

Time compression diseconomies in accelerated global alliances

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Abstract

This paper aims at identifying practices that help managers to cope with two opposing forces related to global alliance management: the desirable gradual development of the alliance – due to time compression diseconomies in trust formation – and the need to accelerate this development in order to react quickly to the challenges of a global market. On the basis of a single case study, we show that several practices can be used to guarantee that acceleration does not put in danger either trust formation or other sources of relational rents.

Introduction

Research on alliance evolution suggests that alliances should be developed in a gradual way, adjusting the assumption of risks with the accumulation of trust, positive results and relational quality (see Ariño *et al.*, 1999). Firms entering into alliances face important uncertainties with respect to the future behavior of their partners: it is not clear whether they are going to behave cooperatively in the future beyond the assumed explicit commitments or have the adaptability to react to unexpected changes in the environment. Although firms can establish control mechanisms to cope with these uncertainties, there is a minimum of mutual trust that firms need to have in order to enter into an alliance (Das and Teng, 1998); the amount of necessary trust being dependent on the complexity of the alliance (Killing, 1988). Trust is however not only an input, but also an output of cooperative relationships (Buckley and Casson, 1988). Alliances should thus be developed in a gradual way, as interfirm trust is an asset that is not available through the market, but only through the development of a relationship. Trust accumulation is therefore subject to time compression diseconomies (Dyer and Singh, 1998) and can only be developed as time goes by in the course of an alliance. As a consequence, firms should have to wait to reap the full potential benefits from the alliance. Taking this into account, Killing (1988) argued that alliances aimed at carrying out complex activities, when undertaken by companies without a background of previous relations, very often

require the establishment of a less complex initial alliance, so that a minimum of mutual trust can be generated, thus enabling further projects. However, firms usually enter into alliances so as to quickly access external resources or adapt to a new competitive environment. Environmental changes may force firms to reap the potential benefits of an alliance from day zero by accelerating alliance development. In these cases, managers have to find an adequate balance between gradual development due to time compression diseconomies in trust formation and rapid development of the alliance in order to adapt quickly to a changing environment.

One of the alliance types where this problem is most evident is in so-called global alliances, above all when these are of a worldwide scope (Ohmae, 1989; Parkhe, 1991; Dunning, 1995). Examples of these alliances are the relationship between Ford and Mazda in the automobile industry, or KLM and Northwest in airlines. The partners in these alliances, besides expanding their geographical scope, try to plan a worldwide coordinated action. In particular, they develop several projects in different countries (Ohmae, 1989) in such a way that a reduction in international competition takes place (Porter and Fuller, 1986; Nohria and García-Pont, 1991). The fact that the partners agree to coordinate their international actions increases the complexity of these alliances, making their gradual development desirable. However, global alliances are carried out in order to accelerate the international expansion of the company and to react quickly to the challenges of a global market, pressing the partners to obtain positive results in the very short term (Porter and Fuller, 1986; Ohmae, 1989). The difficulties of achieving an appropriate

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balance between these two opposing forces might explain the instability of this type of alliances.

Despite the importance of the topic, there is a lack of empirical research dealing with this problem. With the aim of identifying practices that help managers to cope with these two opposing forces in alliance management, we analyze the consequences on alliance evolution of the desire of the partners to speed up its development. In particular, we analyze the dysfunctional effects that may derive from the speeding up of the alliance and the management practices that can be adopted to avoid them. This is a grounded theory development paper in which we learn from one case study what happens when a global alliance is artificially accelerated. For the purposes of this paper, we understand as acceleration of the alliance the fact that more than one complex project is being carried out from the beginning of the alliance. Based on the evidence gathered, we show that although acceleration of the alliance may be an obstacle to its functioning, firms can overcome this barrier if they observe adequate practices. Thus, we maintain that acceleration does not necessarily lead to dissolution of the alliance.

This paper is structured as follows. In the first section, a theoretical framework is presented, analyzing the role of trust in alliance development and performance, how it evolves as time goes by and how it is affected by alliance acceleration. We then present the methodology employed in gathering data and subsequently describe the case study. Finally, we discuss the main findings of our case study and their implications for the management of these alliances.

Theoretical framework

Alliance development is a process that usually comprises several stages of negotiation, commitment and execution that are sequentially repeated in a search for efficiency and equity (Ring and Van de Ven, 1994; Ariño *et al.*, 1998; 1999). Having decided to enter into an alliance, firms have to look for potential partners, commencing a negotiation process that ends when all partners reach an agreement concerning the governance and scope of the alliance.

As stated above, a minimum amount of mutual trust between partners is a necessary condition for this initial stage of alliance formation to take place. In line with Das and Teng (1998), we understand trust as the positive attitude that a partner has toward

the goodwill and reliability of the other in situations of risk. All alliances involve risk, as there are uncertainties concerning the behavior of the partners that are only cleared up as time goes by. Depending on the willingness of the partners to rely on trust, the risk that they assume when entering into an alliance will be higher or lower (Ring and Van de Ven, 1992). However, there is always some risk involved in alliance formation and so alliances always require a minimum level of trust.

Once negotiations are completed, the alliance enters into the commitment and execution stages. In the particular case of global alliances, this execution may involve the separate carrying out of one or more different projects. The starting point of global alliances is usually a framework agreement which defines the desired scope of the alliance, an overall governance structure – very often these alliances include equity exchanges and also interchange of representatives in their governance boards – together with a certain number of projects to be executed at the beginning of the alliance, and finally a number of other projects that can be expected to be executed later on.

The logic surrounding the increase in alliance scope – the carrying out of new projects – lies in the fact that as firms develop a successful cooperative project, new opportunities for joint profits arise. As partners increase the scope of their co-operation, they can profit from rents that can only be obtained by working jointly. These rents are those that Dyer and Singh (1998) call relational rents.

Trust formation is at the core of the process of alliance development. Up until now, we have argued that trust is a necessary condition for alliance formation. However, trust also plays a key role in alliance governance (Madhok, 1995; Dyer and Singh, 1998). At the same time, trust accumulated in previous cooperative projects acts as input in new ones. With respect to this point, it should be noted that there are different kinds of trust, each of which is firmly related to a different stage of alliance evolution and development.

Following Inkpen and Currall (1998), we may distinguish three different types of interfirm trust: psychological, social and structural or institutional. From the psychological perspective, trust is an output of interpersonal relationships: for instance, between the managers involved in alliance formation negotiations. This trust is based on cognitive and emotional factors. At the social level, trust is the output of ongoing interaction between partner firms. This trust

depends on the valuation that each partner has of previous interactions. At the institutional level, it is assumed that trust is a characteristic of the relationship between two firms: trust exists or not. To some extent, this perspective will fit those situations in which the background of previous relationships between two firms is so strong that there exists some sort of institutionalized trust – i.e. trust that is independent of who is on charge of the firm[1]. On the basis of these three perspectives, we may identify three stages of trust accumulation between firms:

- 1 A stage in which there only exists psychological trust between the managers involved in the alliance, either because there is no significant feedback on the projects being carried out or because these projects have not yet produced positive results. In this stage, trust levels can vary widely, as they are exclusively dependent on managers' perceptions of their counterpart's attitude, and these can change daily.
- 2 Firms will enter into the second stage when psychological trust is backed by results of the ongoing interaction with the partner. In this sense, the successful development of the sources of relational rents is a necessary condition for social trust to arise. Although this kind of trust varies over time with the perceptions of the ongoing interactions, it is less volatile than the previous one: it is less dependent on the top executives involved in the negotiation of the alliance (Inkpen and Currall, 1998), as alliance performance can be analyzed in a more objective perspective and has a more sustainable impact on trust than day-to-day personal interactions.
- 3 Finally, when collaborative relationships have existed for a long time and firms have proven themselves capable of working jointly on several projects – not all of them necessarily successful – exhibiting cooperative behavior in all of these, firms enter into a third stage. In this stage, all the relevant managers of each firm see the other firm as a good partner, even if they have not been personally involved in any cooperative project with the other firm. This stage fits what Zaheer *et al.* (1998) define as interorganizational trust. Thus, in addition to psychological and social trust, there is also institutionalized trust between both firms. Once firms have reached this stage of structural trust, trust levels remain the same or increase with

time, as trust becomes a valuable asset for both firms.

Figure 1 summarizes the different stages in alliance development and in the generation of trust.

As previously mentioned, all alliances need a minimum level of trust at their onset; the amount of trust needed being dependent on the complexity of the alliance (Buckley and Casson, 1988; Killing, 1988). Due to the complexity of global alliances, the amount of trust needed is higher. Thus, a minimum amount of trust (T^*) is required to start a global alliance. This trust may be based on the psychological trust (PT) developed during the negotiation stage by the managers involved, or the social (ST) or institutionalized trust (IT) stemming from previous cooperative experiences. Taking into account the fact that trust levels change over time – and denoting the beginning of the alliance as time 0— we may specify this relation as:

$$T_{(0)} = PT_{(0)} + ST_{(0)} + IT_{(0)}$$

However, most global alliances are formed by partners without a background of previous collaborative relationships, and for this reason the only source of trust at the beginning of the alliance is psychological trust. Hence in most global alliances, $T_{(0)} = PT_{(0)}$, as $ST_{(0)} = IT_{(0)} = 0$. Therefore, at the beginning of most global alliances, the whole relationship is basically underpinned by the psychological trust between alliance managers. This gives rise to a problem: the high volatility of PT, which changes with day-to-day personal interactions between alliance managers. Therefore, although psychological trust will initially be greater than or the same as the necessary minimum trust ($PT_{(0)} \geq T^*$), PT could decrease with time due to unsatisfactory perceptions on the part of managers. In fact, PT could decrease below the T^* level, endangering the development of the alliance or even forcing its dissolution. Thus, this type of alliance is at risk until the first performance results can be evaluated[2]. However, if partners have a background of previous cooperative relationships, the alliance is not only backed by managers' perceptions, but also by the social and institutionalized trust that they have previously accumulated. Thus, in these cases $T_{(0)} > PT_{(0)}$. The role played by PT is therefore much smaller in this case, as PT may decrease without endangering alliance continuity. For example, a replacement in top executives of one of the partners would not have the same effect as in the case of the partners not having the background of

previous cooperative relationships. However, these types of alliances with a background of previous relationships are the exception rather than the rule.

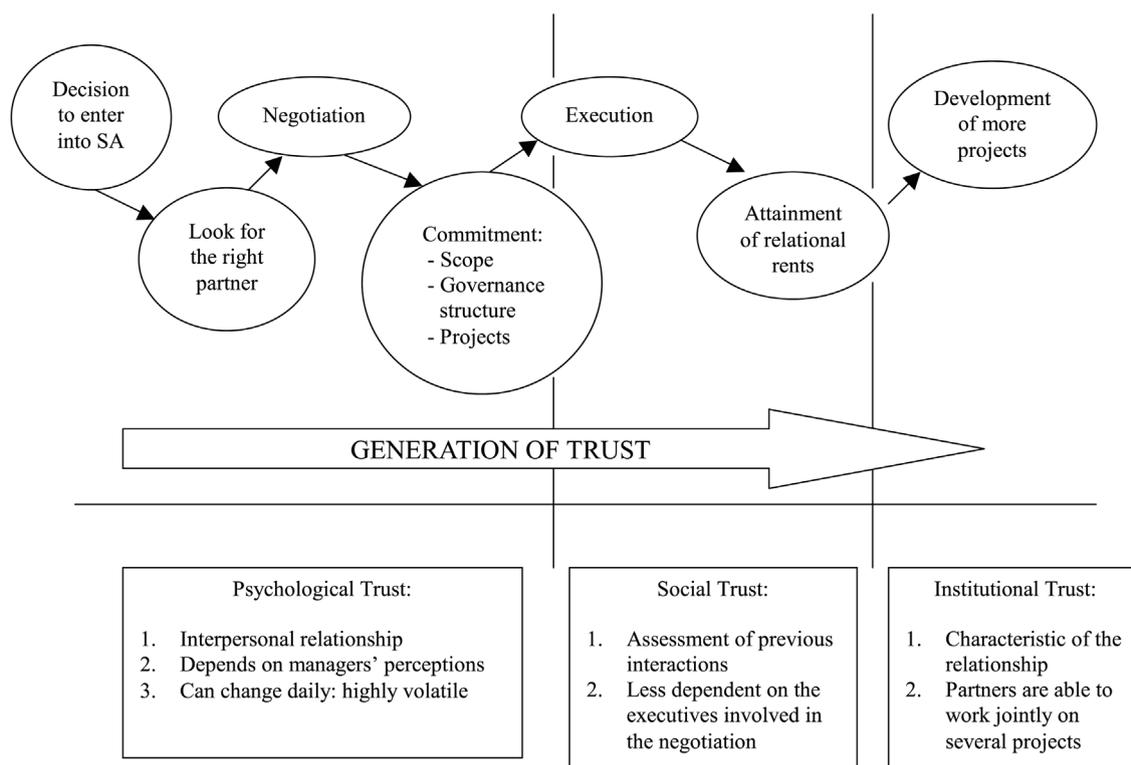
For this reason, managers involved in global alliances face the dilemma of finding the appropriate balance between accelerated development and gradual development. As we have seen, gradual development is important. The fewer the number of projects and activities involved in the alliance, the lower the amount of trust needed to enter into the alliance and the higher the odds of keeping the alliance on track until the time when feedback on alliance performance can be obtained. If, to the contrary, the partners decide to carry out a large number of projects from the beginning and they lack a background of previous relationships, they have to deal with time compression diseconomies in trust formation. Social and institutional forms of trust are not available and the relationship can only be supported by psychological trust, which introduces several problems. On the one hand, the amount of necessary PT is higher, so the chances that it decreases below the minimum in the initial stage of the alliance are higher. On the other hand, partners have to incur in more relational

investments to assure adaptability to unplanned problems. However, the reason that forces firms to enter into global alliances (rapid technological change and globalization) also forces them to accelerate the alliance in order to quickly reposition the firm in the new competitive scenario. Gradual development would mean that two firms trying to coordinate their international activities should engage first in a single country-single activity cooperation, gradually increasing the scope of the alliance. However, if the aim of partners is to achieve the scale economies of global competitors, gradual development is not the solution. Thus, firms have to deal with the problems of time compression diseconomies in trust formation in accelerated alliances. There are examples of firms that have been able to deal with this situation, but no empirical study has addressed this issue to date. With the aim of filling this gap, we shall analyze one accelerated global alliance in which the partners did not have high levels of trust at its inception.

Research design

Our fieldwork was aimed at learning from a successful case study of an accelerated

Figure 1
Stages in the development of the alliance and in the generation of trust



global alliance. Our goal was to offer one example of acceleration in the gradual development of global alliances and then to analyze the consequences of the acceleration, focusing on the role of trust. Following Yin's (1989) terminology, ours is a holistic single case study. We have observed his recommendations for conducting this type of fieldwork (Yin, 1989, 1990). In so doing, we have followed these stages: identification of the purposes of the research, reporting of theoretical models and identification of the necessary resources for carrying out the research, research design, definition and selection of the unit of analysis, data collecting, data analysis and development of the main conclusions of the study.

The source of empirical evidence used in this paper is the case of the Banco Santander (BS)/Royal Bank of Scotland (RBS) alliance, where different projects were developed and whose evolution was accelerated. Despite it being accelerated, this alliance accomplished high levels of success and trust. Since 1999, the BS has merged with the Spanish Banco Central Hispano (BCH) and now is called Santander Central Hispano Bank. Santander Central Hispano Bank is now the Spanish bank with the greatest international presence. Its entire international strategy is based on the development of alliances with European and US partners. The only exception is its expansion in Latin America, which has been carried out through total or majority acquisitions of local banks. The British RBS is now the second largest bank in the UK and one of the top ten in Europe. Its core market is the UK, but it is also active in Europe and in the northeast of the USA. The strategic alliance with the Spanish bank provided scope for development of financial service activities across Europe. Although the BS and the RBS are now leading banks in their own countries, when the alliance was founded they were medium-size banks.

In order to obtain information, during 1997 we held semi-structured meetings with five executives involved in the formation and follow-up of the alliance. We also reviewed published information, such as corporate reports and previous case studies, in order to triangulate the collected information. In particular, the case study written by Faulkner (1994) was especially helpful, as well as the comments on it included in Child and Faulkner (1998). Later on, we have carried out a follow up of the firm by maintaining contacts with interviewed executives. Next, we describe the main features of our case study.

The Banco Santander-Royal Bank of Scotland Alliance

This alliance was part of the European expansion of the Spanish Bank. The RBS, a bank with which the BS had no previous relationships, was chosen as a partner due to its similarity in size with the BS. The alliance comprised a framework agreement specifying several activities to be developed and an equity exchange. The BS bought 9.9 per cent of the RBS and the latter acquired 4.9 per cent of the BS. Each firm became the main stockholder of its ally. In the framework agreement, both partners specified three areas of cooperation:

- 1 *A joint investment policy in Europe.* In this sense, in the initial spirit of the alliance, the partners tried to coordinate their European activities through a joint investment policy. Furthermore, they had the philosophy of investing the same percentage (50 per cent) in each project. However, the partners had agreed not to share the management of the participated firms, so this was assumed by one of the partners, depending on the country where the project was developed. Table I shows the joint investments made, as well as the most relevant events in the alliance. The alliance in this area has barely developed, because the RBS gradually reconsidered its international strategy, reducing its foreign direct investments. In the words of one BS manager:

It is much easier to do business "at home" than to enter an unknown market. At the moment the RBS and the BS allied, the former faced important opportunities for business development in its own home country, without needing to expand abroad. In this respect, it is necessary to bear in mind the fact that the RBS had an important market share in Scotland, but not in the remaining regions of the UK. In such a situation, the RBS set aside its international vocation in favor of a greater development of its local expansion. The situation of the BS was quite different, as it had an important market share at a country level and it was thus particularly interested in international expansion.

- 2 *Interchange of networks of branches between Spain and the UK.* This activity was initially developed on three levels: individuals, small and medium-sized enterprises (SMEs) and large corporations. The idea was to provide a service to British clients in Spain and vice versa. However, neither partner has made large profits in this area of cooperation, as the demand was less than that initially expected. As a BS manager pointed out:

Table I
Main events in the evolution of the BS-RBS alliance

Date	Projects and events
1988	Signature of the agreement and interchange of equity: SB bought 9.9% of RBS and RBS 4.9% of SB
1988	SB sold 50% of the German CC-Bank and CC-Belgium to RBS
1988	SB and RBS jointly created the Gibraltar Bank SB left CC-Belgium
1994	Creation of IBOS network
1996	RBS sells its equity of CC-Bank to SB SB gradually buys equity of Portuguese BCI. RBS also buys stocks of this bank
04-1997	SB tries to buy all the equity of BCI
1999	Merger of SB and Central Hispano Bank, creating SCHB
05-1999	RBS becomes the main stockholder of SCHB
03-2000	Merger of RBS and Natwest

With respect to reciprocal attention to families, demand was much lower than initially expected. In addition, the profit to be shared by both partners when doing this kind of business was too low. With respect to the reciprocal attention to SMEs, a problem of a different nature arises. While the number of Spanish firms developing business in the UK was very low, the amount of English firms doing business in Spain was much higher. Since the volume of business was not reciprocal, it was not interesting for both parts to share it. Finally, reciprocal attention to large corporations worked much better, although this implied very few operations.

- 3 *Technological-commercial agreement: development of the IBOS network (Interbank on-line systems)*. At the outset, this network was created as a system for facilitating international transfers of capital, although in its present configuration, it constitutes support for a global network of finance services. The first step in this sense was the on-line connection between both banks, so that the clients of the BS could be dealt with by the RBS directly and vice versa. Subsequently, the partners detected that the potential of this connection would be multiplied if more banks participated in the network, thus increasing its international coverage and services offered to clients. That is the reason why IBOS was initially opened to other European banks, and later to non-European banks.

Despite the low level of success obtained in the development of some projects, both companies have continued believing in the development of the alliance. In the words of a BS manager:

There was a very good relationship between both partners, which guaranteed that each partner's decisions were understood by the other without endangering the cooperative

agreement. If RBS decided to stop its participation in a particular project, SBS understood perfectly well that such a project was simply not interesting for the former, and vice versa. Neither of the partners doubted the other's intention to continue cooperating. This fact allowed both partners to abandon those projects that did not reach expected results and to jointly develop new projects and business.

Each partner considered that the most relevant benefit of this agreement is learning from the other. In this sense, the Spanish bank has learnt certain aspects of finance management of the Anglo-Saxon market, much more developed than the Spanish one. For instance, the BS benefited from the RBS' experience with highly-remunerated bank accounts when launching their own in Spain. On the other hand, the RBS has taken advantage of the knowledge of the Spanish bank with respect to the management of commercial networks. As a consequence of these benefits, an increasing level of trust has been generated that has favored the development of the relationship, even though some of the initial projects did not evolve as they were supposed to. All our interviewees consider that both trust and fluent communication between partners have been key factors for the success of the alliance. As a result of these increasing levels of trust, new joint activities have been developed. Among the critical factors favoring trust formation in this alliance, we may highlight the following:

- Since the beginning of the alliance a supervision committee was created for the development and supervision of the alliance. This committee meets every six weeks. As our interviewees point out, these meetings have been taking place until the present day. At the beginning, three people from the top of each company attended these meetings, including the CEO of each company, although the

number of participants has increased with time. As a BS manager affirms: “Neither of the partners has ever failed to attend any of these meetings. We keep attending these meetings even when there are no important topics to deal with. The most important thing is to keep communication alive”.

- There is an annual three-day meeting of this committee for assessing the evolution of projects. This meeting involves formal events as well as informal (i.e. golf) activities scheduled during those days.
- One person in each company is in charge of supervising the operative aspects of the alliance.
- Some *ad hoc* task forces are created for implementing projects to improve the performance of specific areas like marketing or human resources. The life of these task forces is variable, depending on the duration of these specific projects.

Therefore, the trust generated by the partners, in part due to the efforts of both with respect to the maintenance of personal contacts among the managers from the outset of the relationship, has allowed the alliance to overcome certain critical moments in its development. Among these, we can highlight the change in the CEO of the RBS, financial problems in the RBS, the merger of the BS and the Spanish bank BCH, or the more recent merger between the RBS and the English bank Natwest. Without doubt, the merger of one of the partners with a third company is one of the greatest tests an alliance may face. In this case, both the BS and the RBS have merged with a third company and each has been supported by its ally at all times.

In the most recent merger (the one between the RBS and Natwest, giving rise to the second largest British bank), the Santander Central Hispano demonstrated its full support for the operation from the beginning of the merger. In this sense, the Spanish bank provided finance support to its partner in order to guarantee the success of the merger. In the same way, the merger between the BS and the BCH (constituting the leading Spanish bank) was supported by the RBS, which after the merger continued supporting the Spanish entity in important international strategic operations. For example, the Santander Central Hispano (the final entity) recently obtained collaboration and finance support from its partner in its acquisition of the do Estado de Sao Paulo Bank (Banespa) in Brazil.

Discussion and conclusion

When starting to develop their global alliance, BS and RBS were forced to find an adequate balance between a gradual development in trust formation – due to time compression diseconomies – and a quick development of the alliance in order to accelerate the international expansion of the partners. The need of this balance is a usual feature of global alliances. The alliance was accelerated through the decision to carry out three different types of cooperative projects since the beginning – joint investments in Europe, interchange of distribution networks and the development of the IBOS network. Although acceleration does not necessarily lead to a bad performance or to a dissolution of the alliance, it is an additional problem that partners must overcome. Acceleration may force firms to undertake complex projects before achieving high levels of trust. This case is a good example of how several practices can be used to guarantee that acceleration does not put in danger either trust formation or other sources of relational rents. It is important to highlight the fact that in this alliance there were no previous relationships between the partners. Therefore, the only trust that existed at the initial stage was PT. Thus, the BS-RBS alliance had to face a double handicap: the acceleration of the alliance and the lack of a previous relationship between the partners.

However, we can observe how both partners in this relationship made a great deal of relational investments from the outset that favored the generation of relational rents and consequently, the growth of PT and the generation of ST. In this sense, both partners developed routines for sharing knowledge. For example, working teams were created *ad hoc* for starting and monitoring projects in human resources or marketing, each firm recognized that its partner had interesting resources and knowledge and both of them tried to develop abilities for acquiring information about their partners, with the aim of making decision processes, information and control systems and company culture compatible. With regards to the governance structure, the firms interchanged equity in the early stages of the alliance. The interchange of minority equity positions establishes direct communication channels between the companies through the presence of each partner in the other ally’s governance board (Pfeffer, 1972; Pisano *et al.*, 1988). Additionally, as long as they are a considerable financial commitment, equity positions become an important signal with

regards to the willingness to remain in the alliance, as well as a first step in the formation of trust among the partners (García-Canal, 1996). However, it is also widely accepted that informal safeguards are more likely to create relational rents than formal safeguards. That is why these firms also try to manage the relationship through informal governance structures, implementing a committee involving both CEOs and top executives right from the outset of the relationship. This committee met every six weeks with the aim of developing and monitoring the alliance, as mentioned previously. These meetings were also an excellent opportunity for building personal bonds between the executives of both firms. These personal interactions allowed a high, solid level of PT that made it possible both to face the acceleration of the alliance, as well as to wait for the relational rents which would give rise to ST. It is important to develop social trust because when a relationship is only supported by PT, which is mainly based on people, a simple change in management teams may imply the loss of such trust. The analysis of this case allows us to observe how relational investments reinforce and develop existing levels of trust, thus facilitating the development of the alliance. Therefore, shareholders and managers' decisions and attitudes towards the high level of uncertainty of these alliances are key factors for keeping the alliance alive. These decisions influence the accumulation of trust levels that will either allow the evolution of the alliance or not. In Figure 2, we try to point out the effect of relational investments in the evolution of this global alliance. The way in which the three different types of interfirm trust were developed can be also observed.

Therefore, the following recommendations can be derived from our work that may be useful for managers facing the need to accelerate global alliances. On the one hand, a consensus among executives and shareholders of the companies involved must be reached, in order to facilitate the sharing of resources, abilities and knowledge (creating the routines that favor communication between them). On the other, partners must make an additional effort to guarantee the proper development of the relationship, implementing the governance structure that will allow the generation of the relational rents, in turn, that become the sources of more trust. In this sense, the BS-RBS case is a good illustration of the positive effect of certain practices, like equity exchanges, and the creation of a supervisory

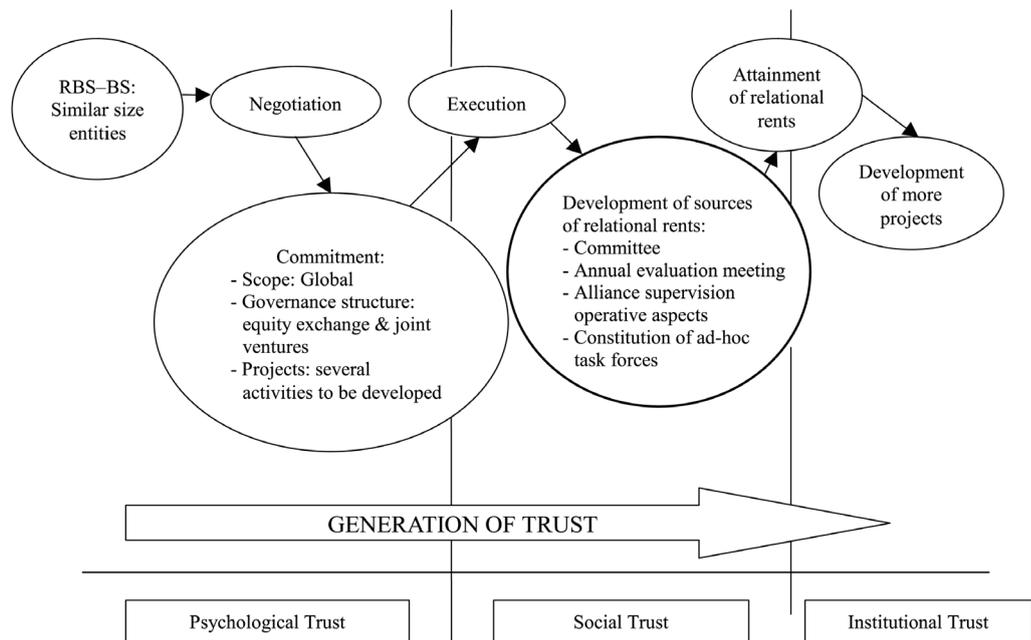
committee and *ad hoc* groups. These practices not only help partners to coordinate the alliance, but also to maintain and reinforce PT, which is the type of trust more variable and the only one that existed in the first stages of this alliance. Therefore, although trust formation is usually exposed to time compression diseconomies, certain practices may allow its quick generation and maintenance. Otherwise, time compression diseconomies will play against the development of the relationship, driving the partners to leave when they observe behavior that is considered to be a lack of commitment to the alliance. If the decisions of the partners do not negatively affect the sources of relational rents, it is possible in each stage of the relationship to reach the critical level of trust for maintaining the collaboration: psychological trust does not decrease and it is possible to develop social trust. However, if the decisions of the partners negatively affect the sources of relational rents, PT could decrease, and the critical level of trust might thus not be reached.

Although we believe that our study provides useful insights into how to achieve a good development in accelerated alliances, some of its characteristics limit the widespread extrapolation of our conclusions without caution. First, as evidence we have used a single case study of a specific type of alliance: global scope alliances. We have deliberately focused on this type of alliance because global alliances are complex by definition. They are also open alliances: at the beginning of the relationship partners do not know exactly which specific actions and projects to undertake. Thus, there is a lot of uncertainty in the initial stages of the alliance.

Another feature of our research is that we have worked with only one case, and this fact could limit the generality of our conclusions. Nevertheless, our intention was not to identify all of the events that may endanger an accelerated global alliance, but to identify what can be done to build trust quickly. Finally, due to the methods used, it has not been possible to identify an exhaustive list of the business practices that can be used to deal with the problems that arise when an alliance's development is accelerated.

All these factors make us circumspect when attempting to generalize the conclusions drawn from the present study. However, we believe we have provided an interesting insight into the dynamics of alliances: namely, changes and external events surrounding the evolution of an alliance are not so important, but rather when these changes take place and how

Figure 2
Effect of the relational investments in RBS-BS alliance



managers and shareholders react to them. In this sense, the development of the BS-RBS alliance would probably have been different if the partners' mergers with third firms had taken place in the first stages of the alliance's development.

Further research should identify more precisely the causes and consequences of time compression on the evolution of alliances. In particular, the study of other types of alliances could be helpful in finding other external factors that can endanger the evolution of alliances. More case studies will be also helpful in order to build normative implications with respect to the management of the cooperation process in alliances and in particular, with respect to the specific influence of the business practices that we have highlighted in this paper. Such case studies should also be complemented with quantitative studies addressed to analyze the influence of acceleration on the duration of alliances. However, collecting the required information for a large sample of alliances is not an easy task.

Notes

- 1 Obviously trust is an attribute of personal relationships, not of interfirm relationships. However, this structural trust refers to situations in which firms have accumulated a reputation with respect to one other in previous exchanges and in which non-cooperative behavior will mean an important loss of this reputation. It thus seems logical in these cases to expect that these

patterns of cooperation will persist, despite possible changes in the management teams of the companies.

- 2 Alliances could obviously also be dissolved as a consequence of poor performance. However this is an inherent risk to all alliances that is different from the risk assumed when this background of previous relationships is lacking.
- 3 IBOS currently has 16 members. In Europe: Santander Central Hispano, RBS, Crédit Commercial de France, Kredietbank/Crédit Général of Belgium, Unibank of Denmark, ING Bank of the Netherlands, BS-Portugal, San Paolo-IMI of Italy, HypoVereinsbank of Germany and Bank of Ireland. In North America: Bank One, First Union National Bank, Scotiabank and Banco Inverlat. In Japan: The Fuji Bank. In South Africa: ABSA Bank Limited.

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Application questions

- 1 Has your firm carried out any accelerated global alliances? How many?
- 2 Did you have to deal with these accelerated processes? Did you manage each of them in a different way to other alliances?
- 3 Did some type of trust exist between the partners at the beginning of these global alliances?
- 4 What factors have favored the generation of trust between the partners?
- 5 Have you learned about the management of global alliances as time passes?