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Trust and its formation between stakeholders

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1 Introduction

Many strategic and business-to-business relationships are based upon a contract, prescribing the nature of that relationship and how resources will be shared to achieve the prescribed objectives of the partners. However, in recent years organisations the world over have become subject to an ever-increasing emergence of new and more narrowly defined niche markets. Striving to compete more effectively in these markets new cooperative activities, generically referred to as alliances, have come to the forefront with organisations realising the opportunities existing in their value-adding capabilities, which might otherwise be unavailable to each of the partners individually, thereby endangering their very existence (Spekman & Celly, p 157).

Central to this movement within the market towards greater competitiveness, is the concept of trust, which also has experienced a marked increase in its use in the management literature. There are a myriad of views regarding the meaning of the term, its antecedents, and the differentiation between trust and such terms as “reliability”, “trustworthiness”, “belief” and “confidence”. Much of these discussions focus on trust and its formation within organisations. There is, however, a growing trend towards the use of the term, which is also experienced in the relationship marketing literature where business-to-business relationships have become essential in the quest for increased synergy and productivity.

Forming an integral part of interpersonal relations, both in a personal and a business sense, trust is considered one of the core features of a relationship. “Trust underlines the whole thing, without it, it is just a waste of time” (Miller, 1994, p 33). It is a voluntary decision we take that not only has the possibility of increasing security and the potential between ourselves and the other party; it also involves putting ourselves at the risk of betrayal and failure. To accomplish our objectives we often have to take the plunge, as there may be no other ally to follow in which we can do so on our own.

Trust between partners involved in an exchange relationship being the focal point of this review, we will focus on some definitions of trust from a rational and moral perspective; its nature; its role within relationships; the various levels of trust; and its development within relationships. We will also conclude by developing a model of trust in the form of a decision tree to be used as an indication of relationship progress towards the achievement of optimal trust.

2 What is trust?

Living with others in relationships, we all know instinctively and intuitively what trust is. Our understanding of the concept is often more practical and useful than definitions in literature, with writers on the topic being less able to uniformly define it. To date there is no universally accepted scholarly definition of trust, with efforts in trust research being more focused on charting the territory than probing its depths (Rousseau et al. 1998, p 394). This primarily is due to trust being somewhat of a slippery and multi-dimensional concept having vague boundaries to an extent. "Trust" is often used in a loosely defined fashion, viewing it as similar to "cooperation" within groups, having "confidence" in others, viewing others as "reliable", etc. The blurring of the distinction between trust and these terms has led to fuzziness in the treatment of behaviour-based trust and the construct of trust itself.

It is in the light of the complexity of the nature of trust that this literature review attempts to define trust according to widely held beliefs among scholars as to its meaning, its nature and its dimensions. We commence by focusing on the rational and moral views of trust.

2.1 Rational trust versus moral trust

2.1.1 Rational trust

Some writers on the topic of trust view it as a cognitive, rational and performance-related concept having a calculative and risk oriented focus in mind, that includes such terms as "competence", "contractual trust", "reliability" and "promptness" (Anderson & Narus, 1986, p 326; Barney & Hansen, 1994, p 176; Coulter & Coulter, 2003, p 33; Gambetta, 1988, p 219; Huemer, 2004, p 189; Perry et al., 2002, p 77; Tomkins, 2001, P 165; Wicks et al., 1999, p 100). It is for this reason that writers on the topic emphasise the existence of confidence in and predictability of the exchange partner's behaviour, which can only be accomplished by obtaining information about the exchange partner as much as is necessary to avoid the risk of trustee opportunism (Bell et al., 2002, p 66; Huemer, 2004, p 253, Lewicki et al., 1998, p 439).

Typical definitions of trust from a rational perspective include the following:

Anderson and Narus define trust as the trustor's belief that the trustee will perform actions that will result in positive outcomes for the trustor as well as not to take unexpected actions that would result in negative outcomes for the trustor (1986, p 326).

Barney and Hansen (1994, p 176) view trust as "the mutual confidence that no party to an exchange will exploit another's vulnerabilities."

Gambetta (1988, p 219) simply defines it as, "Trusting a person means believing that when offered the chance, he or she is not likely to behave in a way that is damaging to us."

Similarly to Gambetta, Blois (1998, p 302) views trust as follows: "To trust somebody with whom you have some form of contact means that, although you recognise that the other person has the capability of acting in a manner which could harm you, you do not believe that it is necessary to take action to safeguard yourself against such possible acts."

Lewicki et al. (1998, p 439) define it in terms of expectations of things hoped for viewing it as "confident positive expectations regarding another's conduct." Conduct here includes the words, actions and decisions of the other party.

Tomkins (2001, p 165) views trust as "the adoption of the belief by one party in a relationship that the other party will not act against his or her interests, where this belief is held without undue doubt or suspicion and in the absence of detailed information about the actions of the other party."

2.1.2 Moral trust

At the other end of the extreme, trust is described in social and moralistic terms having a psychological focus on partnership behaviour and is explicitly predicted based upon general ethical convictions and intrinsic values (Hosmer, 1995, p 392; Ward and Smith, 2003, p 8). In this regard the quality of the relationship is emphasised as it refers to the parties having the welfare of one another in mind (Dervitsiotis, 2003, p 513, Ha et al., 2004, p 450; Hausman, 2001, p 604; Moorman et al., 1993, p 82). Closely related to this type of trust is the dimension of benevolence, which is referred to as the extent to which the trusting party believe that their exchange partner are interested in their welfare (Roberts, 1998, p 44), also describing the willingness to work collaboratively in achieving their mutual goals (Bennett and Gabriel, 2001, p 425)

Typical definitions of trust with a moralistic nature are:

Hosmer (1995, p 392) view trust as “the reliance by one person, group or firm upon a voluntarily accepted duty on the part of another person, group or firm to recognise and protect the rights and interests of all others engaged in a joint endeavour or economic exchange.”

Hausman (2001, p 604) describes it as “an iterative process, whereby partners trust each other to perform certain tasks and act in the best interests of the relationship.”

Wicks et al. (1999, p 100) emphasise the emotional nature underlying a trusting relationship, describing it as follows: “Trust occurs because an emotional bond is created between people, enabling them to take ‘a leap of faith’ that trust will be honoured.”

2.2 The features of trust

Knowing that trust has both rational and moral characteristics is all very well, but the question remains: what does 'good' trust look like? This is perhaps best summarised by Argandoña (1999, p 221) who identifies 13 features of trust within effective trusting relationships. According to him trust:

- (1) exists between individuals and therefore has an interpersonal nature;
- (2) is situational, placed in one particular person rather than following a global perspective;
- (3) originates from choice of the stakeholders involved, and therefore is not compulsory;
- (4) is free since stakeholders cannot sufficiently control each other's behaviour;
- (5) is committed in nature since stakeholders depend on each other without one party controlling the other;
- (6) is a conscious process with stakeholders being aware of each other's trust;
- (7) is a vulnerable process as it is open to betrayal and opportunism;
- (8) is a relevant process as opportunistic behaviour by one party cannot be considered insignificant by the other;
- (9) evolves over time and therefore is dynamic in nature;
- (10) is action oriented with stakeholders working towards achieving mutually agreed outcomes;
- (11) has an uncertain nature, since it is built on aspects like the reliability and trustworthiness of the parties, which is often difficult to predict;
- (12) is based on communication; and
- (13) is experimental in nature with parties willingly going out on a limb trusting each other in the quest to achieve desired outcomes.

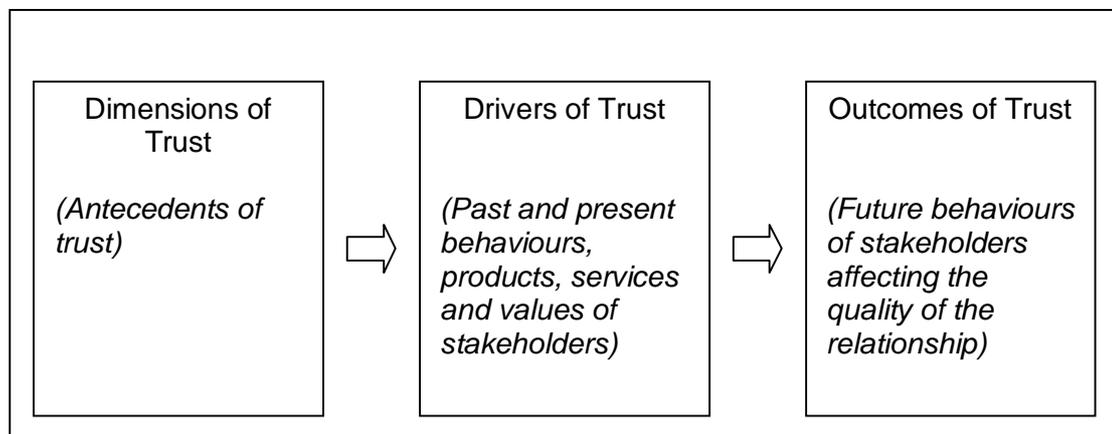
2.3 The nature of trust

Trust, as a necessary attribute to the quality and success of any relationship, is one of the fundamental relationship model building blocks (Wong and Sohal, 2002, p 36). In conjunction with a number of attributes, trust contributes to the strength of interpersonal

relationships, intra-organisational relationships and inter-organisational relationships (Lindgreen, 2001, p 51; Svensson, 2001, p 647).

A number of models attempt to provide insight into the nature of trust, its dimensions, its drivers and the outcomes of trust as it affect the quality of the relationship existing between stakeholders (Friman et al., 2002, p 404; Lindgreen, 2001, p 53; MacMillan et al., 2000, p 80). As such the model to discuss trust in this study is partly based on the basic relationship marketing model proposed by MacMillan (ibid.), but extended to focus on the dimensions, drivers and outcomes of trust (refer Figure 1).

Figure 1: A basic model of trust (*Adapted from MacMillan, 2000, p 80*)



2.3.1 Dimensions of trust

The dimensions and antecedents of trust provided in literature are as widely varying as there are views relating to the definition of trust. Although by no means comprehensive, writers on the topic generally include the following dimensions of trust:

- § reliability: confidence, faith, predictability, respect, and security;
- § credibility: trustworthiness, honesty, integrity, benevolence, loyalty, consistency, fairness, empathy, and reputation;
- § competence: ability, character, expertness, and information;
- § stakeholder orientation: interconnectivity, judgement, congruence, intentions, and motives; and
- § Social bonding: friendliness, liking, and acceptance.
- § Risk: faith.

Reliability

Various authors describe trust in a relationship as the parties relying on one another, using 'trust' and 'reliance' as two interchangeable concepts (Hosmer, p 393; Morgan & Hunt, p 23). Blois, however, points out the difference existing between the two concepts, stating that reliance is a less emotional form of commitment than trust (1999, p 206). Although trusting someone implies a willingness to rely on them, the opposite is not necessarily the case. It is indeed possible to rely on someone although we do not necessarily trust him/her. This may be the case where that person has the necessary knowledge and ability to comply to the obligations posed to them and where the cost to him/her of being found unreliable is high enough for the probability of them acting reliably are very high (Blois, 2003, p 186). In this regard the drivers of the relationship are situated in the confidence, faith and respect that exist with the trusting party towards the trusted party's knowledge and abilities, and ultimately, their dependability.

Credibility

Roberts describes credibility as based on the extent to which the trusting party believes that it can rely on the trusted party's word, that they are sincere, and that they will perform their role effectively and reliably (1998, p 44). It therefore involves behavioural components such as trustworthiness, honesty, integrity, benevolence, loyalty, consistency, fairness, empathy and reputation.

Trustworthiness has to do with stakeholders in a relationship keeping their word and doing what both parties agreed to. It is about parties doing what they say and only what they say (Dasgupta, 1988, p 52).. Baier (1986, p 236) view trustworthiness as that situation where one party relies on another having some discretionary responsibility towards that party. This does not necessarily mean that the trusted party can be expected to eliminate its self-interest (Hosmer, 1995, p 395), but that it is anticipated that it will take into regard the trusting party's legitimate interests. The fact that trustworthiness consists of a multitude of behaviours is clearly pointed out by Hosmer (ibid., p 394), who includes descriptions such as being 'helpful', 'honest', 'consistent', 'loyal', 'fair', 'non-harmful', 'beneficial', 'responsive', and to evidence 'goodwill'. Mayer et al. purports trustworthiness to consist of three intertwined factors: integrity, benevolence, and ability (Lovett, 1999, pp 240-241). The existence of particularly integrity (the degree to which the trusted party mean what they say as well as the depth of their promises) and benevolence (the extent to which the trusted party is concerned with the welfare of the trusting party) within a relationship suggests that partners who are more likely to be

trusted will shun opportunism and act with decency, fairness and respect and will keep their promises (Wicks et al., 1999, p 111). Thus a partner lacking any one of these factors, there is a considerable probability of that relationship eventually being betrayed. Also forming part of the credibility cluster is the ability of the trusting party to look at the world from the trusted party's perspective as it is likely to be when it comes to their having to fulfil their part of the agreement (Dasgupta, 1988, p 51), as well as the perceived reputation of the trusted party in terms of their past performance being a result of personal experience, word-of-mouth information received, the party's media profile, or their general public relations (Blois, 2003, p 186; Bennett and Gabriel, 2001, p 437). Reputation is considered a principle dimension of trust as it not only provides expectations as to the key attributes of an exchange partner, but also how it will behave in future (Bennett and Gabriel, *ibid.*).

Competence

A partnership established between various stakeholders is normally based on those abilities, skills and expertise brought into the relationship, which neither of the parties possesses on their own, but considered essential for achieving mutually agreed outcomes. Thus competence encompasses these abilities, skills, expertise and characteristics that enable a party to have influence within a given domain (Bell et al., 2002, p 66). In this regard Spekman et al. (1996, p 354) view competence to include what they refer to as 'teachable' functional, 'earned' and interpersonal competencies:

- (1) Functional: Educational background (which includes technical background)
 General business knowledge
- (2) 'Earned': Credibility and respect
 Extensive organisational, alliance and industry networks
- (3) Interpersonal: Social skills
 Process skills
 Tact and sensitivity
 Cross-cultural awareness

The same authors (ibid.) also identify a second set of, what they refer to as 'unteachable' competencies. These include the following:

- § willingness to change oneself to accommodate others;
- § willingness to consider the other party's viewpoint and simultaneously consider multiple points of view;
- § ability to learn from the past but not being constrained by it; and
- § willingness to take losses in return for future gains.

Stakeholder orientation

The willingness of stakeholders to create mutually trusting relationships is a matter of choice and is based among others on sound judgement and the degree of congruence existing among stakeholders in their quest to achieve mutually agreed outcomes. Creating a trusting relationship therefore involves confident positive expectations of stakeholders about the various partners' motives (Boon and Holmes, 1991, p 198). Dasgupta points out, however, that it needs to be kept in mind that trust among individuals and the organisations they represent is interconnected and therefore is a fragile commodity (1988, p 50). Thus in the event of one's trust faltering in the reputation or motives of the organisation a potential partner represents, trust in that partner to fulfil their terms of an agreement will be adversely affected with the result of one being unwilling to enter into that agreement (ibid.).

Social bonding

Wicks et al. (1999, p 100) views the social bond existing between parties not only as a belief in the relationship, but in large part as a belief in the moral character or "goodwill" of the trusted partner in the trusting relationship. Crotts and Turner see it as the inevitable result of subjective interaction describing it as the degree of mutual personal friendship and liking that exists between stakeholders (1999, p 121). Being subjective and emotional in nature social bonds can be very effective to hold a relationship together even in the face of adverse conditions. It is for this reason that Zineldin and Jonsson (2000, p 252) propose that social bonding leads to relationship commitment, while Wicks et al. (1999, p 100) view its existence to enable stakeholders to take a leap of faith that trust will be honoured.

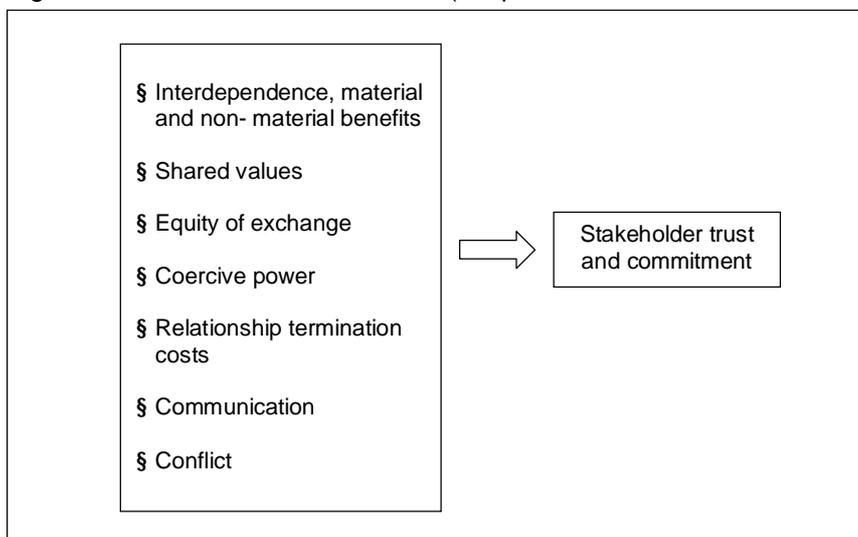
The dimension of risk

Trusting another party involves more than just forming beliefs about their trustworthiness based on an assessment of their integrity and our expectations; it involves a willingness to rely on them and take action in circumstances where such action makes one vulnerable to them (Doney et al., 1998, p 604). This brings about the dimension of risk, which is commonly associated with trust (Huemer, 2004, p 253), where one party willingly offers an asset to another not knowing whether the value of the asset will be returned (Eckel and Wilson, 2004, p 447; Wicks et al., 1999, p 100). This willingness to trust literally boils down to the 'willingness to bear risk', which involves an act of faith and closely relates to the attitude of parties towards risk-taking in general (Ben-Ner and Putterman, 2001, p 532; Eckel and Wilson, 2004, p 448). Perks and Halliday (2003, p 339) point out, however, that this decision is, in fact, rational and not naïve or based on total ignorance, but acknowledges the risk involved of possible partner opportunism.

2.3.2 Drivers of trust

Based on past and present behaviours, products, services and values of stakeholders, the drivers of trust include components such as interdependence, material and non-material benefits, shared values, equity of the exchange, the use of coercive power, relationship termination costs involved, communication that exists, managing conflict, and the duration of the relationship (refer Figure 2). If stakeholders were able to accurately measure each of these driving factors within the exchange relationship, this would enable them to predict at least a large amount of stakeholder trust and commitment to the relationship and the objectives (MacMillan et al., 2000, p 74).

Figure 2: Drivers of stakeholder trust (adapted from MacMillan et al., 2000, p 74).



Interdependence

Interdependence can be defined as the degree of difficulty that would be encountered by stakeholders if they do not have access to each other's resources (Goodman and Dion, 2001, p 291). Similarly Monczka et al. (1998, p 558) view interdependence to exist when one party does not entirely control all of the conditions necessary for achievement of an action or a desired outcome. As such stakeholders are involved in a mutually beneficial relationship, recognising the synergistic nature of the relationship and acknowledging the advantages of interdependence providing material and/or non-material benefits greater than either could attain on their own. Wieselquist et al. (1999, p 945) describe interdependence growth between stakeholders to follow a cyclical pattern, whereby a high degree of dependence, commitment and pro-relationship behaviour existing with one party, affects the other party to behave in a trusting and committed manner, willingly becoming dependent on the first party. As benefits are gained this invariably leads to the increase of trust and commitment between stakeholders (Friman et al., 2002, p 404), further strengthening their degree of interdependence.

Shared values

Having the same or similar values (e.g. stakeholders sharing common beliefs about what behaviours, goals, and policies are important or unimportant, appropriate or inappropriate, and right or wrong) has the inevitable result of enhancing cooperation between stakeholders, thereby contributing to the relationship commitment and trust (Zineldin and Jonsson, 2000, p 252). Friman et al. found values based on integrity, respect and trust to be a critical facilitator of exchange relationships (2002, p 406). As such collaborative partners sharing similar values are likely to be more committed to the relationship.

Equity of exchange

People have a strong need to maintain their sense of equity in exchange relationships. Stakeholders being satisfied with the outcomes of these relationships is often interpreted as an indication of equity existing in the exchange (Lewin and Johnston, 1997, p 29). In its broadest sense equity can be viewed as the balance that exists between the contribution (in the form of both tangible and intangible resources) a stakeholder makes to the exchange relationship and the benefit derived from it (Das and Teng, 1998, p 504). Central to the relationship being an equitable one, is the notion of fairness, thus a stakeholder not feeling that they are taken advantage of through opportunistic activities of their exchange partner. In the event of potential inequities being expected by any of

the partners, their trust and confidence in and commitment to the relationship are most likely to recede, even if the relationship is about to bring positive results.

Coercive power

Exchange relationships commonly entail ties of mutual dependence between stakeholders. Being mutually dependent, it is more or less imperative to each stakeholder that they are able to influence the other's conduct. Power therefore, resides implicitly in the other party's dependency (Young and Wilkinson, p 109). Coercive power is based on force and fear. Termination of the relationship and decreased support are just some of the many ways stakeholders can exercise to coerce exchange partners towards their own objectives, especially if those exchange partners are more dependent than the coercive party. An inverse relationship therefore, exists between coercive power and trust. In this regard Riker (1974, p 63) points out that trust and coercive power are seldom directly substitutable, but there is a place for both in different exchange relationships. It is clear, however, that if the main driver was based on the coercive power of termination costs, with the other drivers weak relative to established norms, this will have an adverse effect on stakeholder commitment and trust.

Relationship termination costs

Establishing an exchange relationship involves some sort of physical investment (i.e. effort, time, money, etc.) as well as individual cost (i.e. reputation, credibility, etc.), which can constitute a significant exit barrier in the event of a stakeholder being dissatisfied with the relationship. Termination costs include all expected losses from termination. Typically, the more losses and the greater the loss expected due to an exchange relationship being terminated, the more committed stakeholders would be to each other (Friman et al., 2002, p 405)

Communication

As the expectations of a collaborative relationship can be quite different, good communication channels between partners are essential (Davenport et al., p 32). Although trust implies adopting a belief in the absence of detailed information (Tomkins, 2001, p 165), to achieve the benefits of collaboration, effective communication and information processing are essential in the building of trust (Das and Teng, 1998, p 504).

Mohr and Spekman (1994, pp 138-139) identify three aspects of communication behaviour serving as reasons for this phenomenon:

- (1) Communication quality: Exchange partners sharing accurate, prompt, adequate, credible and reliable information with each other is essential if goals of the partnership are to be achieved. Communication of a high quality enhances commitment and trust (Friman et al., 2002, pp 405, 406). Proper communication therefore, resolves the potential barriers between exchange partners.
- (2) Information sharing: Information sharing refers to the extent to which critical and proprietary information is communicated between exchange partners in the quest to effectively plan growth within the alliance. A higher degree of commitment and trust result in more relevant information exchanges between high performing partners (Mohr and Spekman, 1994, p 139). Communication enhances the building of trust because it provides the basis for continued interaction thereby serving as a bonding agent keeping exchange partners together.
- (3) Participation: Information participation refers to the extent to which partners engage jointly in planning and goal-setting, which helps partnerships to succeed (ibid.). A high level of participation in planning allows mutual expectations to be established and cooperative efforts to be specified.

Mohr and Spekman conclude that more successful relationships are expected to exhibit higher levels of communication quality, more information sharing between partners, and more participation in planning and goal-setting than less successful partnerships (ibid.).

Conflict

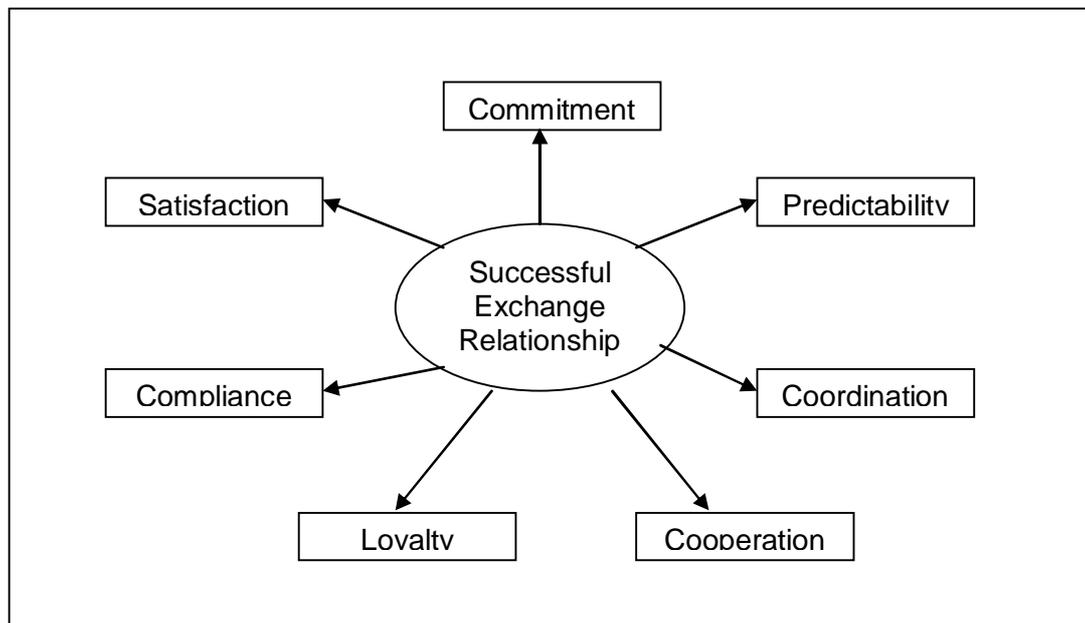
Does conflict inhibit trust, or does trust reduce conflict? Accepting conflict to inevitably occur in any type of relationship over an extended period of time, Monczka et al. (1998, p 559) distinguish between destructive and constructive conflict resolution techniques. Destructive forms of conflict resolution involve coercive influences (e.g. threats, promises and legalistic pleas) that stakeholders use with exchange partners, the smoothing over of existing issues or avoiding the issues altogether. However, successful exchange relationships are associated with high use of constructive conflict resolution techniques (e.g. joint problem-solving and persuasion), low use of conflict avoidance techniques, and low use of destructive conflict resolution techniques (ibid., p 560).

Higher levels of trust are therefore expected in those exchange relationships where constructive conflict resolution techniques are followed, as opposed to those where destructive techniques are followed. However, Young and Wilkinson point out that the level of trust between exchange partners is generally lower when conflict in the relationship is present (p 118).

2.3.3 Outcomes of trust

Based on the dimensions (antecedents) and the drivers of trust (past and present behaviours), these may serve as an indication of the expected success and quality of the exchange relationship. These outcomes include predictability, commitment, coordination, creative cooperation, stakeholder loyalty and compliance, and stakeholder satisfaction (refer Figure 3).

Figure 3: Outcomes of a successful exchange relationship (adapted from MacMillan et al., 2000, p 80)



Predictability

Ballantyne (2004, p 120) views trust as a composite judgement made by one party of another, consisting of three major considerations, namely expected capability, integrity and commitment of the other party to act in ways that will advance and not interfere with the interests of the first party. As such trust has an element of predictability, whereby one party's expectations about the other's behaviour is predicted (Huemer, 2004, p 189). Perks & Halliday (2003, p 339-340) purport trust to converge around the existing state of beliefs of the trustor regarding the trustee (i.e., reputation and credibility) and

future behaviours of the trustee brought forward for assessment (e.g., fulfilling obligations, partner needs, acting fairly and declining from opportunism). However, expectations of a party's behaviour cannot always be based on their reputation for behaviour in identical or even similar circumstances. It is for this reason that Blois (1999, p 206) argues that it is often necessary to make derivations based upon interpretations of a party's behaviour in circumstances which are not totally disassociated (e.g. an organisation having a good reputation for caring for its staff, will most probably act in a socially responsible manner), plus an assessment of their culture and the character of the person representing them.

Although rational prediction is clearly an important part of trust, Wicks et al. (1999, p 100) warn that it provides a grossly incomplete understanding of trust on its own. Therefore other conditions need to be present as well. In this regard Wicks et al. identify the presence of an emotional bond enabling the parties to move beyond rational prediction to take a "leap of faith", and the existence of a belief in the moral character or "goodwill" of the trustee in the trusting relationship (ibid). Without any of these characteristics, the relationship may be faced with either of the parties having some opportunistic objectives.

Nevertheless, irrespective of the different explanations behind trust in its rational and social definitions, both share the view that it is easier to trust when prediction is possible and when the trusting party is able to anticipate the behaviour of the trusted party (Huemer, 2004, p 253).

Commitment

Cooperative relationships are built on a foundation of mutual commitment having the perceived importance of the relationship in mind (Friman et al., 2002, p 405). As such commitment includes the desire to continue a relationship assuming it will result in future benefit to both parties, as well as the willingness to ensure its continuance (De Ruyter et al., 201, p 275). Commitment therefore, requires a long-term cooperative relationship and a willingness not to exploit the relationship at the expense of long-term cooperation. Thus from a long-term perspective, commitment is future oriented having the development of a strong relationship in mind that can weather unanticipated problems, and allowing both parties to achieve individual and joint goals without raising the spectre of opportunistic behaviour.

However, in many instances knowing that the other party is trustworthy is not enough. One also needs to know that that party will actively support oneself, in other words, reciprocate the commitment (Zineldin, 2000, p 248). Commitment, therefore is viewed as an attitude (Ivens, 2004, p 302), consisting of three core aspects: (1) a value judgement by parties in the form of a belief that the relationship is of high value; (2) it stabilises the relationship in the sense that parties believe that it is worth all efforts to preserve it; and (3) it stems from a sense of honour going beyond the current expected utility of the exchange (Morgan and Hunt, 1994, p 23).

Coordination

Although not directly linked to trust, coordination forms an essential part of the relationship between parties. Coordination involves the direction of actions by parties to achieve mutually agreed objectives. Coordination is especially important in a less than certain environment having a stabilising effect on the relationship as well as the outcomes to be achieved. Without appropriate coordination, Mohr and Spekman warn that just-in-time processes will eventually fail, productivity will stop, with the result of any planned mutual advantage not being able to be achieved (1994, p 138).

Cooperation

Cooperation is a necessary component in exchange relationships and forms a part of the intention of stakeholders to develop relationship trust and hence commitment (Zineldin and Jonsson, 2000, p 253). Young and Wilkinson (p112) stress the fact that the initiation of cooperation requires trust whenever an individual by his choice to cooperate places his fate partly in the hands of others. Crotts and Turner (1999, p 121) describe cooperation as having a qualitative aspect, which elicits partners within an exchange relationship to be willing to go beyond their respective role to serve each other thereby ensuring that both parties achieve mutual outcomes (Lewin and Johnston, 1997, p 29).

Ideally, cooperation between parties exists when there is an absence of conflict and a sufficient level of trust between them. Zineldin and Jonsson warn, however, that the existence of cooperation in a relationship does not exclude the existence of conflicting behaviours, which form a part of any long-term relationship (2000, p 253). In fact, conflicting behaviours can co-exist temporarily with cooperative actions, and are indeed characteristic of most productive and developing relationships. In their research Young and Wilkinson (p 117) proved that about one third of firms interviewed by them reported

cooperation being based on necessity due to implicit or threatened action if cooperative behaviour was not forthcoming (ibid.). In this regard a specific power play exists with the stronger member of the relationship threatening the weaker party with disciplinary steps in the event of the latter party not performing satisfactorily.

Loyalty

A desirable outcome of an exchange relationship, loyalty at the very least implies a disinclination of stakeholders to behave opportunistically (MacMillan et al., 2000, p 78). However, loyalty between partners goes further than this; it also implies stakeholders becoming more trusting and committed as time progresses within long-term relationships. Although not implying loyalty to be less of a factor in short-term exchange relationships, indications are, however, that stakeholders generally prefer a longer-term relationship with their exchange partners to a short-term relationship. This especially is the case within business in so far as retaining of customers has an effect on reduced costs of customer acquisition, as well as the fact that it generates profitable repeat purchases (ibid.). According to MacMillan et al. loyalty between partners entails more than the mere generation of a long-term relationship and disinclination to opportunism (2000, p 79). Incorporating these aspects, they refer to loyalty as essentially an active allegiance, which includes various ways of behaving positively and committed towards an exchange partner, i.e. repeat interactions, going the 'extra mile' for one another, defending the relationship in the face of others criticising it, etc. (ibid.). However, Zineldin and Jonsson warn against the notion of accepting loyalty between partners only to exist when there is also a high level of commitment between them (2000, p 253). In this regard they view loyalty not always to be based on a positive attitude and that long-term relationships do not necessarily require positive commitment from the partners (ibid.). According to them a negatively committed partner may show a negative attitude towards the exchange partner but might still be involved in the relationship (and thus viewed as loyal) due to perceived or contextual bonds that function as exit barriers. However, the use of contextual barriers in a relationship will invariably generate latent dissatisfaction, which will eventually emerge as the importance of the contextual bonds decreases (Zineldin and Jonsson, 2000, p 253).

Compliance

Stakeholders who are truly trusting each other, are more committed to the exchange relationship and its objectives, and as a result will comply with the formalised principles established within that relationship to achieve their desired outcomes (MacMillan et al., 2000, p 76).

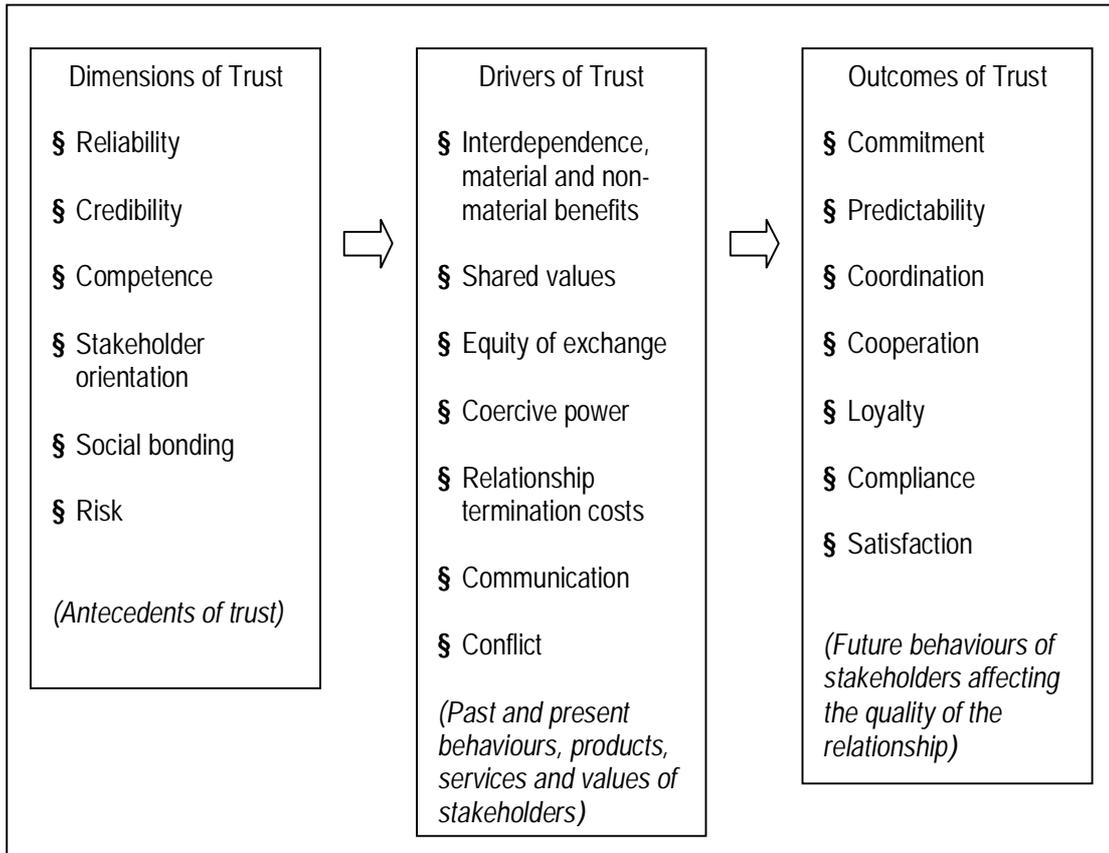
Satisfaction

The existence of stakeholder satisfaction with regards to the relationship and its outcomes is a critical variable within exchange relationships. Satisfaction refers to stakeholders' own experiences of a relationship where the outcome has been evaluated in terms of the benefit or value that was achieved, in other words what each partner had to give to get something. Although in a customer-service provider relationship, the definition of Storbacka et al. (1994, p 25) is quite applicable to any exchange relationship, describing it as a "cognitive and affective evaluation based on ... personal experience across all ... episodes within the relationship." Similarly, Anderson et al. (1994, p 54) define satisfaction as the result of experience developed over time with a product (but also a relationship). Crotts and Turner refer to this phenomenon as a performance factor when describing it as the degree to which the exchange relationship or transaction meets the stakeholders' performance expectations (1999, p 120). The same authors also view satisfaction to be intricately related to communication between stakeholders, in the sense that higher levels of satisfaction will facilitate good communication between partners, and vice versa.

2.3.4 Summary

Combining the various aspects relating to trust we are now able to display an adapted model of the view of MacMillan et al. (see Figure 4).

Figure 4: A model of trust (*Adapted from MacMillan, 2000, p 80*)



Although any successful exchange relationship has at its heart the existence of trust and commitment of the stakeholders, the outcomes of such relationships is the result of stakeholders' perceptions of a number of factors, the left-hand column depicted as 'dimensions of trust' and the middle column depicted as 'drivers of trust'.

3 Why trust: objectives of a trusting relationship

3.1 Strategic alliances

We live in times signified by “hypercompetitive” business markets where a company’s competitiveness no longer depends on the company alone, but also on the quality of its alliances (Das and Teng, 1998, p 21). Recent years have seen a dramatic increase in strategic alliances with organisations increasingly facing the challenge of having to perform in more narrowly defined niche markets, which opens up opportunities for strategic alliances and allow for the achievement of objectives that might otherwise be unavailable to an organisation on its own (Spekman and Celly, 1995, p 157). Argandona (1999, p 218) views the increase in strategic alliances to be a result of increased globalisation, which requires businesses to penetrate various markets, and the quest of companies to stay at the technological forefront. But what exactly comprises a strategic alliance?

Basically in an alliance, stakeholders share financial, human and material resources and knowledge with the objective of accomplishing a common end to the benefit of all the partners involved (Argandona, 1999, p 219). These benefits expected by stakeholders vary from one exchange relationship to the next. However, Tuten and Urban (2001, p 155) identify 6 broad groups of perceived benefits being the reason for stakeholders entering an alliance with other business partners. These include the desire for lower costs, providing a more effective service, enhancing competitive advantage, improving performance indicators, increasing product/service quality, and gaining various benefits of a relationship with a trustworthy partner. Although the synergistic nature of these types of relationship certainly provides significant benefits to stakeholders involved, Argandona states that partners, even though they have a common interest, may also have their own self-interests, which may be contradictory not only beyond the scope of the alliance, but also in the alliance itself, with the result of parties having reasons both to cooperate and compete and giving rise to a relationship that is simultaneously interdependent but also antagonistic (1999, p 219). This invariably leads to the need for stakeholders to deal both with coordination and control problems. No wonder Adams and Goldsmith (1999, p 224) refer to these kinds of relationships as “fuzzy alliances”, which they view as involving a non-contract-based cooperation between stakeholders working according to loosely specified prerogatives, and sharing resources, wisdom, ideas and control thereby advancing them into the future. This certainly renders trust to be a key feature of strategic alliances, without which these agreements cannot exist (ibid.).

3.2 The importance of trust in a relationship

As indicated in preceding passages, an alliance between stakeholders is normally formed where neither partner has the comprehensive capabilities needed to be able to complete a specific project individually (Davenport et al., 1999, p 32). Spekman et al. (1996, p 346) point out that although it may all be true that alliances do result in significant gains for stakeholders, reality, however, paints a rather sombre picture with more than 60 percent of all alliances reported to fail. This is mainly due to a stakeholder within an alliance behaving opportunistically towards the other thereby jeopardising the relationship at the end. It is for this reason that building trust in the relationship and respecting the other partner's different but complementary abilities is a crucial element in successful collaboration.

Virtually every transaction, commercial or otherwise, has within itself an element of trust. The benefits of trust within stakeholder alliances are wide ranging in character, including reduction in transaction costs and enhancement of transaction value (Gulati, 1995, p 93; Huemer, 2004, p 252); inducing desirable behaviour (Argandona, 1999, p 219), reducing the extent of detailed formalised contracts (Gulati, 1995, p 93), facilitating dispute resolution (Das and Teng, 1998, p 494), and counteracting the fear of opportunistic behaviour (Gulati, 1995, p 93). Trust within an exchange relationship can be viewed as an important lubricant (Wilson & Kennedy, 1999, p 179), which acts as a social bonding agent in relationships (Perks & Halliday, 2003, p 339). The presence of trust creates value for the partners, because it enables them to make decisions in the present that will not be transacted until a later time (Wilson & Kennedy, 1999, p 181). Geisler proposes that exchange relationships are more likely to survive over time the more there are initial assets of goodwill, trust, favourable prior beliefs, mutual psychological commitment and prior relations between parties (1995, p 224).

3.3 Trust from an economic perspective

Trust lies at the root of any economic system based on mutually beneficial exchange. However, in practice many people tend to assume that establishing the appropriate contractual framework can generate stable cooperation (Ward and Smith, 2003, p 13). This approach defies the purpose of an exchange relationship in the fact that contractual commitment is essentially the result of a power imbalance between parties and therefore can be tactical rather than genuine. Humphrey and Schmitz support this viewpoint describing trust from a global economic development perspective as *the* "missing factor"

that explains why some countries or regions within countries develop rapidly while others lag behind (1998, p 32). This is a clear indication of the importance of trust in these types of exchange relationships. Humphrey and Schmitz proceed by stating that variations in levels of economic development are causally determined by variations in trust levels in the sense that organisations are more willing to invest in those countries or regions within a country they perceive to be trustworthy and therefore less of a risk. Although this being a global perspective, there is, however, no essential qualitative difference in economic relationships between trust among countries, trust among organisations, and trust among individuals (Moore, 1999, p 82). Thus, the same situation applies to alliances between organisations as they do between individuals in their quest to achieve desired outcomes.

It is for this reason that Peterson describes trust as a precious commodity - one that has a crucial effect on the quality standards within any organisation as well as the quality of outputs in any relationship (1998, p 413). Wicks et al. (1999, p 102) agree with Peterson suggesting that the existence of trust within a relationship brings about a lowering of the transactional costs, whereas the need to erect costly and elaborate protections in the form of detailed contracts to guard against opportunism indeed tends to significantly increase transactional costs. Furthermore, Peterson warns that a relationship without trust will invariably lead to inadequate quality of the outputs, which in turn necessitates the need for punishment in the form of some sanctioning behaviour by one partner of the next (1998, p 413). These sanctions may include loss of repeat business with the same partner, loss of other points of interaction between stakeholders, and loss of reputation, and can prove to be a costly affair to stakeholders (Gulati, 1995, p 93).

4 Levels of trust

Probably the most significant concern of stakeholders entering alliances is the predictability of their partners' behaviour. A formal contract may be one mechanism for ensuring predictability from one's exchange partner however, another is trust (Gulati, 1995, p 93). It is for this reason that Moore (1999, p 75) comments that it is essential to think about trust in terms of a continuum varying in depth, with detailed contracts at one end of the scale and complete trust, or what Wicks et al. (1999, p 99) refer to as "optimal trust", at the other end.

Trust can take several forms across the continuum. Authors on the topic use various terms labelling different types or levels of trust. For the objectives of this review, however, we will follow an eclectic approach focusing on six levels of trust.

4.1 Blind trust

To trust a partner in an exchange relationship is a choice, which has profound consequences for all involved. As such, trust is not a cost-free option. Although the objectives of trust are to reduce the complexity of events and gain positive expectations as Das and Teng (1998, p 495) indicate, there is, however, a level of trust that Crotts and Turner (1999, p 117) refer to as 'blind trust', which takes this to the extreme by mainly focusing on the exchange partner's perceived reputation and reliability. Blind trust, according to Humphrey and Schmitz (1998, p 35) emerges when no grounds exist for the belief that a partner will behave opportunistically. Clearly this type of trust, if it can be termed trust at all, is based upon a lack of knowledge or some other irrational basis, often of a highly emotional level, and is what Baier (1994, p 196) refers to as ill-judged, while Wicks et al. describe it as foolishness (1999, p 100).

4.2 Weak form trust

Barney and Hansen (1994, p 177) identify what they refer to as 'weak form trust', which exists when exchange partners have limited vulnerabilities with the result of opportunistic behaviour being unlikely. Weak form trust is therefore differentiated from blind trust in the sense that partners involved in a relationship where blind trust exists may be very vulnerable, but nevertheless are going out on a limb. In a situation of weak form trust, however, no vulnerabilities from adverse selection, moral hazard, hold-up or other sources, exist causing the trustworthiness of exchange partners to be high, and trust to be the norm of the exchange (Barney and Hansen, 1994, p 177). Weak form

trust emerges in very specific kinds of exchanges, especially in those where the quality of goods or services that are being exchanged can be evaluated at low cost, and whenever there is no need for exchange partners to make transaction-specific investments to obtain gains from an exchange relationship (ibid.).

4.3 Calculative trust

Also referred to as 'contractual trust', 'semi-strong trust' or 'authoritative trust', calculative trust relates to adherence to agreements and promises (Davenport et al., 1999, p 32) and is therefore based upon the costs and or benefits of opportunistic cheating behaviour or staying in the relationship (Crotts and Turner, 1999, p 118). Adams and Goldsmith view calculative trust (or what they refer to as 'deterrence-based trust') in a relationship to occur when the cost in absolute value to each partner of defaulting the relationship is greater than the benefits of continuing in the relationship (1999, p 228). Based upon the degree of interdependence that exist between exchange partners in their quest to achieve common goals, calculative trust is intricately linked to the element of risk and its lowering in the face of significant vulnerabilities existing among partners in the form of substantial social and economic costs in the event of the relationship not being honoured (Barney and Hansen, 1994, p 178). As a safeguard against dishonourable actions taken by partners, some form of governance device is required. In this regard control is a key source of confidence in partner cooperation with firms generally being more confident about partner cooperation when they feel they have an adequate level of control over their partners (Das and Teng, 1998, p 493). Merchant (1984, p 10) emphasises the role good control can play in these agreements, in the sense that an informed person can be reasonably confident that no major, unpleasant surprises will occur. Calculative trust therefore also possesses an element of power, which is derived from a centralised decision-making process and the fear of sanction attached to non-compliance (Ward and Smith, 2003, p 135). Schroder and Mavondo (1995, p 417) view power play with an exchange relationship to be the direct result of one party (Party A) being more dependent on the other (Party B), this becoming a source of power to Party B.

The popularity of calculative trust in the form of formalised contractual partnerships is emphasised by Tuten and Urban, who, in their study of business-to-business partnerships, found that almost half of their respondents (48 percent) indicated that their firms utilised formal agreements in the management of a partnership, with just over one third (36 percent) indicating partnerships at their firms to vary between a handshake and formal contract depending on the situation. Roxenhall and Ghauri (2004, p 263)

distinguish between transactional contracts, which are used mainly as a means of control, and relational contracts, which are used to agree on terms and conditions of the relationship. Dasgupta (1988, p 53) remarks, however, that irrespective of its detail, no contract can, in fact, describe every eventuality due to the fact that no language can cope with unlimited refinement in distinguishing contingencies. As a result, an element of trust that is probably on a deeper level is still required to cover expectations about what others will do or have done (or what messages they will transmit) in circumstances that are not explicitly covered in the agreement (*ibid.*).

Although calculative trust allows exchange partners the 'luxury' of a higher level of predictability, as well as not having to put up with all the bother and detail needed to build a quality exchange relationship, Fafchamps (1996, p 428) warns, however, that the use of tough, enforceable contracts to penalise non-compliance may only deter potential partners from entering an exchange relationship, especially if legitimate reasons for non-compliance are not recognised.

4.4 Verifiable trust

Verifiable trust is based upon the ability of one partner to verify the actions of another (Crotts and Turner, 1999, p 118). Thus, verifiable trust involves the degree to which Party A acts in a trustworthy manner towards Party B, with the result of Party B opening up to Party A, acting in a similar manner. Central to verifiable trust are the existence of compatible objectives and the degree of adaptation existing between partners. In this regard compatible objectives is defined as the degree to which partners share goals that can only be accomplished in an environment of trust where joint action and maintenance of the relationship is desired by both parties (Crotts and Turner, 1999, p 120). Adaptation within an exchange relationship occurs when one party alters its processes or the item exchanged to accommodate the other party, thereby bonding the parties in a tighter relationship.

4.5 Earned trust

Imbedded in any kind of relationship is specific knowledge, which is the ebb and flow of experience and grounded in interaction (Ballantyne, 2004, p 119). This type of knowledge can be described as coping knowledge about how to deal with the other partner(s) in the relationship, the kind of tacit knowledge that might have positive use in dealing with current dilemmas and determining future expectations. It is this type of

knowledge exhibited by partners that leads to, what Crotts and Turner refer to as 'earned trust', which is based on past relational experiences, co-created and constantly updated in interaction by new experiences (1999, p 118). Adams and Goldsmith very appropriately refers to this level of trust as being 'knowledge-based' in the sense that it comes with experience partners develop working with one another over time (1999, p 229).

Being knowledge-based, earned trust also involves the expectations of exchange partners' abilities and performance (Davenport et al., 1999, p 32). In this regard willingness to trust is based on partners' assessment of each others' abilities to meet their obligations and the respective expectations of one another (Doney et al., 1998, p 606). As expectations of the collaboration can be quite different, it is essential for good communication channels to exist between partners (Davenport, 1999, p 32), which also includes a high quality of communication on a cognitive, affective and behavioural competence level (Griffith, 2002, pp 258-260).

4.6 Reciprocal trust

The highest level of trust, reciprocal trust is based upon the exchange partners possessing mutual trust in the sense that one partner trusts the other because the other party trusts them (Crotts and Turner, 1999, p 118). Barney and Hansen (1994, p 179) refer to this level of trust as 'strong-form' trust and see it emerging when significant vulnerabilities exist, with partner values, principles and standards rather than a governance structure, being the basis. Davenport et al. (1999, p 32) refer to it as 'goodwill trust', while Adams and Goldsmith (1999, p 229) use the term 'identification-based trust'. Irrespective of the term used to describe this level of trust, authors on the topic are in agreement that it emerges when Partner A is able to internalise the preferences of Partner B (Adams and Goldsmith, 1999, p 229), in the sense that Partner A can appreciate and care about the concerns of Partner B, taking the time to truly understand the things Partner B consider to be important (Dervitsiotis, 2003, pp 513-514); that it takes into regard the fact that one individual does not necessarily see the same world as the other sees, and therefore acknowledge the humanness and uniqueness of individuals (Ward and Smith, 2003, p 8); that it is morally desirable in the sense that it is a form of excellence within individuals that also enables a community to thrive (Wicks et al., 1999, p 102); that it exists when exchange partners share the same values, having the same beliefs about what behaviours, goals, and policies are important or unimportant (Zineldin and Jonsson, 2000, p 252); that exchange partners are committed to the long-term development of the relationship (Friman et al., 2002, p

404; Humphrey and Schmitz, 1998, p 41); and that any exploitation of an exchange partner's vulnerability would be unethical and against the values and standards of the other partner (Wilson and Kennedy, 1999, p 184).

Ward and Smith (2003, p 37) refer to reciprocal trust in terms of its authenticity, describing it to be the gold standard within an exchange relationship. This is mainly because authentic trust represents the ultimate freedom of choice, and becoming open to the influences and leverage that exist in the various dimensions of trust (ibid.). This level of trust being a psychological contract characterised by interpersonal factors such as a high level of involvement and credibility, Friman et al. found it to be of equal importance if not more significant than trust regulated by formal contracts (2002, p 408). Gulati (1995, p 93) agrees with Friman et al. when making the remark that complete trust in a relationship may cause people choosing not to rely on detailed contracts to ensure performance. Fact is, formalised contracts can do more harm in the process of creating good exchange relationships between stakeholders (ibid.).

4.7 Factors influencing the levels of commitment and trust

Crotts and Turner identify eleven factors to exist across the levels of trust, each having an influence on the levels of commitment within exchange relationships (1999, p 118).

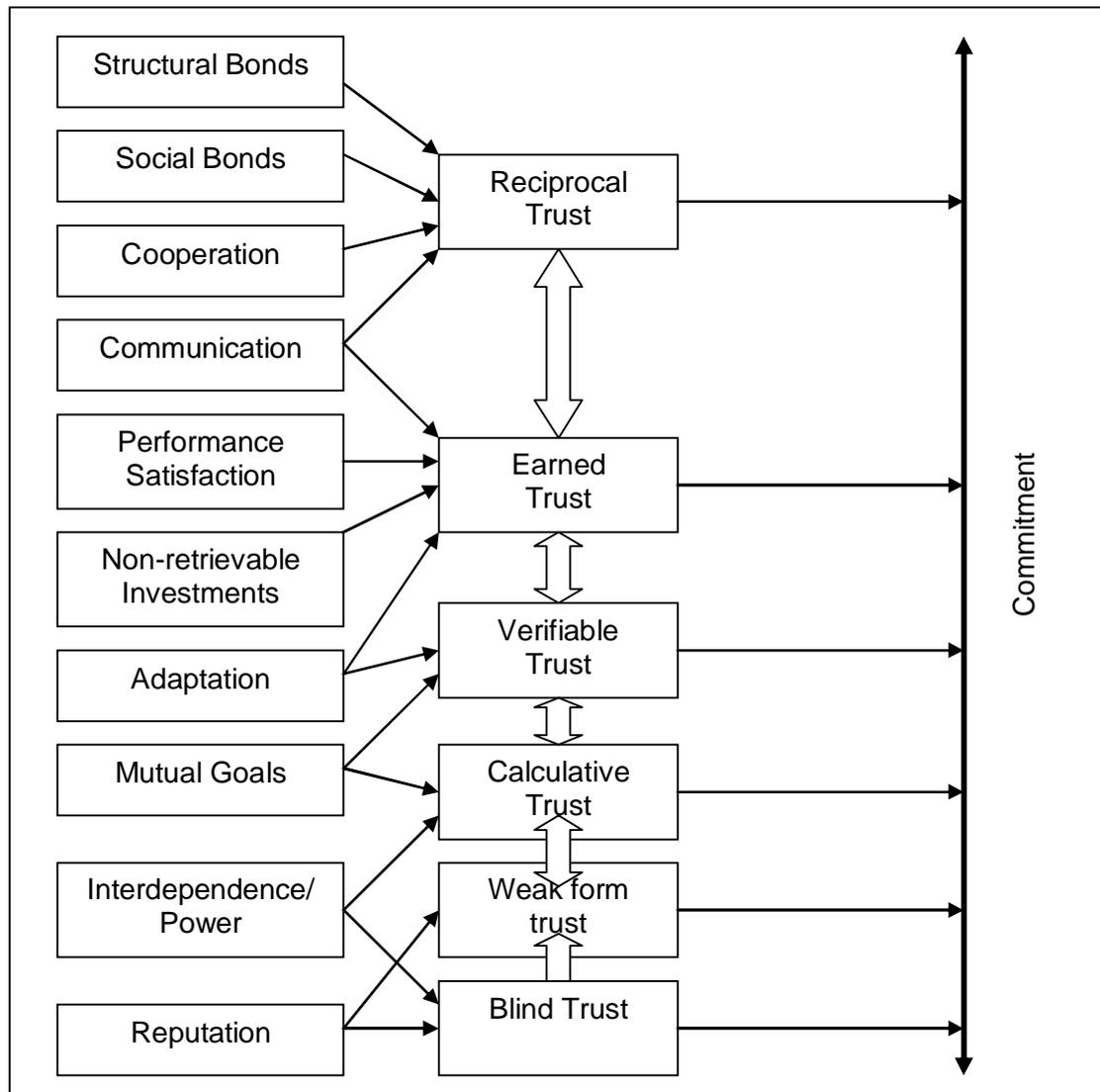
These factors include:

- (1) Reputation: A partner's perception of an exchange partner's ability to create value in terms of concrete value creation attributes.
- (2) Interdependence: The dependence of partners on one another as they rely on each other's resources to achieve mutual objectives.
- (3) Power: The ability of one partner to get the other partner to do something they would not normally do.
- (4) Mutual goals: The degree to which partners share goals that can only be accomplished in an environment of trust where joint action and maintenance of the relationship is desired by both parties.
- (5) Adaptation: The notion of one party to alter its processes or the exchange item to accommodate the other party.
- (6) Non-retrievable investments: The relationship specific commitment of resources which a partner invests in the relationship.
- (7) Performance satisfaction: The degree to which the exchange relationship meets the performance expectations of each partner.
- (8) Communication: The informal sharing of meaningful and timely information.
- (9) Cooperation: Similar or complementary coordinated actions taken by exchange partners to achieve mutual outcomes.
- (10) Social bonds: The degree of mutual personal friendship and liking shared by exchange partners.
- (11) Structural bonds: Bonds that develop over time as the level of the investments and adaptations grows until a point is reached when it may be difficult to terminate a relationship.

4.8 Model of the levels of trust

Combining the various factors having an influence on the different levels of trust, and, ultimately, the levels of commitment within exchange relationships, a model of trust may be as follows:

Figure 5: A model of the levels of trust (Adapted from Crotts and Turner, 1999, p 118)



5. Building and maintaining trust

5.1 Principles of an effective trust relationship

Trust is always a value involved in any type of personal relationship. As mentioned previously, trust is a deliberate act of faith allowing someone to take care of our best interests. However, that is easier said than done. There is risk involved. Developing trusted relationships imply a long-term process, where stage-by-stage, the risk and uncertainty decrease, while commitment and trust increase (Zineldin and Jonsson, 2000, p 250).

But how does trust emerge between stakeholders as they prepare for an exchange relationship? Is it a rational and predictable process? How do we get to trust someone? Some authors state trust is based on a set of preconditions (Argandona, p 221; Ben-Ner and Putterman, p 530; Eckel & Wilson, p 448, Wieselquist et al.,1999, p 944). Wieselquist et al. describe the formation of trust as a cyclical process that includes the components of predictability, dependability and faith. As partners increasingly prove themselves to be predictable and dependable, faith and trust in each other grow, with both parties likely to become increasingly satisfied with the relationship, increasingly willing to forego alternatives, and increasingly willing to invest in the relationship (1999, p 945). Ward and Smith, however, warn against the dangers of subjecting the choice of extending trust or not on a set of preconditions (2003, p 10). According to them wanting preconditions prior to trusting another party has the effect of muddying the act of trust, making nonsense of the word itself. Entering a trust relationship cynically will have the inevitable result of that trust being lost overnight the moment that cynicism is exposed. To an extent Eckel and Wilson (p 464) agree with Ward and Smith stating that people do not perceive trust as a problem of risk, but rather as a problem of judgement. We normally pride ourselves on our ability to “read” others and to make a decision about whether someone is trustworthy.

All writers on the topic do, however, agree that it remains a difficult process to extend trust to another party, relying on them to take care of our ethical interests, social interests, political interests, financial interests, etc. It is for this reason that trust is always provisional, as the correctness of its judgment waits on the unfolding of the future consequences of past actions and interactions (Ballantyne, 2004, p 120). It can only be built on actions, rather than promises. It is here that the co-creation of value through dialogical interaction is formed (Ballantyne, 2004, p 120). Fukuyama (1995, pp 26-27)

views trust to develop in the human capacity for spontaneous sociability. Bennett and Gabriel (2001, p 425) view trust to effectively create the conditions for the development of commitment, diminishing the fear of risk and encouraging closeness in the relationship likely to develop gradually over time, usually in small incremental stages. This is mainly due to partners during the early stages of the relationship not having experience on which to estimate each other's trustworthiness. As a result, parties tend to rely on all information about their exchange partners' reputation, conditioning their decision to trust on this information (Eckel and Wilson, 2004, p 464). However, as the relationship proceeds following a series of repeated satisfactory transactions, the quality of the relationship will eventually become stronger (Dervitsiotis, 2003, p 516).

5.2 The formation of trust

One of the questions, however, that still remains is how the first step should be taken to grant trust to another party? This is actually a vicious circle with the only way of breaking out of it requiring one of the parties to display a sign of trust, which will lead the other party to do the same. It is not until we extend trust that we are able to experience that party's response to that trust. The extension of trust is a conscious and deliberate choice: it is something we choose to do. The second and equally important question is: what is the process to be followed?

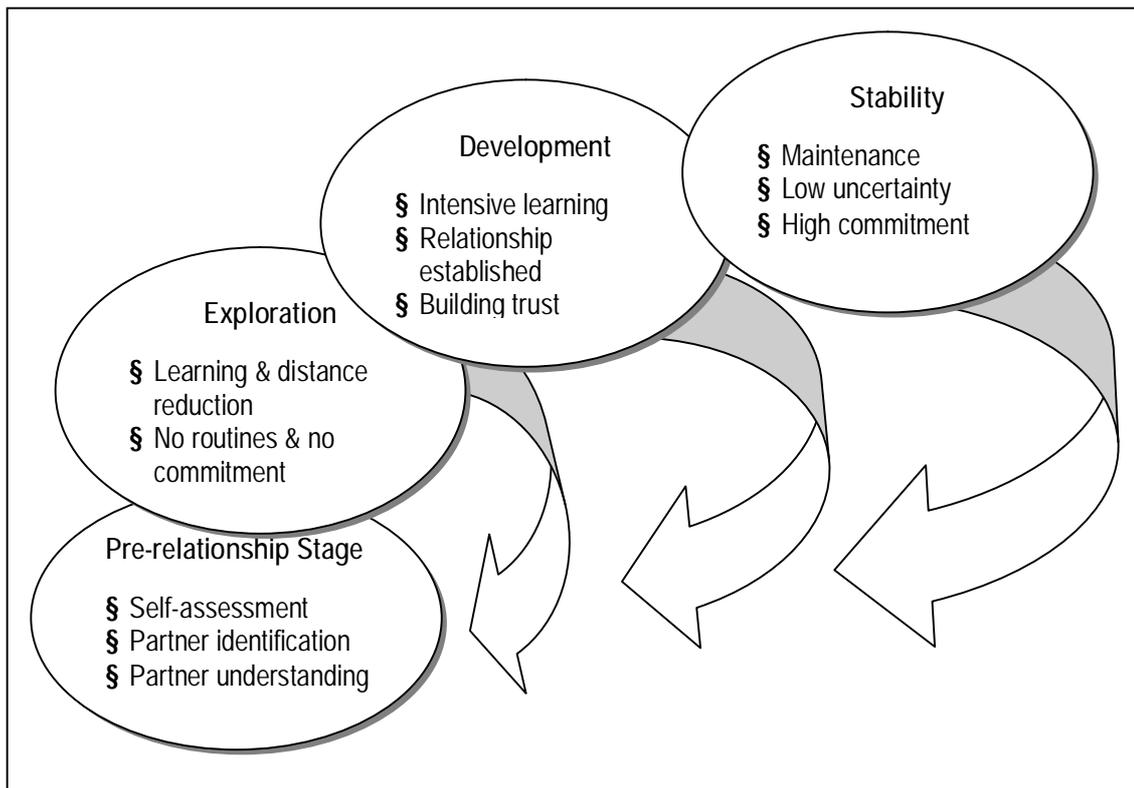
According to Luhman (1995, p 129) the formation of trust between exchange partners typically is a slow evolution that begins with small risks and builds on confirmation. Trust evolves through a process of growth of knowledge and understanding as it emerges in our relationships with others with whom we interact as well as the actual experience of working with them (Blois, 1999, p 206). As knowledge and understanding between partners, which are based upon each other's behaviours and the consistency thereof, increase, so does their ability to determine the probabilities associated with each other's likely choice of future actions, which in turn, result in the level of trust between them increasing (if those behaviours are consistently positive and aligned with their expectancies of each other) or decreasing (in the case of those behaviours being consistently negative or in conflict with their expectancies of each other) (Doney et al., 1998, p 605).

Each relationship, and therefore the evolvment of trust between partners, passes through a number of stages (Ford et al., 1998, p 29; Miyamoto and Rexha, 2004, p 313):

- (1) Pre-relationship – the stage of pre-assessment at the end of which potential partners decide to commit to or reject the relationship;
- (2) Exploration – the stage where partners invest time for learning through experience, more of each other, with no routines or commitment still existing;
- (3) Development – the stage where trust between partners and the boundaries of the relationship are established and the bonds between them become closer; and
- (4) Stability – the stage where the relationship is stable and actions are focused on its maintenance.

Although the evolving process and its stages described above depict the typical flow of the growth of trust in exchange relationships, in reality, however, movement in process flow among the various stages may take place. This typically happens when changes occur with the result of the relationship no longer satisfying the requirements of one or both partners (refer Figure 6).

Figure 6: Development of trust within an exchange relationship (Adapted from Ford et al., 1998, p 29)



Ford et al. (1998, p 30) remark that every new relationship starts out from some pre-existing situation peculiar to the individual partner's situation. However, every exchange relationship is established due to individual partners seeking to satisfy their objectives. In this regard Spekman et al. (1996, p 348) point out potential parties having a vision in the form of a wish of 'what can be' becoming shared by them, seeking ways and making the investments necessary for realising their mutually agreed objectives. In this slow and evolving process the importance of the pre-relationship stage as it consists of the fundamental attitudes, beliefs and values of the partners; the identification of potential partners; and gaining an understanding of them, cannot be over-emphasised.

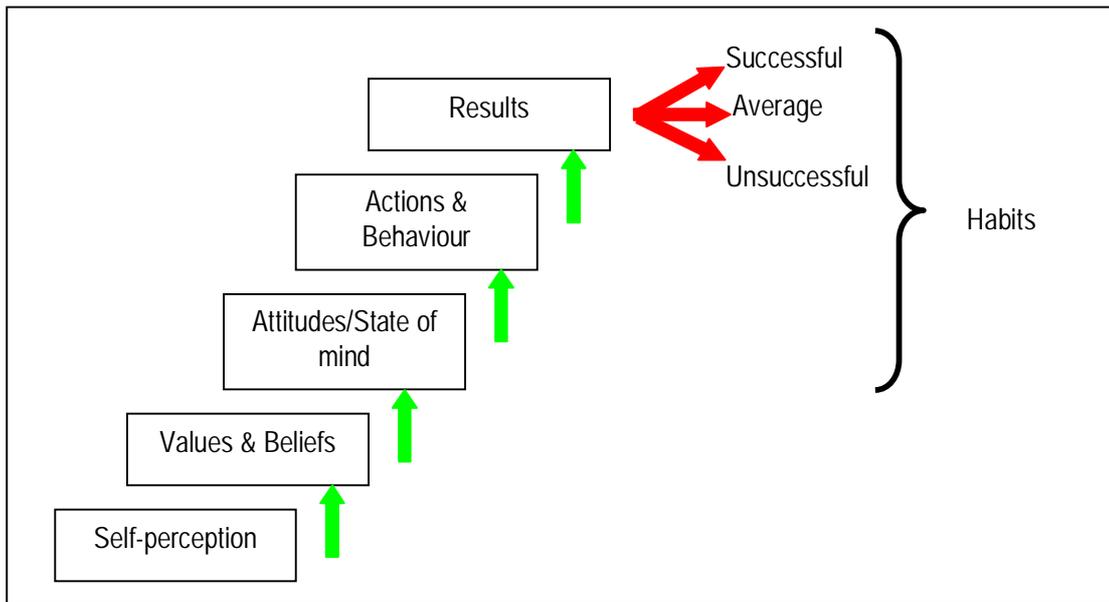
5.2.1 Pre-relationship stage

The pre-relationship stage involves the assessment of potential partners in terms of their potential contribution towards and commitment to the objectives sought. This stage also involves the evaluation of one's self-esteem and objectives considered to play a significant role in the outcomes one achieve.

Fundamental attitudes, beliefs, values and objectives of exchange partners

Development of trust within any relationship essentially is based on interaction between two or more potential partners. Most people, however, don't realise that the success or failure of relationships starts with oneself: one's self-perception, feelings and emotions, values and beliefs, attitudes, and objectives. Most people also don't realise the crucial role these aspects play early on in a relationship, either supporting or undermining collaboration. Results are the outcome of behaviour, which is based on attitudes that are based on values and beliefs, which in turn, are imbedded in an individual's self-perception. It is one's attitudes that will determine how one perceives the world, whether situations are safe or threatening, and influence how one responds to those situations (Tamm and Luyet, 2004, p 15). As attitudes and behaviour constantly deliver results (positive, average, or negative), these become embedded into the individual's habit system (refer Figure 7).

Figure 7: Bases of successful/unsuccessful collaboration

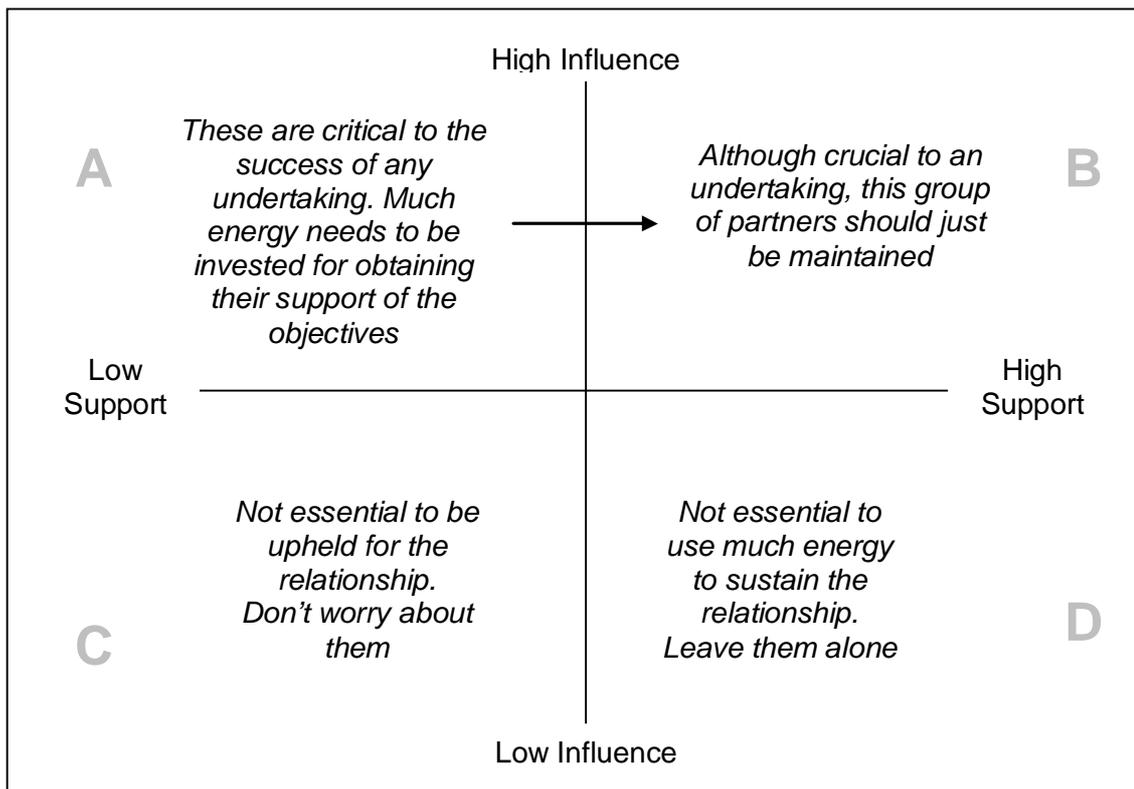


Tamm and Luyet proceed to emphasise the importance of one understanding his/her own attitudes and their origin in the form of one's self-perception and one's values and beliefs, and then, if necessary, changing them (ibid.). They also continue to describe the importance of the environment which is created by the collective attitudes and reactions of the stakeholders by identifying the existence of what they call, a "Green Zone" and a "Red Zone" in building relationships (Tamm and Luyet, 2004, p 23). Exchange relationships characterised with a solid majority of the stakeholders operating in the Red Zone will lead to the relationship being hostile and unproductive. However, when the solid majority of stakeholders operate in the Green Zone, the relationship will be characterised by collaborative attitudes and a high level of productivity. It is therefore, imperative for partners to assess the overall environment in which exchange relationship exists (refer Appendix A).

Identification of potential partners

Identification of potential partners is often the result of a firm, organisation or individual evaluating its portfolio in detail, identifying its current status as well as formulating its future objectives (Ford et al., 1998, p 33). One of the primary aims of any exchange relationship is to influence partners to obtain their support for one's objectives. Partner identification comprises two parts: (1) identification of who the potential partners are, who may possess the necessary resources that are needed to realise the objective, and (2) establishing their impact (Walsh, 2004, p 3). Papp (2004, p 19) emphasises the importance of identifying the most appropriate potential partners through the application of a method of analysis comprising three steps: (1) approaching the exchange relationship through the probable views of potential partners and analysing their probable expectations in relation to the degree of fit with one's own objectives; (2) analysing the potential risks involved in the relationship with each of the potential partners; and (3) categorising them by using a stakeholder analysis grid to decide on specific tactics to be followed in effectively managing the relationship (refer Figure 8).

Figure 8: Categorisation and management of exchange partners (Source: Papp, 2004)



Flowing from Figure 8, analysing potential partners to the exchange relationship as to the quadrant in which they fall, this will allow one to identify the strategies needed to deal with each, irrespective of the quadrant they are at. Of crucial importance, however, are those potential partners who have high influence, but most probably will exhibit low support to one's objectives (Quadrant A). Devising appropriate tactics for moving them over to a higher level of support (Quadrant B) is imperative.

Understanding of potential partners

In their study of 12 organisations to achieve a greater understanding both at a strategic and interpersonal level of those factors which contribute to alliance success, Spekman et al. (1996, p 348) cite a very fitting comment from one of the managers they have interviewed: "Two things are critical: understanding your partner's corporate culture and corporate strategy. What's important to them – be sensitive to that. Share your corporate culture and strategy with them so that they know where you're coming from." Papp's view support this citation, in commenting that the understanding of potential partners in the light of their drivers, information needs and their networks, is a crucial step within the pre-relationship stage (refer Appendix B).

Pre-relationship variables

Irrespective of the reason for needing an exchange partner, firms, organisations and individuals are also faced with a number of key aspects to be considered before embarking on the next step toward the establishment of a trusting relationship (Ford et al., 1998, p 33):

- (1) What are the benefits to be derived from the relationship in reality, and how do they differ from the benefits partners would ideally want?
- (2) What is the investment to realise the objectives and make the relationship work?
- (3) What is the degree of adaptation needed from each partner to realise the objectives?
- (4) What needs to be learnt from a specific partner in order to deal with them, and how much can be learnt from it?
- (5) What needs to be done to develop the needed trust with a specific partner that will enable the relationship to further develop?

As the distance between exchange partners in the pre-relationship stage normally is extensive, it is often difficult to answer these questions apart from making assumptions with the result of some potential partners quickly being dropped off the list.

5.2.2 Exploratory stage

The exploratory stage is entered once potential partners have been assessed in terms of their potential contribution towards and commitment to the objectives sought. It is in this stage that both partners are engaged in serious discussion or negotiation about the objectives the exchange relationship should ideally pursue and reaching agreement on the amounts of investment each partner should make towards these objectives and making the relationship work effectively (Ford et al., 1998, p 34). An overt exchange of information during this stage, a significant amount of mutual learning is required and actually takes place. It is during this stage that both the objective and subjective dimensions of trust come to play. From an objective perspective, the first question asked is whether the other partner possesses the necessary technical, behavioural and personal competences needed to comply with their part of the agreement.

Secondly, the question remains whether the other partner will have the necessary psychological and ethical foundation i.e. will want to meet their obligations and will effectively commit themselves to fulfil these obligations (Argandona, 1999, p 221). Argandona warns, however, that although positively answered, this may still only be an indication of the other party's trustworthiness and should not be confused with actual trust of either that party or the organisation that he/she represents (ibid). Ultimately, trust is based upon a series of personal characteristics of the potential partner: competence; loyalty (truthfulness and honesty); good intentions, displayed especially in deeds (goodwill and benevolence); impartiality (giving credit where it is due); integrity (being responsible, ethical and self-controlled); and concern about the 'trustor' as a person, which leaves partners with the question on how to take the next step of actually granting trust to this potential partner once it has been established he/she indeed has these characteristics (Argandona, 1999, p 222). Ward and Smith (2003, pp 52-55) add onto the list by identifying three aspects that are intricately linked to the successful development of what they refer to as 'authentic trust': (1) the degree to which trust is unconditionally given by a partner to the exchange partner; (2) the degree to which the parties concerned value trust and take appropriate measures to avoid situations in which trust is unnecessarily put under strain; and (3) the degree to which parties take each other's subjective perspective seriously and show respect for the insights of the people trusted.

Communication in the form of openness and willingness to share information clearly being at the heart of the exploratory stage, it forms a vehicle through which the partners learn more about each other as individuals to reduce the considerable distance between them. If done properly, this ensures clear focus, direction, trust, enthusiasm, motivation and commitment between potential partners. However, the flipside is also true: poor communication invariably leads to a communication breakdown between potential partners with a low level of commitment and trust being the result. It is for this reason that partners within this stage need to be aware of the communication filters that exist with themselves as well as their potential exchange partners:

- (1) As the communicator, partners need to be clear about the intention of their communication, which include the totality of the message – verbal and non-verbal; need to ensure that they are giving their exchange partner their full attention; and also ensure that they indeed have their exchange partner's full attention.

- (2) As the receiver, partners typically struggle with the issue of whether they can trust the exchange partner; whether they can believe what is said; and take on the attitude of “what’s in it for me?” Chances are that if any of these are negatively perceived, it is unlikely that the message received will be similar to the intended one.

5.2.3 Developing stage

Partners upon deciding to establish the exchange relationship, starting to work collaboratively towards their mutual goals, enter the developing stage, which Ford et al. (1998, p 35) view as characterised by intensive mutual learning taking place. Learning in this regard is more directed towards the specifics of the relationship and investigating the investments and adaptations that the relationship requires of the partners. The developing stage typically involves actions rather than just promises, as well as partner willingness to adapt demonstrating their commitment to the development of the relationship. In this regard Ford et al. (1998, p 36) distinguish between formal adaptations mandated on each party by a contract, which only demonstrate commitment in a rather negative sense by not being broken, and informal adaptations, based on goodwill trust, that are a major indicator of commitment to the relationship.

It is also in the developing stage that cooperation between the parties exist as they engage in joint efforts, are helpful towards each other, and have a good working relationship (Ha et al., 2004, p 449). As the relationship is formed at this stage and partners make substantial resource investments towards the objective, the level of interdependence increases, creating more cooperative action of partners, which in turn, leads to bonding between partners (Dervitsiotis, 2003, p 517) as well as increased partner satisfaction, commitment and trust (Ha et al., 2004, pp 450-451). Although the ideal, reality, however, teaches that this development does not continue inevitably as either party can cause development to slow, among others, by reverting to the pre-relationship stage with another party (Ford et al., 1998, p 37).

5.2.4 Stable stage

The stable stage within an exchange relationship is characterised by partners having reached a certain level of stability in their learning about each other and in their investments and commitment to the relationship (Ford et al., 1998, p 37). As a result of partners being in a stable stage, low levels of uncertainty in their dealings with one another are experienced with the result of higher levels of prediction and interdependence existing (Wicks et al., 1999, p 105).

Ford et al. point out, however, that stability within this stage may lead to greater institutionalisation, in the sense that routines exist which allow the relationship to operate with relatively low involvement of the partners (1998, p 37). Although positive to some extent, the downside of it is that these routines may increasingly relate less well to partners' evolving requirements, which reduce the benefits achieved from the relationship as well as the commitment that exists between them (Ford et al., 1998, p 38). When these problems occur, partners are unable, or unwilling, to confront each other and deal with the issues as they occur (Spekman et al., 1996, p 350). This reluctance is often the result of partners being bound emotionally, and therefore do not want to hurt each other's feelings, as well as a willingness to let things go as the relationship appears to be going well (ibid.).

5.2.5 Conclusion

Although development of trust typically comprises the stages as discussed and follows a chronological order from the pre-relationship to the stable stage, events may occur that cut to the core of the relationship and may seriously jeopardise its existence or require a new strategic direction (Spekman et al., 1996, p 350). At this stage partners can re-define the relationship in its current form, which can trigger a partner to enter the pre-relationship stage with another partner. But it may just as well occur that at any stage within the various levels, events can cause partners to re-think the relationship and its objectives, causing the relationship to move backwards into any of the earlier stages within the continuum (refer Figure 6). Although stability within a relationship is the ideal, some relationships will not develop past a certain point, let alone reach the stable stage. Some causes for this phenomenon to exist may relate to the fact that one party does not have the sufficient resources, or only has a transitory need. Others will not develop due to one partner not appreciating the value of what it is receiving from the other and allows the relationship to fail, while for others the lack of skill or simple inattention may prove to be the reason for lack of development (Ford et al., 1998, p 39). To serve as at least some counteract for this happening, the reader is referred to the checklist on the assessment of trust existing within the contemplated exchange relationship (Appendix C) and the assessment of the probable level of trust considered appropriate within such a relationship (Appendix D)

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6 Concluding remarks

With the ever-increasing emergence of new and more narrowly defined niche markets and organisations increasingly becoming subject to fierce competition in the face of not necessarily possessing all the capabilities for sustained performance at the cutting edge, the development of cooperative activities, generally referred to as alliances, has become imperative to organisations' very existence in the long-term. Although the strength existing in alliances in the form of their profound value-adding capabilities cannot be denied, it is also very true that entering an alliance may involve a fair bit of risk to the relationship in the form of opportunistic behaviour exhibited by one or more of the partners with the result of significant costs incurred to all involved.

Central to any successful alliance lies the construct of trust, which among others encompasses the commitment, cooperation, loyalty, compliance, satisfaction, coordination and predictability of the exchange partners. That trust is indeed a fragile, but imperative component within an exchange relationship, is unquestionable. In Baier's

words: "Trust is a fragile plant, which may not endure the inspection of its roots, even when they were, before the inspection quite healthy" (1986, p 260).

To investigate this construct and its many facets, this review focused primarily on the definitions of the term; its nature with regards to the dimensions, drivers and outcomes involved; its role within exchange relationships; the various levels of trust that exist within these relationships; the development and maintenance of trust within these relationships, as well as making an attempt to develop a model and probable decision trees of this often elusive and somewhat fuzzy construct, which includes its formation and its various levels.

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Annexures

Appendix A

Green Zone or Red Zone: assessing the exchange relationship

<i>Green Zone Relationships are characterised by:</i>	<i>Red Zone Relationships are characterised by:</i>
§ High trust	§ Low trust
§ Dialogue	§ High blame
§ Excitement	§ Alienation
§ Honesty	§ Cheating
§ Friendship	§ Hostility
§ Laughter	§ Deadness
§ Mutual support	§ Withholding
§ Sincerity	§ Sarcasm
§ Optimism	§ Anxiety
§ Cooperation	§ Denial
§ Friendly competition	§ Hostile arguments
§ Shared vision	§ Undertone of threats and fear
§ Flexibility	§ Suspicion
§ Risk taking	§ Risk avoidance
§ Learning from mistakes	§ A tendency to hide mistakes
§ Facing difficult truths	§ Cynicism
§ Taking a broad perspective	§ Hyperrivalry
§ Openness to feedback	§ Guardedness
§ Sense of contribution	§ An attitude of entitlement
§ Work is experienced as pleasure	§ Work is experienced as painful
§ Internal motivation	§ Dependence on external motivation
§ Ethical behaviour	§ Greed

Source: Luyet & Tamm (2004, pp 23-24)

Stakeholder analysis: knowing your partners

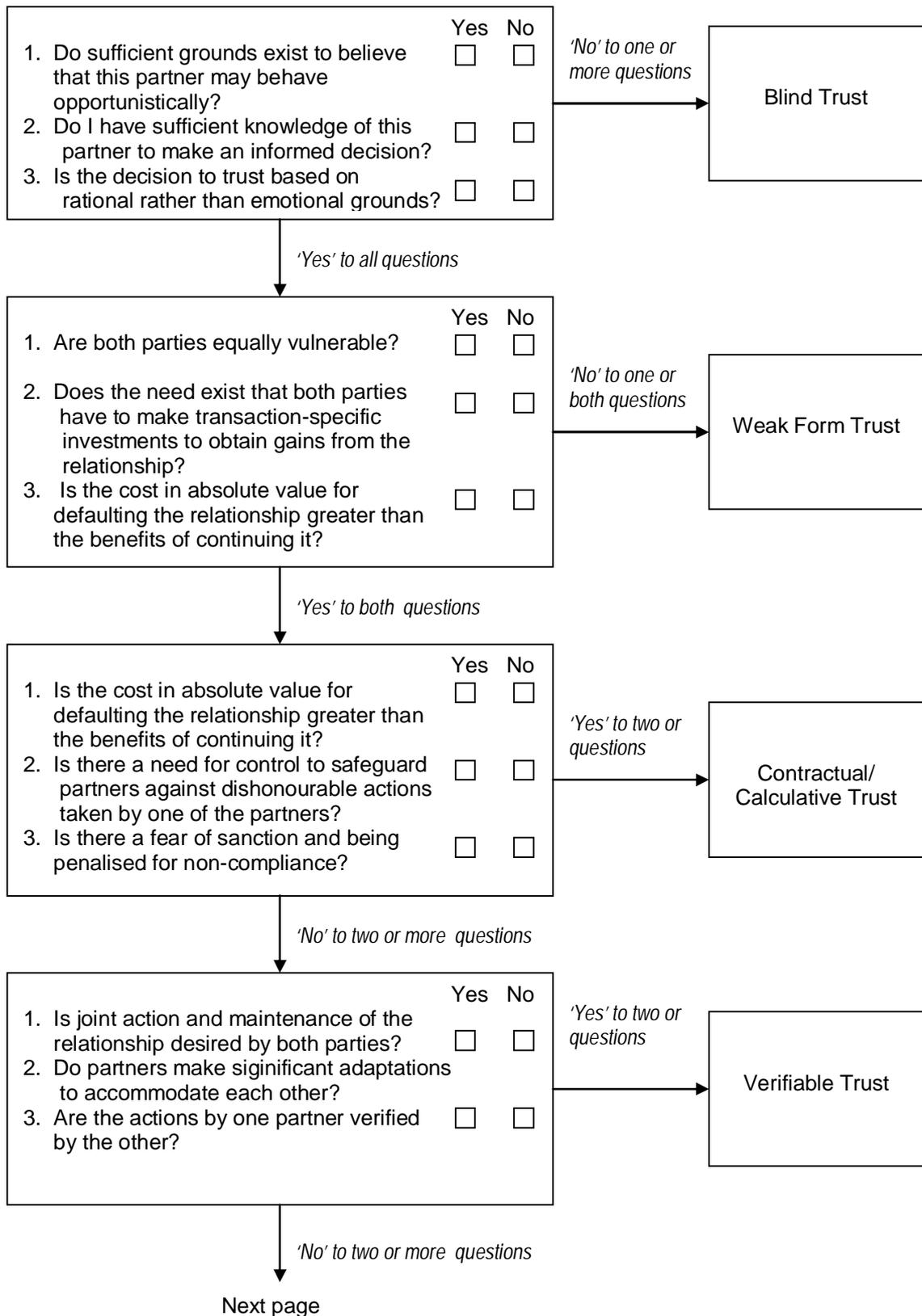
Question	Uncertain	Certain	Your assumptions
STAKEHOLDER DRIVERS			
What is their mission/purpose?			
What are their goals?			
What are they accountable for?			
What criteria are they rewarded on?			
How can we assist them?			
STAKEHOLDER INFORMATION NEEDS			
What information do they need to do their work?			
How do they like to receive their information?			
What information do they need from us?			
STAKEHOLDER RELATIONSHIPS			
Who are the key people in the organisation?			
Who do they see themselves working for?			
Who do they see as their customers?			
Who do they see as their stakeholders?			
What kind of relationship do they want from us?			

Source: Papp (2004, p 22)

Formation of a trusting relationship: Checklist

Dependency	
1. Is there a need to maintain a relationship to achieve my goals?	<input type="checkbox"/> s <input type="checkbox"/> p
Dimensions of the relationship	
2. Does this partner have the necessary knowledge and ability (competence) to comply to the obligations imposed on them?	<input type="checkbox"/> s <input type="checkbox"/> p
3. Will I be able to depend on this partner? (Reliability)	
4. Does this partner display a significant degree of <i>integrity</i> (keeping his/her word), <i>benevolence</i> (concerned with my welfare), and <i>trustworthiness</i> ? (Credibility)	
5. Does a high level of congruence exist to achieve mutual outcomes?	
6. Is there a personal liking between us?	
Drivers of the relationship	
7. Do we have as partners have shared control over the conditions necessary for achieving our desired outcomes (i.e. no individual partner has entire control)? (Interdependence)	<input type="checkbox"/> s <input type="checkbox"/> p
8. Does this partner have the same or similar values than I do? (Shared values)	
9. Is there a balance between my contribution into the relationship and the benefit I am likely to receive from it? (Contribution)	
10. Is the cost of terminating the relationship bound to have a significant effect on this partner? (Termination costs)	
11. Do good communication channels exist between us? (Communication)	
12. Is the information this partner shares accurate, prompt, adequate credible and reliable? (Communication)	
13. Does this partner handle conflict in a constructive manner if we have a difference in opinion?	

Assessing level of trust



Assessing level of trust (2)

