



Contents lists available at ScienceDirect

Industrial Marketing Management



Exhibited trust and excessive knowledge specificity: A competitive altruism hypothesis

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ARTICLE INFO

Article history:

Received 4 April 2015

Received in revised form 30 April 2016

Accepted 1 June 2016

Available online xxx

Keywords:

Trust

Reputation

Relationships

Competitive altruism

Knowledge specificity, corporate social responsibility

ABSTRACT

To expound upon a hidden and intrinsic mechanism in the formation of trust, this study links competitive altruism to a component of the trust phenomenon by introducing the concept of *exhibited trust*. It is speculated that initiating trust is a more value-oriented action, with the purpose of improving the reputation of a firm as an ideal partner through the exhibition of trust. The concern regarding the potential for opportunism is less in this situation. The motivation to form trust is linked to the moral aspect of cooperative actions. Exhibited trust, as a conspicuous display of altruism, can function to build and maintain reputation in a business relationship. A competitive altruism hypothesis is constructed in two ways to investigate the role of excessive knowledge specificity in exhibiting the trusting ability of a firm and is subsequently tested using two survey datasets.

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1. Introduction

Past research has paid considerable attention to trust regarding its definition and redefinition (e.g. Lewicki, McAllister, & Bies, 1998; Mayer, Davis, & Schoorman, 1995; McEvily, 2011; Rousseau, Sitkin, Burt, & Camerer, 1998; Williamson, 1993), determinants (e.g. Coulter & Coulter, 2002; Dyer & Chu, 2000; Peters, Covello, & McCallum, 1997; Sako & Helper, 1998), and consequences (e.g. Bhattacharya, Devinney, & Pillutla, 1998; Dirks & Ferrin, 2002; Ganesan, 1994; Geyskens, Steenkamp, Scheer, & Kumar, 1996; Krishnan, Martin, & Noorderhaven, 2006; Lui & Ngo, 2004), broadening and deepening our perspectives on business cooperation. Moreover, a body of researchers has attempted to integrate diverging perspectives on trust. For instance, shedding light on the overlap between trust and risk and proposing the notion of hybrid forms of trust, McEvily (2011) presented trust as heuristic decision making with more automatic information processing and depicted risk as probabilistic decision making with more calculative information processing. Another example was an attempt to embody trust as an evolving concept with its key ingredients (Coleman, 1990; Inkpen & Currall, 2004; Nooteboom, 2002; Vanneste, Puranam, & Kretschmer, 2014). These endeavors collectively paved the way for a more robust research paradigm in the study of trust. Despite the recent advancements of the integrative frameworks of trust, however, the extant literature still demonstrates the paucity of integrative theory with respect to the formation of the multiphasic concept. Therefore, based on the major integrative frameworks in the literature of trust, which will be discussed in the following section, this study attempts to

combine the frameworks and uniquely advance the theory of trust with respect to the stage of forming trust, particularly regarding the hidden mechanism of a trustor's motivation to trust. How and why do firms heuristically initiate trust in business relationships regardless of the level of risk required?

Distinct from the perceived trustworthiness of a trustee, trust can be embodied by a trustor's *willingness* to engage in a relationship (Suh & Kwon, 2006). Being both formed under uncertainty and dependent on context-dependent payoffs, trust is also an *intention* to act (Vanneste et al., 2014). The extant literature does not provide a satisfactory explanation regarding how the initial intention of trust is formed. To answer this largely unexplored question, this study attempts to explain a trustor's motivation to form trust in business relationships by linking it to the moral aspect of cooperative behavior and reputation systems in the marketplace and employing the concept of competitive altruism (Roberts, 1998; Van Vugt, Roberts, & Hardy, 2007),

Exhibited trust is conceptualized as being central to the dynamics of initiating trust. Rather than a research construct, it is a theoretical concept that reveals the unique aspects of the early stage of trust formation. This study defines the concept of *exhibited trust* as an *initial form of trust that is to be exhibited to a business audience with the heuristic purpose of gaining positive reputation in the business community as an ideal business partner*.

The main contributions of this study to the literature are manifold. First, it extends the theory of trust by explaining an imperative mechanism of trust formation in business relationships. Extant work suggests other mechanisms that can enable a company to achieve the initial forms of trust. For example, researchers of reputation assert that reputation establishes credibility, a factor connected to trust (Greyser, 1999; Herbig, Milewicz, & Golden, 1994; Hoejmoose, Roehrich, & Grosvold,

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2014), although the distinction between trust and reputation is still unclear (Suh & Houston, 2010). The research on corporate social responsibility offers a more obvious mechanism for building trust by attracting stakeholders and earning the public's goodwill (Lantos, 2001; Lewis, 2003). This study will further provide a main psychological description of the mechanisms, attempting to provide an evolutionary psychological account of competitive altruism involved in the very initial stage of the trust phenomenon. Second, this study mitigates the sharp contrast between trust and calculativeness argued by Williamson (1993) by introducing the concept of exhibited trust, elucidating its relationship with the reputation system and explaining that a trustor normally holds both, with seeming indifference towards short-term returns and concealed calculativeness with respect to reputational returns. Third, to examine the unique function of knowledge specificity in relation to the enhancement of trust in cooperative partnerships, this study utilizes the concept of excessive knowledge specificity, which is the amount of knowledge specificity made beyond reciprocity, as a practical option for the major component of a costly signal of exhibited trust. Fourth, this study attempts to combine risk, trust, and reputation perception in the broad area of social judgments by assuming that trust can be discussed within the broader context of reputation building. Competitive altruism acts as the link of the connection. Lastly, this study provides multiple managerial implications for both marketing management and knowledge management, favoring the efficiency of exhibited trust when forming business relationships.

This study begins with the conceptualization of exhibited trust, using the literatures of trust and competitive altruism, and subsequently develops a couple of hypotheses by utilizing a focal construct of excessive knowledge specificity to explain the phenomenon of exhibited trust. This is followed by the methods and results sections, which portray two surveys and the analyses used to test the hypotheses. A discussion of the findings is presented with theoretical contributions. Finally, a venue for future study is provided, together with limitations and managerial implications.

2. Conceptualizing exhibited trust

2.1. The trust literature and the concept of exhibited trust

This study was inspired by two areas of research in trust. One area includes the aforementioned, sporadic studies that investigated different strategic motives in trust formation, e.g., reputation (Greysier, 1999; Herbig et al., 1994; Hojmosse et al., 2014) and corporate social responsibility (Lantos, 2001; Lewis, 2003). The other area includes the systematic streams of studies aimed at integrating various notions of trust, as shown in Table 1. The first framework distinguishes between the calculative-based trust and relational trust that occur in business relationships (*Combining Transaction Cost Economics and Relational Exchange Theory* in Table 1). Researchers have sought to integrate relational exchange theory (RET) variables, which highlight cooperative behavior, into the transaction cost economics (TCE) framework, which highlights opportunistic behavior, by relaxing some core assumptions of TCE and potentially reducing the precision of both theories (Lui et al., 2009, p. 1214). Separating the concept of trust from a pure emotional bond, the second framework delineates cognitive trust, which has discrete elements that can distinctively influence a relationship (*Cognitive and Emotional* in Table 1). The third framework, defining trust as an evolving concept dependent on time and within the context of a relationship, provides a more advanced explanation than the prior research, whose common premise was that trust increases over time (*Evolutionary* in Table 1). Moreover, the more recent framework depicts hybrid forms of trust as a continuum between probabilistic and controlled risk and heuristic and automatic trust (*Hybrid* in Table 1). Table 1 particularly summarizes the more prominent works of the four different research streams and the main theoretical focuses in their integration of the concept.

Table 1
Integrative frameworks of trust.

Framework	Main content	Substantial reference
Combining TCE and RET	Definition: Trust defined as calculative and relational Focus: Revising transaction cost economics with relational exchange theory	Lewicki et al. (1998) Rousseau et al. (1998) Lui and Ngo (2004) Suh and Kwon (2006) Bair (2008) Zheng, Roehrich, and Lewis (2008) Chinitz (2013) Schilke and Cook (2015)
Cognitive and emotional	Definition: Distinguishing cognitive and emotional elements of trust Focus: Different effects on business relationship outcomes	Sako (1992) Ganesan (1994) Sirdeshmukh, Singh, and Sabol (2002) Dowell, Morrison, and Heffernan (2015) Valtakoski (2015)
Evolutionary	Definition: Viewing trust as an evolving concept Focus: Influence on business relationship duration and role of moderators	Coleman (1990) Nootboom (2002) Inkpen and Currall (2004) Vanneste et al. (2014)
Hybrid	Definition: A comprehensive taxonomy of trust Focus: Both controlled and automatic information processes	McEvily (2011) Sloan and Oliver (2013) Lumineau (2015)

The deeper, psychological dynamics in the initial stage of trust formation has not been substantially elucidated by neither a number of previous studies that investigated strategic motives of trust formation nor any of the integrative frameworks. Therefore, this study attempts to add the concept of exhibited trust to the two areas of studies in trust. This novel concept may unlock the mysterious dynamics of altruistic tendencies behind the strategic motives of trust and extend the explanatory power of the integrative framework to the very beginning of trust formation.

Particularly under the influence of the recently emerging framework (*Hybrid* in Table 1), among other frameworks and studies, this study offers a more complete understanding of the hybridity of trust in the initial stage, in which a trusting firm's reputational motive plays a central role in the initiation of trust. According to the definition of exhibited trust, i.e., an initial form of trust used to gain positive reputation, firms tend to initiate trust due to their own inclination rather than due to the partners' traits or their experience with the partners. Although the inclination to initiate trust is commonly found without apparent reason, it is still calculative in terms of the long-term benefit, i.e., reputation, from such exhibited trust. The notion of exhibited trust is based on a comprehensive taxonomy of trust, which differentiates the perception of a trustee's trustworthiness from a trustor's intention to engage in a relationship, depending on certain long-term payoffs, under uncertainty (Vanneste et al., 2014).

The concept of exhibited trust greatly benefits from the notion of hybrid forms of trust (e.g., McEvily, 2011). This study claims that exhibited trust, as an evolutionary psychological version of trust, enables us to reveal a hidden mechanism in the formation of trust. The position of exhibited trust in the integrative framework is illustrated in Fig. 1. Exhibited trust is portrayed as a mechanism for defining reputation (perception) as a hybrid form of social judgment that plays a role in the traditional dichotomy of *trust* and *risk*. According to McEvily (2011), risk involves probabilistic decision making and a more controlled information process, while trust involves heuristic decision

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