

# AN ATTITUDE-BEHAVIOR-OUTCOME FRAMEWORK OF BUSINESS-TO-BUSINESS RELATIONSHIPS: DISTINGUISHING BETWEEN INTER-PERSONAL TRUST AND INTER-ORGANIZATIONAL TRUST

*Corresponding Author:* Bahar Ashnai, ashnaib@wpunj.edu <sup>a</sup>  
Stephan Henneberg, Stephan.Henneberg@mbs.ac.uk <sup>b</sup>  
Peter Naudé, Peter.Naude@mbs.ac.uk <sup>b</sup>

<sup>a</sup> William Paterson University, USA

<sup>b</sup> University of Manchester, UK

## **Abstract**

This study contributes to understanding of the role of trust in business-to-business relationships with consideration at two different levels of operation: the inter-personal and inter-organizational level. This study develops an ‘opportunistic behavior-attitude-behavior-outcome’ framework. It uses the extant literature of Social Exchange Theory, including the IMP approach, and Transaction Cost Economics which inform the attitude-behavior part of the developed model. This study complements these perspectives by considering outcomes, informed by the Resource-Based View. This is done particularly with regard to performance outcomes, for instance financial performance. A nomological model was built around an overall framework consisting of three main groups of business relationship characteristics, (1) attitudes (inter-personal and inter-organizational trust) (2) behaviors (commitment, information sharing and relationship-specific investments) and (3) outcomes (financial and non-economic performance). Data collected from 331 informants (i.e. middle or senior managers), in the UK, was used to empirically test the model. Inter-personal trust and inter-organizational trust were found to be two distinct constructs (testing discriminant validity). The results overall supported the developed model. However, one suggested effect (i.e. the negative effect of supplier’s opportunistic behavior on relationship-specific investments) was not supported. Potential explanations for this finding were introduced. The research contributions and implications were also discussed.

**Keywords:** Business-to-Business Relationships, Inter-Personal Trust, Inter-Organizational Trust, Opportunism.

*Competitive Paper*  
*29th IMP Conference, Atlanta, August 2013*

## INTRODUCTION

The purpose of this study is to understand the role of trust in business-to-business (B2B) relationships, with consideration of two different levels of operation: the inter-personal and inter-organizational levels. In particular, the study attempts to investigate how one aspect of trust impacts the other. Furthermore, it tests the impact of these two aspects of trust on business relationships, and in doing so it examines the impact of trust on other characteristics of business relationships, as well as the outcomes of these relationships. The study incorporates attitudinal and behavioral characteristics of business relationships, and it considers the behaviors of the other party in the business relationship.

This study is informed by the IMP approach in addition to other complementary perspectives such as social exchange theory and transaction cost economics. The IMP perspective is particularly important to this research due to its emphasis on different aspects of trust operating at inter-personal and inter-organizational levels (e.g. Blois 1999). In this context, the IMP perspective emphasizes the importance of inter-organizational relationships (Håkansson 1982; Håkansson and Snehota 1995a; 2000), but notes too the inter-personal aspects of the business-to-business exchange process, such as informal cooperation (Håkansson and Snehota 1995b; Håkansson et al. 2004; Ford and Håkansson 2006).

This study contributes to understanding of trust in business relationships noting its complexity, distinguishing between different aspects, particularly at the inter-personal and inter-organizational levels. It contributes by developing an “opportunistic behavior-attitudinal attributes-behavioral attributes-outcomes” framework shedding light on how these groups of constructs play roles in business relationships. This bridges two main perspectives into the study of business relationships (i.e. social exchange theory, including the IMP perspective, and transaction cost economics), which are the major approaches informing this study. Additionally the resource-based view of firms plays a role (relatively minor in comparison to the other two approaches) in shaping the study, particularly due to its emphasis on relationship outcomes and the antecedent role of resource allocations on them. This study contributes to this perspective in terms of providing evidence for the determinants of two dimensions of relationship outcomes (i.e. financial and non-economic).

In this paper, we first discuss the model development and theoretical grounding. The constructs are introduced and the hypotheses are developed. Research method and design is elaborated. Data analysis and findings are presented; finally we discuss the contribution.

## MODEL DEVELOPMENT AND THEORETICAL GROUNDING

A framework is developed in this study, including an attitude-behavior interaction (Fishbein and Ajzen 1975), which is informed particularly by social exchange theory and transaction cost economics. The framework is extended by adding outcomes or consequences of business relationships based on the resource-based view of firms, and further developed by incorporating the other party’s opportunistic behavior based on transaction cost economics. Figure 1 shows the resulting model and its underlying constructs, indicating how the selection and conceptualization of the different constructs are informed by different perspectives.

This study focuses on trust and particularly two aspects of it working at different levels. This incorporates ideas from social exchange theory with consideration of social and structural dimensions. The two dimensions of trust, inter-personal (Ganesan 1994; Kumar et al. 1995) and inter-organizational trust (Blois 1999; Mouzas et al. 2007), form the attitude block of the framework. The behavioral characteristics form the next block, which consists of commitment, information sharing, and relationship-specific investments. The two dimensions of trust and commitment are informed by social exchange theory (Anderson and Weitz 1992; Morgan and Hunt 1994; Jap and Ganesan 2000). The behavioral characteristics of information sharing (Heide and John 1992; Cannon and Homburg 2001) and relationship-specific investments (Heide and John 1990; 1992) are selected based on the emphasis on them in transaction cost economics. Furthermore, the role of opportunistic behavior is included in the study due to its significance in transaction cost economics (Williamson 1975; John 1984) and to incorporate the behavior of the other party in the business relationship.

Additionally, using ideas from the resource-based view with regard to its emphasis on outcomes and performance of the relationship (Palmatier et al. 2007), the effects on relationship performance is investigated.

Figure 1: The Model Framework and Informing Perspectives

<b>Opportunistic behavior</b> →	<b>Attitudinal trust constructs</b> →	<b>Behavioral attributes</b> →	<b>Relationship outcomes</b>
<i>opportunistic behavior</i> (Williamson 1975; John 1984); <b>TCE+</b>	<i>inter-personal trust</i> (Ganesan 1994; Kumar et al. 1995), <b>SET+</b>	<i>commitment</i> (Anderson and Weitz 1992; Jap and Ganesan 2000), <b>SET+</b>	<i>financial performance</i> (Palmatier et al. 2007), <b>RBV+</b>
	<i>inter-organizational trust</i> (Blois 1999; Mouzas et al. 2007; Jiang et al. 2011), <b>SET+</b>	<i>information sharing</i> (Heide and John 1992; Cannon and Homburg 2001), <b>TCE+</b>  <i>relationship-specific investments</i> (Heide and John 1990; 1992), <b>TCE+</b>	<i>non-economic (soft) performance</i> (Van de Ven 1976; Ruekert and Walker 1987; Selnes and Sallis 2003), <b>SET+</b> , <b>RBV+</b>

**TCE+**: Transaction Cost Economics and Relational Norms

**SET+**: Social Exchange Theory and Its Following Theories (i.e. Commitment-Trust Perspective, Dependence Perspective and IMP Perspective)

**RBV+**: Resource-Based View and Resource Dependence Theory

Incorporating ideas from the transaction cost perspective and social exchange theory is a useful technique for studying business relationships. It enables a focus on particular aspects of business relationships (in the case of this study: trust) while considering several dominant aspects of inter-

organizational effects (in this study: inter-personal/inter-organizational and behavioral/attitudinal effects).

Scholars have taken this approach previously; examples of using these two perspectives include the early study of Heide and John (1992) which develops relational norms. It is rooted in transaction cost economics (Williamson 1985), but incorporates ideas from social exchange theory (Thibaut and Kelley 1959) to study the norms in economic exchange. Bucklin and Sengupta's (1993) study bridges the two perspectives, i.e. social exchange theory and transaction cost economics, confirming the importance of power imbalance in inter-organizational relationships (informed by the former perspective) and the significance of transaction-specific investments as a factor affecting success (informed by the latter). Ganesan (1994) also uses ideas from these perspectives: He considers reduction of transaction costs in trusting relationships based on transaction cost perspective (Williamson 1975; 1981).

Consideration of the resource-based view of firms additionally underpins our research in developing an attitude-behavior-outcome framework. The resource based view (RBV) is traditionally concerned with critical performance-related concepts and emphasizes the strategic decisions that help firms gain competitive advantages in their business networks (Barney 1991; Dyer 1996). Palmatier et al.'s (2007) study is an example of using social exchange theory (SET) and transaction cost economics (TCE) perspectives jointly, while incorporating ideas from the RBV in order to frame the model with an emphasis on performance-related concepts and outcomes.

As outlined, this study develops an *attitude-behavior-outcome framework*. In doing so it uses the extant literature of SET and TCE, which inform the attitude-behavior part of the developed model. Trust as the core attitudinal characteristic of the model is particularly informed by SET, with its emphasis on this construct (Morgan and Hunt 1994; Kumar et al. 1995), also on social and inter-personal aspects in business relationships in addition to structural and inter-organizational components (Blois 1999; Mouzas et al. 2007; Jiang et al. 2011). Furthermore, the study is extended based on TCE, by developing an *opportunistic behavior-attitude-behavior-outcome framework*, incorporating the other party's behavior (i.e. opportunism).

TCE informs this research particularly in terms of the selection and incorporation of behavioral characteristics. This perspective traditionally emphasizes collaboration and coordination characteristics. Behavioral attributes such as relationship-specific investments (Heide and John 1988) and information sharing (Heide and John 1992) have been included in TCE studies since the early stages of its development. Furthermore, its emphasis on opportunistic behavior in business relationships (Parkhe 1993) informs this research.

As mentioned above, the consideration of outcomes is grounded in the use of the RBV perspective particularly with regard to performance, for instance financial performance (Palmatier et al. 2007) and the impact of resources (such as investments) on performance. As such, it helps to complete the attitude-behavior-outcome framework.

## **CONSTRUCTS AND HYPOTHESES DEVELOPMENT**

### **Inter-Personal Trust, Inter-Organizational Trust, and Commitment**

Studies on business relationships recommend distinguishing between different aspects of inter-organizational constructs. It is important to clearly introduce the level of operation of any constructs in organizational models (Rousseau 1985; Klein et al. 1994). Conceptualization of trust especially needs clear elaboration of these levels, including their definition and operationalization. In the present research, one of the basic criteria for distinguishing between inter-personal and inter-organizational trust is their sources. This consideration with regard to trust has been emphasized in previous studies (e.g. Dwyer et al. 1987).

The main source of inter-personal trust (i.e. a person or a group of persons in the focal company trusting a person or a group of persons in the partner company) is *emotions*, whereas the main source of inter-organizational trust (i.e. a focal company relying on the partner company) is *rationality*. This conceptualization is based on the anthropocentric notion of trust (Mouzas et al. 2007), which is linked to human beliefs, sentiments, or intentionality (Blau 1964; Rotter 1967; Pruitt 1981; Fukuyama 1995; Solomon and Flores 2001). A social network is identified as a critical aspect of inter-organizational networks (Cook 1977), and is identified as a flow of sentiments (Mitchell 1969). Social psychology is considered as a good reference theory for reviewing inter-personal trust, which posits that trust encompasses two essential elements: trust in the partner's *honesty* and trust in the partner's *benevolence* (e.g. Larzelere and Huston 1980; Rempel et al. 1985).

Honesty and benevolence have been conceptualized in inter-organizational studies as the two main aspects of trust: Honesty refers to the belief that one's partner stands by his/her word, fulfills promised role obligations, and is sincere (Scheer and Stern 1992; Morgan and Hunt 1994). Benevolence reflects the belief that one's partner is interested in the firm's welfare and will not take unexpected actions that will negatively impact the firm (Anderson and Weitz 1989; Anderson and Narus 1990). In this study *inter-personal trust (at the buyer side) is defined as the extent to which the employee/employees of the buyer perceive the employee/employees of the supplier to be honest and benevolent* (adapted from Kumar et al. 1995; Geyskens et al. 1996).

Inter-organizational trust is studied with a consideration of the reliability of the other party (i.e. trustee) (Mohr and Spekman 1994; Morgan and Hunt 1994; Palmatier et al. 2007) or the degree to which one party (i.e. the trustor) can rely on the other party (i.e. the trustee) (Moorman et al. 1992; Ganesan 1994; Farrelly and Quester 2005; Zhao and Cavusgil 2006; Ivens and Pardo 2007). For instance, Moorman et al. (1993) argue that trust refers to a willingness to rely on another. Inter-organizational trust is strongly relevant to business relationships. While “psychologists tend to study inter-personal trust, business firms are concerned just as much with inter-organizational trust” (Sako and Helper 1998, p. 389). Business relationships can exist mainly based on objective rational elements of trust (i.e. the inter-organizational aspect) (Jiang et al. 2011).

Blois (1999) introduces the notion of reliance, distinguishing different levels of operation of trust-related constructs in inter-organizational relationships. He explains that there is a difference between trusting a party and relying on that party to do something. Both reliance and trust contribute significantly to building of long-term business relationships (Jiang et al. 2011). Mouzas et al. (2007) introduce reliance as one possible complementary construct of trust in order to stress a non-person based, rational standard within inter-organizational relationships. They emphasize that the source of reliance is rationality, whereas the source of trust is emotions. In

this study, the inter-organizational trust concept is considered similar to the notion of reliance presented in the previous studies.

The inter-organizational aspect of trust is believed to be built upon objective criteria such as expected benefits and proven capability (Jiang et al. 2011). The emphasis on the expectations built on capability is similar to the construct of ‘competence trust’ proposed by Sako and Helper (1998). Thus, *inter-organizational trust (at the buyer side) is defined as the extent to which the buyer holds positive expectations that it can rely rationally on the supplier, to do what has been expected to fulfill the buyer’s specific needs, given its proven capability* (adapted from Blois 1999; Mouzas et al. 2007; Jiang et al. 2011).

The commitment-trust perspective, based on social exchange theory, proposes that commitment is central in business relationships (Thibaut and Kelley 1959; Blau 1964). Trust-commitment theory emphasizes commitment as an important construct strongly related to trust (Morgan and Hunt 1994). In our study commitment is also considered, noting its relevance in inter-organizational studies and its link to the concept of trust.

This study looks at commitment as a concept involving both behavioral and attitudinal aspects, with an emphasis on the behavioral aspect due to two main reasons, (1) the significance of the behavioral focus of the definition (i.e. the desire to develop the relationship and willingness to make sacrifices), and (2) the underlying emphasis on ‘intentions’ to maintain the relationship and continue the relationship (Anderson and Weitz 1992; Mohr and Spekman 1994) versus an attempt to look for and replace it with another partner (Cook and Emerson 1978; Anderson and Weitz 1992). Such intentions match the ‘behavioral intention’ focus of the theory of reasoned action (attitude-behavior framework) (Fishbein and Ajzen 1975).

Therefore, this study uses the definition introduced by Anderson and Weitz (1992): *Commitment (at the buyer side) is defined as the extent to which the buyer has the desire to develop a stable relationship, has the willingness to make short-term sacrifices to maintain the relationship, and has the confidence in the stability of the relationship with the supplier.* (adapted from Anderson and Weitz 1992; Jap and Ganesan 2000).

This study attempts to understand how two aspects of trust (i.e. inter-personal and inter-organizational) influence each other. Narayandas and Rangan (2004) focus specifically on different levels of operation of trust and commitment. They suggest that inter-personal dynamics affect inter-organizational orientations, whereas the opposite is not necessarily true. Business relationships “which feature personal trust” (i.e. an inter-personal operating level) will survive greater stress and display greater adaptability (i.e. an inter-organizational operating level) (Williamson 1979, p. 241). In line with these arguments, this study suggests that inter-personal factors influence the inter-organizational ones.

Thus, in business relationships, inter-personal trust is expected to positively affect inter-organizational reliance (Mouzas et al. 2007). The existence or lack of trust at the inter-personal level between two companies (i.e. between the employees of the two companies) affects how these two companies rely rationally on each other at the inter-organizational level. “While trusting someone implies being willing to rely on them, the opposite is not necessarily the case” (Blois 1999, p. 199).

Trust can have its origins in one-to-one relationships between managers but, over time it may diffuse within an organization; when individual managers trust each other, the strength of their relationship can lead to inter-organizational trust because these managers influence other managers and inter-organizational dynamics (Currall and Inkpen 2006) and consequently shift the impact to the organizational level. Based on these arguments it is suggested that inter-personal trust impacts on inter-organizational trust positively (see H1).

Furthermore, trust is a key determining factor for commitment in business relationships (Dwyer et al. 1987; Morgan and Hunt 1994). Where the parties have trust in one another, there will be ways by which the two parties can work out difficulties (Sullivan and Peterson 1982). Narayandas and Rangan (2004) argue that “the presence (or absence) of inter-personal trust in buyer-seller relationships in mature industrial markets facilitates the development (or destruction) of inter-organizational commitment” (p. 73). Therefore it is suggested that inter-personal trust influences commitment positively (see H2).

In more recent studies it has been posited that rational aspects of trust also enhance commitment (e.g. Palmatier et al. 2007). This supports the impact of inter-organizational trust (as a rationally-based dimension of trust) on commitment in addition to the inter-personal aspect. “The existence of inter-organizational commitment facilitates only the formation of new inter-personal relationships, not the subsequent development of trust” (Narayandas and Rangan 2004, p. 73). This argument supports the directionality of the impact from trust to commitment (see H3). Therefore, the first three hypotheses are:

*H1: Inter-personal trust positively affects inter-organizational trust.*

*H2: Inter-personal trust positively affects commitment.*

*H3: Inter-organizational trust positively affects commitment.*

### **Opportunistic Behavior**

Either party in an inter-organizational relationship can engage in opportunism, i.e. behave opportunistically (Jap and Anderson 2003). Opportunism is one of the key behavioral variables inherent in the exchange between organizations (Kelley et al. 1989). “Opportunism is a central concept in the study of transaction costs, it is especially important for economic activity that involves transaction-specific investments in human and physical capital” (Williamson 1979, p. 234).

Opportunistic behavior has played an important role in inter-organizational studies. It has been noted in channel relationships (John 1984), business-to-business marketing (Morgan and Hunt 1994), inter-organizational relationship management (Provan and Skinner 1989; Jap and Anderson 2003), inter-organizational strategy (Parkhe 1993) and business marketing research (Kelley et al. 1989).

In our study, opportunistic behavior of the other party is examined and included in the model. First, this represents a key factor in studies with a transaction cost perspective. Secondly, including this construct allows the incorporation of the behavior of the other side of the relationship as well. Thus, *perceived opportunistic behavior (at the buyer-side) is defined as the*

*extent to which the buyer perceives the supplier's behavior involving self-interest-seeking with guile* (adapted from Williamson 1975; John 1984).

There exists a negative relationship between opportunistic behavior and trust (Morgan and Hunt 1994). Morgan and Hunt (1994, p. 25) posit that “when a party believes that a partner engages in opportunistic behavior, such perceptions will lead to decreased trust. Rather than positing a direct effect from opportunistic behavior to relationship commitment, we postulate that such behavior results in decreased relationship commitment because partners believe they can no longer trust their partners.”

Direct experience is likely to be the principal basis for judging trustworthiness (Dwyer et al. 1987) and therefore has been introduced as a key factor in the conceptual framework for the development of customer trust in salespersons (Swan and Nolan 1985; Swan et al. 1985). Currall and Judge (1995) explore predictors of trust: the perceived past trustworthiness of the trustee was the most significant determinant of intentions to engage in trusting behavior. Thus, trustors are especially sensitive to evidence regarding a trustee's behavior and its impact on the assessment of the trustees' trustworthiness.

Using the notions introduced by Frazier (1983, p. 69), the firm that receives the primary evaluation can be called the ‘source’ and the other firm referred to as the ‘target’. In this study the source would be the buyer and the target is the supplier. The negative impact of opportunistic behavior on trust is proposed at both personal and organizational level. It is suggested that the other party's opportunistic behavior impacts on how much the buyer trusts the supplier's people. Additionally it impacts on how much the buyer believes it can rely on the other company at the organizational level. The next hypotheses are, thus:

*H4: The (supplier's) opportunistic behavior negatively affects (the buyer's) inter-personal trust.*

*H5: The (supplier's) opportunistic behavior negatively affects (the buyer's) inter-organizational trust.*

### **Information Sharing and Relationship-Specific Investments**

“The efficient processing of information is an important and related concept” in transaction cost studies (Williamson 1979, p. 234). This includes open sharing of information that may be useful to both parties, which can be indicated by the willingness of sharing important information, involving the other party in the early stages of product design, discussing future product development plans, or jointly providing supply and demand forecasts (Cannon and Perreault 1999).

Information sharing may include private and confidential information (Doney and Cannon 1997). It is measured as the degree to which each party discloses information that may facilitate the other party's activities, as opposed to keeping all information proprietary (Heide and Miner 1992). *Information sharing (at the buyer side) is defined as the extent to which the buyer openly shares information with the supplier that may be useful to the relationship* (adapted from Cannon and Homburg 2001).

Information sharing is one of the important behavioral characteristics of business relationships (Mohr and Spekman 1994). The lack of trust will be deleterious to information exchange (Zand

1972; Mohr and Spekman 1994). Information exchange and trust are seen as being positively related to each other (Denize and Young 2007). Trust is the mechanism that opens our minds to others and in doing so, opens possibilities of leveraging business relationships and opening networks to achieve competitive advantage (Young 2006; Denize and Young 2007).

Trust gives the exchange partners the confidence to be open with each other, knowing that the information shared will not be used against them (Zaheer et al. 1998). When firm employees perceive high levels of mutual trust in their business relationships, they are more willing to share information with their partners. Information sharing is unlikely to occur in the absence of trust (Cannon and Perreault 1999). Businesses share strategic information with each other according to the level of risk involved in doing so (Frazier et al. 2009). Trust thus decreases the level of risk (Das and Teng 2001), and therefore makes partners less concerned and more willing to share information.

Anderson and Narus (1990) note that “accumulation of trust leads to better communication” (p. 45). They find that past communication is positively related to trust. Anderson and Weitz (1989) also find that communication is positively related to trust in business relationships. Palmatier et al.’s (2006) meta-analysis confirms this as well. Business partners are unwilling to share valuable, proprietary information with their business partners if they are not credibly assured that this knowledge will not be shared with competitors (Dyer and Singh 1998).

When individuals get to know each other, in many cases, information is shared informally over time through inter-firm interactions including direct, intimate and extensive face-to-face interactions (Dyer and Singh 1998); in addition inter-firm routines are designed to “facilitate information-sharing and socio-technical interactions” (p. 665). Parties choose to cooperate in value-sharing activities that are difficult to specify contractually, such as sharing private information or tacit knowledge (Poppo et al. 2008), because “they have credible assurances that they will be rewarded for them” (Dyer and Singh 1998, P. 671). This supports the impact of trust at both the inter-personal and inter-organizational levels (i.e. with both emotion and rational origins) on information sharing. Therefore:

*H6: Inter-personal trust positively affects information sharing.*

*H7: Inter-organizational trust positively affects information sharing.*

Companies make investments in their relationships with other companies: They make investments in personnel, equipment, tools, and procedures (Heide and John 1992). These investments are a key part of adaptations (Håkansson 1982; Cannon and Perreault 1999). The role of relationship-specific investments in inter-organizational exchanges is often emphasized. These investments are considered in transaction cost economics (Williamson 1975; 1979; 1985) and in adapted inter-organizational studies with a transaction cost analysis basis (Heide and John 1992) investigating strategic alliances (Heide and John 1990).

Relationship-specific investments are introduced as a critical characteristic in studies of channel relationships (Anderson and Weitz 1992), inter-organizational collaboration (Jap 1999), coordination (Jap and Ganesan 2000) and business strategy (Zaheer and Venkatraman 1995). Investments can also play a role for relationship learning purposes (Selnes and Sallis 2003). The consideration of relationship-specific investments in inter-organizational relationships proves to

be pertinent in more recent studies (Palmatier et al. 2007; Poppo et al. 2008). *Relationship-specific investments are defined as the extent to which one company has made sunk, unredemptible asset allocation decisions in the relationship with the other company* (adapted from Heide and John 1990).

Trust encourages companies to view potentially high-risk actions as “prudent because of the belief that their partners will not act opportunistically” (Morgan and Hunt 1994, p. 22). Relationship-specific investments are introduced as a consequence of trust (Nielson 1998). Trust leads to cooperative behaviors (Palmatier et al. 2006) such as investing in the relationship. Trust, playing a role as an informal safeguard (Dyer and Singh 1998), is suggested as the most effective and least costly means of ‘de-risking’ specialized investments by many scholars (Sako 1991; Hill 1995; Uzzi 1997).

Trust, as an effective governance tool, may allow a business partner to make greater investments in specialized assets (Dyer and Singh 1998) as trust reduces perceived risk and uncertainty (Das and Teng 2001; Rodriguez and Wilson 2002). With less perceived risk and uncertainty involved, a business partner considers its future investments less endangered. Therefore, firms would be more willing to make investments in situations where trust exists. When inter-organizational trust in relationships increases, parties are more certain regarding the outcomes of the relationship and invest more in the relationship. Fang et al. (2008) suggest that inter-organizational trust between collaborating firms positively affects each firm’s resource investment in the relationship as it serves as a rational risk mitigation mechanism. Therefore:

*H8: Inter-organizational trust positively affects relationship-specific investments.*

Relationship-specific investments can make exchange partners irreplaceable or replaceable only at a cost (Heide 1994). One way of creating a self-enforcing agreement (Telser 1980; Klein and Leffler 1981; Kreps 1990) is by means of investments dedicated to the relationship. Relationship-specific investments are positively related to commitment (Anderson and Weitz 1992). Parties make separate but concurrent investments (Williamson 1983; 1985) crafted by means of a reciprocal “hostage exchange” (Williamson 1983, p. 532). Such mutual investments increase the value of continuing the relationship and decrease the gain in terminating it. Such a self-enforcing agreement leads to a commitment, which creates a locked-in condition (Katz 1989) and encourages behavior that enhances the likelihood of continuance of the relationship. Thus:

*H9: Relationship-specific investments positively affect commitment.*

If a party behaves in an opportunistic way, it is likely to provoke retaliatory behavior. “Opportunism begets opportunism. With trust and confidence in the relationship undermined, the parties involved will seek to withdraw or limit their commitments over time” (Gundlach et al. 1995, p. 82). “The more an alliance partner sees the other party as likely to behave opportunistically, the greater will be such perceived vulnerability, and the greater will be the first partner’s aversion toward making non-recoverable investments” (Parkhe 1993, p. 805). Therefore:

*H10: (The supplier’s) opportunistic behavior negatively affects relationship-specific investments.*

## Relationship Outcomes

Studies in business marketing attempt to understand the impact of different relationship characteristics on relationship outcomes (Crosby et al. 1990; Morgan and Hunt 1994; Palmatier et al. 2006). They attempt to evaluate the outcomes of the relationship with particular focus on relationship performance. This can include a range of relationship outcomes. Financial performance can be evaluated by profitability or profit growth (Palmatier et al. 2007). Performance can also be evaluated by non-financial measures such as the degree to which the relationship helps the companies involved in it to detect changes in end-user needs and preferences (Selnes and Sallis 2003). This study, considering the attitude-behavior-outcome relationships, investigates the impact of relationship characteristics on relationship outcomes.

The financial dimension of the relationship outcome is considered by many scholars; most of them measuring it subjectively (e.g. Jap 1999; Leonidou 2004; del Bosque Rodríguez et al. 2006). In this study, three dimension, sales growth, profit growth, and overall profitability are considered. Using Palmatier et al.'s (2007) conceptualization, financial performance is perceptually evaluated. *The financial performance dimension of relationship outcomes (at the buyer side) is defined as the extent to which the financial performance of a relationship with the supplier is perceived to be high by the buyer, in terms of sales growth, profit growth, and overall profitability* (adapted from Palmatier et al. 2007).

Companies can also benefit from a relationship via non-economic dimensions. Different dimensions of relationship performance are considered when studying inter-organizational relationships. It is insightful to investigate the impact of relationship characteristics on them. In addition, studies attempt to understand the impact of performance dimensions on each other (Palmatier et al. 2007).

Non-economic performance (also called soft performance) includes aspects such as learning and innovation (Selnes and Sallis 2003; Beugelsdijk et al. 2009). *The non-economic (soft) performance dimension of relationship outcome (at the buyer side) is defined as the extent to which the buyer considers its relationship with the supplier worthwhile, productive, and satisfying in non-financial terms* (adapted from Van de Ven 1976; Ruekert and Walker 1987; Selnes and Sallis 2003).

Relationship-specific investments impact the performance of inter-organizational relationships (Heide and John 1990; Palmatier et al. 2007). Relationship-specific investments drive both financial and relationship outcomes (Dyer and Singh 1998; Palmatier et al. 2007). Relationship-specific investments can make the exchange valuable. They create sustainable competitive advantage and better outcomes (Wernerfelt 1984).

Focusing on strategic alliances, scholars argue that relationship-specific investments affect performance positively (Smith and Aldrich 1991; Parkhe 1993). "The implied pledge of non-defection may in turn reduce the frictional effects of perceived opportunism, acting as a lubricant in lowering transaction costs and raising the efficiency of the governance structure of an alliance" (Parkhe 1993, p. 806). It can therefore be expected that:

*H11: Relationship-specific investments positively affect financial performance.*

*H12: Relationship-specific investments positively affect non-economic (soft) performance.*

Parties collaborate with one another to facilitate adaptation (Heide and Miner 1992). Learning relational routines, such as information sharing, facilitates adaptation to unexpected requests or changes and focuses outcomes on the mutual interests of both parties (Poppo et al. 2008). The enhancement of mere transactional value (Zajac and Olsen 1993) through cooperation in the exploration of new information and coordination technologies, new market opportunities, and product and process innovation, can account for the link between inter-organizational trust and relationship performance (Zaheer et al. 1998). Inter-organizational learning is critical to competitive success (Dyer and Singh 1998), organizations often learn by collaborating with other organizations (March and Simon 1958; Levinson and Asahi 1996; Powell et al. 1996). An additional hypothesis therefore posits:

*H13: Information sharing positively affects non-economic (soft) performance.*

Anderson and Weitz (1992) argue that commitment mediates the effect of relationship-specific investments on performance. Commitment is also introduced as a key driver of relationship performance in dominant theories of inter-organizational relationships (e.g. Morgan and Hunt 1994). Palmatier et al.'s (2006) extensive meta-analysis shows that performance is influenced by commitment. Palmatier et al. (2007) also show that commitment has a strong effect on relationship outcomes, including overall financial performance. Therefore:

*H14: Commitment positively affects financial performance.*

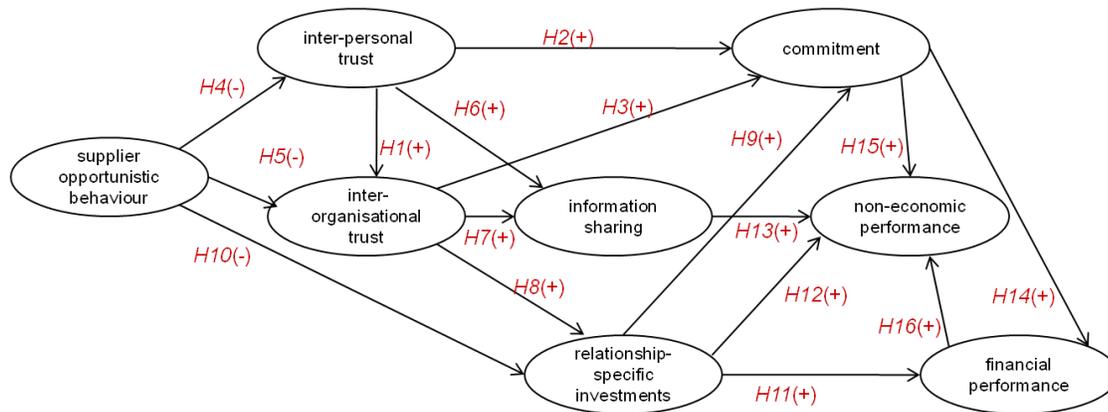
*H15: Commitment positively affects non-economic (soft) performance.*

Different dimensions of relationship performance impact on each other (Palmatier et al. 2007). The non-economic (soft) performance dimension of relationship outcome concerns ultimate issues that involve wider effects, including the up-stream and down-stream impact. Such effects indicate the interdependencies of a demand chain (Jüttner et al. 2007); they focus on the influence on end-users and on relationships with other companies involved in the demand chain (i.e. incorporating the network effect). They include systemic aspects of ties and capabilities within business networks (Anderson et al. 1994; Stabell and Fjeldstad 1998; Evans and Berman 2001). Financial and direct outcomes of one particular relationship results in improvement of non-economic (soft) performance (Henneberg et al. 2009). Therefore:

*H16: Financial performance positively affects non-economic (soft) performance.*

A nomological model was built around the overall framework consisting of three main groups of business relationship characteristics, (1) attitudes (inter-personal and inter-organizational trust) (2) behaviors (commitment, information sharing and relationship-specific investments) and (3) outcomes (financial and non-economic (soft) performance). The overall framework suggested that the attitudinal characteristics affect behavioral characteristics, which consequently affect relationship outcomes. Furthermore, the role of the other party's opportunistic behavior as an antecedent of trust aspects was incorporated in the model. In line with the overall framework, a model was developed with sixteen hypotheses. Figure 2 shows the nomological model of this research.

**Figure 2: The Nomological Model**



## RESEARCH METHOD AND DESIGN

To test the model and its hypothesized relationships between constructs, a questionnaire was designed to operationalize the latent constructs, based on existing scales. In the questionnaire thirty-two items were included for measuring the eight constructs, six items for inter-personal trust (Kumar et al. 1995), four items for inter-organizational trust (Jiang et al. 2011), three items for commitment (Anderson and Weitz 1992), four items for opportunistic behavior (John 1984), three items for information sharing (Heide and John 1992; Cannon and Homburg 2001), four items for relationship-specific investments (Heide and John 1992), three items for financial performance (Palmatier et al. 2007) and five items for non-economic performance (Selnes and Sallis 2003; Beugelsdijk et al. 2009).

The questionnaire was pre-tested at two stages, a qualitative and a quantitative stage. The first (i.e. qualitative) stage involved a set of interviews with senior managers, and the second (quantitative) stage was based on a statistical analysis with use of survey data collected involving executive MBA students, confirming validity and reliability of the scales.

For the quantitative pre-test, in total, 348 completed questionnaires were received. Fourteen of these questionnaires were eliminated as they had missing data. Therefore, 334 questionnaires were used for testing the measurement model. The measurement model was tested by Confirmatory Factor Analysis using AMOS. The construct reliability and average variance extracted were examined (Anderson and Gerbing 1988; Nunnally and Bernstein 1994; Hair et al. 2010). Most Cronbach's alphas exceed the critical level of 0.7. This criterion for non-economic performance is slightly below the upper level (0.687). The AVEs exceeds the critical level of 0.5, again except for non-economic performance (0.45). The measurement model was tested using confirmatory factor analysis. The model fit is indicated with  $\chi^2 = 744.689$  (p-value = .000), df = 301,  $\chi^2/df = 2.474$ , Standardized RMR (SRMR) = .051, CFI = .906, RMSEA = .067. The overall model fit is acceptable.

After satisfactory completion of the pre-test stages, data was collected from 331 informants in the UK (i.e. middle or senior managers knowledgeable about supplier relationships) to empirically test the model, using structural equation modeling. A research company using B2B respondent panels launched the survey. A total of 855 panel members received the invitation (39% response rate). The appropriate organizational roles of respondents were ensured by use of

a screening procedure. Almost 42% of them are senior managers, 20% are of a professional occupation, middle managers, and professional analysts and consultants, and 14% are purchasing managers, and IT managers and administrators.

The unit of analysis in this study is the business relationship, and the respondents were asked to think about one specific important relationship with one of their suppliers (or service providers) and fill in the questionnaire with regard to that specific relationship. Non-response bias was tested using a known value, i.e. the number of employees of the company, which has been used in previous studies (e.g. Palmatier 2008). The test compared this factor of the respondents against non-respondents among the sample members. The comparison, using a t-test, resulted in no significant differences ( $p > 0.05$ ).

In order to test common method bias, a combination of Harman's one-factor test (Harman 1967) and Unmeasured Latent Method Construct (ULMC) (or unmeasured latent method factor) (Podsakoff et al. 2003; Richardson et al. 2009; Podsakoff et al. 2012) were used. The tests suggested that the common method variance does not influence the measurement structure significantly (i.e. method effects are insignificant; details of these tests are available with the corresponding author upon request).

The analysis was performed testing the model fit and its underlying hypotheses. First, reliability and validity of the items were tested, using a combination of Exploratory Factor Analysis (EFA) and Confirmatory Factor Analysis (CFA). The measurement model was tested using AMOS to cross-validate the factor structure (Mishra et al. 1998). The model shows good model fit (Jöreskog and Sörbom 1988; Kline 2005; Hair et al. 2010) with  $\chi^2 = 870.573$  ( $p$ -value = .000),  $df = 436$ ,  $\chi^2/df = 1.997$ ,  $RMR = 0.128$ ,  $CFI = 0.943$ ,  $RMSEA = 0.055$ . The standardized factor loadings are listed in table 1.

**Table 1: Measurement Statistics: Standardised Factor Loading, Composite Reliability and Cronbach's Alpha**

Construct/items	$\lambda$	CR	$\alpha$
<b>Inter-personal Trust</b>		<b>0.93</b>	<b>0.93</b>
1. Whenever the people we deal with at this supplier give us advice on our business operations, we know that they are sharing their best judgment.	0.71		
2. We can count on the people we deal with at this supplier to be sincere.	0.83		
3. Though circumstances change, we believe the people we deal with at this supplier will be ready and willing to offer us assistance and support.	0.83		
4. When making important decisions, the people we deal with at this supplier are concerned about our welfare.	0.87		
5. When we share our problems with the people we deal with at this supplier, we know that they will respond with understanding.	0.91		
6. When it comes to things that are important to us, we can depend on the support of the people that we deal with at this supplier.	0.87		
<b>Inter-organisational Trust</b>		<b>0.94</b>	<b>0.94</b>
1. Our company is confident that this supplier is competent at what it is doing.	0.82		
2. The performance of this supplier always meets our company's expectations.	0.87		
3. Our company believes in this supplier's ability to fulfill its promises.	0.95		
4. Our company is confident with this supplier's ability to fulfill our agreements.	0.92		
<b>Commitment</b>		<b>0.75</b>	<b>0.74</b>
1. Our company has a strong sense of loyalty to this supplier.	0.70		
2. Our company is quite willing to make long-term investments to keep this supplier.	0.69		
3. Our company's relationship with this supplier is a long-term alliance.	0.73		
<b>Opportunistic Behaviour</b>		<b>0.84</b>	<b>0.84</b>
1. On occasion, this supplier lies to our company about certain things in order to protect their interests.	0.83		
2. Sometimes this supplier alters the facts in order to get what they need.	0.86		
3. This supplier has sometimes promised to do things without actually doing them later.	0.71		
4. This supplier feels that it is ok to do anything within their means that will help further their own interests.	0.62		
<b>Information Sharing</b>		<b>0.78</b>	<b>0.77</b>
1. Our company provides this supplier with any information that might help them.	0.68		
2. Our company provides this supplier with proprietary information if it can help them.	0.76		
3. Our company keeps this supplier informed about events or changes that may affect them.	0.75		
<b>Relationship-Specific Investments</b>		<b>0.85</b>	<b>0.84</b>

1.	Training and qualifying this supplier has involved substantial commitments of our company's time and/or money.	0.63		
2.	Our company's processes have been tailored to use the particular items provided by this supplier.	0.79		
3.	Our company's business system has been tailored to meet the requirements of dealing with this supplier.	0.82		
4.	Gearing up to deal with this supplier required highly specialised capabilities (for example people, systems, processes and tools).	0.80		
<b>Financial Performance</b>			<b>0.95</b>	<b>0.95</b>
1.	The relationship with this supplier contributes to our company's achieving a higher sales growth.	0.90		
2.	The relationship with this supplier contributes to our company's achieving a higher profit growth.	0.97		
3.	The relationship with this supplier contributes to our company's achieving a higher overall profitability.	0.92		
<b>Non-economic Performance</b>			<b>0.89</b>	<b>0.89</b>
1.	By cooperating with this supplier our company considerably improves its competitiveness.	0.75		
2.	By cooperating with this supplier our company gains valuable contacts.	0.75		
3.	The relationship with this supplier helps our company to be more innovative.	0.81		
4.	The relationship with this supplier helps our company to detect changes in end-user needs and preferences before our competitors do.	0.81		
5.	The relationship with this supplier has a positive effect on our company's ability to develop successful new offerings.	0.80		

$\lambda$ : standardized factor loading, CR: Composite Reliability,  $\alpha$ : Cronbach's Alpha

Most loadings are above .7 except for a few items (one item for commitment (.69), one item for opportunistic behavior (.62), one item for information sharing (.68), and one item for relationship-specific investments (.63)). However, these items are not eliminated due to the theories supporting them, in addition to further analysis that shows that other reliability measures satisfy the acceptable criteria. These measures include Cronbach's alpha and composite reliability: Cronbach's alphas for the used items were all above 0.7 (Nunnally and Bernstein 1994). In all cases the composite reliabilities (CR) are higher than 0.7, suggesting good reliability (Hair et al. 2010).

In addition to the convergent validity and reliability measures, discriminant validity is tested as a dimension of construct validity. In order to test discriminant validity, AVE values and the correlation estimates between the constructs are computed. If AVE values for any two construct estimates are greater than the squared correlation estimate between these two constructs discriminant validity is confirmed (Fornell and Larcker 1981; Hair et al. 2010).

**Table 2: AVE and Squared Construct Correlation Matrix**

Construct	1	2	3	4	5	6	7	8
1. Inter-personal Trust	<b>0.70</b>							
2. Inter-organisational Trust	0.40	<b>0.79</b>						
3. Commitment	0.49	0.29	<b>0.50</b>					
4. Opportunistic Behaviour	0.25	0.26	0.10	<b>0.58</b>				
5. Information Sharing	0.28	0.20	0.32	0.03	<b>0.54</b>			
6. Relationship-Specific Investments	0.00	0.00	0.10	0.13	0.02	<b>0.58</b>		
7. Financial Performance	0.16	0.07	0.19	0.01	0.14	0.12	<b>0.86</b>	
8. Non-economic Performance	0.37	0.21	0.46	0.05	0.31	0.18	0.52	<b>0.62</b>

Table 2 presents the AVE value for each construct (presented diagonally in bold font) in addition to squared correlation of all paired constructs. The table shows that AVE for each construct is greater than the squared correlation between that construct and other constructs, supporting the overall measurement model and constructs' validity.

## DATA ANALYSIS AND RESEARCH FINDINGS

To test the hypotheses in the model, covariance-based structural equation modeling was used with AMOS 7.0, using the Maximum Likelihood indicator. Overall the model (presented in figure 2) shows a good fit with the data. The fit measures and significance levels are summarized

as:  $\chi^2 = 916.32$  (p-value = .000),  $df = 448$ ,  $\chi^2/df = 2.045$ ,  $RMR = 0.150$ , Standardized RMR (SRMR) = .0639, CFI = 0.938, RMSEA = .056.

Fifteen out of sixteen hypotheses were supported at significant confidence levels; see table 3. Inter-personal trust has a positive and strong impact on inter-organizational trust (.50,  $p=.00$ ). Both trust dimensions positively impact on commitment; with inter-personal trust having a strong significant impact (.70,  $p=.00$ ) and inter-organizational trust having a significant and moderate impact (.14,  $p<.05$ ). Supplier opportunistic behavior has a significant negative and strong impact on inter-personal trust (-.50,  $p=.00$ ) and a relatively strong negative impact on inter-organizational trust (-.26,  $p=.00$ ). The influences of the trust dimensions on behavioral characteristics are also supported. Inter-personal trust has a positive, significant and strong influence on information sharing (.42,  $p=.00$ ); inter-organizational trust has positive, significant and relatively strong influence on information sharing (.19,  $p<.01$ ) and relationship-specific investments (.25,  $p=.00$ ).

Relationship-specific investments have a strong and significant positive effect on commitment (.35,  $p=.00$ ). Supplier opportunistic behavior has a significant and strong impact on relationship-specific investments (.47,  $p=.00$ ), but in contrast to the hypothesized relationship, the relationship is positive (this is the only hypothesis unsupported here). Relationship-specific investments have a significant and relatively strong positive path coefficients with regard to both dimensions of relationship performance, financial performance (.19,  $p<.01$ ) and non-economic (soft) performance (.12,  $p<.01$ ). In turn information sharing significantly, relatively strongly and positively affects non-economic (soft) performance (.18,  $p<.01$ ).

Commitment has a significant and strong positive path coefficients with regard to both dimensions of relationship performance, financial performance (.45,  $p=.00$ ) and non-economic (soft) performance (.43,  $p=.00$ ). Finally, financial performance significantly, strongly and positively affects non-economic (soft) performance (.42,  $p=.00$ ).

Squared multiple correlations of dependent variables are the values representing the extent to which the dependent variables are explained by their predictors (Jöreskog and Sörbom 1993; Hair et al. 2010). The squared multiple correlations show that commitment (.72) as the crucial dependent variable is well explained by the model (in other words the error variance of commitment is approximately 28 percent of the variance of commitment itself). With regard to the performance dependent variables, non-economic (soft) performance is well explained (.74) with financial outcome showing relatively less explained variance (.24) (a complete list of the squared multiple correlations are presented in table 4).

**Table 3: Test of Hypotheses**

Hypothesis	Standardized Regression Weights
<i>H1: Inter-personal trust positively affects inter-organizational trust.</i>	.50 ***
<i>H2: Inter-personal trust positively affects commitment.</i>	.70 ***
<i>H3: Inter-organizational trust positively affects commitment.</i>	.14 *
<i>H4: (Supplier's) opportunistic behavior negatively affects (buyer's) inter-personal trust.</i>	-.50 ***
<i>H5: (Supplier's) opportunistic behavior negatively affects (buyer's) inter-organizational trust.</i>	-.26 ***
<i>H6: Inter-personal trust positively affects information sharing.</i>	.42 ***

<i>H7: Inter-organizational trust positively affects information sharing.</i>	.19 **
<i>H8: Inter-organizational trust positively affects relationship-specific investments.</i>	.25 ***
<i>H9: Relationship-specific investments positively affect commitment.</i>	.35 ***
<i>H10: (Supplier's) opportunistic behavior negatively affects (buyer's) relationship-specific investments.</i>	.47 *** <sup>(a)</sup>
<i>H11: Relationship-specific investments positively affect financial performance.</i>	.19 **
<i>H12: Relationship-specific investments positively affect non-economic (soft) performance.</i>	.12 **
<i>H13: Information sharing positively affects non-economic (soft) performance.</i>	.18 **
<i>H14: Commitment positively affects financial performance.</i>	.45 ***
<i>H15: Commitment positively affects non-economic (soft) performance.</i>	.43 ***
<i>H16: Financial performance positively affects non-economic (soft) performance.</i>	.42 ***

\*\*\* significant at the 0.001 level; \*\* significant at the 0.01 level; \* significant at the 0.05 level (two-tailed)  
<sup>(a)</sup> the relationship is positive in contrast to the hypothesized relationship

**Table 4: Squared Correlations**

<b>Dependent Variable</b>	<b>R<sup>2</sup></b>
Inter-personal Trust	.25
Inter-organisational Trust	.45
Commitment	.72
Information Sharing	.32
Relationship-Specific Investments	.16
Financial Performance	.28
Non-economic Performance	.74

## DISCUSSION AND CONTRIBUTION

The test of the measurement model with the final survey shows that inter-personal trust and inter-organizational trust can be considered as two distinct constructs (by means of implementing several techniques for testing discriminant validity). Jiang et al. (2011), Fang et al. (2008) and Doney and Cannon (1997) have also provided evidence for discriminant validity between inter-organizational and inter-personal aspects of trust.

The results supported the impact of inter-personal trust on inter-organizational trust, inter-personal trust impacting on commitment and information sharing while inter-organizational trust impacts on commitment, information sharing and relationship-specific investments (all effects are significant and positive). Furthermore, the positive effect of behavioral characteristics on relationship outcomes was supported: Commitment and relationship-specific investment were influencing both financial and non-economic performance, while information sharing influences non-economic performance. Relationship-specific investments impact positively on commitment, and financial performance impacts positively on non-economic performance. The negative effect of the other party's opportunistic behavior on both trust dimensions was found, while its expected negative effect on relationship-specific investments was not supported by the data.

Overall the role of trust as a key concept influencing relationship outcomes is supported. This confirms the findings of previous studies showing the effect of trust on relationship outcomes (e.g. success, long-term orientation and expectation of continuity: Mohr and Spekman 1994; Geyskens et al. 1998; Zaheer et al. 1998; Palmatier et al. 2006; Jiang et al. 2009), and adds to it

by showing the role of a group of behavioral business relationship characteristics mediating this effect. Previous studies have found that trust affects cooperation (as a dyadic construct) (Palmatier et al. 2006). This study also considers (cooperative) behavioral characteristics such as information sharing and relationship-specific investments (as a monadic construct) and finds that different aspects of trust promote such behaviors (particularly information sharing affected by both inter-organizational and inter-personal trust and relationship-specific investments by inter-organizational trust). This study shows that commitment has a central role in determining relationship outcomes. Previously, scholars including Palmatier et al. (2007) and Morgan and Hunt (1994) have also found a similar impact. The role of relationship-specific investments as immediate precursor of relationship outcomes is also supported (in line with Palmatier et al. (2007) and Fang et al. (2008)'s findings). The impact of trust at the inter-organizational level on relationship-specific investments is also supported (similar to results shown by Fang et al. (2008)).

However, the suggested negative effect of supplier's opportunistic behavior on relationship-specific investments was not supported. In contrast, a positive effect was observed. Previous studies have also reported an inconsistency with regard to the role of opportunism in inter-organizational relationships. Gundlach et al. (1995) investigate the role of opportunism in mediating commitment processes and do not find consistent results. Additionally, Palmatier et al. (2007) have developed a model of business relationships, using a resource-based perspective, in which the opportunistic behavior of the other party (i.e. the supplier) is suggested to affect (the buyer) relationship-specific investment. Testing this relationship has shown a positive effect, although it is not significant. In this regard, they argued that the supplier's opportunistic behavior plays a role only by influencing the buyer's trust and consequently affecting the outcomes.

There are some potential explanations for this counterintuitive result, in that the customers might have some other mechanisms in place to safeguard their investments (in spite of opportunistic behavior of the supplier). These mechanisms are potentially also a part of the investments the customers make in the relationship for monitoring the supplier, ensuring their performance and controlling their opportunism. Thus, when they observe a higher level of opportunistic behavior, they protect their assets (e.g. by means of contractual governance and third party monitoring (Williamson 1979; Gilliland and Bello 2002; Cavusgil et al. 2004; Ferguson et al. 2005; Heide et al. 2007)) and to signal their interest in the relationship in an attempt to moderate the other party's attitude towards the relationship, and create stronger bonds. Examining this issue of creating stronger bonds, it can be argued that in a situation in which there is a risk of opportunistic behavior, the parties try to use safeguarding mechanisms. Relationship-specific investments can make exchange partners irreplaceable, or replaceable only at a cost (Heide 1994), acting as a safeguarding approach. However, further studies should investigate this surprising result.

This study contributes to a body of the literature that has called for the study of trust in business relationships noting its complexity (Wilson 1995; Geyskens et al. 1998; Seppänen et al. 2007). Previous studies have distinguished between different aspects, particularly at the inter-personal and inter-organizational levels (Dwyer et al. 1987; Chow and Holden 1997; Doney and Cannon 1997; Zaheer et al. 1998; Blois 1999; Mouzas et al. 2007; Jiang et al. 2011). Previously, scholars have attempted to conceptualize inter-personal and inter-organizational aspects of trust (Blois 1999; Mouzas et al. 2007). It has been particularly emphasized in the literature that trust does not

always have the predicted effect in empirical studies because the complexities of this concept are not carefully captured in the measurement phase of the research (Wilson 1995; Seppänen et al. 2007). By measuring two different aspects of trust using different sets of scales and distinguishing between them in the model, this study addresses this gap. It also contributes to understanding of how trust enhances the outcomes of the relationship, mediated by affecting commitment and promoting collaborative behavior (i.e. information sharing and relationship-specific investments), adding both dimensions of trust into the equations. Therefore, this study extends our understanding of different aspects of trust by empirically testing them. This adds to the limited number of studies that have sought to do so (Chow and Holden 1997; Doney and Cannon 1997; Zaheer et al. 1998; Fang et al. 2008; Jiang et al. 2011).

Whereas traditionally B2B relationships have been studied by examining attitude-outcome relationships (e.g. trust-commitment theory based on SET), and behavior-safeguarding relationships (e.g. TCE), there is an ongoing attempt to bridge these two perspectives (Palmatier et al. 2007). On the other hand, in spite of the vast literature exploring the role of trust in inter-organizational relationships, there is an increasing attempt to shed light on how different aspects of this concept play different roles in such relationships (Zaheer et al. 1998; Fang et al. 2008). This study contributes to theory and practice of B2B relationships by addressing these issues (i.e. examining and testing an ‘opportunistic behavior-attitude-behavior-outcome’ framework of B2B relationships and distinguishing between inter-personal and inter-organizational trust in these relationships).

Transaction cost economics (Williamson 1975) and the relational norms perspective (Heide and John 1992), which is also rooted in transaction cost economics, focus on the cooperative behaviors in business relationships. They support the relevance and importance of relationship-specific investments (Williamson 1975; 1979; Heide and John 1992) and information sharing (Williamson 1979; Heide and John 1992; Heide and Miner 1992) in business relationships. The relational norms perspective incorporates the role of social dimensions in business relationships by emphasizing the importance of social norms. This study extends these perspectives by investigating and confirming the impact of both inter-personal trust and inter-organizational trust on relationship behavioral characteristics. This study contributes to these two perspectives by showing the relevance of these two aspects of trust when explaining the behavioral characteristics and showing that inter-personal and social relationships play a significant role in business relationships, in addition to the inter-organizational and structural dimensions. Furthermore, transaction cost economics emphasizes the role of opportunism (Williamson 1985). However, the relational norms perspective challenges this emphasis (Heide and John 1992). In this study the impact of opportunistic behavior on attitudinal characteristics (i.e. inter-personal trust and inter-organizational trust) is suggested and tested. The antecedent role of opportunistic behavior of the other party on two dimensions of trust is identified. An additional relationship (i.e. the negative effect of opportunistic behavior on relationship-specific investment) is also suggested and tested. This relationship is not supported. This suggests that the role of opportunistic behavior in business relationships needs further investigation. This finding additionally supports the relational norms perspective, which challenges the focus on opportunistic behavior. However, the impact of opportunistic behavior on aspects of trust and their effect on behavioral and consequently on outcome characteristics are supported. This supports the mediating role of trust in the relationship between opportunistic behavior and behavioral characteristics and re-emphasizes the significance of the role of trust (at both levels).

Social exchange theory (including the IMP approach) assumes that the role of social interactions and inter-personal relationships is critical in exchanges such as business relationships (Blau 1964; Emerson 1981). Both social and structural characteristics are considered as influential factors when examining business relationships (Wilson 1995; Blois 1999). This study tests the role of trust with consideration of these two aspects (social, i.e. inter-personal, and structural, i.e. inter-organizational,) and confirms their relevance. Therefore, this study contributes to social exchange theory by empirically testing and confirming its underlying assumptions. It confirms the difference between inter-personal trust and inter-organizational trust suggested by previous studies based on SET. In particular, this study confirms the proposition made by social exchange theory that emotions and feelings (the source of inter-personal trust) play a role in business relationships, which involve social exchanges (Thibaut and Kelley 1959). This study, furthermore, develops SET by testing and supporting the impact of these two aspects on behavioral characteristics (i.e. commitment, relationship-specific investments and information sharing) and relationship outcomes (financial and non-economic performance).

The resource-based view emphasizes implementation of strategies that enable firms to gain competitive advantages accessing and managing resources productively and profitably (Wernerfelt 1984; Barney 1986). This study contributes to this perspective by developing a framework that incorporates two different groups of characteristics (i.e. attitudinal and behavioral) that play a role enhancing business relationship outcomes. Particularly it shows that firms can achieve superior outcomes and enhance their competitive advantage by establishing and managing trust-based relationships, which allow them to make investments and share information with the purpose of improving the relationship outcomes and creating value. Both inter-personal trust and inter-organizational trust enhance commitment and relationship cooperative behavior (specifically inter-personal trust influences commitment and information sharing; and inter-organizational trust influences commitment, information sharing and relationship-specific investments). These behavioral attributes consequently improve the relationship performance (specifically commitment and relationship-specific investment influence both financial and non-economic performance; and information sharing influences non-economic performance).

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