevolence, ability, openness, and integrity of different organisations and this information can be added to the system. The added information will result in a better tool for identifying potential collaboration partners and improving the possibility for successful collaboration projects. The information is also useful for the BO newsletter as discussed earlier. Someone must be responsible for knowing what is going on in the BO as well as the initiated collaboration projects and communicate that, if possible, to all organisations which are associated with the BO.

Büchel & Raub (2002) state that it is important to establish a heartbeat for the network. A heartbeat can be regular meetings or events that function as a motor for pushing the collaboration forward. The parties, which will be involved in a potential collaboration alliance, will find a heartbeat suitable for them and the specific project on which they collaborate. The network newsletter could be a useful tool for establishing a heartbeat or a pulse for all organisations connected through the BO. We mentioned earlier that many organisations might have a passive role in the system for long periods of time and therefore it is important that those organisations are updated on a regular basis on how the project “Bidding Power” and the alliances are progressing.

6.1.4 Leveraging network results

The fourth step of network development is to demonstrate tangible network outcomes. The interviews concluded that it is very important aspect for the potential network members. If the idea behind the project “Bidding Power” results in more business for the companies included in the system, more companies will be inclined to actively participate in “Bidding Power” activities

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and this will have a positive effect on future collaboration projects. It will, for example, be easier to get top management support for the collaboration. It is in the interest of all parties involved that the collaboration projects results in tangible results.

6.2 Summary of recommendations for “Bidding Power”

We have mentioned many recommendations for the BO in our analysis and conclusion. In order to give our reader a brief overview of our recommendations we have summarised them as follows:

- Try to optimise the perceived benefits
- Try to minimize the perceived risks
- Create a “Bidding Power” newsletter, for communication with stakeholders
- Demonstrate tangible outcomes
- Try to foster trust between Network Members and the stakeholders of the BO
- Communicate why trust is important to all Network Members, as trust improves the efficiency of internal collaboration processes
- Be aware of asymmetry and discuss the implications of asymmetry level for the collaboration
- Check the reputation of the Network Members and their trustworthiness. Otherwise try to create positive attitudes towards the NMs, e.g. help promote reputation of good members through the newsletter
- Establish requirements that all NMs must meet in order to become a member
- Communicate that all NMs have fulfilled the requirements
- Create a little book containing a letter of intent, a secrecy agreement template and a code of conduct which needs to be signed by members prior to joining the network of “Bidding Power”
- Focus on benevolence and ability
- Evaluate the requirements of the NMs constantly and those who do not fulfil the requirements should be excluded from the network
- Openness to a certain extent in accordance with the NMs
- Avoid having direct competitors in the same collaboration project
- Include quality systems and/or management systems, such as ISO 9001, 14000, as a parameter in the computer system. This will communicate integrity and ability to the members in their initial trust development process

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6.3 Recommendations for further research

We mentioned in the introduction that there are seven students divided into three groups working on the project “Bidding Power”. After the three groups have completed their research and given their recommendations as to course of action, the ambition is to conduct a pilot case. After the pilot case, an evaluation would be appropriate in order to see what is happening and evaluate whether the recommended course of action really was best. Perhaps the preconditions will change, or perhaps a new decision problem will occur that will need to be researched.

We have interviewed companies that have the potential to be members in the network of “Bidding Power” and we have interviewed them regarding how they value trust and what they think is important for collaboration to be successful. One interesting suggestion for further research would be to interview Major Product Companies on their view on a project like “Bidding Power”. How would they regard a network which they have no prior experiences of working with? Would they trust an alliance consisting of a number of small and medium sized enterprises with cutting edge competencies?

It would also be interesting to research initial trust formation in a case study. This would give a richer understanding of the actual trust forming process. Perhaps the actors have changed their viewpoints when actually being in such a context.

We mentioned in this thesis that trust is more important in relations with a low level of asymmetry. It would be really interesting to study how trust appears in a more asymmetric relation.

One final suggestion for further research is to study if trust differs between industries, and if so why?

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Appendix 1. Abbreviations

Abbreviations used in this thesis:

BO= Bidding Organisation

MNC= Multi National Corporation

MPC= Major Product Companies

NM= Network Members

R&D= research and development

SME= Small Medium sized Enterprise

TCI= The Competitiveness Institute

WCCI= West Sweden Chamber of Commerce

VGR= Västra Götalands Regionen

QS= Quality Systems

Appendix 2, Elements of Relational Quality

<i>Elements of Relational Quality</i>	Characteristics and Determining Processes
<i>Initial conditions</i>	<ul style="list-style-type: none"> ▪ Demographic and Institutional Characteristics ▪ Reputation ▪ Prior experiences <ul style="list-style-type: none"> ▪ What may be inferred from the party's institutional affiliations, professional standing and certification, or demographic characteristics; its nationality; or the quality of societal institutions that may affect the relationship as it evolves. ▪ What each party knows about the other through reputation, commentaries in the business press, and/or third-party gossip. ▪ The prior experiences of the parties with each other of their degree of mutual "familiarity" that derives from previous exchanges or partnerships.
<i>Negotiation Process</i>	<ul style="list-style-type: none"> ▪ The mutual confidence built through the negotiation and agreement processes that precede the commencement of operations.
<i>Partner Interactions</i>	<ul style="list-style-type: none"> ▪ Meeting Expectations under Anticipated Circumstances ▪ Collaborative behaviour ▪ Sins of Commission and Omission ▪ Information Exchanges and Advanced Warning <ul style="list-style-type: none"> ▪ The extent to which the parties live up to their agreements in the face of ordinary business conditions. ▪ Do the parties practice reciprocity? Do they rely on joint decision-making, shared governance, and so on? ▪ When expectations are not met, is it because the parties could not live up to them or because they intended to defect? ▪ How transparent are the parties in dealing with each other? Do they provide each other with advanced warning in cases of non-performance?
<i>External Events</i>	<ul style="list-style-type: none"> ▪ Systemic ▪ Corporate ▪ Individual <ul style="list-style-type: none"> ▪ Broad (i.e. sectoral or industry wide) changes affecting all firms or a number of countries in an indiscriminate way. ▪ Acts by one partner outside the scope of the alliance that affect the other partner's views of the relationship. ▪ Acts by representatives of one of the partners outside the scope of the alliance, which affect how the other partner may view the relationship.

Elements of Relational Quality in Alliances. Source: Arino et al, 2001, p.

Appendix 3, Interview Guide

(Translated from Swedish)

The company's earlier experiences of collaboration (regional, national and international).

- Has your company collaborated with any other company?
- What are your experiences from earlier collaboration with companies from your industry and other industries?
 - Positive/Negative experiences?
 - What is the main cause for those experiences?
 - Have you noticed any difference in the industry culture?

The company's attitude towards collaboration

- What is important to keep in mind in order to achieve a good collaboration?

Collaboration partner selection criteria

- If/When you are going to collaborate with another organisation/institution or company, what do you focus on? How do you select collaboration partners? How do you measure who is the best? Resources, earlier missions, motivation? How do you find this information?

Important mechanisms for collaboration

- What do you do in order to create trust towards your collaboration partners or network partners? How do you act in order to gain trust from other companies?
- How do other companies gain your trust? (What is it that makes you trust other companies?)
- Which tools are necessary to create and/or maintain trust? Which mechanisms are important for the creation of trust?
- How do you handle trust crises? – Are there any tools you use? –Which tools and how are they used in order to create trust? –What are the pros and cons of the different channels?

The role of trust in collaboration?

- How important is it that you have prior experience with the companies you collaborate with?

General discussion about the project, what your company can add, risks, possibilities etc.

- What possibilities do you see in joining the network “Bidding Power”?
- What risks do you see in being part of this kind of collaboration network?
- What can the BO do in order to minimize the risks?
- What can be done in order to prevent the exploitation of cutting edge competencies?

General discussion about the industry

- How are you informed about different tenders?
- Do you have any recommendations on companies/institutions which could be useful for us to interview?