

# **THE EFFECTS OF TRUST ON THE PROPENSITY TO FORM STRATEGIC ALLIANCES IN THE DOUNSTREAM OIL AND GAS INDUSTRY IN GHANA AND NIGERIA: THE MODERATING ROLE OF CULTURE.**

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## **Abstract**

Strategic Alliance is a widely researched topic in the field of social sciences with several theories, postulations and aspects explored. This is because it is generally agreed that strategic alliances are advantageous in that they offer innumerable benefits to firms, which range from ease of gaining access to new markets, reduction of uncertainty in new markets, learning of new skills, access to scarce resources, shared risks, access to technology, increase market share, grow competence base to list a few. Despite these merits, firms in less developed economies like Ghana and Nigeria do not adopt this strategy to gain a competitive edge in the market place, opting rather to out-compete each other for market share often leading to the premature demise of businesses.

The downstream oil and gas industry in Ghana and Nigeria are not exempt from the anomaly as these markets are characterized by a plethora of small businesses competing in the same space, which could rather benefit from collaboration in the form of strategic alliances. Several arguments have been put forward as an explanation for the reluctance to collaborate and this thesis argues that trust and the effect of culture (national and ethnic) on trust are factors that are overlooked but play a significant role on the decision or propensity to form strategic alliances. Furthermore, because extant literature on the topic have often been within the context of western corporations (often with monolithic cultures) this thesis argues for the need for strategic alliances or at the least the propensity to form them ought to be considered within the peculiarity of the market place. Thus this study focuses on the phenomenon in Ghana and Nigeria.

This study adopts the mixed method approach of a combination of qualitative through the use of targeted semi-structured interviews and quantitative, via distribution of questionnaires, with the idea that data from the qualitative would refine the quantitative. A total of 300 respondents were targeted in the sample size with 257 retrieved responses amounting to about 85.7% of the responses, which is deemed adequate for the study. This study reveals that there is a positive relationship between honesty trust and the intention to form strategic alliances as well as the existence of a positive relationship between goodwill trust and the intention to form strategic alliances. Also supported was the hypothesis that ethnic culture moderates the positive relationship between honesty trust and intention to form strategic alliances. However, ethnic culture did not moderate the positive relationship between competence-based trust and the intention to form strategic alliances as this hypothesis was not supported. Also supported is that national culture moderates the positive relationship between honesty trust and the intention to form strategic alliances.

The results of this study implies that managers need to understand the importance of ethnicity and ethnic considerations and how it affects trust in forming strategic alliances. The business as research findings reveal, shows culture as defined in this study to involve spoken language, religious practices and so forth. This strengthens the willingness of firms to form strategic alliances in the presence of trust. In other words, trust without these cultural clements may hurt the alliance building process. The narrower the ethnic and national cultural distance between firms, the higher the chances of strategic alliance formation by a trusting party. As such the most important message from the

research is that, while trust is important, managers must do well to understand the cultural practices of the potential alliance partner before embarking on the formulation of strategies for alliance.

**Keywords:** honesty trust, goodwill trust, competence trust, strategic alliance, oil and gas industry.