

The dynamics and evolution of trust in business relationships

Yimin Huang ^{a,*}, Ian F. Wilkinson ^b

^a Department of Marketing and Management, Macquarie University, Australia

^b Discipline of Marketing, University of Sydney, Australia

ARTICLE INFO

Article history:

Received 2 February 2012
Received in revised form 9 July 2012
Accepted 26 October 2012
Available online 6 March 2013

Keywords:

Business relations
Trust
Dynamics
Mechanisms
Complexity

ABSTRACT

Trust is a key dimension in business relationships and has been much studied. But less attention has been given to understanding the dynamics and evolution of trust and the causal mechanisms and processes driving this. We propose a process model of the dynamics and evolution of trust in business relations based on a view of business relations as complex adaptive systems. Trust changes depending on the experience and outcomes of the actions and interactions and other events taking place over time in the focal as well as in connected relations. The psychological, social and economic mechanisms driving these changes in trust are identified. Our model has important implications for generating, sustaining and protecting trust in business relationships and networks and for future research.

© 2013 Elsevier Inc. All rights reserved.

1. Introduction

The rapidly changing business environment is forcing business firms to seek more innovative and flexible means to address competitive challenges. One way of achieving this is through the development of more flexible, collaborative business relationships that enable those involved to identify and respond more effectively to complex and changing conditions (Davis & Spekman, 2004; Dyer, 1998; Wilkinson, 2008). Previous research has identified trust as one of the key dimensions of business relations and shown that it plays an important role in development and maintenance of effective long-term cooperative relations (Ganesan, 1994; Kumar, 1996; Morgan & Hunt, 1994).

Various definitions of trust exist. Here it is defined as a willingness to rely on an exchange partner in whom one has confidence (Moorman, Deshpande, & Zaltman, 1993) based on “a belief, sentiment, or an expectation about an exchange partner that results from the partner’s expertise, reliability, and intentionality” (Ganesan, 1994). Trust in business has been much researched (Geyskens, Steenkamp, & Kumar, 1998; Seppanen, Blomqvist, & Sundqvist, 2007). Its definition and dimensions have been examined (e.g., Child, 1998; Chowdhury, 2005; Geyskens et al., 1998; Seppanen et al., 2007), typologies have been proposed and measured (e.g., Doney & Cannon, 1997; Young, 1993), and its antecedents and consequences have been hypothesized and empirically tested (e.g., Ganesan, 1994; Morgan & Hunt, 1994; Smith & Barclay, 1997). These studies have made significant contributions to our understanding of trust in business relationships. But most previous research on business

relations and trust has been static, cross-sectional and variable-focused correlational type of explanations of trust in which time and process are absent. Fig. 1 summarizes the results of much research of this type in terms of the patterns of covariation found among different dimensions of relations, including trust. Trust plays a central role and is linked to a number of other dimensions both as an explanatory variable and a dependent variable. This figure suggests a complex system of interactions among dimensions of relations but the individual statistical models on which this summary is developed do not reflect this. Most of them only consider a uni-directional causal connection between variables with no feedback effects in which a dependent variable switches roles and also becomes a potential explanatory variable for some or all of its own antecedent variables, as is suggested in Fig. 1. This is despite the fact that research has shown that a number of alternative variance based models with different causal implications fit the same data equally well (Henley, Shook, & Peterson, 2006; Rong & Wilkinson, 2011).

More generally, time is absent from these types of models; they do not show how different variables change and develop over time and what types of relations emerge, in terms of different mixes and values of variables, under different conditions (Wong, Wilkinson, & Young, 2010). In order to understand this we must go behind such general patterns of correlations among variables based on cross sectional studies to examine the mechanisms and processes by which they affect each other and how they change and evolve over time.

While there have been some attempts to understand, explain and describe the dynamics and evolution of business relations and networks and that of trust in particular, as we describe below, this remains a relatively underdeveloped area of theory and research. The purpose of this article is to propose a general theory of the dynamics and evolution of

* Corresponding author. Tel./fax: +61 2 9385 8496.

E-mail address: stephanie.huang@mq.edu.au (Y. Huang).

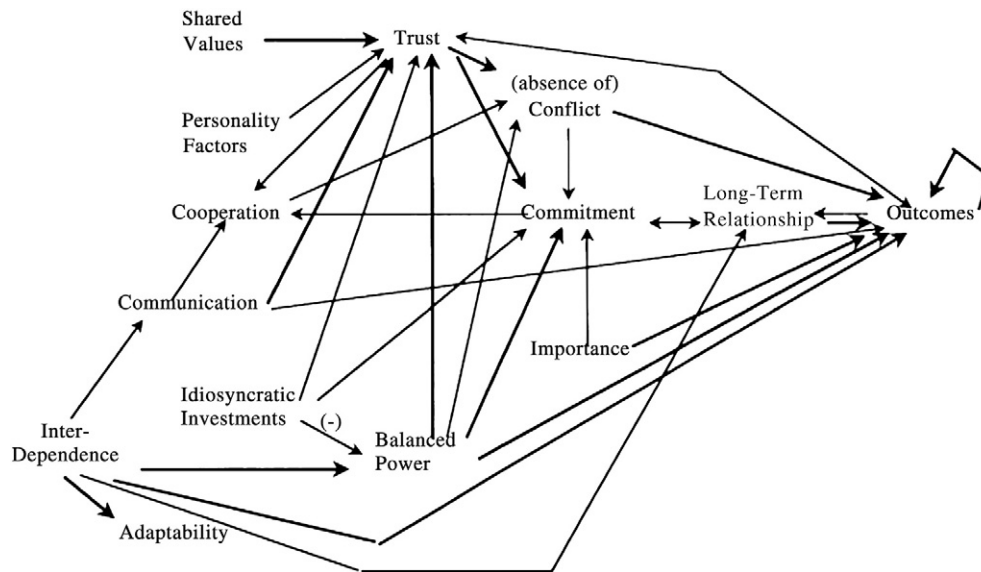


Fig. 1. Links among dimensions of business relations (Iacobucci & Hibbard, 1998).

trust in business relations. The theory is based on a view of business relations as complex adaptive system in which the overall organization, atmosphere and structure of the relation, including the types and degrees of trust and other dimensions of relations shown in Fig. 1, emerge, change and evolve over time in a self-organizing bottom up manner from the ongoing experience and outcomes of the actions and interactions and other events taking place. A business relation is in continuing process of being and becoming through the actions and interactions taking place. At a point in time the existing structure and atmosphere of the relation shapes the actions and interactions taking place and over time they have feedback effects on the structure and atmosphere. Further, business relations do not operate and evolve in isolation but they are also part of business networks of interconnected relations which affect each other, leading to their co-evolution over time (Easton, Brooks, Georgieva, & Wilkinson, 2008; Easton, Wilkinson, & Georgieva, 1997; Wilkinson, 1990; Wilkinson & Young, 2002, 2013).

Our model fills the gap in the literature by addressing the call from Huemer (2004) and other researchers to focus more attention on the processes by which trust is built, mobilized and redeveloped. Our model is consistent with and extends the IMP Group's interaction model in which relations develop over time through the economic and social/personal interaction episodes taking place among the organizations and people involved (Håkansson, 1982; Håkansson & Snehota, 1995). We extend the IMP interaction model by drawing on and combining more recent developments in complex systems science, analytical sociology (Abbott, 2001; Hedstrom, 2005) and theories of social-cultural evolution (Boyd & Richerson, 1988; Nelson & Winter, 1982; Richerson & Boyd, 2005), which focus attention on the underlying social and psychological mechanisms and processes driving the dynamics and evolution of socio-cultural and economic organizations.

The article is organized as follows. First, the concept of trust is briefly reviewed. Second, the limits of variable-based static theories of relationships and trust are discussed and alternative theoretical approaches to explaining changes in relationships are reviewed, followed by an overview of the definitions and characteristics of mechanisms. This leads us to propose an alternative evolutionary model of relationships in which change is explained in terms of the operation and effects of various psychological, social and economic mechanisms and event histories. We then discuss the nature and role of mechanisms in explaining behavior and change in relations and the main mechanisms involved in

driving the development and evolution of trust in business relations. Finally, we consider the research and management implications of our model.

2. Types of trust and its role in business relationships

Various sources or types of trust have been identified in the literature (Seppanen et al., 2007; Young, 2006). A key distinction is between cognition- and affect-based trust (McAllister, 1995). Cognition-based trust is based on a rational evaluation of the competence, responsibility and dependability of the other party (Butler, 1991; Zucker, 1986). It rests on a logical and rational calculation of likely behavior and outcomes of future collaboration. In contrast, affect-based trust occurs because an emotional bond is created between people, enabling them to transcend rational predictions to take a "leap of faith" that trust will be honored (Lewis & Weigert, 1985). Affective trust is based on beliefs that the exchange partner cares about your welfare, will act positively towards it and take care to avoid harming it. Cognitive and affective bases of trust co-occur and interact in business relationships.

A distinction can also be made between interpersonal and inter-organizational trust. As Zaheer, McEvily, and Perrone (1998) observe, trust always has its basis in individuals yet individuals may share a view towards another organization. From this perspective, interpersonal trust refers to the trust placed by individuals in one firm on other individuals in the partner firm. Interorganizational trust refers to a collective orientation or culture of trust that organizational members have towards a partner firm (Zaheer et al., 1998). Both types of trust exist in business relations and they influence each other and co-evolve over time as the relationship develops and both types of trust are discussed in our model.

Previous research indicates that trust plays an important role in the development of effective cooperative relations, including: promoting a longer term orientation (Ganesan, 1994); increasing interdependence, cooperation, acquiescence and commitment (Morgan & Hunt, 1994); facilitating the planning and coordination of activities by reducing uncertainty, conflict and the risk of opportunistic behavior (Axelrod, 1984; Kumar, 1996; Morgan & Hunt, 1994; Sabel, 1993); promoting more honest and open communication; and compensating for a lack of information about future events and reducing the costs of monitoring

Download English Version:

<https://daneshyari.com/en/article/10496064>

Download Persian Version:

<https://daneshyari.com/article/10496064>

[Daneshyari.com](https://daneshyari.com)