

# Trust in Technology Partnerships

Kirsimarja Blomqvist

Lappeenranta University of Technology, Finland

## INTRODUCTION

Technology partnerships are seen as a key element both in knowledge creation for technological development itself and in leveraging the value of technological knowledge (Bidault & Cummings, 1994; Teece, 1987; Ford, 1998). Complementary knowledge is generally regarded as a source for competitiveness (Doz & Hamel, 1998; Powell, 1998; Nahapiet & Ghoshal, 2000). Potentially, the focus on core competencies enables relatively stronger competitiveness (cumulative learning, focused use of critical resources) and ability to gain synergistic benefits and scale by leveraging different knowledge bases and networks (Miles, 2000; Blomqvist, 2002).

In the converging ICT sector, the technological discontinuities like the Internet bring new innovative players, which try to break the rules of competition and seek the niches not noticed by the incumbent players. For incumbents the discontinuities pose a threat that may be turned into an opportunity through cooperating with innovative players and learning from them. In technology partnerships, complementary companies are able to focus on their core competencies and simultaneously leverage external knowledge and resources to complement their knowledge and resource base.

According to a recent study, 94% of the technology executives believed that alliances and technology partnerships were becoming more critical to their strategy, yet every second alliance turns out to become a failure (Kelly, Schaan & Joncas, 2002). In several studies, empirical trust has been identified as a key success factor for technology partnerships (Forrest & Martin, 1992; Bruce, 1995). The aim of this article is to increase the understanding of trust as a critical factor in technology partnerships. The empirical illustrations in this article are based on research on asymmetric technology partnerships, in which eight small software firms' partnerships with five large firms were empirically analyzed (Blomqvist, 2002; Blomqvist & Ståhle, 2003). The knowledge creation in technology partnerships between large and small firms, as well as the converging ICT market as an example of complex and dynamic business environment, make the context especially interesting from the point of view of trust. Perceived or assumed dissimilarities in complementary actors' values, goals, time-horizon, decision-making

processes, culture, and logic of strategy can form barriers to cooperation (see Doz, 1988; Blomqvist, 2002). Rapid changes and high risks concerning technological success and economic rewards are typical.

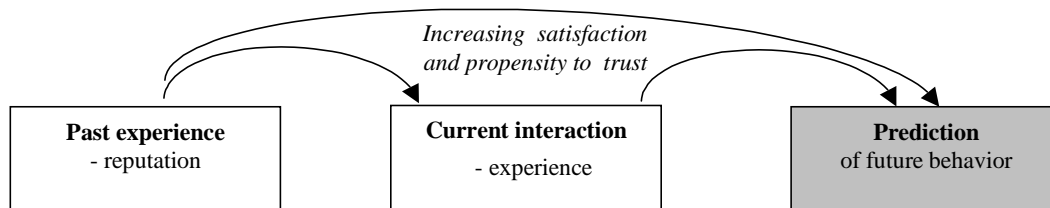
## TRUST AND INTER-FIRM COLLABORATION

Trust has been identified as an important issue in partnerships and alliances (Håkanson, 1993; Parkhe, 1993, 1998; Das & Teng, 1998; Lazarec, 1998; Ariño, de la Torre & Ring, 2000) and supplier relations (Sako, 1998). It has been proposed that some *cooperative threshold amount of trust* is needed for cooperation to evolve (Dibben, 2001). For the context of asymmetric technology partnerships, based on an extensive literature analysis and conceptualization, Blomqvist (1997) has defined trust as the "actor's expectation of the other party's competence and goodwill." This definition includes the dimensions of competence (i.e., technological capabilities, skills, and know-how) and the more abstract goodwill, which implies moral responsibility and positive intentions toward the other. Signs of *goodwill* and the related expectation of the partner's positive intentions are necessary for a partner to be able to accept risk and a potentially vulnerable position. It could be assumed that *competence* is a necessary antecedent for trust in the business context, especially in technology partnerships, where complementary technological knowledge and competencies are a key motivation for partnership formation (Blomqvist, 2002). Also Sako (1998) has included competence in his definition of trust.

There is a strong temporal dimension in trusting. Trust is seen as evolving from past experience and current interaction (Deutch, 1973). It is seen as an outcome of a process, that is, trust relationships develop gradually (see Figure 1).

Trust between partners can be said to be a bridge between past experiences and the anticipated future. In general, trust is believed to evolve slowly, through repeated interactions of increasing satisfaction (e.g., Blau, 1964) and through incremental investments and experiences. Reputation and experienced *similarity both in character and values* enhance the experience of trust

Figure 1. Trust as a prediction resulting from satisfactory interaction and past experience (Blomqvist, 2002)



(Zucker, 1987; Gulati, 1995; Jones & George, 1998) through the ability to predict the other's behavior.

## THE CRITICAL ROLE OF TRUST IN TECHNOLOGY PARTNERSHIPS

Blomqvist (2002) has used interviews of business practitioners from large and small technology firms representing operative and strategic organizational levels in order to look deeper into the role of trust in technology partnerships. The components of trust were formed through interviews based on open questions: How do you evaluate your partner? What characteristics do you find important? What do you tell and highlight about you and your company when presenting yourself to a potential partner? The quotes in this article are drawn from these in-depth interviews.

The interviewed large firm managers, small firm managing directors, and other key persons very clearly saw trust to be critical for technology partnering. The interviews confirmed the two components of trust—capability and goodwill—that were brought up also in the literature review. However, the interviews included many viewpoints that could not be labeled under competence or goodwill, but dealt often with the other party's behavior, for example, what really happened in the cooperation. Already at the very first meetings, the behavioral dimension of trust is present in signs and signals, for example, what information is revealed and in which manner. Signs of goodwill are necessary for the trusting party to be able to accept a potentially vulnerable position. Through the partnering process (a long time), the actual behavior (e.g., kept promises) becomes more visible and easier to evaluate. This was highlighted for example as follows:

*"I evaluate a potential partner with feelings anyway. It is the first couple of minutes...The first impression is important... how they present themselves, whether they are really interested, and whether they have a vision. I also look whether they are able to communicate their*

*vision and have self-respect. It is the feeling... Yes, I don't know if I should have, but I don't have any systematic way of evaluating them. You listen to their story and evaluate whether it is credible or not."* (Partner Director, Large ICT Company B)

*"Communication is very critical...trust is created between individuals, not organizations. Individuals act like representatives of their organizations...You cannot trust a large firm's organization more than the small firm's organization."* (Technological Expert, Internet Technology Net)

The interviews of large and small firm managers produced empirical evidence about the role of self-reference in asymmetric technology partnership formation. In technology partnerships the individuals and organizations can be referred to as self-referential, if they are aware of their identity, capabilities, and values. A self-referential actor has an ability of building relationships and is more willing to accept interdependency (double contingency). Some of the interviewed managers discussed self-reference as follows:

*"First (when introducing your company to a potential partner) you need to have focused your business so that the other party understands that and sees it clearly. Then they can see my role, my firm's role, and how we and they will work together...and what they need and can get from my company."* (Managing Director, Small Software Company Alpha)

*"The ability to build trust comes from the ability to be humble. If you have been able to dictate what will be done...It will be a long drop and major change in the mental mode to actually listen to what the other person is after and what they want and to think of them as equals."* (Partner Director, Large ICT Company)

As a result of the analyses of all the perspectives of the interviewees, two new components of trust—*behavior* and *self-reference*—were included. Subsequently the

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