

## Trust, commitment and collaborative performance: Evidence from collaborations between nonprofit organizations and companies

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### Abstract

**In this study, a theoretical model is built to explore the impact of inter-organizational trust on collaborative performance of collaborations between nonprofit organizations (NPOs) and companies. In this model, commitment is treated as a mediating variable. Based on the questionnaires, the theoretical model is empirically analyzed through structural equation modeling. The empirical results reveal that: (1) trust has significant positive impact on commitment and collaborative performance; (2) commitment has significant positive impact on collaborative performance; (3) commitment partially mediates the relationship between trust and collaborative performance. The findings not only enrich the inter-organizational trust theory, but also provide useful implications for the collaborations between NPOs and companies. The limitations and research directions were also discussed.**

### Keywords

**Trust, NPOs, Collaborative Performance, Structural Equation Modeling.**

### 1. Introduction

In recent years, the external environment of nonprofit organizations (NPOs) has undergone important changes owing to the New Public Management movements and the transformation of western welfare states [1]. Hence, NPOs have begun to seek collaboration with companies in the market as an important channel for obtaining resources and organizational learning [2]. Meanwhile, driven by both normative and economic rationality, companies increasingly consider the establishment of partnerships with NPOs as a basic strategy in the public sphere [3]. However, given the differences in organizational attributes and the inconsistency of collaborative motives, the collaboration between NPOs and companies faces risks caused by the opportunistic behavior [4]. How to effectively manage and govern the collaborative relationships between NPOs and companies has become a practical problem that the academic circle needs to solve.

Trust is viewed as an important way in solving problems created by opportunistic behavior. Existing studies on trust are still deficient in certain aspects. First, the trust between NPOs and companies has not yet been fully studied. Second, in the context of China's institutional reform, researchers need to further explore the trust between NPOs and companies.

The remainder of this paper is organized as follows. The next section reviews some relevant studies on both trust and collaborative performance and develops hypotheses. The research design, data collection and statistical methods are then discussed, followed by the empirical results and hypotheses testing. Finally, the conclusions and implications are presented.

### 2. Literature Review and Hypotheses

#### 2.1 Trust and Commitment

Although researchers have not reached a consensus about the concept of trust, most of them define trust as an acceptance of vulnerability based on positive expectations regarding the partner's behavior or intent [5]. A willingness to accept vulnerability indicates that trust involves a degree of risk [6]. A

positive expectation means that one party believes that the other party has the ability to perform the desired task and will act in a fair manner despite chances for opportunistic behavior [7]. Commitment refers to one party's willingness to maintain a cooperative relationship. Relational commitment is inherent in one party's acceptance of the other party's code of conduct and values. In a trusting partnership, reciprocal relationships are highly valued, and the partners are willing to commit to the relationship. Without trust, neither partner would take the risk of committing to the partnership. Some studies have proved that trust affects commitment in NPOs and companies collaborations [8]. Accordingly, this study presents the following hypothesis:

H1. There is a positive relationship between trust and commitment.

## 2.2 Trust and Collaborative Performance

Trust can increase tolerance of the behaviors of partners and reduce conflict, thereby increasing the stability of the collaboration. Trust can be established through previous collaborative relationships and can be enhanced through personal communications between senior managers of collaborative partners. According to transaction cost economics, a more powerful control mechanism should be built in the absence of trust to impede possible opportunistic behaviors, which can increase transaction cost and produce a negative impact on collaborative outcomes. Although a detailed contract contributes to reducing non-foreseeability and its impact, trust can also be used as a powerful mechanism to improve collaborative effect. This view is supported by some empirical studies [9, 10]. Theoretically, trust can help to eliminate speculation, prevent opportunism, and promote collaboration, thus helping to ensure the achievement of the expected results of the collaboration. In this regard, we propose the following hypothesis:

H2. There is a positive relationship between trust and collaborative performance.

## 2.3 Commitment and Collaborative Performance

Commitment represents the following future orientation: even if unexpected problems arise in the future, the partners that make commitments are nevertheless willing to endeavor to build and maintain a partnership. A high level of commitment provides a background condition under which the partners can realize both their individual objectives and their common objectives without taking opportunistic action. When partners commit to a partnership, they provide sufficient resources to sustain the relationship and make it successful. The empirical results showed that commitment has a significant and positive effect on partnership success [8]. Moshtari also found that the level of reciprocal commitment between two humanitarian organizations is positively associated with their collaborative performance [11]. Hence, this study presents the following hypothesis:

H3. There is a positive relationship between commitment and collaborative performance.

In summary, the overall theoretical model was developed as shown in Fig. 1.

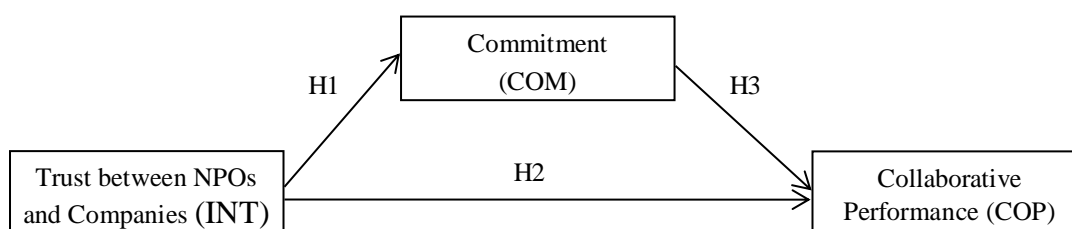


Fig. 1. Theoretical model of this study

## 3. Methodology

### 3.1 Sample and Data Collection

The target samples for this study were NPOs that had collaborative experience with companies. In order to assure the appropriateness of the respondents, potential respondents were asked to answer whether their organizations had collaborative experience with companies. Respondents with negative

answers were excluded. A total of 650 questionnaires were handed out, and 167 valid questionnaires were returned. The questionnaires were mainly completed by middle or senior managers which ensured the information provided was highly reliable.

**3.2 Variables and Measures**

All the scale items were measured with a seven - point Likert - type scale ranging from 1 = “completely disagree” to 7 = “completely agree.” Based on studies of Barroso-Méndez et al. [8], Sanzo et al. [12], Tsarenko and Simpson [13], the trust between NPOs and companies was divided into four dimensions: understanding - based trust (UNBT, Cronbach’s Alpha = 0.809), competence - based trust (COBT, Cronbach’s Alpha = 0.767), identity - based trust (IDBT, Cronbach’s Alpha = 0.758), and institution - based trust (INBT, Cronbach’s Alpha = 0.765). The total Cronbach’s Alpha of the trust scale is 0.887. Based on studies of Barroso-Méndez et al. [8], Murphy et al. [14], Selsky and Parker [15], the collaborative performance was divided into three dimensions: knowledge and learning effect (KLE, Cronbach’s Alpha = 0.823), direct and organizational effect (DOE, Cronbach’s Alpha = 0.857), and social impact effect (SIE, Cronbach’s Alpha = 0.857). The total Cronbach’s Alpha of the collaborative performance scale is 0.868. Based on studies of Barroso-Méndez et al. [8], Moshtari [11], Sanzo et al. [12], the commitment between NPOs and companies was divided into four items. The total Cronbach’s Alpha of the commitment scale is 0.889.

**4. Results and Hypotheses Testing**

**4.1 Fit of the Theoretical Model**

The path relationships between the variables were analyzed via structural equation modeling using the LISREL8.80 statistical software. Before hypotheses testing, the goodness of fit of the theoretical model needs to be justified [16]. The normalized factor loadings of the items are all significant ( $p < 0.01$ ); the values are between 0.50 and 0.95; and there are no negative measurement errors.  $\chi^2 = 44.76$ ,  $df = 41$ , and  $\chi^2/df < 3$ ; GFI = 0.95, close to 0.90; RMR= 0.044, RMSEA = 0.024, and all meet the criteria of being less than 0.10. NFI = 0.97, CFI = 0.99, and all meet the standard of 0.90. The goodness of fit of the model is enough. Hence, the research hypotheses can be tested based on the path relationships between the model variables. The results are shown in Fig. 2 and Table 1.

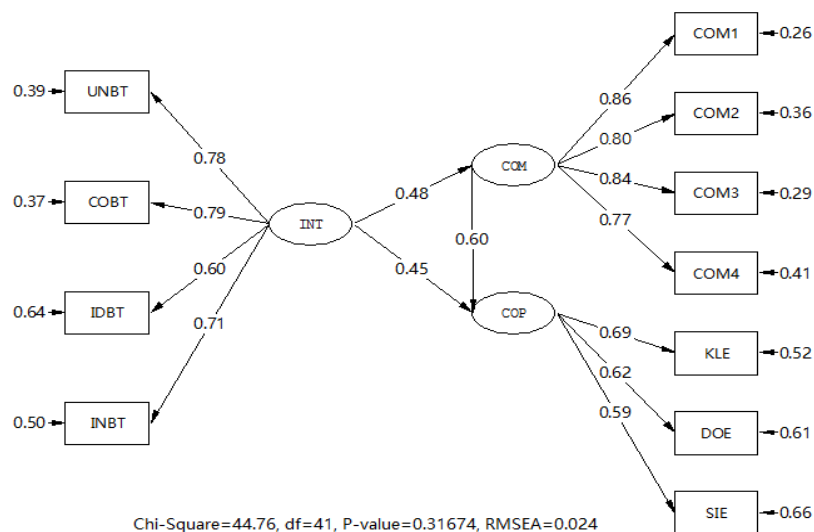


Fig. 2 Path relationships between variables

**4.2 Hypotheses Testing**

The standardized coefficients were used to explain the relationships between the variables. As shown in Fig. 2 and Table 1, the normalized path coefficient between trust and commitment is 0.48 (t - value = 5.35,  $p < 0.001$ ), indicating the impact is strong. Therefore, this study accepts hypotheses H1. The normalized path coefficient between trust and collaborative performance is 0.45 (t - value = 4.64,  $p < 0.001$ ), indicating the impact is strong. Therefore, this study accepts hypotheses H2. The normalized

path coefficient between commitment and collaborative performance is 0.60 ( $t$  - value = 6.19,  $p < 0.001$ ), indicating the impact is strong. Therefore, this study accepts hypotheses H3.

Table 1 Hypotheses testing results

Hypotheses	Path relationships	Normalized coefficients	T-values	Testing results
H1	INT→COM	0.48	5.35***	Supported
H2	INT→COP	0.45	4.64***	Supported
H3	COM→COP	0.60	6.19***	Supported

Note: \*\*\* for  $p < 0.001$

## 5. Conclusions, Implications and Research Directions

### 5.1 Conclusion

In this study, a theoretical model was built to describe the relationships among trust, commitment and collaborative performance. The results support our three hypotheses.

First, the academia and practitioners have realized the great importance of trust to partnership success. In this study, we provided empirical evidence that trust has positive effects on commitment and collaborative performance. This not only widens the research scope of inter-organizational trust theory, but also deepens the arguments of previous studies. Second, commitment has positive impact on collaborative performance. Social exchange theory holds that trust, along with commitment based on reciprocity and trust, is an important strategy that the partners adopt to reduce risks and uncertainty and maximize their common objectives. Last, commitment has a mediating effect on the relationship between trust and collaborative performance. Using commitment as the mediating variable, this study revealed the influence mechanism of trust on collaborative performance.

### 5.2 Practical Implications

Our findings verified the long belief that trust is a crucial antecedent for collaborative success. The implication is that the NPOs or companies wishing to improve their collaborative effects should constantly devote efforts in building and maintaining trust. Further, this study offers an implementation path for trust strategy. While building and maintaining trust, the partners must actively develop relationship commitment in their collaborations. If combined with commitment, trust will improve the collaborative performance more effectively.

### 5.3 Limitations and Research Directions

Firstly, the survey asked respondents to report on both the trust, commitment and collaborative performance. Since performance measurements in our study include social impact effect, future studies should gather information by establishing direct contact with beneficiaries and other stakeholders. Secondly, the data was collected from NPOs. Future research could also consider replicating the study using a dyadic perspective of trust (i.e. a combined indicator consisting of the perceptions of the NPOs and their for-profit partners). Finally, additional work in this area can explore the factors that can influence or improve trust between NPOs and companies. A theoretical framework of cross-sector trust that includes predictors, consequences, mediators and moderators is worth to be established and empirically tested.

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