

# Trust-building in construction contracting: Mechanism and expectation<sup>☆</sup>

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Received 30 September 2011; received in revised form 15 March 2012; accepted 20 March 2012

## Abstract

Trust is defined as the willingness of a trustor to become vulnerable to a trustee whose behavior is beyond his control. The efficiency of a project team can be enhanced should its members trust each other. There have been notable efforts in promoting trust in the construction industry through the use of a variety of trust building mechanisms. However, the reciprocating trusting behaviors that could be expected (identified as trust expectations in this study) has not been elaborated. This study aims to investigate such relationships. For this, trust building mechanisms and trust expectations are identified and then operationalized for the development of their respective measurement scales. With data collected from practitioners, four and three taxonomies of trust-building mechanisms and trust expectations are developed respectively through the use of principal component factor analysis. The former includes: networking, procedural measure, credit rating and calculativeness. The latter consists of self-awareness, responsiveness and value congruence. Their inter-relationships were then examined by structural equation modeling. Networking and calculativeness generally relate positively to most types of trust expectations. Nevertheless, trust-building mechanisms like procedural measure and credit rating are not so related to trust expectations and may even lead to trust deterioration. The findings prompt to further research on the versatility of or the conditions conducive for certain trust-building mechanisms in terms of the trusting behaviors that can be reciprocated.

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**Keywords:** Trust-building mechanisms; Trusting behaviors; Expectations; Construction projects

## 1. Introduction

The literature on trust in construction has grown in recent years and there are some interesting studies investigating the roles of trust in the management of construction projects (Lau and Rowlinson, 2009; Shaw, 1997). Trust has been identified as one of the determining factors to bring about reduced cost of negotiation, decreased monitoring costs, and increased possibility for attaining mutually beneficial agreements (Egan, 1998; Khalfan et al., 2007; Latham, 1994). The significance of trust becomes notable when the possibilities of exit, betrayal and defection are real (Walker, 2003). Given the inherent asymmetries that

characterize information exchange during construction project development, the practice of opportunism is potentially high and tempting (Lau and Rowlinson, 2009). Building trust has been identified as one of the most effective means to suppress opportunism (Walker, 2003). Project team members should give every effort to develop and foster trust among themselves. Management literatures in the 1980s and 1990s described contracting relationship as one that “put the customer at the center of the organization” whereby customer is regarded as “king” (Peters and Waterman, 2004). This unidirectional dependence motive is however paradoxical in the development of trust in construction contracting (Gummesson, 2002; Johnson and Selnes, 2004; Sheppard and Sherman, 1998). The construction industry has well-developed institutional arrangements between contracting organizations that make reciprocating exchanges under risk-laden contracts. These exchanges are more likely based on fear and/or power rather than trust (Egan, 1998; Latham, 1994; Pretty and Ward, 2001). Notwithstanding, some construction firms manage to surmount these institutionalized barriers against trust and successfully

<sup>☆</sup> The authors are grateful for the constructive comments of the reviewers.

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establish long-term business partnerships (Wong and Cheung, 2004). These trusting relations are typically having enduring foundation germinated from trust-building mechanisms that are either planned, incidental or both (Lau and Rowlinson, 2009; Sitkin and Roth, 1993; Walker, 2003). In principle, reciprocating trusting behaviors are expected as responses to effective trust building mechanisms. In this study, these trusting behaviors are termed as trust expectations to reflect the reciprocating nature. This study aims to enrich the literature of trust in the construction industry by demonstrating the contingent nature and importance of trust-building mechanisms with reference to trust expectations. In the following sections, the definition of trust is first presented then followed by an account each for trust-building mechanisms and trust expectations. The attributes of trust-building mechanisms and trust expectations are operationalized for data collection. With the collected data, taxonomies of mechanism and expectation are then developed with the technique of principal component factor analysis (PCFA). These taxonomies are used to develop a relationship model between trust-building mechanisms and trust expectations. The model is then empirically tested by structural equation modeling. Finally, the findings are discussed.

## 2. Research framework

### 2.1. Definition of trust in the construction industry

The traditional sayings; “it takes twenty years to build trust but five minutes to ruin it” and “it is an equal failing to trust everybody, and to trust nobody”, aptly reflect the fragile and party-specific nature of trust. In this study, trust in construction contracting is defined as a trustor’s willingness to become vulnerable to a trustee whose behavior is beyond his control (Mayer et al., 1995). Thus, trust is a risk-taking act as the trustee may exploit the trustor. Trust itself is a complex phenomenon with multiple attributes. A number of perspectives have been used to examine trust in organizational management studies (Ross and LaCroix, 1996). For example, McAllister (1995) distinguished between cognitive-based and affective-based trust. Butler (1991) classified trust as dispositional and situational. Lau and Rowlinson (2009) emphasized that inter-organizational trust in construction is better understood at inter-personal and inter-firm levels. In construction, Cheung et al. (2003) described trust as a disposition or an emergent state. These perspectives are inspiring and have provided invaluable theoretical conceptualization of trust (Rousseau et al., 1998; Schoorman et al., 2007). The present study posits trust as a temporary state that can be induced by different mechanisms (Ross and LaCroix, 1996). From a behavioral point of view, the expectations of trust building efforts are trusting behavior returned by the trustee. Trust is a catalyst that engenders resources commitments and facilitates working among project team members (Eriksson, 2008). The presence of trust improves the chance of having quality communication and effective performance (Cheung, 2007; Wong et al., 2008). As a result, team members can work together as a unified whole in a trusting environment. The ultimate outcome is enhanced cooperation.

### 2.2. A relationship model between trust-building mechanisms and trust expectations

Despite the positive impact of trust in team management (Mayer et al., 1995), applications of trust in construction have not been forthcoming as wished. This may be the lack of understanding of some of the fundamental issues. Notable examples include identification of trusting behavior; the relationship between trust-building mechanism and trusting behavior; differentiation between trust antecedents and outcomes; confusion in levels of analysis due to a lack of specificity of trust referents; and a failure to consider the mutual dependence between the trustor and the trustee (Kuriyan et al., 2010; Ratnasingham, 1998). Trust has multi-level operation varying from interpersonal, intergroup to inter-organizational (Currall and Inkpen, 2006). When referring to “the parties” involved in a trusting relationship, it is important to designate who are the “trustor” and the “trustee”. Interestingly, researches on trust suggested that the three facets of trust are somewhat correlated (Barney and Hansen, 1994; Doz, 1996; Doney and Cannon, 1997; Zaheer et al., 1998; Jeffries and Reed, 2000). For this study, it is suggested that the decision to trust can be motivated by another party’s trust-building mechanism (Mayer et al., 1995) from an inter-organizational perspective. Aulakh et al. (1996) and Gefen (2003) identified several trust-building mechanisms that could play critical roles in effecting trusting inter-organization relationship. Effective trust-building mechanisms therefore will lead to reciprocating trusting behaviors by the trustees — identified as trust expectations in this study (Bigley and Pearce, 1998). This study aims to explore the relationships among trust-building mechanisms and trust expectations. For this purpose, it is necessary first to operationalize trust-building mechanisms and trust expectations. With these, a relationship model between trust-building mechanisms and trust expectations is proposed.

#### 2.2.1. Trust-building mechanisms

Trust in construction contracting can come from interaction, disposition or institution (Mcknight and Chervancy, 2000). This study focuses on the last one that is considered to be a more formative approach in trust development. Studies in psychology and management fields have provided some trust-building mechanisms (Aulakh et al., 1996; Ba and Pavlou, 2002; Parkhe, 1998; Pavlou and Gefen, 2004). These researches have provided the construction community with a set of potential trust-building mechanisms. Moreover, their applications and effectiveness in construction need more empirical evidences (Doney and Cannon, 1997; Moorman et al., 1993; Williamson, 1993). Every interaction between a trustor and a trustee can be “moment of trust”. And what a trustee does has far greater impact than what he says. Thus, trust-building lies in four principles (Sheppard and Sherman, 1998). First, deterrence is to penalize parties who are not abiding by an understanding or are performing unreliably. Such penalties can be either tangible (e.g. liquidated damages) or intangible (e.g. reputation). The forms of penalty can be (1) increased cost of cheating which exceeds the benefit from cheating or (2) perceived benefit of future collaboration which is no less than as the potential advantage derivable from

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