Tally Hatzakis, Rosalind Searle*

Grounding Trust in Inter-organizational Alliances: An Exploration of Trust Evolution**

This paper explores the role of trust in coordinating teams operating at the interface between multiple functions and organisations in strategic alliances. To understand the issues faced by these teams, we study cognitive & relational factors between partners and focus on the process of trust evolution and risk management in the complex interface between strategic partners. This research examined two coordinating teams. We explore how coordinating teams construed risks in context; the differences of the symbolic role between formal and extra-role behaviours of partners in engendering trust; and the distinct processes through which trust was negotiated between partners. We identify the implications of trust on the management of alliances and the impact of uncertainty by exploring the role of coordinating teams in as risk mitigators, examine perceptions of trust as a coordinating mechanism, antecedent for reducing risks or just another mechanism of control, and looked at changes in partner behaviours when trust was breached. Data for this study were collected on a longitudinal basis in two case studies. The first examined a coordinating team tasked to translate an award winning innovative design into a viable museum, while the second examined a team tasked to manage the provision of outsourced insurance services offered by a financial institution. Goffman's (1972) categories of situational, relational and interpersonal risk were used as a means of framing risk and trust between stakeholder organisations and of exploring self-perceptions about their risk mitigating roles by members of the coordinating team.

Key words: **Resource-based View, Relational View, Networks, Network Resources**

---

* Dr. Tally Hatzakis, Brunel University, Brunel Business School, Kingston Lane, UB8 3PH, Uxbridge, UK, Phone: ++44 1895 267199, Fax: ++ 44 1895 267554, e-mail: tally.hatzakis@brunel.ac.uk

Rosalind Searle, The Open University, UK.

** We acknowledge the generous support for the U.K.'s Economic and Social Research Council in funding this research. Grant no: L125351001.

Article received: November 15, 2005
Revised version accepted after double blind review: January 10, 2006.

Introduction

This paper examines the role of coordinating teams in framing and managing risks in strategic alliances. We argue that in effective alliances, high levels of trust evolve between inter-organisational members moving organisations away from highly bureaucratic, controlled-based structures towards cohesive, culturally-integrated inter-organisational networks. Strategic alliances are inter-firm cooperative arrangements between two or more partners that aim to achieve the strategic objectives of involved partners (Das/Teng 1998). Strategic alliances form cooperative strategies aiming to control competitive forces (Gill/Butler 2003), and the uncertainties arising from them by being more effective and adaptable to changing market forces (Mitronet/Moller 2003). While expectations of strategic alliances run high, satisfaction from their performance, often measured by the satisfaction of goals of parent companies, is low (Das/Teng 2000; Kogut, 1989). In most cases, the managerial complexity of coordinating interorganisational relationships makes cooperative strategies difficult and frustrating (Cullen/Johnson/Sanako 2000). Uncertainty and, often, ambiguity with regard to shifting market conditions; changing expectations across time; and lack of control over partner behaviours increases the cooperation risks thus, making their management complex. Theory suggests that the effectiveness of strategic alliances is based not only on the strategic but also on the cultural alignment between organisations (Das/Teng 1998). Its effectiveness depends on partners' confidence in framing uncertainty and their ability to control it (Cullen/Johnson/Sanako 2000; Das/Teng 1998).

According to Ouchi (1980), such contextual uncertainties would be better tackled by clan or network structures and work organisations. Unlike hierarchies and markets that use institutional rules and price mechanisms, respectively, to coordinate work, clans rely mostly on the exchange of mutual obligations, extra role behaviours and trust to mitigate and moderate environmental risks (ibid). This level of reciprocity can therefore mitigate the collaboration risks and facilitate the management of strategic alliances. Yet, a compounding concern revolves around *who* is responsible for the framing and management of uncertainty in these alliance structures. This paper assumes that organisational participants at all levels of partner organisations, and in particular those acting at the inter-organisational interface, play an important role in framing and managing uncertainty, to achieve cultural alignment and their integration in strategic alliances. Moreover, we assume that in effective alliances the role of coordinating teams is among others to facilitate trust-evolution between inter-organisational members moving partner organisations towards cohesive inter-organisational networks. To this end, this paper examines the role of coordinating teams in trust-evolution in strategic alliances through two longitudinal case studies. Each case highlights the following two aspects: (a) perceptions of uncertainty and risk relating to situational factors such as market conditions and defined by the interdependency between partners and (b) the expectations and management of partners by examining mutual expectations and norms and reciprocity codes and/or processural controls through rules and contractual obligations. In the first section we define the cognitive and relational factors that enable actors to frame situational risks and set their expectations of others in social situations. Next, we use Goffman's work (1972) on strategic interactions to examine these cases in order to understand how the processes of trust evolution are established.

Framing situational uncertainty and risk

This section argues for the link between cognitive factors for the framing of situational uncertainty and risk. We suggest that perceptions of uncertainty and risk relating to situational factors depend on how partners bound their social situation, and in particular the inherent risks, in any focal context (Goffman 1974). Goffman (1972) suggests that by framing situational risks, people construe what constitutes issues of significance in social situations. He further argues that situational risks are bounded by the level of discretion open to individuals that determine the risks inherent in the situation. Seen from a trust perspective, the higher the discretion levels, the more open a situation is to agency and volunteerism, the more the pertinence of trust. Levels of discretion depend on (a) the constraints on the participants, and (b) the level of transparency in a situation (ibid). Table 1 summarises Goffman's (1972) rationale. Situational risks stem from concerns regarding the constraints and levels of transparency that derive from social cues regarding various aspects of social life, such as the rules of interaction, number of interactants and the like. We will now describe each concern in turn.

Table 1: Framework for framing situational risks in social situations

Risk Category	Concerns	Aspects
Situational Risks	Constraints on the Participants	Rules of interaction Number of interactants Their interests Their relative positioning
	Levels of Transparency	Evaluations of what might be hidden Evaluations of what can be used as cover Evaluations of how one could discern them.

Constraints depend on perceptions about the rules of interaction, the number of interactants, their interests and relative positioning. The more defined those aspects and the more structured their relationships the less the ambiguity, the less the discretion in one's conduct. The level of transparency in a situation is bounded by evaluations of concealment, exaggeration or misrepresentation based on perceptions of what might be hidden, what can be used as cover, and how one could discern concealment. Goffman (1972) argues that the less the structure and transparency in a situation, the higher the possibility and variety of strategies for managing impressions and of distorting the relation between behaviour and rewards; whereas, the more structured and transparent a situation, the less is the leeway for such attempts.

Framing situational risks in alliance contexts can be more complicated than other contexts due to the ambiguity and, or openness of the goals to change (Gill et al. 2003). As a result there can be conflicting indications across the partners regarding what constitutes good performance (Butler/Sohod 1995), or immeasurable aspirations required of the venture (Gill/Butler 2003). This issue of performance and its satisfactory measurement can be further compounded by time lags in the fulfilment of each partner's expectations which in turn can exacerbate perceptions of mistrust and a fear of one partner reneging early on the deal once their own goals have been satisfied. Thus alliances require cooperative strategies built on the exchange and understanding by each party of their mutual obligations (Buckley et al. 1988) and also their aspirations. A further factor that can distort the process is the complex co-ordination required between the parties. This can result in potential benefits being transformed through the relationship into "managerial nightmares" (Mitronen/Möller 2003: 419).

Mitronen and Möller (2003) outline three distinct domains in which tensions can be created cutting across situational, relational and interpersonal risks. Those tensions which increased situational risks included: the 'player domain' in which differences in interest, function, responsibility and authority occurred, whilst 'activity domain' focused on formal aspects of the division of duties, and the 'governance domain' comprised factors such as the division of financial rewards. All of these factors impact on both the constraints on participants and the perceived levels of transparency.

Setting partner expectations

This sections highlights the importance of relational factors in framing uncertainty and risks in context. As misunderstandings, misperception, and in particular, manipulation, give rise to perceptions of relational and interpersonal risks, individuals need to understand how others conduct themselves in social situations. They need to establish realistic expectations from others in order to better adjust in a social situation. Hence, individuals attempt to understand how the other parties frame the interaction, their interests, actions, and in particular, their intent (Goffman 1974). According to Goffman (1972), two types of information are relevant to framing others, (a) cues about their commitment that determines the relative positioning to others in the current situation and determines relational risks, and (b) cues about their trustworthiness that determines interpersonal risks. Table 2 summarise the rationale. He suggests that relational risks rise primarily from concerns regarding others' commitment and argues further that concerns regarding commitment stem from evaluations of others' moves, information state, resolve and resources, whilst concerns regarding others' trustworthiness rise from assessments of others' gameworthiness, style of play and operational code.

Table 2: Framework for framing relational and interpersonal risks in social situations

Risk Category	Concerns	Aspects
Relational Risks	Commitment	Others' moves Information state Resolve Resources
Interpersonal Risks	Trustworthiness	Gameworthiness Style of play Operational code

Commitment, the main concern of relational risks, is inferred by evaluations "others' moves", "information state", "resolve" and "resources" in the current situation and in relation to one's own moves, information state, resolve and available resources (Goffman 1972: 94-95). Information about "others' moves" includes matters, such as:

decisions taken but not yet implemented; actions underway; and actions already executed. Such information connotes one's degree of commitment to a course of action, and in relation to one's moves, defines the degree of relative power. Moves that involve a degree of personal investment of, for instance, money, time, effort, or reputation, signify commitment. He suggests that the higher the commitment towards a particular course of action, the less flexibility the parties will be towards altering that course of action. Commitment to a collaborative course of action may signify one's benevolence and integrity, raising the possibility of eliciting trust from others, whereas commitment to self-serving courses would not.

Others' commitment can also be defined in terms of their "resolve" or "determination to proceed" in a particular case and the "resources" or capacities that are used. The higher the determination, the less likely it is for a person to give up on, or exit, the relationship, and the more likely they are to commit resources to the achievement of a goal. Moreover, the more resourceful a person, the wider the range of strategies they can employee to achieve their goals. Thus, resourcefulness and motivation denote competence in achieving one's goals. Information about others' "information state" concerns what they know about themselves and others and what they believe others know about them. Knowledge about others' knowledge increases one's ability to empathise with others rendering them predictable and even open to manipulation, similarly such insight into what others know, suspect or expect from one's self, increases one's understanding of how others may try to mislead or manipulate one's self. Thus, equivalent information about party increases the ability to empathise with others and neutralises the possibility of being manipulated. On the other hand, information asymmetry creates perceptions of dissimilarity and power differentials that increase suspicion regarding the potential for misleading and manipulation. Yet, the party who possess more information about the other is likely to signal competence or even wisdom.

Trustworthiness, the main issue of interpersonal risks, is inferred by the levels of perceived risk stemming from assessments of others' "operational code", "style of play", and their "gameworthiness" (Goffman 1972: 95-96). Information about others' "operational code" or prioritisation of aims and goals and habits demonstrates congruence between the interests and style of conduct of different people. This defines the degree of potential conflict of interests or misunderstandings. He suggests that conflicts of interest raise the potential of suspicion that the other party will choose a competitive rather than collaborative course of action; whereas common or similar habits create perceptions of similarity and emotional comfort that form the basis of the development of affect-based trust. Moreover, "style of play" represents normative constraints, moral sentiments, or principles that impose constraints on one's own behavioural repertoire. Information about them renders others' behaviour predictable and delimited. Also, by comparison, such information may connote dispositional similarity or dissimilarity that gives rise to positive or negative affect. Others' "gameworthiness" includes qualities such as: their inclination to assess all possible courses of action; refraining from impulsive actions; suppressing emotionality in decision making; handling pressure; controlling demonstrations of self-worth and being prudent about everything including their own abilities. These qualities denote competence in assessing and providing evidence. A person with these qualities could provide trustworthy information that is "replete" and "accurate" (Goffman 1974). On the other hand, a person with these qualities could simulate information that seems "replete", "accurate" and "frank" (Goffman, 1974: 54) but is not, without giving off expressions of the information being fabricated.

Setting expectations from the strategic alliance or strategic partners can be more complicated because of the goal ambiguity or its on-going transition which can challenge the commitment and perceived trustworthiness of the other partners. Mitronen and Möller (2003) identified relational tensions, for example 'player domain' issues in which independence and freedom to operate are compromised, or 'activity domain' where values and informal style of behaviour are questioned. This suggests that unless the parties understand and appreciate each others' concerns, style of working and competence, distrust can inadvertently build up.

Trust evolution in social relationships

The social co-construction view considers the evolution of trust as non-linear (Bigley et al. 1998). According to this view, each interaction provides the opportunity to build or dissolve trust depending on the way interlocutors make sense of their interaction in the context of their overall relationship and situation (Walzawick et al. 1967). Fluctuations of trust occur as communication conveys information about the speaker's own self-image, their views of others and their assumptions about how others perceive them, on which perceptions of trustworthiness are based and assumed levels of trust revealed and reactions are invited (Luhmann 1990; Weinstock 1999). In turn, actions invite reciprocal reactions or the social sanctioning of uncooperative behaviour (Eggins/Slade 1997). Disagreement and inflexibility may escalate conflict. In order to break the cycle, one can risk cooperating despite negative evidence. Through interaction choices, trustors and trustees exchange social information about each other's disposition and values and style of conduct that establish the knowledge basis for trust-related decisions (Goffman 1972). Inferences about the causation of others' behavioural choices determine reactions and further inferences that eventually define sense-making processes in organisations (Silvester/Chapman 1997). For example, divergent behaviours may be attributed to motivation thus eliciting social sanctioning. Sense-making can be biased by stereotypes and attribution errors (Silvester/Chapman 1997; Weick 2001). A common attribution error is, for example, to overestimate the successes and capabilities of one's own group whilst playing down any failures and lack of motivation. In contrast, there is a tendency to underestimate the successes and capabilities of other groups, but overestimating their failures and incapability (Silvester/Chapman 1997). From a trust perspective, this may lead to patterns of inter-group conflict, resulting in distrust.

Trust evolution in strategic alliances is bound to be more volatile or difficult as the opportunities for misunderstanding are numerous. Differences in the objectives, aspirations and ways of working of all of the parties may only emerge once the project is underway, and thus threaten the very basis for the whole venture. Trust is therefore much more dynamic in such situations as partners' understanding is continually evolving. This suggests that trust in alliance may require more active engagement and management of the relationships. Passivity can be easily misconstrued as lack of commitment or trustworthiness.

Research methodology

Research approach

Data for these two cases were collected on a longitudinal basis over the duration of the alliance. Through these in-depth case studies, the contextual richness of the venture can be identified (Yin 1998). Data collection included in-depth and on-going, semi-structured interviews with team members, field notes from numerous site visits, observations of team meetings and a variety of documentation produced over this period. These detailed longitudinal data enabled emerging and transforming constructions and sense making of team members to be revealed.

Through analysis at the micro-social level, we examine trust in terms of sensemaking of this core group (Weick 2001). Using thematic analysis we reveal the dynamic processes involved in the framing, evolution and breakdown of trust in each case. Themes pertaining to Goffman's (1972) three categories of risk were identified following an iterative process examining each case. The researchers undertook this process separately and then compared and refined findings.

Through these rich data sources we ground the concept of trust in the context of these two types of alliance organisations (Bigley and Pearce 1998), by exploring the perceptions of the members of coordinating team with regard to (a) framing trust between stakeholders and (b) their role in mitigating risks between them. In framing trust between stakeholders, we seek to understand the risks for the new alliance organisations, the differences between the symbolic role of formal and extra-role behaviours of stakeholders in engendering trust, and the distinct processes through which trust was negotiated between different stakeholders. In the teams' role as risk mitigators, we examine their perceptions of trust as a coordinating mechanism, identifying how far they saw trust as an antecedent for reducing risk, whether they regarded trust as another mechanism of control (Spreitzer et al. 1999) and, in particular, looking at changes in behaviour when trust was breached.

Case study background

The two cases were selected based on the following criteria. First, both projects were critical for the parent organisation - a multinational construction management group in the first case, and a large financial institution in the second. The basis for this criticality is described for each case separately in the following paragraphs. Second, the project could not be achieved without the co-operation of different parties. This resulted in the development of a contractual arrangement to work together between the parties. Finally, in each case, the parent organisation chose to set up a specific team tasked with achieving and managing the objectives for the duration of the project. This study presents issues of trust framing and evolution from the perspective of this specific team within the alliance context.

The first case, concerns Build-it a team managing a maximum fixed price contract to build and fit-out an innovative museum design for a multinational construction management group operating within a global conglomerate. The group's pre-tax profit was £45 million at the time of the study. The conglomerate comprised many diverse interests including: transport, leisure as well as construction. The alliance consisted on four stakeholders that the team worked with: the client, who was the main commissioner of the building and their staff of curators, who were responsible for the design of the exhibition the building would house; the architects, who had created the internationally award winning design of the building, but had no previous experience of construction; the board of the construction firm, who would be liable for monitoring any penalties the team incurred; and finally, a complex and disparate set of third party firms, each with their own specific expertise that Build-it had contracted with to help them build and kit-out the museum. The focus of the study was the team responsible for overseeing the building of an award winning museum. This was the first time the architects had ever had a design constructed, having won a major international competition. This was a prestige project for the firm gaining both national and international attention. The contract was on the basis of a maximum fixed price and, therefore there were financial liabilities should Build-it overspend or overrun on the project. The successful relationship with the client and with the architect was therefore critical to the viability of the project. The team comprised up to 15 members, some of whom were very experienced members who had worked together on a previous project, and others for whom this was their first major project with the firm. This project lasted for three years.

The second case, concerns FinCo – a typical large financial services provider with pre-tax profits of nearly £2 billion and a customer base of over 15 million at the period of the study. The organisation covered the multiple financial sectors, such as retail banking, wholesale banking and wealth management/long term savings, though the focus of this study was scoped to the relationship between retail banking and IS staff. The management of FinCo was in the process to embark on a programme focused on the development of RM as a means of improving the relationship between business and outsourced IS organisations. To this end, the head of IS function and the head of the prospect RM function engaged in a research effort during which access to the views of FinCo colleague about their working relationship members of external organisations and about their views on RM. This second case study examined the relationship between two stakeholders: FinCo -a large financial institution and CAP -an outsourced provider of claim insurance services. The alliance had been contractually agreed to allow FinCo to develop the insurance branch of its retail banking, in order to meet competitive trends to become a ‘bankassurance’ player within the financial sector. The strategic alliance was considered a strategic move for FinCo, who wanted to take advantage of their wide range and longstanding relationships with their customer base as an ex-building society but did not have the internal infrastructure and expertise of an insurance company. This project lasted for six months.

Case study findings

Build- it

In this section we will examine the role of Build-it in framing risk through their understanding of risk and uncertainty and setting expectation of others hence, playing an active role in trust-evolution between partners. In exploring the team’s perceptions of situational risks, a key aspect was the company's project management system. This was an information system which enabled the minute funding details of any project to be logged and managed. It was always used by the parent firm, but especially in the case of 'maximum fixed price' deals which could have serious financial penalties. The project was divided into a series of tasks, termed 'packages', which occurred within a particular time-frame and involved different types of materials and contractors. Team members were allocated packages according to their technical specialism, progress on which they reported to the three key members of the team: the project leader; the commercial manager and the construction manager. The project leader liaised with the client especially over the exhibition fit out and supported team members in delivering their packages, "sitting down with them once a day or every couple and picking up on all the issues" with particular contractors or products. The commercial manager was responsible for any and all of the financial aspects of the contract and keeping the board of the construction firm fully appraised; in each case costs were either confirmed or he was alerted to any potential deviations. The construction manager looked after any issues that arose on site concerning materials, safety or the contractors.

Situational risk and its management were central to the project. Ambiguity created situational risk; all of the team noted that the project "was a far more complex job that we originally looked at". Initially the team focused on constructing an unique building, involving putting together traditional materials in novel ways, but towards the middle of the project this understanding shifted and broadened as they became aware of their wider role in overseeing the creation of the internal exhibition space. The levels of transparency in the relationship between the clients and Build-it were unusually high due to their proximity in neighbouring buildings overlooking the site, which afforded very close and regular scrutiny of the project.

Build-it became aware very early in the planning stages of the project of the interpersonal risks posed by the lack of experience of the architects in construction. Having never had any previous of their design projects built, the designs of the architects often lacked adequate or sufficient detail required by Build-it in order to work out the type and timing of work packages. As the project went on, the team perceived that the architects would "try to make the old bit fit the new bit when it just didn't work". They felt that the architect "wanted the world to see their building as opposed to the original concept which was the exhibits", and showed limited interest in the building practicalities, or costs of constructing their design.

One significant interest group that none of the stakeholders had foreseen was the public. Their interest in the site and the building "had a huge impact on the daily working life" creating the need for an additional interface that was difficult to control and to cost for. Thus additional public attention increased the construction manager's concerns regarding the site which became a 'visible theatre'. Hundreds of thousands of people, from the general public through to specialist professional groups, inundated Build-it with requests to visit. For the client this was an unanticipated marketing opportunity to energise future visitors, but Build-it was left with the task of recruiting extra staff to deal with these requests in order to guarantee the safety of visitors. The situational risk this group posed in terms of both constraint and transparency was very difficult to assess because it was unanticipated. Increasingly the team felt they had "underestimated the resource levels we needed to do the job" and "probably could have managed it as a big PR exercise (for their parent). We could have made more of it had we understood it better". It also created a celebrity around anyone associated with the project, increasing the personal interest in the project from friends, family and associates.

In looking at relational risks, the team worked hard at their relationship with the client. The project leader played a pivotal part, a "political type role, client liaison". The team's commitment to the project was constantly being affirmed. An example their early extra-role behaviour occurred within three months of starting the project, when the project leader took the decision to re-decorate the main meeting room of the on-site office. Although the aim was to create a pleasant meeting space, he exceeded everyone's expectations by decorating the room with themes aligned to the new museum. This created a show space, involving pictures of the final design, newspaper clippings, and the like. It provided a physical embodiment of the vision for the museum and demonstrated the team's commitment to, and understanding of, the project, but also signalled goal congruence and empathy of Build-it with the client.

As the project developed so the team's level of personal and professional commitment grew. They genuinely felt that "they were the only people who understood what the client needed…. because the client had so many different people (such as, diverse exhibit curators and designers) working to try and get what they wanted out of the job that nobody was seeing the overall picture". This was the role that the team assumed – translating client needs into design specifications. They perceived that their unique position in overseeing the project gave them a holistic perspective, through this Built-it increasingly assumed responsibility for the project, undertaking extra-role behaviours on an intra- and inter-team basis. Whilst this helped to consolidate their team solidarity, it fuelled a perception that others had a "lack of understanding of the exhibition and integrating that within the building". It created huge extra-role overload for the team, and a prevailing attitude of "if we don't do it no one else was going to". For example, the construction manager commented: "I've tried to support everybody and I know now that that doesn't work in all cases, sometimes you have tried and have to be quite ruthless and make a decision and say I'm going to do it this way because you can see it going wrong and you're trying to support others." This stance resulted in a view that others were "relying more than they should have on Build-it, that Build-it will sort it, Build-it will drive it, Build-it will do it".

The perceived commitment and trustworthiness of the architects raised relational concerns for Build-it. The architect's early "reluctance" to get involved with Build-it was seen as "ignorance" as "they have not been in … a project of this size which does require a high degree of management skills to integrate all the information and all the package contractors". The lack of sufficient design detail mentioned earlier led into a divergence of views about the finish of the building, and therefore, some goal incongruence between Built-it and the architects. At times, the team felt that "things that were not designed quite right [but] have been built as they were designed". To protect themselves from being seen as responsible for some of the 'creative' touches Build-it would brief the client. Often they would disassociate from this stakeholder, as a consequence of the architect's "very bold" behaviour towards the building and its' costs.

As a result, "the way they [the architects] behaved overall has had a major effect on what we've done [Built-it]….we've done a very good job with the people we're dealing with… the way they gave us information and the equipment to do our job but they didn't quite fit together; it was like some little bits of jigsaw that you are trying to make a pattern of." Increasingly Build-it sought direction from the client where they perceived the architect's designs would unnecessarily escalate costs, for example, in changing the windows packages to introduce some standardisation, or where none of determining details were forthcoming on time.

As part of their management of relational risks, the team "provided others (within and outside the team) with a lot of information" and "shared those responsibilities". They acknowledged that "communication internally failed ... due to work pressures" at times, but the three key team members worked hard to protect the client and their internal board. As the project leader commented: it was a "communication exercise for us…to be able to identify and try and reinforce what we'd perhaps put down in written word and to try and extract and reinforce more openly why we needed the level of information we'd asked for or a detail of something about costs". He went on "it took a year for the architect to come round to think that we weren't there… just as a body and it was a waste of time".

There emerged a clear link between commitment and trustworthiness particularly for the three senior team members at Build-it. They adopted a "non-adversarial" "mediator" style. At times this was very difficult with the pressures of the task, creating "enormous trenches of work...because we did not kick back some of the issues". All three aspects of trustworthiness were demonstrated by Build-it. For example, the gameworthiness of the commercial manager stemmed from his "multi-headed"ness. This comprised his financial competence and competence in quantity survey aspects, plus his ability to "see the other side of the project picture as well" and his competence as a "good communicator" in writing to the client. His competent performance kept the board of the construction team out of the team's way. The formal processes he oversaw structured not only the financial aspects of the actions of team members, but also those of the key stakeholders, namely the client, the architect and the contractors. These cost monitoring processes introduced transparency in the dealing with budgeting issues, enabling Built-it to perceive themselves as "risk managers not risk takers" in the project. As it developed, these formal cost monitoring and the commercial manager's extra-role skills became pivotal to the client relationship creating a "bonus payback of understanding" for the team that freed them up to act on client's behalf. In addition, the teams' adherence to the tight project deadlines meant that they often did more than "they were contractually obliged", but the client increasingly recognised that without this "approach to push" the project would not have been completed to time.

Their commitment to the project was evidence of their style of play. Many of the team members felt that the level of service that they offered to the project "took a lot of your time…only it took it to quite extreme tolerance levels throughout the job". The personal and professional identity of each member was increasingly bound up in the museum creating an operational code that put the requirements of the project above those of any other project or personal stakeholder. Team members took pride in their achievements, and as their success in the project grew, so the recognition of their commitment and all aspects of their trustworthiness grew amongst all other stakeholders. Eventually the team felt their stance had paid off as in "the last six months [of the project] people have tended to work better together", indicating improved cohesion between inter-group members.

FinCo

This section describes how relationship managers (RM) – the coordinating team – of FinCo aimed to understand and manage the uncertainties and risks arisen from the alliance with their insurance partner CAP. Once the contract was agreed, RM concentrated on building its' ability to manage those alliances effectively. Most of RM's effort focused on developing a 'model' for managing third party relationships through improvements in performance measurement. This 'model' was to be used for the management of this particular strategic alliance, but across two other strategic alliancess that FinCo had agreed with third parties on credit cards, mortgages and unsecured lending. This approach was designed to standardise the process of opportunity identification, partner selection, due diligence, negotiation, transition, and into performance management. Following the contractual agreement, however, the focus of FinCo was to define the obligations of both parties and determine the 'key performance indicators' upon which the effectiveness of the third party contract could be managed. "And so we've spent most of the last eight or nine months in managing those alliances, and at the same time developing the model so that, and... developing the model so that we are able to build a group of people who can act as consultants across, initially, the Retail Bank, and into the wider Group, about the different stages of the model" noted the head of third party RM, Lending and Customer Credit.

To make such an alliance work a team of 'third party relationship managers' from FinCo was formed comprising members with business and IT expertise. Distinct roles were adopted; those with business expertise acted as guardians of the contractual agreement and entered negotiations with regard to its changes when they deemed it was necessary. In contrast, IT members were responsible for assuring that inter-organisational systems could communicate effectively and that the security of internal systems was safeguard to avoid errors, or hacking attempts. CAP mirrored this management structure. At a cognitive level only those within FinCo's team perceived differences in their roles and their hierarchy with the business experts assuming ownership of the management of this strategic alliance. They took the term 'client' as a label for themselves, reflecting a motivation to maintain a power imbalance thus defining the relative positioning of parties within the relationship. For example, the head of third party RM noted: "What tends to happen is that where discussions get technical, technical people speak to technical people. So although the commercial relationship and the commercial deal I own, I don't need to be the person to have conversations about things I don't understand".

To assess and determine the management of the situational and relational risks in the context of the alliance, FinCo held monthly operational risk management meetings. These meetings started once the contracts were signed but only included FinCo members. At these meetings a variety of risk issues were identified as actual or potential constraints to FinCo achieving their goals. These issues related to the management of human resource; performance; disaster recovery; service delivery; and security, as well as, with the opportunity costs of entering into the particular joint alliance for the provision of insurance services, the exit costs of dissolving the strategic alliance, and the coordination costs incurred from partners' inability to manage their relationship with associated parties. The attitude of the FinCo team to these risks was to maintain a detached position from CAP, anticipate potential relational breaches and set up monitoring, measuring and rectification processes with which CAP would have to comply. Thus, the emphasis was on control over, rather than integration, with their partner's operations. The following paragraphs describe the perceptions and attitudes of FinCo regarding the situational, relational and interpersonal risks they faced in the context of their strategic alliance with CAP.

According to FinCo, the rules of interaction and expectations from the alliance were clear as they were based on the performance management model they had developed for the management of third parties. Situational risks arose, however, with regards to the performance and potential disaster or breakdown of IT systems, fuelled primarily by lack of transparency of inter-organisational operations and lack of information regarding the internal operations of CAP. It was feared that changes in the internal operations of CAP may lead to deterioration of their performance. This fear was anticipated through a process of gestimation rather than through the collection of any facts, through the application of the monitoring system, or via any attempt to collaborate or discuss these perceived concerns with CAP. Perceived poor performance of intra-company IT systems was seen as hindering end-users in fulfilling their tasks. FinCo perceived that this failure would impact on their ability to meet customer expectations regarding lead times and to remain competitive. There was no indication that such risk was eminent, yet the emphasis was on anticipating the types and timescale of change within which it was acceptable for CAP to redeem their performance levels. Moreover, FinCo set unrealistically high performance indicators, minimum tolerance levels, and multiple points and ways of monitoring, ranging from automated monitoring tools through to setting the frequency of auditing.

Relational risks were fuelled by commitment of resources, and, in particular, Human Resources (HR), such as: the selection, training and deployment of underwriters. HR quality and allocation was one of the major problems FinCo Business team members feared in the context of the alliance. Insufficient allocation of appropriate human resources and untimely training were identified as perceived causes of poor quality work in meeting business expectations. Poor moral amongst CAP employees was also considered a factor in the perceived suboptimal completion of contractual obligations. FinCo's reaction was to develop better monitoring techniques, such as improving their capability to measure any discrepancy between actual and expected resource allocation, using either their own expertise or industry standards to set a baseline, and to determine the appropriate selection processes of key individuals. The discrepancy between identified causes and solutions put in place emphasised the monitoring and collection of evidence, re-enforcing the litigious aspects of the contractual agreement rather than identifying solutions that would assist CAP in solving problems that were perceived as impeding the performance of the strategic alliance.

The relationships with the third party RM teams of FinCo and CAP were also distant and problematic, due to lack of joint working arrangements or decision making. "Improvements are starting to be seen in [the area of business relationship management team], although the issue about direct contact with IT areas in third parties is still outstanding. Still feel we have been distanced from CAP. Hopefully, the meeting next week [to start the building process] with CAP and his team should start to overcome this. Spoken with [another CAP member] on the matter and do feel things will improve albeit slowly" commented the IT third party RM.

This poor relationship would not be a surprise to an outsider, as the attitude within FinCo was to enforce their values and views, by aiming to predict and hedge against all foreseen, speculated or imagined risks and make protective clauses and conditions. Despite the risk adverse attitude of FinCo emphasis was placed on 'fire fighting' and the redemption of value should the risks materialise, rather than prevention of potential risks. These issues were raised in a few meetings, but not addressed. Characteristic was the insistence of FinCo's team to exclude from meetings members of the third party, such as their counterpart in CAP's relationship management team, and an ongoing omission prior to these meetings to gather the relevant information that would inform the level of increased risks. This failure to ensure accuracy of data served to reinforce stereotypes of others and/or the situation, and by its repetition, turned speculated risks into the team's reality, escalating the level of social paranoia. Eventually, this resulted in the inclusion of a number of terms and conditions that made the management of the strategic alliance an impossible task for their partner and led to the dissolution of the venture within six months.

Moreover, psychological distance between business and IT people within the third party RM team of FinCo was common and indicative of the distance between these units across the bank as a whole. For example, IT staff who dealt with technical aspects within FinCo were labelled 'Tridon', with titles denoting their involvement, such as Tridon workstream leader, etc, whilst the titles of the business team members remained 'retail insurance'. In terms of work role, most of the detailed operational issues were handled by FinCo IT members due to the service nature of the product, while their business colleagues had little day to day management responsibility. Thus, although there was a list of appropriate people to be involved in meetings regarding operational risk assessments, there was a reduction in the attendance of FinCo business members, reflecting their lack of commitment and reinforcing a differential in terms of the role and scope of their responsibilities. Yet, their commercial management of the contract ensured this group maintained the authority to investigate IT's management of operations where it led to either an overspend or the payment of a contractual penalty. Thus, their psychological distance allowed them to 'wash their hands off' joint responsibilities and confirm their higher relative standing.

Interpersonal risks were not discussed in interpersonal terms, instead the emphasis was on business or commercial risks. For example, it was acknowledged that the gameworthiness of CAP to handle their relationships with other contractors was important for the success of the strategic alliance, yet CAP skills were discussed in 'contractual terms', such as their "inability to deliver the contracted services", their failure by having "no clear processes in place". Moreover, CAP's operational or moral code was discussed only in terms of their potential attempt to breach contractual clauses regarding the exclusive use of FinCo's bespoke software.

Discussion of research findings

At a cognitive level three important factors emerged: goal ambiguity, congruence and omission of key stakeholders. In both cases, due to goal ambiguity in alliance contexts, the framing of situational risks, particularly the rules of interaction, were actively managed. In the case of Built-it a set of institutional cost monitoring procedures were utilised to introduce and guarantee transparency between all of the stakeholders. In contrast, FinCo developed their performance measurement and monitoring model to disguise the interests of their business team members in order to control the behaviour of CAP staff. Thus a distinction emerges between the use of these data management systems to inform or control the parties involved in the project.

The differences in congruence of the goals created concerns about the interest of the disparate parties in the projects. In the case of FinCo the lack of congruence at both an inter- and intra- team level was manifest in the separateness and hierarchical power structure and a keen focus on the adherence to the letter of the contractual terms and conditions. This was shown by the absence of extra-role behaviours or any physical manifestation of the alliance. In direct contrast, Built-it created a superordinate goal through their ongoing commitment to the project, which was clearly visible for all to see in their extra-role behaviours. Through their persistence they invited reciprocal behaviours from the others led to the development of inter-group cohesion. This behaviour demonstrates management of both situational and interpersonal risks. For example, the creation of the on-site meeting room provided an artefact that symbolised their commitment to the project, empathy with the vision of the clients and an on-going focus for the other parties. Through this manifestation members of the involved parties could built and develop their identity beyond their traditional professional boundaries to include a personal stake in the project.

In both cases the teams failed to identify the interests of a key interest group, the public who was each projects' end-user. We can only speculate how far their initial myopia in not including the wider public is common to other alliances where the number and diversity of interests of known stakeholders makes it difficult to anticipate and bear in mind the requirements of such a disparate category. The teams presumed the interest of this key group, but overlooked in the case of Build-it, the wider PR value for their parent and the client to be gained by recognising the stake of the community in the project. Their flexibility of incorporating the wishes of the public into the project ultimately created a bonus with their client.

In terms of relational factors these cases suggest three aspects, including level of commitment, differences of operational code and of style of play. In reviewing the relational risks of the two cases the differences in the levels of commitment could be explained in terms of the exclusivity of the partners within the projects. For FinCo their chosen partners were also involved concurrently with their direct competitors therefore the focus of this team was on opportunity costs and so they hedged their commitment of resources to the project, whilst at Build-it there was a uniqueness of the specialisms the project required which meant that each partner had a distinct role to play.

The contrast between the cases regarding their interpersonal risk focused on the operational code and the style of play. Differences were revealed in the operational codes, such as the attempt of FinCo to extract more value from project and the reduction to the minimum level of their reciprocation towards CAP. They chose to create and maintain formality, power differentials and disassociation at an interpersonal level which escalated inter- and intra-team conflicts. Build-it, however, increased their input into the project exceeding contractual obligations, which in turn invited reciprocity of extra-role behaviour from others. This succeeded in pushing all those involved in the project to put in more than they had originally contracted into the venture.

Differences in the styles of play between the cases were demonstrated. Although both showed a non-adversarial approach to the management of each project, Build-it's approach was to take more responsibility in order to put things right at their own personal cost, whilst FinCo adopted a decoupling and more litigious stance enabled them to reduce their input. At times Build-it perceived themselves to be the 'suckers' in the project, but their integrity eventually won them the main leadership role and the respect of others. In contrast the stance of FinCo contributed to the demise of the venture and escalating distrust at both an inter- and intra- team level.

In neither case was trust a co-ordinating mechanism, instead it was the result of different risk management processes. Those processes that were based on assumptions of reciprocity, respecting others, transparency of operation and conduct and voluntary giving invited trust and provided team cohesion, whereas processes based upon assumptions of exploitation, disengagement from others, hidden agendas and emphasised contractual obligations deterred trust from evolving.

Finally, although trust was breached in each case its resultant impact on behaviour was different. In the case of FinCo their paranoia of potential violations resulted in an increasing withdrawal. This fear resulted in their fixation of infringements, without them seeking any actual evidence; this despite them having devised monitoring systems which would have provided them with information about whether this was actually the case. Ultimately their paranoid behaviour led to their estrangement from their partner and the abandonment of the venture. In contrast Build-it, in the face of actual evidence of minor violations from the architect, sought to protect their credibility with the client by disassociating themselves from the architect's ideas, whilst maintaining on-going communication and efforts to relate to this problematic stakeholder.

In reflecting on the study there were some limitations. The application of Goffman's (1972) three categories as a framework to examine risk and trust created an artificial boundary that precluded an action from producing multiple implications, such as raising both situational and interpersonal risk concerns. This suggests either the amendment of the framework to include more inclusive categories or difference in the interpretation of the framework which allows a multiple aspects of risk across categories to be identified. Secondly, the focus of these data on the core team did not enable perceptions of the other parties to be explored. This approach did, however, enable the dynamic and fine grained sensemaking of these teams to be discerned revealing cognitive and relational aspects. Traditionally firms have undertaken risk assessments as a separate activity from their competitors and suppliers as a means of understanding their vulnerabilities in their environment, and of protecting themselves. This approach showed on one hand the replication within the context of the strategic alliances of treating partners as outside organisations, thus reinforcing a competitive element within the alliance, but on the other how less divisory and more trust-based actions can have a beneficial impact even in high-risk situations.

Conclusions

These cases explore the framing of risk for the co-ordinating teams within alliances. In their roles as risk mitigators, these teams enabled or hindered trust from developing. We found that two aspects were important to the success of the venture and the development of trust: the teams' commitment to the task, and a signal of acceptance of a new context. The first was critical where distrust emerged for one of the parties. Commitment to work effectively with a distrusted party for the sake of the venture reduced the negative impact on performance, but did not change the risk concerns and therefore perception of trust; rather it altered how these groups' input was managed. This suggests that it is not uncertainty or ambiguity per se but how it is dealt with that is important for joint ventures. We speculate that the ability of alliances to cope with multiple distrusted parties will be limited, stretching such commitment to the limit.

Commitment revealed important differences between the symbolic role of formal and extra-role behaviours in engendering trust. Merely using contractual obligations as a means of driving and controlling activity was not sufficient, especially where differences in goal perception arose. Where formal roles and responsibilities were the sole behaviour of parties distrust emerged, whilst perseverance with extra-role behaviour, in spite partner resistance, was found to trigger reciprocal extra-role behaviours in others thus improving the performance of the alliance as a whole. This has clear implications for the successful management of alliances.

Cognitive factors, such as the acceptance of the new context revealed attempts of partners to replicate characteristic of their own organisations, for example using processes to control others rather than inform, or to make decisions without reference to others. Both of these behaviours were attempts to engender a hierarchy, leading to suspicion and contributing to the dissolution of the relationship. In contrast where the exchange of obligations was a reciprocal activity cohesion and understanding were fostered. In this way trust and control are both a means of fashioning behaviour, however trust was given on a voluntary basis, whilst control was not. Thus we argue that the acceptance of the new context requires active engagement and negotiation between the parties which fosters trust, rather than relying solely on contractual obligations. Indeed trust can not be clearly identified in these cases as an antecedent for reducing risk as it was tacit and unspoken; we can presume that trusting assumptions may guide partner behaviours and in this way reduce concerns about risk. Partner responses may depend on prevailing organisational culture norms, the visibility of the vision and task, the level of internalisation of the goal by the partners and their commitment to working through difficulties.

Alliances are fraught with ambiguity and uncertainty. These case studies suggest that the control of uncertainty maybe far more limited than initially considered. The unforeseen impact of external factors, such as the public, created an additional burden to be coped with that could not have been anticipated. The importance of cognitive and relational factors emerged as significant in the success or failure of these alliances.

References

Bigley, G.A./Pearce, J.L. (1998): Straining for Shared Meaning in Organisational Science: Problems of Trust and Distrust. In: Academy of Management Review, 23(3): 405-422.

Buckley, P.J./Casson, M. (1988): A Theory of Cooperation in International Business. In: P. Lorange (ed.): Cooperative Strategies in International Business. Lexington Books D. C., Heath And Co, Lexington, M.A.: 31-54.

Butler, R.J./Sohod, S. (1995): Joint-Venture Autonomy. In: Scandinavian Journal Of Management Studies, 11(2): 159-175.

Cullen, J.B./Johnson, J.L./Sakano, T. (2000): Success through commitment and trust: the soft side of strategic alliance management. In: Journal of World Business, 35(3): 223.

Das, T.K./Teng, B. (1998): Between Trust and Control: Developing confidence in partner cooperation in alliances. In: Academy of Management Review, 23(3): 491-513.

Das, T.K./Teng, B. (2000): Instabilities of strategic alliances: an internal tenstions perspective. In: Organisation Science, 11(1): 77-101.

Eggins, S./Slade, D. (1997): Analysing Casual Conversation Cassell. London and Washington.

Gill, J./Butler, R. (2003): Cycles Of Trust And Distrust In Joint-Ventures. In: European Management Journal, 14(1): 81-89.

Goffman, E. (1972): Strategic Interaction Ballantine. New York.

Goffman, E. (1974): Frame Analysis: An Essay on the Organisation of Experience. Harper and Row, New York.

Kogut, B. (1989): The stability of joint ventures: reciprocity and competitive rivalry. In: The Journal of Industrial Economics, 38(2): 183-198.

Luhmann, N. (1990): Familiarity, confidence, trust: Problems and alternatives. In: D. Gambetta (ed.): Trust. Basil Blackwell, Oxford: 94-107.

Mitronen, L./Moller, K. (2003): Management of Hybrid Organisations: A Case Study. In: Retailing Industrial Marketing Management, 32: 419– 429.

Silvester, J./Chapman, A.J. (1997): Asking "Why?" in the Workplace: Causal Attributions and Organizational Behavior. In: D.M. Rousseau (ed.): Trends in Organizational Behavior. John Willey & Sons Ltd.: 2-14.

Spreitzer, G./Mishra, A. K. (1999): Giving Up Control Without Losing Control. In: Group and Organisation Management, 24(2): 155-187.

Walzawick, P./Bavelas, Jackson D.D. (1967): Pragmatics of Human Communication: A Study of Interactional Patterns, Pathologies and Paradoxes. W. W. Norton & Company, New York, London.

Weick, K.E. (2001): Making Sense of the Organization. Blackwell Publishers Inc., Oxford.

Weinstock, D. (1999): Building Trust in Divided Societies. In: Journal of Political Philosophy, 7(3): 287-307.

Yin, R.K. (1998): The Abridged Version of Case Study Research. In: D.J. Rog (ed.): Handbook of Applied Social Research Methods. SAGE Publications Inc., Thousand Oaks, CA: 229-259.