How to build trust in inter-organizational projects: The impact of project staffing and project rewards on the formation of trust, knowledge acquisition and product innovation

Indre Maurer *

University of Cologne, Seminar of Business Administration, Corporate Development and Organization, Albertus-Magnus-Platz, D-50923 Köln, Germany

Abstract

The importance of trust in projects that involve multiple project partners is widely acknowledged. This research analyzes both outcomes and antecedents of trust in inter-organizational projects. On the outcome side, the findings show that trust between project team members working on an inter-organizational project positively impacts the acquisition of external knowledge which, in turn, promotes product innovation. With respect to the antecedents of trust data reveal that a stable pool of project team members and objective project reward criteria facilitate the formation of inter-organizational trust.
© 2009 Elsevier Ltd and IPMA. All rights reserved.

1. Introduction

This paper addresses the benefits of trust in inter-organizational projects and the factors that contribute to the formation of trust. Project work today very often necessitates the involvement of outside project partners (Gann and Salter, 2003; Jones and Lichtenstein, 2008). In many industries such as engineering (Shenhar and Dvir, 1996), construction (Barlow, 2000), biotechnology (Powell et al., 1996) or film making (Bechky, 2006) firms form inter-organizational projects; they share risk and pool their resources to jointly develop and deliver products and services which none of them could do on its own. Inter-organizational projects typically consist of a *focal project team* from the lead organization or general contractor and various *outside project teams* from specialized partner firms or subcontractors. It is widely acknowledged that for inter-organizational projects to succeed trust between the project team members of the focal firm and its outside project partners

is of great importance (Kadefors, 2004; Wong and Cheung, 2004).

In a general sense, trust can help to strengthen and improve the relationship between project partners which, in turn, entails a variety of benefits for the project as a whole (Wong et al., 2008). Trust may, for example, facilitate the alignment of partner interests (Atkinson et al., 2006), enhance stakeholder satisfaction (Bresnen and Marshall, 2000) and support the achievement of project goals. In addition, research argues and shows that trust facilitates exploitation of opportunities that arise from the joint work with project partners. Outside project partners present a source of new knowledge about technological developments, customer needs and market trends. One desirable (even if unintended) side-effect of inter-organizational project work, then, is the acquisition of new knowledge and its exploitation into new products and enhanced business opportunities (White and Fortune, 2002). Trust improves access to such knowledge by increasing project partners' motivation to share knowledge (Nahapiet and Ghoshal, 1998).

While emphasizing the various benefits of trust, research is well aware of the difficulties in establishing trust in inter-

* Tel.: +49 (0)221 470 2857; fax: +49 (0)221 470 7883.
  E-mail address: maurer@wiso.uni-koeln.de

organizational projects. Trust rests on expectations and predictions of a collaboration partner's good intent and behaviour (Mayer et al., 1995; Rousseau et al., 1998). However, in a project setting, project partners often lack prior collaboration experience on which they could ground their expectations and predictions (Gulati, 1995). At the same time, they have limited time and regularly suffer from time pressure throughout the time span of the project (Nordqvist et al., 2004). The lack of time and continuity makes it difficult for project partners to develop familiarity and to prove each others goodwill and competence. Moreover, in inter-organizational projects, partners are likely to face high levels of conflict and suspicion (Hawke, 1994). As a consequence, the formation of trust is an important but challenging task which has received only little attention within the discipline of project management so far.

This study will address the benefits of trust for acquiring and exploiting knowledge from outside project partners as well as the impact of project staffing and project rewards on the formation of trust. (The full theoretical model is presented in Fig. 1 below.) Data from 218 inter-organizational engineering projects will show that trust indeed promotes knowledge acquisition from outside project partners. Additionally, the findings reveal that firms can facilitate the formation of trust by establishing objective and measurable project rewards and by choosing a staffing approach that allows for already acquainted team members, stable team composition and full-time team membership. Thus, the study follows a recent call by Pinto et al. (2009) for empirically exploring both outcomes and antecedents of trust between project partners.

2. Theoretical background and model

2.1. Trust and its impact on knowledge acquisition and innovation

Trust is a complex and multifaceted construct that has attracted scholars from different disciplines and theoretical orientations. As a consequence, research has identified and focused on a great variety of forms, benefits and bases of trust (for reviews see Kramer, 1999; Nooteboom, 2002; Child et al., 2005). Despite the heterogeneity in theoretical orientations and claims that trust has never been precisely defined (Hosmer, 1995) most researchers agree that at its core trust is an expectation concerning the intentions or behaviour of others (Mayer et al., 1995; Rousseau et al., 1998). In the field of inter-organizational relationships these expectations predominantly refer to a partner's competence to meet obligations and/or his intent to do so (Das and Teng, 2001; Muthusamy and White, 2005; Woolthuis et al., 2005).

Trust provides a multitude of benefits to collaboration partners that stem from direct or moderating effects on a variety of desired performance or behavioural outcomes (Dirks and Ferrin, 2001). In a more recent review on the
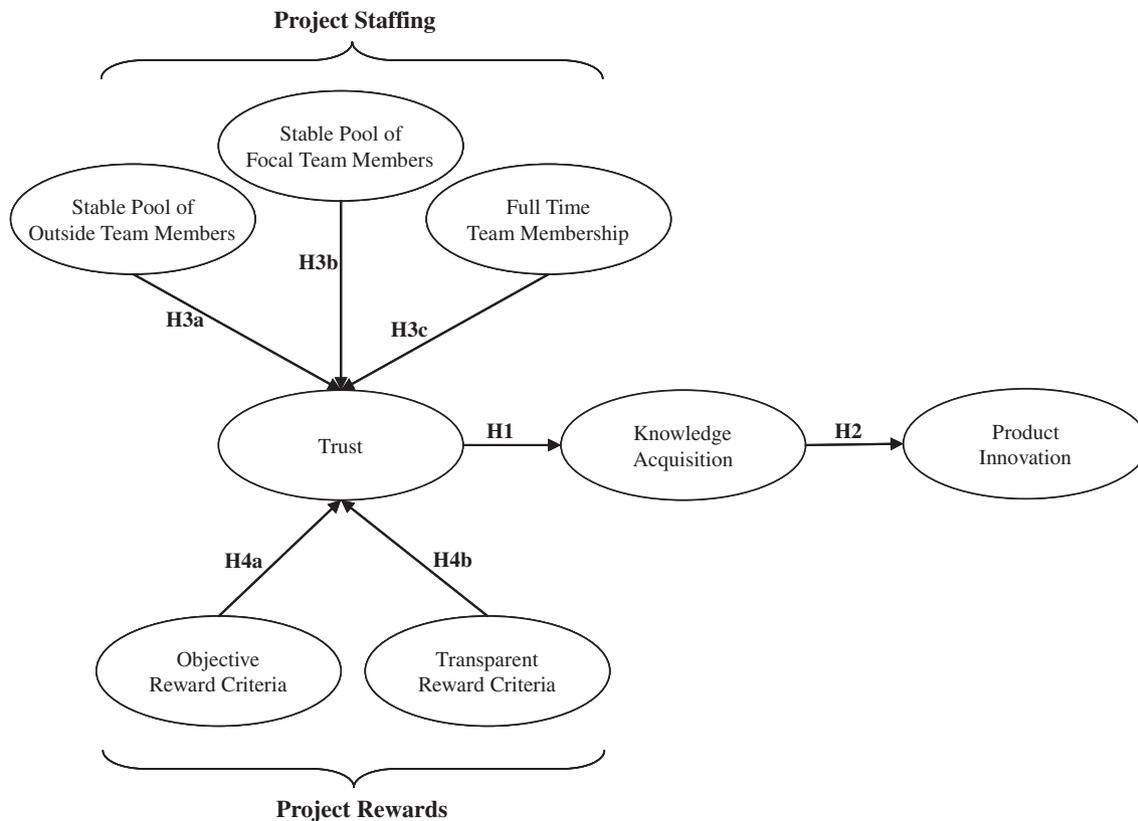

Fig. 1. Theoretical model and hypotheses.