

Cupid Alliances: Exploring Behavior Dynamics Alliance Formation Between Unembedded Firms

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ABSTRACT

The organizational alliance and network literatures have made significant contributions to our understanding of interorganizational alliances by identifying the importance of prior network ties in the likelihood of future relationships. Organizations typically choose prior partners in shaping future alliances as a mechanism for reducing risk emanating from two sources: partner relationships (can this partner be trusted?) and performance uncertainties (can this partnership succeed in the market?). The key premise is that both of these types of risks can be substantially reduced by careful partner selection. However, sometimes organizations are not free to select their partners. The research reported on this paper is a detailed analysis of one such case. This study explores the development of interpersonal and interorganizational trust in multiparty alliances where potential partners with no prior alliance ties are “shot” by a cupid organization. That is, they face an incentive structure that strongly encourages them to partner with each other and imposes penalties if they do not. These relationships are considered in the

context of both the networks in which each of the actors are embedded, as well as the resource dependencies (on the cupid organization) which may be motivating the relationship. Preliminary findings in this case study, based on the analysis of both qualitative and network data, suggest that prior network ties impact initial levels of trust and embeddedness. More surprising is the finding that although the firms chose to enter the alliance, levels of trust between partners with no prior network ties did not increase, and actually decreased over the course of the negotiation period. These initial findings seem to warrant further research into the role that resource dependencies and rewards exogenous to an alliance play in the development of trust and the ultimate formation of alliances.

General Terms

Management, Theory.

Keywords

Alliance networks, trust.