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# BAD WINE IN MORE BOTTLES? THE EFFECTS OF INTER-FIRM COLLABORATION ON PRODUCT QUALITY AND GROWTH (INTERACTIVE PAPER)

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INTERACTIVE PAPER

# BAD WINE IN MORE BOTTLES? THE EFFECTS OF INTER-FIRM COLLABORATION ON PRODUCT QUALITY AND GROWTH

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## Principle Topic

That resource constrained ventures gain several advantages from inter-firm collaboration is well established. In particular, they gain access to resources that can help them overcome liabilities of newness and smallness (e.g. Baum et al., 2003). Far less attention, however, has been paid to the potential downsides of collaborative arrangements. In this paper we take a resource-based perspective to examine the pros AND cons of inter-firm collaboration, proposing that collaboration fuels sales growth but hampers product quality and that implications for financial performance are less straightforward than often assumed.

## Method

We use a sample of Spanish wineries to conduct our analysis as they represent a population of firms where both quality and growth are salient performance dimensions. In 2013, we surveyed a population of 520 Spanish wineries and base the analysis on 111 responses.The degree to which a company takes part in relationships with other organizations and the degree to which they utilize external resources constitute the main independent variables. We utilize secondary performance and wine quality data as dependent variables. Data are analyzed using moderated regressions.

## Implications

First, whereas previous research has mainly concentrated on the positive effects of inter-organizational collaboration, we are able to distinguish between contervailing growth and product quality effects. This provides a more nuanced perspective on the impact of inter-firm collaboration. It also provides important explanations as to why some firms refrain from engaging in collaborative arrangements, such as alliances. While prior research has examined agency related reasons for alliance failure (Park & Ungson, 2001), we advance a resource-based rationale for the detrimental effects of inter-organizational relationships. Second, we open up new avenues of theorizing by examining contingencies in inter-firm collaboration. Third, we contribute to the capabilities literature. The majority of recent research has focused on the role of externally oriented dynamic capabilities in facilitating firm adaptation and growth. In this perspective, strategies such as inter-organizational relationships facilitate growth (Singh & Mitchell, 2005). We focus on the role of internally oriented capabilities that are created through learning and deeply embedded routines (Nelson & Winter, 1982).

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