

Dynamics of Early Alliance Operation: Interpartner Trust and Engagement

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Abstract

Alliances offer otherwise independent firms powerful strategic options for creating and capturing value through the combining of partners' resources. Yet, alliances are failure-prone because open engagement with a partner may involve relational risks as firms navigate the delicate balance between collective and private interests. In such situations of coepetitive tension, high interpartner trust is essential for alliance success. Yet, how do interpartner trust and engagement interact to produce alliance dynamics during early operation? Taking an endogenous view on alliance dynamics, we synthesize a computational model from the literature that captures how joint value results from the coevolution of interpartner trust, partner interactions, and partner openness. Our simulation-based analysis of these recursive processes reveals the existence of a trust tipping threshold separating regimes of alliance failure from alliance success. We show how the constituting elements of these processes alter the trust threshold and, building on these results, we explore implications for partner strategies involving common and private benefits. Counterintuitively, we find that collective efforts to build interpartner trust early on actually increase alliance failure risk under certain conditions. We further identify the unintended problems that emerge when partners increasingly favor private benefits to manage or exploit relational risk. Together, our findings highlight a new class of explanations around the role of interpartner trust in alliance failure during its early operation. Alliance partners can reduce relational risk by actively and jointly considering trust-engagement dynamics during their early engagement.