RELATIONSHIP STRATEGIES FOR ENTREPRENEURIAL ALLIANCES (INTERACTIVE PAPER)

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INTERACTIVE PAPER

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Principal Topic

Interfirm alliances are a commonly used method for firms to access resources. Trust has been identified as a fundamental aspect of these relationships, but the concept of trust remains somewhat ambiguous. A premise of this theoretical paper is that entrepreneurs look to their developed social networks to create potential resource-providing relationships (e.g. Uzzi, 1999). Smith & Lohrke (2008) applied an interorganizational concept of trust to entrepreneurial network development, proposing a three-stage model of socioeconomic exchange between a new venture and a resource provider and the associated levels of affective and cognitive trust. Their definition of trust, however, was based on a single continuum. I will extend their work by applying a more ambivalent definition of trust, which includes a component of distrust (e.g. Lewicki, McAllister, & Bies, 1998). The framework prescribes a level of distrust, manifested in legal and contractual mechanisms, which would encourage a professional arms-length association and enhance exit provisions. This is particularly valid in entrepreneurship where there is often a power asymmetry with resource providers. I believe further investigation and clarification of the simple norm that “more trust is better” is required.

A challenge in trust analysis has been its operationalization and application of what was commonly held as a dyadic characteristic to organizational relationships. Zaheer, McEvily, & Perrone (1998) provided a framework in their empirical analysis of interorganizational and interpersonal trust between dyadic producerupplier relationships. Interorganizational trust was measured as the extent to which individual members have a collectively-held trust orientation toward the partner firm, while interpersonal trust was determined by interactions between what Katz & Kahn called individual boundary spanners. My unit of analysis is individual boundary spanners and their specific alliance relationships, who in aggregate account for the trust/distrust by the entrepreneurial firm. The framework proposes that these individuals in particular need to establish arms-length relationships, despite personal social history, in order to protect the interests of their firm. Propositions:

1. Boundary spanners’ distrust will be positively related to negotiating alliances with fair exit provisions.
2. Boundary spanners’ distrust will be positively related to firms achieving strategic goals for the alliance.
3. Boundary spanners’ distrust will be positively associated with achieving a positive return vs. cost concerning the alliance.

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