Potential negative impacts of trust on coopetitive relationships

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ABSTRACT
The impact of trust is important in any relationship. Especially in coopetition, where two competitors collaborate, trust has a major influence. Trust can either positively influence the relationship by bringing several benefits or trust can be a source of risk and decrease performance. In any case, trust is a double-edged sword and has beside the positive side a dark side as well. The current literature mainly focuses on the benefits trust can bring and the negative impacts of trust, especially in coopetition, are often neglected. This study develops four propositions about the influence of trust on coopetitive relationships and focuses thereby on the negative side and the ambiguity of trust. It will be explained in how far the impact of trust can differ between collaboration and coopetition. Further is highlighted that trust has two sides. The impact is not unconditional good and should therefore be analyzed with care. Trust can for example lead to an increased risk of opportunism or lead to a lower innovation rate. This study provides new insights about possible impacts of trust on coopetition and shows why trust has to be analyzed and tailored according to each relationship individually.

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1. INTRODUCTION

Firms should not be examined in isolation. They all interact via the market with different intensity – direct or indirect – and therefore influence each other. When working in similar market segments the relationship of market players can be characterized by collaboration or competition.

Trust is an important factor in any relationship between individuals. Due to its importance, the concept of trust has been widely researched in the past 20 years, for example by Morgan and Hunt (1994). In collaborations between two firms trust plays a major role (Castaldo & Dagnino, 2009) since it has an impact on commitment, flexibility, monitoring and risk which finally determine the outcome of the relationship. On the one hand, trust has a high impact on the success of a relationship and does enhance the quality and outcome of such (Osarenkhoe, 2010). On the other hand, trust can lead among other things to negligent behavior, bring a competitive disadvantage and finally be the reason for relationship failure.

It can be argued that in collaborations between competitors trust is even more important than in a normal collaboration. This type of relationship is called coopetition (Bengtsson & Kock, 2000). The topic coopetition is not new as well and has been researched for 20 years without using the term coopetition (Bengtsson & Kock, 2014) .Therefore, research has been conducted about the influence of trust on coopetition (Castaldo & Dagnino, 2009). As in a regular collaboration trust has many positive effects, but when firms are competitors the relationship is different. Trust has a major influence on performance and finally success of coopetition. Since coopetitive relationships are more complex than collaborations, trust is a helpful mechanism for facilitating interaction between competitors. Trust is able to offer some certainty about the partner's behavior which is especially important in coopetition. Additionally, trust impacts the course of the relationship and whether it starts at all (Brito & Costa e Silva, 2009). Coopetitive relationships entail a higher level of risk compared to collaboration. In collaborations, partners have no reason to have doubts regarding the partner's intentions. Both are interested in mutual benefits, but in coopetition these intentions are not clear and a basis level of trust is therefore helpful and necessary to start the collaboration. When it comes to topics like information and knowledge-sharing within the relationship, trust is a supporting factor. Trust lowers the level of risk and thereby increases the willingness to interact more freely and openly which then impacts creativity and innovation. Often research refers only to the advantages of trust. Despite all the positive impacts trust has a dark side as well. The topic opportunism and betrayal, which are normally not of high relevance in collaborations, become much more prominent in coopetition. Due to the competition between partners, there is a danger that one partner abuses the prevailing level of trust to damage his rival. Therefore, the level of trust has a different impact on this type of relationship and entails a new range of risks. Often firms are blinded by the benefits trust can bring and therefore do not see the negative impacts it can have. They invest too much to develop trust or do rely on it too much. A too high level of trust cannot only be a waste of time and energy, but it can also lead to severe consequences due to a higher risk caused by competition. Although the negative impacts are not as present as the positive ones, they should not be disregarded. Most firms are not aware of the fact that trust can even lead to relationship failure or at least decrease performance and profit (Molina-Morales, Martínez-Fernández, & Torlò, 2011). They only have a biased idea of trust and do not see the complete picture. Therefore, these firms cannot assess the impacts from an objective viewpoint.

Most papers analyze only the positive impact of trust. They focus mainly on trust in collaborative relationships. Papers that analyze trust and coopetition are therefore as well limited to the positive effects, as for example the paper by Chin, Chan, and Lam (2008). Articles that name negative effects are rare, quite recent and do only briefly address negative side effects. No study gives a complete picture about the impact of trust or focuses on the negative impacts on coopetition. Often the negative effects of trust occupy only a small part of studies on trust in general or are only mentioned briefly. As for instance, Czernek and Czakon (2016) found in their study about trust-building mechanisms a negative impact of trust on coopetition, but this does not represent the main part of their study. Still, their study is one of the few that emphasizes that trust can play both a positive and a negative role.

This literature study aims at presenting the positive and negative impacts of trust on collaboration and coopetition. The positive influences of trust have been widely researched and are therefore very prominent. On contrary, the negative impacts have been researched as well, but are not as well-known as the positive ones. Since trust is a key factor for success in collaboration (Morgan & Hunt, 1994) and especially in collaboration between competitors, the research problem is that the dark side of trust in coopetition has not received much attention. Especially in coopetitive relationships firms have to assess all impacts of trust to secure the outcome of the relationship. It is important to examine the negative impacts because trust can be a source of coopetition failure and most firms are not aware of these negative impacts. Even if trust does not lead to coopetition failure, it can have a severe impact on performance and should be monitored. Paying more attention to the negative effects could lead to different strategies and approaches concerning coopetitive relationships. More research concerning the topic could lead to a changing view of trust and in how far a high level of trust is desirable. Also, it could lead to a changing view about the level of trust in different relationships since every relationship requires a different level. The outcome of this study will show that trust is a double-edged sword. Trust can have severe negative impacts, especially in the light of coopetition, which have to be addressed. Table 1 illustrates the research gap this study is going to cover.

Table 1. Research goal

	Positive impact of trust	Negative impact of trust
Collaboration	Not new	Not new
Coopetition	Not new	*Outcome of this paper*

The research question this paper is going to answer is: How important is the negative impact of trust on coopetition and what exactly are negative impacts trust can have?

In order to do so, four propositions will be developed to explain why trust is highly important in coopetition and what the negative impacts are. The resulting propositions are expected to raise awareness about the negative impact trust can have. Further, they illustrate some situations where the influences of trust leads to a negative outcome and where firms would be better off with a lower level of trust. The propositions will show that the impacts of trust are not unconditional good and a too high level of trust can do more harm than good. The main part shows that too much trust can lead to a higher probability of opportunistic behavior by encouraging and simplifying it since a high level of trust lowers protection mechanisms against opportunism. Further, trust is thought to exert a positive impact on innovation by influencing creativity and flexibility in a positive way. Again, the amount of trust plays an important role. Too much trust will cause the opposite and decrease the likelihood of innovation and especially radical innovation, because it can lead to less new input since firms prefer well-known partners where trust has already established instead of receiving new input in form of new collaborations. It will also be shown why the role of trust is especially important in coopetitive relationships. This study will encourage reconsidering which level of trust is appropriate in coopetition. The necessity of trust differs between relationships and firms have to determine the appropriate level of trust for every relationship they are in. There is no general rule about which level of trust is appropriate and therefore firms have to analyze their relationships and partners to find their own optimum level.

2. LITERATURE BACKGROUND

2.1 Trust

2.1.1 Importance of trust for relationship success

The concept of trust has been widely researched in literature. Already Deutsch (1958) has described trust between two individuals. In the upcoming years, further research on trust has been done. The outcome of several studies confirms that trust has a positive impact on performance (Morgan & Hunt, 1994; Zaheer, McEvily, & Perrone, 1998) and is therefore a key element for organizational success. Trust plays an important role since it is not possible to monitor and prescribe every detail of a relationship between two firms (Cullen, Johnson, & Sakano, 2000). Research has shown that trust does not always exert a direct influence on relationship success. Often the influence is indirect by affecting another variable which then contributes to success. A number of studies have shown that trust has a positive impact on collaboration, relationship commitment and functional conflicts (Kwon & Suh, 2004; Morgan & Hunt, 1994). These factors then indirectly influence the success of a relationship. Further, trust can reduce the complexity of relationships by making an uncertain future more predictable. The higher the trust in someone's behavior the likelier it is that this behavior takes place. Trust can therefore substitute formal agreements and contracts (Bouncken & Fredrich, 2012). It can be seen as a quick an economically mechanism to create certainty, so that actions and interaction can take place without an accurate prediction about the future (Lewis & Weigert, 1985). Without trust many actions would be too risky and could therefore not take place at all. Additionally, trust can positively influence innovativeness by facilitating knowledge transfer and increasing the willingness to take risks (Bouncken & Fredrich, 2012). Further, trust can exert a positive influence on the quality of a relationship. It can enhance communication and knowledge-sharing. This shows that trust is an important factor which contributes to the success of a relationship and often exerts a positive influence on it. In some situations, it is even a necessary factor for specific actions that would not be possible without trust since some interactions would be too risky otherwise. In general, one associates trust with a positive impact and therefore firm consider it as an important factor in inter-firm relationships.

2.1.2 Dimensions of trust

Since the topic of trust has been researched for a long time, varying definitions and distinctions exist. Zaheer et al. (1998) differentiate between inter-personal and inter-organizational trust, meaning the extent of trust between agents of interacting firms or the amount of trust in the partner organization. Both definitions combined give a complete picture about the degree of trust that exists in a relationship. Trust in a partner organization displays the general trustworthiness of an organization. It can be influenced by the firm's reputation or shared experiences in the past. Trust between agents of a firm is important since they represent the executive level of a relationship. Agents are necessary to perform the specific tasks to finally achieve the goals of the collaboration.

Das and Teng (2001) distinguish between goodwill trust and competence trust. Goodwill trust describes the intention to behave in favor of the partner organization. On contrary, competence trust means to possess the specific skills and competences to be able to perform according to expectations.

This literature review will focus inter-organizational and inter-personal trust. Both types of trust are necessary to assess the degree of trust in a relationship. Inter-personal trust is relevant for the people really interacting with each other, but since in collaboration not all individuals involved meet each other also inter-organizational trust plays an important role. Often managers who decide to start the collaboration are not the ones who execute the specific tasks needed. Therefore, both types of trust are important. Further, this paper will concentrate on goodwill trust, meaning that the partners will behave in mutual best interest and do not abuse the partner's trust for their own advantage. It can be assumed that competence trust already exists because firms do only start collaborating if they believe the other firm has any competences that have a value for them.

2.2 Coopetition

Coopetition describes a paradoxical relationship where two firms collaborate in some activities, but at the same time compete on other areas (Bengtsson & Kock, 2000). The need for coopetitive relationships is noticed among small firms (Bengtsson & Johansson, 2014) and large players (Gnyawali & Park, 2011). A coopetitive relationship can materialize in many ways. For example, coopetition can take place in form of strategic alliances (Zhang & Frazier, 2011), partnerships, joint ventures (Gnyawali & Park, 2011), buyer-supplier relations, or networks. Furthermore, coopetition can exist on an inter-organizational or inter-personal level. It is more than simply adding up collaboration and competition. Dagnino and Padula (2002) link the competitive and cooperative paradigm and state that coopetition does not simply emerge from coupling these two.

A competitive relationship is characterized by rivalry since the interacting firms are competing on different levels - direct or indirect. Competition can be seen as a zero-sum game, meaning that the loss of one firm benefits the other one. Firms aim at increasing their own profit at the expenses of their competitors because it contributes to their success (Padula & Dagnino, 2007). Therefore, firms in a competitive relationship have conflicting goals because putting your rival in a bad position improves your own and decreasing your rival's profit contributes to your own. As a consequence, opportunistic behavior is not unusual in competition.

On contrary, in collaborations firms have a congruence of interests which leads to a reduction of opportunistic behavior. From a game theory perspective the relationship can be described as a positive-sum game since the mutual benefits achieved through collaboration are higher compared to benefits that could be achieved in isolation. Firms can enhance their performance by sharing resources, capabilities and risks. The relationship is beneficial for both partners since success of one partner contributes to success of the other one. This leads to a harmonization of goals and acts as protection mechanism against opportunistic behavior (Dagnino & Padula, 2002). If one firm improves performance and increases the collaboration profit, this positive effect spills over to the other partner and therefore both are interested in helping the partner organization.

Collaboration between competitors is based on an economic calculation. As in collaboration both partners have converging goals and hope to reap greater benefits than in isolation (Czernek & Czakon, 2016). Competition between partners makes a collaboration much more complex (Bengtsson & Kock, 2000). Therefore, the costs and efforts to develop and maintain coopetition are higher and firms must balance effort and outcome. And even if through collaboration the overall profit of a coopetitive relationship is higher than the profit firms would have achieved in isolation, competition sets in when it comes to 'splitting the pie'. Each competitor wants to obtain the maximum share of the mutual profit achieved. Therefore, although parts of their goals are aligned, they are still rivals and will benefit from decreasing the partners share or even damaging him which makes opportunistic behavior a problem. Trust is an important mechanism for governing coopetitive relationships, protecting against opportunism and decreasing the likelihood that one partner tries to damage the other one (Bouncken & Fredrich, 2012). Further, the behavior of a competitor is highly uncertain. Therefore, trust helps to assess the partner's intention. It is important to make an accurate estimation of the coopetitive situation and especially the competitive component to select the right amount of risk a firm is willing to take. When trust is high, firms are rather certain about how the partner firm behaves and are therefore willing to take higher risks. Especially in coopetition, trust can also bring disadvantages. Too much trust can lead to decreasing benefits or even lead to a negative impact on performance and success. Further, trust does not always bring the anticipated benefits and might cost more than these benefits. Due to the competition between partners trust is one important key factor in this type of relationship which should be examined with care.

3. METHODOLOGY

The research question this paper is going to answer is: How important is the negative impact of trust on coopetition and what exactly are negative impacts trust can have?

The research question will be answered by reviewing literature and developing propositions based on the findings. In order to do so, literature about the impacts of trust on collaboration and coopetition will be examined. Databases like ScienceDirect, JSTOR, Google Scholar and Wiley will be scanned for relevant publications from renowned management and business journals. A detailed list of keywords used and search results can be found in Appendix 1.

A broad range of key words was used to find all relevant articles concerning the topic of interest. For investigating the fundamentals of trust, literature from 1958 on was used. For the topic coopetition more recent literature was used. In order to construct a complete picture of trust and coopetition a mixture of papers and books was analyzed, whereby the focus was clearly on articles from renowned journals.

First the general concepts of trust and coopetition were presented in a literature background to generate a common understanding of the concepts this study builds on. Afterwards in section four, the specific positive and negative impact of trust will be examined in corresponding subsections. This will be done in form of a matrix (see Table 2). The aim is to find enough positive impacts of trust on both types of relationships to draw reasonable conclusions about the negative impacts on coopetition. Further, the negative impacts on collaboration will help to develop the propositions about trust in coopetition compared to collaboration, why the impact of trust is not solely good and what potential negative impacts could be. The propositions will be developed by integrating the previous findings in combination with a logical conclusion. Afterwards, the managerial implications will be discussed. Additionally, the limitation of this literature review will be addressed. Lastly, suggestions will be made about how the topic can be continued and what further research should look like.

4. THE IMPACT OF TRUST ON COLLABORATION AND COOPETITION

The impact of trust on collaborative and coopetitive relationships will be analyzed in form of a matrix. A summary of the most important impacts can be found in Table 2.

Table 2. Summarizing matrix of the positive and negative impacts of trust on coopetition and collaboration

	Positive impact of trust	**Negative impact of trust**
Collabo-ration	• Necessary to start collaboration • Positive impact on commitment, longevity, flexibility, creativity • Less monitoring • Cost advantage	• Less monitoring and performance loss • Risk of exploitation • Specific investment which cannot be recovered • Overrating benefits • Too much effort • Less commitment when high level of social trust • Less innovation because no new partners
Coopeti-tion	• Cooperative attitude • Less conflicts • Positive impact on performance, commitment, knowledge-sharing, longevity, flexibility, innovation, creativity • Protection against opportunism • Substitute contracts • Less monitoring • Cost advantage	• Risk of opportunism due to good faith, no suspicion and less monitoring • No accurate risk assessment • Overrating benefits • Less innovation because no new partners • Waste of capacities and resources • Limits number of possible partnerships • Biased search for partners

First, the positive and negative impacts of trust on collaboration will be presented. Afterwards, the positive impact of trust on coopetition will be explained. The information in the first three quadrants will be derived from literature. These three quadrants of the matrix will assist to make reasonable propositions about potential negative impacts of trust on coopetition.

4.1 The positive impact of trust on collaboration

Even without research it seems obvious that trust has a positive impact on collaborations. More than 20 years ago, Morgan and Hunt (1994) studied the positive impacts of trust on collaborative relationships. They found a positive impact of trust on collaboration since it is often necessary to start collaboration due to the risk involved. The outcome of collaborations is most of the time uncertain and therefore it is risky since firms cannot know beforehand whether their effort and input will result in the expected outcome. Trust can offer at least the illusion of certainty about the partner's behavior and therefore about the expected outcome of the collaboration. Further, they found a positive relationship between trust and commitment which also found support in a more recent study by Kwon and Suh (2004). Relationship commitment is described as a mutual desire to continue the relationship due to its importance. Therefore, trust contributes to the longevity of collaborations. A long-term relationship can bring additional advantages since partners are familiar with each other and have established routines making daily tasks easier. It can be argued that it is easier to have one long-term relationship with the same partner instead of adapting to new partners all the time. Lastly, they found a positive relationship between trust and functional conflict. A functional conflict is beneficial since it increases awareness for problematic areas and can increase productivity by resolving these conflicts. With trust firms do not terminate the collaboration too hasty when a conflict arises. They rather work on resolving the conflict to maintain the collaboration. This process tackles stagnation because solving conflicts ensures progress and further improvements. It can be assumed that no trust results in a flight decision where the firm prefers to terminate the collaboration instead of tacking the challenge.

Ring and van de Ven (1992) state that a high level of trust often leads to greater flexibility since fewer comprehensive contracts are needed. With a high level of trust not all potential issues have to be addressed in a contract. Issues can be loosely specified or left open to maintain a high degree of flexibility. Firms trust each other enough to believe that they can solve conflicts and problems as they arise. Therefore, with trust they can tackle issues according to the situation and do not have to address them beforehand (Cullen et al., 2000). This is also an advantage since some problems are hardly imaginable and cannot be defined beforehand.

Another advantage of trust is that it leads to less monitoring and controlling since management decisions on how much to monitor are partly based on trust (Langfred, 2004). Monitoring is used to control the partner's behavior and it is especially important when the partner's behavior is highly uncertain. Control can mitigate risk and reduce opportunistic behavior since it increases the likelihood of detection and the partner's incentive to engage in such a behavior decreases (Coletti, Sedatole, & Towry, 2005). Trust is an alternative governance mechanism to control and can offer some certainty about the partner's behavior. Although trust does not increase the likelihood of detection of opportunistic behavior, it decreases the likelihood that the partner firm will engage in such behavior. The partner firm does not want to destroy the prevailing level of trust and does therefore not take any actions that could terminate the relationship.

Since monitoring and controlling can become very costly, replacing it with trust can bring cost advantages (Krishnan, Geyskens, & Steenkamp, 2016). Trust on contrary does not incur any direct costs. Furthermore, monitoring involves additional effort since humans or technologies are necessary. Of course, for developing and maintaining trust between partners, humans are required as well, but it can be assumed that the effort is lower and once established the costs of trust decrease further. Additionally, less control can lead to a better relationship atmosphere. If partners do not feel like they are under constant surveillance, the relationship might become even closer. Less surveillance can lead to individuals behaving more open and spontaneous. This freedom from observation supports creativity since individuals are more willing to share their thoughts. Therefore, due to more flexibility and creativity, it can be argued that trust fosters innovations as well.

4.2 The negative impact of trust on collaboration

On contrary, less monitoring induced by a high level of trust can also lead to a performance loss. As stated before, Langfred's study (2004) has shown that a high level of trust negatively impacts the amount of monitoring. It can be argued that without monitoring performance decreases since the partner firm does not feel controlled and the incentive to maximize its performance is lower. If monitoring occurs despite a high level of trust, it can be seen as a violation of trust itself resulting in anger or fear and finally leading to a bad collaboration atmosphere (Langfred, 2004). With a general low level of trust this problem would not occur since monitoring is an accepted and expected practice in relationships. Further, monitoring is a suitable mechanism for protection against self-interested and opportunistic behavior. It is unlikely that a firm acts opportunistic and self-interested if there is a high probability that the other partner firm notices this behavior. A high level of trust would lead to less monitoring because firms do not perceive it as necessary and finally to less protection against opportunistic behavior. If firms do not control their partner, they do not know if he performs according to expectations or even worse, if he engages in a harmful behavior. Lastly, Lanfred's study shows that monitoring can lead to better performance. Due to trust's negative influence on monitoring, a negative impact on performance can be assumed as well.

Ring and van de Ven (1992) have stated that a high level of trust facilitates risky transactions and supports flexibility because detailed and comprehensive contracts are not necessary. This high trust level can be developed through repeated interactions and transactions. A negative impact of trust is that engaging in repeated transactions to increase the level of trust can be a waste of energy or capacity if the effort exceeds the benefits. Not all relationships involve a high level of risk. Therefore, developing trust will not always be worth the costs and every relationship has to be analyzed individually to check whether developing trust is beneficial or not necessary (Cullen et al., 2000). Also the flexibility gained through a high level of trust has to be worth the effort since not all collaborations require a high degree of flexibility. If collaboration aims at cost reductions instead of developing new innovations, flexibility might be less important. Lastly, it is important to mention that the effort to develop a high level of trust can be seen as a specific investment. If the collaboration terminates, the investment made to achieve a high trust level is lost and cannot be recovered or used in another relationship. Therefore, achieving a high level of trust could cost more than its benefits and may not always be the best solution. Further, too much trust might leads into thinking that the relationship will last for a long period and firms invest therefore more than what would be appropriate from a rational perspective.

A high level of social trust in a country can lead to less committed relationships and negatively impacts the use of collaborations (Qu & Yang, 2015). Committed relationships reduce the risk of opportunistic behavior, because both partners are willing invest and maintain the relationship. There is enough knowledge about the partner to be certain about his intentions. Further, relationship specific assets are lost when the relationship terminates. A committed relationship enables the partners to exert mutual control and induce specific actions and is often more durable (Yamagishi & Yamagishi, 1994). All these positive effects will not occur when a high level of social trust is present because the need for committed relationships is significantly lower. The general trust level is high and therefore the risk of opportunism is low. Committed relationships with a trustworthy partner are not necessary. Firms can easily engage in a relationship with new partners and do not have to commit to an inflexible long-term relationship. A high level of social trust hampers close intensive relationships which could bring additional benefits as mentioned in the section before.

Molina-Morales and Martínez-Fernández (2009) found out that the positive effect of trust can reach a maximum and decrease afterwards like an inverted U-shaped curve. Normally trust can positively impact creativity and innovation by making rigid control mechanisms redundant. This effect should be monitored carefully since the positive impact diminishes and could even become negative. This is due to the fact that trust can lead to organizations preferring partners which are already known. It seems easier to work with a well-known partner with whom routines and common practices have already established instead of experimenting with someone new. Although it seems easier to work with a well-known partner, this can have a negative impact on innovation and creativity. A new partner can have a whole new viewpoint and bring in new ideas. He is like an outsider investing the current situation of your company and might has new ideas for improvement. Further, new input can stimulate creative thinking which increases the likelihood that new innovations are developed. Especially the probability of radical innovations increases, because a new partner does not only has improvements for the current situation, but maybe a completely new idea which emerges all of a sudden (Zahra, Yavuz, & Ucbasaran, 2006).

4.3 The positive impact of trust on coopetition

In some aspects the impact of trust on coopetition differs from collaborations since partners are at the same time competitors. In coopetition firms have conflicting goals and one can never be sure about the partner’s intentions. Firms must trust each other to have some certainty that the partner does not take any actions that damage the other one. Trust is therefore important to assess the partner’s behavior and how he balances his own interest against mutual ones. Of course, trust can give no guarantee but at least some degree of certainty.

The role of trust in coopetition is already important on the team level since trust affects both sides of a coopetitive relationship between team members. On the one hand, trust leads to a cooperative attitude between team members. When individuals perceive trust from other team members they feel obliged to act according to expectations and will invest more in developing a good collaborative relationship. On the other hand, trust negatively affects competitive conflicts. Team members will not behave opportunistically or raise a conflict, because they do not want to destroy the team spirit. All in all, trust impacts whether team members cooperate or compete. Traditionally, competitive conflicts would decrease performance, but in a coopetitive relationship where trust is present this does not have to be the case (Lin, Wang, Tsai, & Hsu, 2010).

In coopetitive relationships between firms trust has, as well as in collaboration, a positive impact on performance. Trust strengthens the belief that the partner firm will act in mutual best interests and therefore affects the mutual benefit. If partners trust each other they are willing to invest more in the relationship and strive for a better result which then contributes to success and outcome of the relationship (Morris, Koçak, & Özer, 2007). Trust is therefore not a direct driver of performance improvements, but indirectly influences it by affecting commitment and mutual benefits.

The findings of Morris et al. (2007) about coopetition were consistent with the findings from Morgan and Hunt (1994) researching collaborations. The success of both types of relationship is affected by trust and commitment, no matter whether the relationship occurs between competitors or partners.

Further, trust has an important impact on coopetitive strategies. A successful coopetitive strategy can only be maintained when trust exists. Trust is important for decisions concerning information-sharing and determines whether the cooperation deepens or not (Chin et al., 2008). Without trust firms have no indication about the partner’s intentions and can therefore not include his behavior in their strategy. Chin et al. (2008) confirm that commitment and especially long-term agreement are critical success factors. Long-term agreements are derived from contracts or trust, where trust is the cheaper and more flexible option. Trust is not a legal obligation to maintain a relationship for a specific period of time, but it can give some certainty that the partner firm will not end the relationship suddenly. Therefore, trust affects the longevity of coopetition.

Another obvious advantage of trust as in any relationship is that trust acts as a protection mechanism against opportunism. Trust can be seen as an alternative to contracts and can partially substitute formal agreements. Therefore, trust increases the flexibility in a coopetitive relationship as well as in a collaborative relationship as mentioned before. With a higher degree of flexibility coopetition partners are more willing to experiment with new ideas, designs, concepts and technologies. Under high trust coopetition can thus lead to more innovation by promoting creativity and finally contributes to competitive success of the partners (Bouncken & Fredrich, 2012). This is consistent with a study of Kale, Singh, and Perlmutter (2000) which analyzes the effects of relational capital which is defined as mutual trust. The outcome of their study was that trust helps and facilitates knowledge transfer on the inter-personal level as well. A high level of trust between alliance partners leads therefore to a greater degree of learning since firms are freer and more willing to share a greater amount of information and know-how (Cullen et al., 2000). Normally firms develop an informal or formal code about what their core assets are and how the other firm can use these assets. Mutual trust reduces the tendency of breaking these codes and therefore a greater level of trust increases the ability of asset protection and acts as safeguard against opportunism and exploitation. Nielsen and Nielsen (2009) analyzed trust and knowledge-sharing on the inter-organizational level. They came to the same conclusion that trust facilitates interactions since it increases openness and reduces uncertainty leading to an increased sharing of valuable information. Further, they state that quality of a relationship plays an important role in how firms are able to absorb the knowledge shared. The quality of a relationship is in turn affected by trust. Trust does therefore not only affect how much and which knowledge and information is shared, but also how useful it is for firms.

5. PROPOSITIONS ABOUT NEGATIVE EFFECTS OF TRUST ON COOPETITION

5.1 The influence of trust on collaboration and coopetition

As shown in collaborations, trust has a positive effect on a relationship due to several factors. This stems from reducing the complexity of a relationship, facilitating knowledge and information-sharing, bringing cost savings, risk protection, increasing flexibility and creativity and further factors. The positive effects of trust can reach a maximum and decrease afterwards and eventually turn negative (Molina-Morales et al., 2011). After a specific point, trust does not bring additional advantages in terms of cost savings or flexibility and also the way of knowledge-sharing does not change. Therefore, increasing the trust level entails more effort than benefits and the positive impact decreases. Too much trust can for example ruin the positive effect on risk in terms of opportunistic behavior. Normally trust acts as a protection mechanism against opportunism, but it can also encourage others to act opportunistically. When one firm knows the other firm is highly trusting, one could exploit this situation. Since control and monitoring mechanism are replaced by trust, opportunistic behavior is simplified and harder to detect (Friedberg & Neuville, 1999). This can act as an invitation to take advantage of this situation for individual benefits - even at costs of the partner firm. Since trust makes detailed and extensive contracts unnecessary, firms can behave more freely which increases flexibility. This has also a positive impact on creativity and thus finally on innovation. The described relationship is not infinite positive and linear. The impact of trust follows an inverted U-shape. The positive impact of trust derived from fewer contracts and guidelines can reach a maximum and declines afterwards. Some contracts and rules are necessary for guiding behavior in the right direction. Since trust leads to a reduction of guidelines, more trust does not have a positive effect. Too much trust leads to people acting aimless and to a loss of efficiency. A certain amount of guidelines and rules are needed to give some orientation on how to act. This is where the curve which shows the impact of trust starts to decline (see Figure 1).

It can be assumed that this effect is more extreme in coopetitive relationships. Since firms in such a relationship are competitors and have conflicting goals compared to a pure collaboration, the influence of trust is more powerful. The positive effect of trust can be stronger since collaboration between rivals is difficult and more complex. Firms are competitors and will benefit from behaving opportunistically or damaging the rival firm. Monitoring and controlling is more important due to the higher risk that the partners do not act in mutual best interests. It can be assumed that the monitoring costs are therefore higher and trust leads to greater cost savings. Further, firms are more reluctant to share information – especially information that is critical for achieving competitive advantage. As a consequence, the positive impact of trust is even higher, but the positive impact can decrease as quickly as it has risen. As said before, with too much trust the risk of opportunism increases and a high level of trust can even encourage the other firm to take the chance and exploit the partner. In collaboration, the risk of exploitation is lower because firms do not have conflicting goals and would not benefit from damaging each other. Without any collaboration competing firms would love to exploit a rival, to damage him and to put themselves in a better position. Therefore, in coopetition a trust level which is too high increases the danger of opportunism. Further, with a too high level of trust firms risk that they share too much critical information. In normal collaboration this is less of a problem because the partners can and will not use this information against each other. In coopetition this is a problem since partners can use this information outside the coopetition or afterwards to put themselves in a better market position or to harm the rival. Figure 1 provides a graphical demonstration of the impact of trust on both types of relationships.

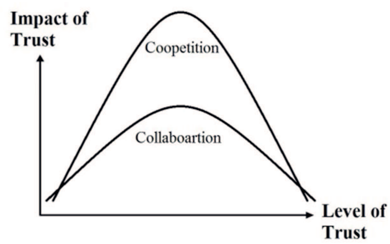

Figure 1. The impact of trust on collaboration and coopetition

The graph showing the impact of trust on collaboration follows an inverted U-shape. As explained before, the positive impact is not infinite. After it has reached the maximum, the positive impact of trust declines and could become negative when trust involves more efforts than benefits. The graph representing coopetition is steeper compared to the graph representing collaboration. Due to the rivalry between partners, the positive impact of trust is stronger leading to a higher maximum of the graph. Working together is more complex and involves more potential issues due to the competition. Trust can help to reduce these coopetition specific problems. In coopetition, the danger of exploitation and opportunism exists. This is the reason why the impact of trust on coopetition leads to a steeper curve. When the level of trust is too high and the partner firm starts to engage in damaging behavior, the positive impact of trust does not decrease slowly. Trust has a negative impact all of a sudden and therefore the top of the curve is narrower.

Summarizing it can be said that even if the positive impact of trust in coopetition can be stronger, also the negative impact is more severe. Therefore, it is even more important to find the right level of trust in coopetition.

> **Proposition 1:** The positive and negative influence of trust is more extreme in coopetitive relationships. The influence of trust on collaborative relationships follows an inverted U-shape, where the positive impact starts to decrease slowly after reaching the maximum. The influence of trust on coopetitive

relationships is much more extreme. The peak of the curve is therefore higher and narrower. After reaching the maximum the positive impact of trust shows a sharper drop.

5.2 The individual and differing effect of trust

Trust is an important factor for any relationship – sometimes it is even necessary to start it (Brito & Costa e Silva, 2009). As discussed before, trust can bring a variety of benefits. Cost savings, facilitated information-sharing, risk protection, higher flexibility and creativity can all be supported by trust.

Nevertheless trust is not unconditional good and therefore trust should not be the greatest asset which firms aim to achieve. Trust is often perceived as something good that firms rely on and thus they do not examine the effects. Since trust has not the same effect on all relationships, firms have to investigate whether a high degree of trust is beneficial for their specific situation. It can be argued that the general positive image of trust leads to firms accepting it naively as desirable. Firms do not question the impact of trust and are not aware of the fact that trust has a dark side as well. Therefore, examining the impact of trust can increase performance and bring an additional competitive advantage.

In coopetition, trust is helpful to maintain a close relationship with a partner and can bring the benefits mentioned before, but trust does not work according to the 'the more, the better' principle. Even if we do not look at the negative impacts of trust from a too high level, a high degree of trust is not unconditional good. After the benefits have reached a maximum, further developing of trust is just a waste of resources and capacity. Firms put more effort in developing a higher level of trust, allocate more resources, time and money in such a project because they imagine a positive effect. This effort does not always pay off. Firms that invest too much in developing trust have problems to access new knowledge and resources. This has two reasons. First, firms are lacking the capacity to develop trustful relationships with other partners to receive new input. Especially coopetitive relationships are high resource intensive when it comes to developing trust due to the competition between partners. Developing trust between rivals takes more time and energy since they would not trust each other outside a coopetition. Therefore, firms can only have a limited number of close and trustful relationships. Second, firms prefer partners where trust has already established. Untrusted partners are not only discriminated in the selection process, but often overlooked and even ignored. Therefore, trust can lead to a lack of new input in form of knowledge and resources and finally decrease the likelihood of radical innovations (Zahra et al., 2006). Even if firms are not lacking the capacity and resources to develop another coopetition, they might are reluctant to do so. Firms often do not want to contact new partners they do not trust. Therefore, trust creates a lock-in effect in the current network of relationships.

Sometimes trust is not just not unconditional good, but nothing at all. In some cases the impact of trust which is thought to be good does not exist at all. It is assumed that trust leads to a more intensive collaboration and therefore firms might also assume that trust has a positive impact on the allocation of physical and innovation resources and finally on the generation of innovation (Pulles, Veldman, Schiele, & Sierksma, 2014). Even if this effect seems logical and strengthens the positive image of trust, the good effects assumed do not always have to exist at all.

Firms should not be blinded by the positive image of trust. They have to analyze their own situation with care and determine the individual effects trust can have for them. They have to check whether the effects are present and helpful. Finding the right level of trust can help to improve performance. Further, the right balance between relationship input and outcome can increase overall performance. This argumentation should not lead into thinking that trust is not helpful at all, but it depends on several individual factors and is not a universal solution for all coopetitive relationships. Less trust can be a source of competitive advantage as well. Firms that do not invest in trust because it has no positive effect for them have spare capacity to make improvements in other business areas.

Proposition 2: Trust should not be avoided, but examined with care since it is not unconditional good. Each firm has to analyze whether trust has a positive, a negative impact or any impact at all. Firms should not be blinded by the positive image of trust, since trust does not have the same effect on all relationships. Firms that do pay attention to their individual level of trust can achieve higher performance compared to firms that do not, because they invest the right amount of effort into developing trust.

5.3 The risk of opportunism in coopetition due to trust

Trust is worthwhile since firms know its positive impact on knowledge and information-sharing. Further, trust reduces the need of costly and time-consuming monitoring because firms do not feel the need to control the partner anymore. If trust is present, controlling would be a redundant, unnecessary mechanism (Langfred, 2004). Due to the high cost of monitoring, firms are pleased if they can substitute it by trust and often do so.

This can lead to the fact that firms monitor inadequately, because they rely too much on trust. They trust in the partner's goodwill which leads to the misconception that the partner firm will not engage in opportunistic behavior. Fewer control mechanism allow the partner firm to behave opportunistically without a high likelihood of detection. It can even encourage them to act opportunistically if one firm knows that the other one relies on trust instead of monitoring. This is especially severe in coopetition, where firms are interested in damaging rivals to improve their own market position. Even if they have not planned to act opportunistically, they might take the chance if it arises. Trust can also discourage managers from questioning the partner's behavior as they would have done in a less trustful relationship. They do not want to damage the trusting atmosphere and do not question actions if they have no concrete evidence that the other firm acts opportunistically. Additionally, firms are reluctant to control and monitor since partners might feel offended if they feel distrusted leading to a bad relationship atmosphere which is especially important in coopetition (Langfred, 2004). Further, trust can lead to downplaying potential risks involved and to overestimating the gains from a relationship. When firms place too much value on the positive outcome of coopetition, the benefits automatically exceed the costs and risks. Particularly intangible gains and assets from a coopetition are hard to assess and easy to overrate especially when a positive effect is anticipated (Zahra et al., 2006). Therefore, trust increases the risk and likelihood of opportunistic behavior due to negligent behavior, less monitoring, a naïve attitude towards rivals, reluctance to question doubtful behavior and overestimating the benefits of the relationship.

An example where trust has led to a negative outcome for one coopetition partner can be found in the joint venture between Suzuki and Volkswagen. In 2009 the Japanese car manufacturer Suzuki and the German car manufacturer Volkswagen (VW) formed a partnership in order to work together on small fuel-efficient cars. This partnership can be regarded as coopetition since both firms are car manufacturers in the global market competing for the same customer segments. VW was hoping to gain access to the Indian market with help from Suzuki. In return Suzuki was aiming to get access to VW's diesel and hybrid technology. In order to strengthen the relationship VW bought 19.9% of Suzuki shares and Suzuki acquired 1.49% of VW shares (Tabuchi & Ewing, 2011). It can be argued that Suzuki was the trusting partner in this relationship who was damaged through opportunistic behavior by its rival. After a contract breach by Suzuki and additionally VW withholding information from Suzuki the partnership ended in 2011. Suzuki wished to end the tie by transferring the shares each firm had acquired back, but VW did not agree which led to a legal dispute (Motohashi, 2015). VW's real intentions are not public, but from an outside perspective it can be assumed that this was a tactical move. VW might has aimed to hold a large share of Suzuki so that the Japanese car manufacturer cannot engage in another close partnership. Further, it was argued that VW's hidden goal was to acquire Suzuki as a subsidiary for Volkswagen AG (Harner, 2011). VW's real motives remain unclear, but it is reasonable to assume that VW was withholding the Suzuki shares for other reasons than solely a good investment. Therefore, this can be seen as a classical example of one firm taking advantage of the other one's goodwill trust. This example shows how one firm can exploit the other one on several points and how too much trust can lead to such a situation.

> **Proposition 3:** In coopetition, trust increases the risk of opportunism. Firms reduce the amount of monitoring and controlling which increases the risk of exploitation. Further, firms might use less protection mechanisms and contracts, because they believe in the other one's goodwill. Additionally, in coopetition the partner firm has a higher incentive to engage in opportunistic behavior since both firms are rivals.

5.4 Trust hampering new innovations

A partnership between firms is comparable to friendship. You would not substitute your best friend with someone you just met because he or she seems to be the 'better' alternative. From your best friend you know exactly what you can expect and how he or she behaves. Someone new could have hidden characteristics you do not know yet. Further, friendship has a high value in society and often we try to maintain it even if we drift apart. A close friendship requires a lot of effort, even if it does not feel like work, but resources like time have to be invested to create it. Additionally, it is hard for a new person to get in a circle of friends who have known each other for a long time. They have a deep connection consisting of trust and shared experiences which are intangible assets that cannot be easily imitated or obtained.

The same accounts for firms and partnerships. Firms often feel the need to maintain a good relationship, even if after a specific period of time no further benefits can be reaped from collaborating. It can be argued that especially firms in coopetitive relationships try to maintain trustful relationships, since it is more difficult to develop trust between competitors. Therefore, they rather keep existing relationships instead of developing new ones. Even if no further benefits can be derived from collaborating, firms are allocating resources, time and energy for maintaining the relationship. To maintain the relationship on a specific level, frequent visits and regular contacts are needed. These resources cannot be used for creating new relationships with promising partners (Molina-Morales et al., 2011). Since resources are limited, firms can only maintain a limited number of close relationships with a high degree of trust. Trustful relationships with partners, even if the partner is interchangeable, are often kept and preferred. Especially small firms prefer to collaborate with someone they trust (Morgan & Hunt, 1994). When looking for new opportunities, greater attention is given to trustworthy and known partners. Other firms, which could be a source of competitive advantage, are overlooked or ignored. Thereby, the search for new promising partners is limited and even biased. The search and selection of new coopetition partners does not occur in a rational process. Especially senior managers rely more on intuition and shared experiences (Zahra et al., 2006). Outsiders who request to enter a coopetitive network where trust has already established are often rejected (Czernek & Czakon, 2016). Due to trust, the search for coopetitive relationships will not lead to an optimum result since reliance on the same partners and rejecting promising ones limits opportunities and biases the selection process. This corresponds with the negative effects of trust on collaboration. Thus it can be assumed that this negatively impacts creativity and innovation, because when interacting with the same partners new inputs are rather limited. A new partner could bring winds of change in terms of completely new ideas for the existing situation. New partners could have a different perspective and thereby encourage new ways of thinking. Therefore, when maintaining relationships with the same partners, the likelihood that radical innovations are developed decreases. Established partners mostly just develop the current situation further with incremental steps (Zahra et al., 2006).

> **Proposition 4:** Trust makes it much more difficult for outsiders to establish coopetitive relationships or to enter a coopetitive network since firms prefer existing relationships where trust has already established. Thereby, useful new input and further benefits can be missed. The likelihood of radical innovations decreases because of trust.

6. DISCUSSION, MANAGERIAL IMPLICATIONS AND FURTHER RESEARCH

6.1 Discussion

Trust has an important impact on any kind of relationship. Current research mainly focuses on the positive influence of trust because this displays the general expectations about it. Furthermore, studies about trust rather focus on pure collaborations. Coopetition is, compared to collaboration, a rather new topic. Therefore, studies about the impact of trust on coopetitive relationships are quite rare. Whereas early literature mainly focuses on the positive impact of trust, there is a dark side as well. Existing literature does barely refer to the differing impact of trust on different relationships. Studies often state a general impact of trust on specific relationship variables, but not that this impact can differ due to other factors, as for example competition between partners which is a major factor that can switch the effect of trust completely. Existing literature does therefore not always represent a complete picture. This paper contributes to a better understanding of the impact of trust on a relationship between two competing firms. It presents a more complete picture of trust since both the positive and the negative impacts of trust are analyzed. The initial research question of this thesis was: *'How important is the negative impact of trust on coopetition and what exactly are negative impacts trust can have?´.* Therefore, the focus was on the influence of trust on coopetitive relationships. In order to analyze how it differs from collaboration, the impact of trust on collaborations was examined. Concluding it can be assumed that the impact of trust is even more important in coopetitive relationships. Until now, no study has examined the positive and negative impacts of trust on coopetition and therefore an important factor is missing in current literature. Due to competition between partners a whole new range of issues and complexities arises. Trust can help to solve these issues and facilitate coopetition, but should be examined with care. Trust has a dark side and can also raise new problems and risk which are rarely mentioned in literature. The risk of opportunistic behavior, which is barely present in collaboration, increases in coopetition. Also, a too high level of trust can have a negative impact on innovation. Therefore, the impact of trust has to be analyzed with care and individually for each relationship. Compared to a pure collaboration the positive impact of trust is stronger in coopetition, but also the risks and issues involved are more severe. Due to the rivalry between partners, a high level of trust could be abused and has a negative impact which makes a complete picture of trust very important.

A summary of the impacts of trust on coopetition can be found in Figure 2.

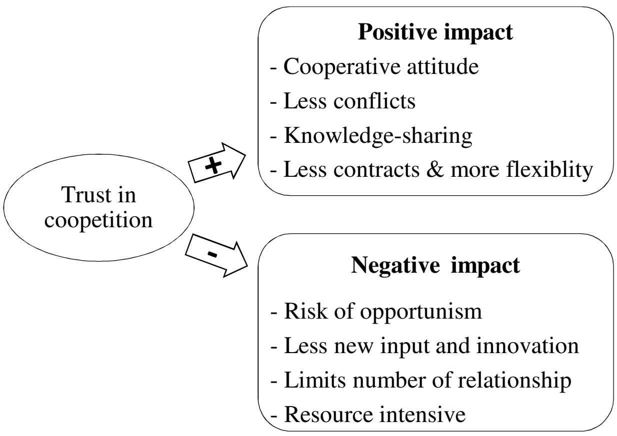

Figure 2. Summary of the most important positive and negative impacts of trust on coopetition

6.2 Managerial implications

From a managerial perspective, this study has several important implications. The outcome shows that trust is a double-edged sword. Although trust can be highly beneficial, it is connected to risk. Managers have to analyze every relationship they are in and especially pay attention to coopetitive ones. This study suggests that managers should decide on an individual basis which level of trust is appropriate. Therefore, they have to pay attention to several relationship specific factors. Existing literature about trust does not only often refer to collaboration, but also states a general effect of trust. For example, in a relationship with a partner with whom was worked before, a higher level of trust is present and appropriate. On contrary, managers have to be careful about how much they trust a new partner. The appropriate level of trust does also depend on the goal of the coopetition. When aiming at cost savings a high level of trust might be less risky than in a R&D coopetition where firms have to disclose critical information and know-how. There are many varying factors which determine the optimal level of trust and therefore managers should not apply a 'one fits all' solution, but tailor the level of trust to their individual relationships. Further, the level of trust should not be set in stone. It has to be adjusted as the relationship goes on. Overtime the level of trust can increase, but this should not be an automatic process. Firms have to assess whether the partner firm is really trustworthy and not only think this way, because until then no betrayal had occurred. Lastly, it is important that managers do not close their eyes even when a high level of trust is present. They have to remain careful and suspicious and should not rely solely on trust. For every relationship the right balance of trust and monitoring has to be found.

6.3 Further research

This study is based on literature and has therefore several limitations. It addresses some negative implications, but was not able, due to time and page limits, to present a complete picture of trust on coopetition. Also, no empirical research was done and, even if the findings sound reasonable and logical, they are not statistically significant.

Further research should therefore address these shortcomings and examine the effect of each proposition individually. Whether the impact of trust is more extreme as stated in proposition one could be examined by interviewing firms which are in collaborative or coopetitive relationships. A questionnaire with a Likert scale about how firms perceive their individual impact of trust is an easy way to analyze how the impact differs between relationship types and whether one type states that specific impacts are especially important for them. Proposition two addresses the problem that trust is not unconditional good and which impacts trust can have. In how far the impact differs and how this impacts the success of coopetition can be best examined by doing case studies to observe the impacts trust has in coopetitive relationships. In addition, special attention should be paid to coopetitions that have failed and whether this failure could be attributed to a wrong level of trust. Proposition three deals with trust and an increased risk of opportunism. The proposition states that the risk increases due to specific behavior like less monitoring. In order to test the proposition, it should be checked whether a relationship between the level of trust and the amount of monitoring in coopetitive relationships exists and if this relationship does result in a higher probability of opportunistic behavior. The last proposition states that trust hampers engaging in relationships with new partners and thereby reduces the likelihood of radical innovations. Firms which are in coopetitive relationships should be interviewed to determine the prevailing level of trust and whether this could be related to the amount of different partners firms are engaging with. Further, competitors which collaborate in the R&D segment could be analyzed over a longer period to observe whether trust impacts the likelihood of radical innovation and if this could be related to trust.

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8. APPENDIX

Appendix 1. Keywords

Key words	Coopetition, collaboration and competition, strategic alliances, joint ventures, trust, trust in collaboration, impact of trust, importance of trust, trust key determinant, trust relationship, negative impact of trust, dark side of trust, trust in coopetition, negative effects of trust, trust and performance, trust and relationship success, inter-organizational trust, inter-personal trust
Area	Journal, Book
Time	1958-2016
Articles read (abstract)	234
Articles read in detail	102
Articles used	38