Trust Formation at the Growth Stage of a Business-to-Business Relationship

David Dowell & Troy Heffernan
Charles Sturt University

Abstract

A significant proportion of the relationship marketing research conducted in the area of trust has examined this critical relationship variable as stable over time. However, as a relationship constantly grows and develops, it is argued that trust will develop in different ways depending on the stage of the lifecycle in which the relationship exists. This research uses a case study methodology to explore trust development at the critical relationship growth stage of the business-to-business lifecycle. Findings suggest that three types of trust lead to the generation of total trust at the relationship growth stage. In order of importance, they are: (1) Competency/ability trust, (2) Goodwill/benevolence trust, and (3) Contractual/integrity trust. The contribution of this paper lies in the identification of the variables that lead to these forms of trust, thus producing total trust at the relationship growth stage.

Keywords: trust, relationship marketing, trust formation, relationship lifecycle.

Trust

Trust is a central construct in relationship marketing (e.g. Morgan and Hunt, 1994). It is nominated as a key construct in industrial marketing (Cowles, 1997), selling partnerships (Smith and Barclay, 1997), supplier relationships (Ganesan, 1994), sales relationships (Doney and Cannon, 1997) and customer relationships (Jap, 2001). The relationship marketing concept has been developing since the 1970’s and includes many relationship structures (Healy, Hastings, Brown and Gardiner, 2001). Moreover, trust is argued to be a key construct in all of these relationship types. Further, trust has been shown to be a key component for relationship marketing success (Dwyer, Schurr and Oh, 1987).

Whilst the exact definition of trust is disputed, most definitions contain a cognitive component and a behavioural component (Ahmed, Patterson and Styles, 1999). Further, trust has been divided into three constructs generally agreed throughout the relationship marketing literature. They are: (1) Competence/ability trust (2) Contractual/integrity trust and (3) Goodwill/benevolence trust (Ahmed, Patterson and Styles, 1999; Mayer, Davis and Schoorman, 1995; Sako, 1992).

Competency/ability trust

This refers to the expectation that a partner will perform at a set level. It is defined as “that group of skills, competencies, and characteristics that enable a party to have influence within some specific domain” (Mayer, Davis and Schoorman, 1995, p. 717). Further, Ahmed, Patterson and Styles (1999) referred to competency trust as whether a partner has the capability and expertise to undertake the purpose of the partnership. Competency/ability trust has been argued to be the most important of the three trust constructs in business-to-business relationships (Jap, 2001; Mayer, Davis and Schoorman, 1995; Sako, 1992).
Contractual/integrity trust

Contractual trust involves parties adhering to specific written or oral agreements. Contractual trust is evident when partners uphold an ethical standard, namely, that of keeping promises (Sako, 1992). The notion of contractual trust is similar to integrity trust, which involves adherence to written or verbal promises (Mayer, Davis and Schoorman, 1995; Moorman, Deshpande and Zaltman, 1992; Smith and Barclay, 1997).

Goodwill/benevolence trust

Goodwill trust refers to a willingness to perform to a greater level than is formally expected. Goodwill trust grows when a partner commits to be responsive to certain requests outside the norm (Sako, 1992; Sirdeshmukh, Singh and Sabol, 2002). Moreover, goodwill trust can be described as a behaviour which prioritises another party’s interests over one’s own (Sako, 1992). Further, Mayer, Davis and Schoorman (1995, p. 716) described benevolent trust as; “the perception of a positive orientation of the trustor”; focusing on the intentions and the motives of the relationship partners (Ganesan, 1994).

The Business-to-Business Relationship Lifecycle

Whilst general literature on trust has grown over recent years, little research has been conducted into the types and development of trust at the different stages of a business-to-business relationship lifecycle. As business-to-business relationships are constantly growing and developing, it is argued that trust will develop in different ways, depending on the particular stage of the lifecycle (Heffernan, 2004). Consequently, it is critical not only to examine trust as a stable concept, but as one that evolves and changes through the business-to-business lifecycle.

There have been a number of studies, predominantly conceptual, that have identified various stages through which a business-to-business relationship progresses (Borys and Jemison, 1989; Dwyer, Schurr and Oh, 1987; Ford, 1982; Ford, Gadde, Hakansson, Lundgren, Snehota, Turnbull and Wilson, 1998; Frazier 1983; Larson, 1992; Millman and Wilson, 1994; Palmer and Bejou, 1994; Wilson, 1995). Whilst there is no general agreement, an analysis of the literature suggests a five-stage process: (1) pre-relationship; (2) early interaction; (3) relationship growth; (4) partnership; (5) relationship end. The research was conducted in the relationship growth phase.

Relationship Growth Stage

This stage of the relationship is characterised by a high level of engagement and interaction between the parties, intensive mutual learning towards the specifics of the relationship, the investment made and the adaptation needed. The learning that is achieved in this stage will reduce the uncertainty and the distance between the two organisations (Ford, 1982). Trust is formed in many ways and is important at all phases in the lifecycle. However, Jap (2001) and Wilson (1995) argued that trust development is most important in the relationship growth stage. Norms and reciprocal norms should be developed in this phase through trust to ensure continuing relationships (Larson, 1992). The level and development at this phase of the relationship is arguably vital as it establishes the foundation for the rest of the relationship.
Consequently, the research questions to be explored in this paper are:

**Research Question 1:** How important is trust at the growth stage of business-to-business relationship?

**Research Question 2:** How does trust develop at the growth stage of a business–to-business relationship?

**Methodology**

In completing this research, eight case studies were undertaken. The case method allowed a rich description of the phenomenon to be examined in its original context (Eisenhardt, 1989; Yin, 1994). Further, as the aim of this research is to build theory rather than test it, a case study methodology was seen as appropriate. A purposive selection method was adopted to choose cases examined in this research. The unit of analysis was the relationship dyad existing between wholesalers and retailers in the Australian liquor industry. The research involved eight cases and one pilot case, with interviews ranging from 45 minutes to 2 hours. A total of 18 interviews were conducted between July and October 2003.

Direct quotations from the transcripts of the in-depth interviews conducted for the case studies are used extensively through this paper. The quotations used help in explanation building and highlighting emerging categories (Miles and Huberman, 1994). The quotes are reflective of the participants’ attitudes, experiences and feelings, and were chosen because of the representative nature they have for the themes under investigation. Respondents’ quotes will be shown in italics.

**Data analysis and Findings**

**Research Question 1:** How important is trust at the growth stage of business-to-business relationship?

Each of the eight cases indicated that trust was a vital component in the relationship. Trust at the relationship growth stage was found to have an impact on the development and scope of the relationship. This is supported by the following quote: *Trust is important, we do a fair bit of work together so without trust this level of business transactions would not have happened.* In the cases examined trust was found to explain the relationship in terms of duration and sales as both parties found it easier and more efficient to work with someone they could trust. *Without trust the relationship could not function to the level that it is now.*

Each case study was examined to identify the importance of the three forms of trust (competency/ability trust; goodwill/benevolence trust; contractual/integrity trust). Each form of trust was rated in terms of importance; high, moderate or lower importance. Then this was cross referenced against trust components that emerged from each individual case analysis. The respondents were also contacted after the interview in an attempt to confirm the importance of the particular forms of trust cited. Findings from this phase of the analysis identified competency/ability trust twice as important as goodwill/benevolence trust and contractual/integrity trust in the generation of total trust at the growth stage of the relationship lifecycle.
**Research Question 2:** How does trust develop at the growth stage of a business-to-business relationship?

At the relationship growth stage, total trust was seen to emerge from three forms of trust, being: (1) Competency/ability trust; (2) Contractual/integrity trust, and (3) Goodwill/benevolence trust. Figure One, presents a conceptual model that illustrates this.

**Figure One: A conceptual model of the development of total trust at the relationship growth stage of business-to-business relationships**

![Conceptual Model Diagram]

**Competency/ability trust**

Figure One identifies three different types of competency trust drivers present in the data: (1) performance competency, (2) expertise competency and (3) communications competency. Performance competency emerged as the most important form of competency trust at the relationship growth stage. *You can say that if you really trust your representative you know that when you ask a question or put a particular matter to him, you know where you stand on the basis of his past performance. He has shown he is trustworthy.* Performance competency consisted of three major themes. In order of importance they were: (1) Delivery- this referred to the salesperson fulfilling delivery obligations. (2) Product support- with regards to ‘pull through’, being the way in which a retailer and a wholesaler cooperate to sell the final product after the retailer has purchased the product.

The second group of competency trust drivers to emanate from the data were expertise-based. This type of competency trust emerged from the data in three forms. In order of importance, being: (1) Customer knowledge- the understanding one party had of the others roles and responsibilities. (2) Product knowledge- this related to the development of understanding in the product portfolio. (3) Industry knowledge- normally generated from previous experience, this form of knowledge related to the understanding of the market structure and how variables operate within that market.

Communication was the final group of competency based trust drivers which emerged from the data. This form of competency trust was characterised by two major themes: (1) Frequency- this refers to the number and regular nature of visits. (2) Contactability- this was
raised by both sides of the dyad with respect to the ability of the retailer to contact the salesperson, via phone, email and fax. Other drivers raised where not consistent across all cases.

**Contractual/integrity trust**

Three constructs or drivers were found to contribute to contractual/integrity trust; (1) honesty, (2) integral actions, and (3) candid responses. Honesty involves the truthful relations between parties. *It’s all about being honest, and; It always comes back and bites you in the bum strait away, anyway, it gives you a bad reputation.* Integral actions involve the salesperson performing their duties in an integral manner. *The biggest unfair that appears to go on is the double dealing, and a lot of that is in people’s imagination; people say ‘oh he must be getting it for this.* Finally, a candid response occurs where the salesperson or retailer is candid and upfront with their partner. *Eye contact, communication, his sincerity, you know that he is giving you on the line answers.*

**Goodwill/ benevolence trust**

Two forms of goodwill/benevolence trust emerged from this research; being (1) activities, and (2) attitudes. Activities include physical actions that the salesperson undertakes which increase the retailer’s positive perception of the salesperson. The activities include social outings, helping and providing extra services. *Running all over town trying to find a case for someone... it’s only going to help, favours go a long way. And, it proves he is a good bloke and is here to help out, not just take orders.*

Attitude benevolent drivers involve the feelings that a salesperson reflected. Both the salespeople and retailers discussed attitudes of the salespeople that influenced the development of goodwill/benevolent trust. In the relationship these attitudes were traits that the salesperson possessed which helped in developing trust, like friendship, sales attitude, liking and common interests. *With trust I am building friendships really, there is business relationships as well but I want to go in and chat about X, Y and Z first and then we can do this at the end of the day. And, heaps of reps are just in to get a sale where (Salesperson) is also but he doesn’t really come across that way.*

**Conclusion, Limitations and Further Research**

The objective of this paper were twofold; firstly, to identify the forms and importance of trust at the relationship growth stage of the business-to-business lifecycle; and secondly, to identify how trust is developed at this stage. For the first objective, the findings from this theory building research added weight to the literature which identified the importance of trust at the relationship growth stage, and within this, the significance of competency/ability trust. However, the real contribution of this paper, for theory and practice, lies with the second objective which was to identify how trust developed at the relationship growth stage. Competency/ability trust was seen to be produced by performance, expertise and communication; contractual/integrity trust was seen to come from honesty, integral actions and candid responses; and finally, goodwill/benevolence trust emerged from the activities and attitudes undertaken in the relationship.
Several limitations have emerged due to the nature of the research undertaken. Firstly, this research concentrated on a single style of relationship; being the dyad that develops between wholesalers and retailers in the Australian liquor industry. Consequently, it is suggested that further research be undertaken to examine relationships that exist in different industries. Secondly, this research was conducted under a realist paradigm using qualitative methodologies. Hence, the aim of this research was analytical generation and not statistical generalisation. Future research could be undertaken using a positivist, deductive approach in order to test the theory generated by this paper. Finally, this research examined trust at the third stage of the relationship lifecycle. Consequently, research could be undertaken to determine the variables that develop trust at the other stages of the relationship lifecycle.

References


