

CONCEPTUALIZING DYNAMICS OF TRUST IN BUSINESS RELATIONSHIPS

Abstract

This paper aims to conceptualize the dynamics of trust in business relationships by identifying its dimensions, processes and determinants. The research employs empirical data obtained from a longitudinal case study of a 10-year business relationship. Event-based narrative analysis, assisted by the computer software of ETHNO, is used in data analysis. This research reveals a key conceptual distinction between trusting attitudes and trusting actions that compose the dynamic nature of trust in business relationships. An analytical framework is developed to show how these two dimensions evolve through distinct but connected processes that are embedded in relationship evolution and affected by different contextual determinants. This research is among the first efforts to formally conceptualize the dynamics of trust in business relationships using empirical studies. The findings are of value to managers in terms of how to interpret the behaviours of their partners more appropriately and how to design better strategies for developing, maintaining and using trust in business relationships. The trust developed between partner firms is not a real competitive advantage of the relationship until it is activated, therefore, managers should also pay attention to the contextual factors that breed partner firms' intentions to engage in trusting actions to promote the relationship development.

Key words: dynamics, trust, context, interaction, business relationships

Track: Managing Industrial Networks

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Conceptualizing Dynamics of Trust in Business Relationships

INTRODUCTION

Virtually every commercial transaction includes an element of trust, and in particular, trust plays a central role in the formation, development and maintenance of business relationships. Various definitions of trust exist. In this paper it is defined as a willingness to rely on an exchange partner in whom one has confidence (Moorman et al., 1993) based on “a belief, sentiment, or an expectation about an exchange partner that results from the partner's expertise, reliability, and intentionality” (Ganesan, 1994). Two main types of trust are commonly distinguished based their sources, i.e., cognitive and affective trust (Lewis and Weigert, 1985, McAllister, 1995, Huemer, 1998). Calculative trust rests on a logical and rational calculation of likely outcomes of future collaboration compared to alternatives. Such trust is chiefly motivated by a value-adding collaboration with resource complementarity and reputation effects (Larsson et al., 1998). Affective trust occurs because an emotional bond is created between people, enabling them to transcend rational predictions, to take a “leap of faith” that trust will be honoured (Lewis and Weigert, 1985).

There is no shortage of research in trust. Its dimensions have been examined (e.g., Child, 1998, Chowdhury, 2005), typologies have been proposed and measured (e.g., Doney and Cannon, 1997, Young, 1993) and precursors and outcomes have been the subject of theory and empirical analysis (e.g., Morgan and Hunt, 1994, Smith and Barclay, 1997). These studies have made a significant contribution to our understanding of trust in business relationships. However, the research has not yielded a coherent and integrated literature (Geyskens et al., 1998, Lewicki and Bunker, 1995), especially regarding the origins and effects of trust. Take commitment as an example. Some researchers argue that commitment helps to breed trust in business relationships (e.g., Selnes, 1998, Walter et al., 2000), while others contend that the existence of trust leads to higher level of commitment (e.g., Kwon and Suh, 2004, Ruyter et al., 2001). In another example, Rodriguez and Wilson (1995) reported that affect-based trust did not affect performance-based trust, but Johnson and Grayson (2005) found empirical evidence supporting a significant and positive relationship between performance-based trust and affect-based trust.

One way of explaining the diverging findings is that trust might be measured and tested at different stages of relationships, which represent different contexts in which trust exists. As Anderson and Narus (1990) point out, people only give a present state report of how much their firm trusts the partner firm at the current point in time. This tells us little about the way trust develops over time in a relation and the different kinds of factors shaping this at different points in time. Trust is a dynamic context-based phenomenon built on both direct and indirect experiences (Arnott, 2007a), whose nature and extent are continually being shaped and restructured by actions and interactions taking place within and between firms and the interpretations of the parties involved. This is a continuous development process with feedback effects in which trust affects and is affected by various factors at different times in relationships. The majority of research on trust has been static, cross-sectional and focused on variable-based correlations in which time and process are absent.

Limited attention has been given to the dynamics and evolving nature of trust, which remains under-theorized, under-researched and therefore, poorly understood (Child, 2001). But this is not to deny the efforts of some researchers (e.g., Wicks et al., 1999, Moorman et al., 1992, Behnia, 2008, Huemer, 1994, Lewicki and Bunker, 1995, Jones and George, 1998). For example, Wilson (1995) contends that trust could be active at early stages of business relationships but become latent later in the relationship during the process of setting relationship boundaries and maintaining relationships. In addition, Doney and Cannon (1998) identify five distinct processes by which trust can develop in a business relationship.. More recently, Behnia (2008) discusses trust development as the outcome of a complex process involving the interpretation of the situation in which the partners find themselves. These studies shed light on how trust is built, mobilized and redeveloped over time. However, the gaps are apparent as well. Much of this research consists of theoretical speculations or is based on cross-sectional studies, rather than systematic studies of relationship histories. Furthermore, the multi-dimensionality of trust (e.g., Williamson, 1993, McAllister, 1995, Lewis and Weigert, 1985) seems to be lost in these studies, as they tend to treat trust more as an umbrella term, with the implicit assumption that the different dimensions of trust follow the same developmental path over time.

In this paper we report the results of a systematic case history of trust evolution in a particular relation and the processes driving this. The findings are then used to propose a general process model of the dynamics of trust in business relationships.

THE LONGITUDINAL CASE STUDY

The case study undertaken in this research concerns the 10-year history of a business relationship between Xtar Sports Management Corp. (hereafter Xtar Sports), a state-owned firm in Shanghai, China, and HBB Beverage Corp. (China) (hereafter HBB China), the Chinese subsidiary of a European firm. Xtar Sports was a subsidiary to Shanghai Eagle Group (hereafter Eagle Group), which was one of the largest state-owned transportation companies in China. Xtar Sports was established in 1997 to operate and manage a major ATP tennis event in Shanghai acquired by Eagle Group. It was in the same year that HBB China became the title sponsor to the event and the first client to Xtar Sports as well.

Data collection

The data collected covers a 10-year relationship history from its beginning in 1997 to 2006. The year 2006 was chosen as an ending point for the case because HBB China decided to downscale its tennis sponsorship in that year. Following that, the degree of cooperation and the scope of interactions in the relationship were restricted. The primary data source was in-depth interviews, supplemented by historical documents, including company reports, internal newsletters, meeting minutes and media clippings.

A snowball sampling strategy was used to identify appropriate informants for interviews, which resulted in six senior managers from Xtar Sports and four from HBB China being interviewed. These people were the chief representatives of their firms in managing the relationship, thus,

having first-hand knowledge of what had happened in the relationship and more importantly, of why it had happened.

In-depth interviews were conducted in two rounds. The exploratory interviews in the first round were used to develop an overview of the way the relationship developed, while follow-up interviews included more in-depth questions to probe issues related to key events and changes in trust occurring as the relationship developed. All interviews were semi-structured, guided by a list of suggested questions, all of which were open-ended and generic. Other aspects could emerge during the course of the interview. Respondents were encouraged and given space in the interview for a thorough discussion. Following the suggestions in the literature (Blois, 1999, Cummings and Bromiley, 1996), careful attention was made not to lead informants by asking direct questions regarding trust. The interviews lasted from 90 minutes to two hours, and were taped and transcribed verbatim.

Data analysis

An event-based narrative explanation (Abbott, 1984, Abell, 2004, Heise, 1989) is used for this research. Narrative explanation, as a method, describes in chronological order what happened, why it happened and how it happened. It seeks explanations of changes with a focus on the nature, structure and sequences of events constituting the history. An event is the smallest meaningful unit in which changes can be detected (Poole et al., 2000). According to Easton (1995), events consist of individual or collective actors taking actions or responding to the actions of others in a certain context. Through events, the various forces that influence development and change come into play. Event-based narrative analysis addresses the complexity of events by incorporating different types of effects into explanations, including contextual influence, feedback effects, critical events as well as tipping points. Such an approach makes it possible to go beyond a surface description to the logic behind observed temporal progressions, which provides a richer and more realistic understanding of actual processes.

The role of context was examined at three levels. First is the external environment which includes the social, competitive and sectoral environments in which the cooperating firms operated. Second is the internal environment of the firms involved, including their structural, cultural and strategic environment. Third is the relational environment, where interactions between partner firms take place, including the power structure, commitment and the existence of personal relationships.

Two steps were taken to analyse the data. Firstly, the main events taking place were identified and listed. Then a temporal map was constructed that showed the sequence of events and if there were some form of connection between them. The mapping process guides the researchers to focus on conjunctures and key events. Events that were incidental or without any meaning in the causal path were extracted from the chronology and those that were retained were coded to discern the general pattern of the relationship evolution over 10 years. Appendix 1 presents the summary map and codes of events.

Based on the pattern of events in the temporal map, four developmental phases were revealed. Most events in phase I were connected in a convergent manner, implying a mutual search and

each firm's objective of forming a collaborative relationship. The event structure in phase II is more divergent indicating increased interaction across various domains. This trend was more obvious in phase III, when events followed two clear lines, one describing the intensified interaction between the partner firms mostly in extra-contractual contexts and the other related to Xtar Sports' activities for its own business development. In contrast to the intensity of events in phase III, many fewer events were identified in phase IV, reflecting a restrained scope of interaction between the partners. Guided by the content and nature of interaction taking place, these phases were named as the initial building phase (1997-early 1998), learning phase (mid 1998-2001), transitioning phase (2002-2004) and rebuilding phase (2005-2006).

The second step was to conduct in-depth analysis to construct casual event structures for each developmental phase. Particular attention was given to extreme, critical and deviant events which directly or indirectly caused changes related to trust in the relationship. These critical events were re-coded based on the actors involved, the nature of activities, and their context of occurrence. The coded events, together with their sequences and connections, reflected the drivers of changes in trust.

ETHNO, a computer software programme for event-structure analysis (Heise, 1992), was used as a reliability test. ETHNO forces researchers to transform a chronology of events into a series of yes/no questions where researchers are asked to decide if a temporal antecedent is required for the incidence of a subsequent event. The diagram generated in ETHNO was compared to the map manually developed in the early analysis to evaluate the logical interpretations of the temporal and structural connections among events. Whenever logical disagreement was detected, the data was revisited for more thorough analysis. Informants were involved in the process to provide more information and to confirm the appropriate understanding of events. Additional insights were gained through this process. An iterative fashion was followed until an agreement and a degree of saturation were achieved (Glaser and Strauss, 1967).

FINDINGS

Initial building phase (1997-early 1998)

Relationship development

At the request of the local government, the Eagle Group purchased in 1997 a tennis event franchised by the Association of Tennis Professional (ATP). It also established Xtar Sports as its subsidiary to manage the event. In return, the local government promised their full support for the event. The agreement to purchase the ATP franchise marked the beginning of a close relationship between the Eagle Group and the local government.

Xtar Sports started as a small company with only 6 employees, none of whom had any experience in event management. Two certified event managers from America, Mark and Cleve, were soon recruited as directors for event management. The first challenge for Xtar Sports was to sell the sponsorship of the event. A number of potential clients were approached, one of which was HBB China. Negotiations between Xtar Sports and HBB China started in late 1997 and lasted for five months, which turned out to be an important learning experience for both parties guided by a mutual objective of establishing a formal business relationship. Business meetings

and negotiations were the main activities at this stage, but initial interaction in social settings occurred as well that enabled the senior managers to get to know their counterparts better. The deal was closed in early 1998, with a 1+2-year contract. This meant that HBB China had the right of termination at the end of the first year if it was not satisfied with the investment.

Trust development

The initial phase was unpredictable and risky for both partners. The tennis market in Shanghai in late 1990s was very sluggish. Internally, HBB China had little experience of cooperating with Chinese companies, while Xtar Sports was restricted by its limited knowledge and expertise in event management.

In these conditions both firms were strategic in selecting partners and trust was sought after as a precondition of the relationship to reduce the perceived risk in the market. For example, the awareness of its limited resources led Xtar Sports to search for a partner with complimentary resources, including a compatible corporate brand image associated with tennis, strong financial capabilities and experience of sports sponsorship. HBB satisfied all these requirements.

While the initial trust Xtar Sports developed in HBB China was largely driven by a rational calculative analysis, the trust placed by HBB China in its partner turned out to be more complicated in nature with both calculative and affective considerations. Their trust, first of all, was largely grounded in their confidence in and liking for Mark and Cleve, the two Americans that represented Xtar Sports throughout the negotiations. According to the former General Manager of HBB China, a key member in the selection panel, this could explain “*even 60% of the whole reason why we said ‘Ok, let’s go for it’*”.

Shanghai was a key market for HBB China and it had been seeking more marketing opportunities. The tennis event was seen by HBB China as a valuable branding opportunity and the value of Xtar Sports to HBB China was largely defined by the value of the event it managed. Xtar Sports’ solid connection with the local government was another attraction for HBB China.

To begin with, trust in the relation for each firm was based on their understanding and interpretation of the prior history and known characteristics of the partner firm, including its resources, reputation and networks. Both firms were goal-oriented in evaluating the other’s trustworthiness. Such cognitive or calculative trust, without concrete experience, is more like an optimistic hope or wishful thinking. It could be untrue and is fragile in the initial phase (McKnight et al., 1998). Both firms have acted upon their trust in each other by agreeing to be committed to a formal business relationship. In this sense, trust was a major driving force to initiate the relationship and was used by the two firms to predict the other’s behaviour in the relationship so as to reduce the potential risk of a first-time collaboration.

Learning phase (mid 1998-2001)

Relationship development

With the 1+2 contract, the first year of cooperation was a potentially fragile stage in the relationship. Therefore, the short-term relational goal Xtar Sports set was to satisfy its client and get the contract renewed. The first year was critical for HBB China as well, in that survival in the

short term was the first condition for its engagement in a long-term relationship. Its expectations of Xtar Sports were simple, i.e. to execute the tennis event successfully and to fully realize the title sponsorship rights. HBB China worked closely with Xtar Sports to make the event happen and succeed.

The first HBB Open was successfully staged in late 1998, and the cooperation between the firms was smooth and uneventful. As a result, HBB China renewed the contract for two years. This was an important event that motivated Xtar Sports to adjust its relational goals to a longer term orientation and more determination to grow its own business by extending the scope of the ATP event.

“We no longer viewed HBB China as a major source of financial support...we would take it as a family member...We also need to further develop our own business, so we should try to upgrade the event.” General Manager, Xtar Sport

The revised goals led to an extended scope of interaction in the relationship. In addition to cooperating on the HBB Open, the two firms began to interact in more informal settings, which helped to breed familiarity and emotional ties between the managers.

“What really happened between year 2 and year 3 is that we became very close friends, personally...I think if we learned anything, it certainly was that we always want to do better for these guys (from HBB).” Executive Director of International Division, Xtar Sports

The impact of personal relationships on business development did not emerge immediately. They were helpful in opening up dialogues between the partners, especially during the difficult times. One evidence of this is a critical event occurring in 2000. Xtar Sports purchased a women's tennis franchise for the first time. To begin with HBB China rejected a sponsorship proposal from Xtar Sports, since women were not its appropriate target market. However, when Xtar Sports failed to sell the sponsorship and turned to HBB China again for help, it agreed and became the official beverage sponsor for the event.

Events like this indicated that the relationship had evolved to be a mutually cooperative one, where both firms were able to make contributions to the benefit of each other. They marked the initial transition in the nature of the relationship from a simple buyer-seller relationship to a more sophisticated partnership in which the firms went beyond their contractual obligations. The relationship was strengthened when both partners were able to offer support when needed.

After years of substantial learning in the relationship, Xtar Sports had developed into a capable event management firm with ambitions to do more for its further development, while HBB China remained focused on the HBB Open. This led to a potential mismatch between the partners' ambitions. In 2001, Xtar Sports bid for the Masters Cup in Shanghai, a premium ATP tennis event, to replace the HBB Open. The success of the bid made Xtar Sports more determined to cooperate with more prestigious international clients. This eventually led to changes in its perception of HBB China in later years of the relationship.

Trust development

The intensified and extended interactions between the two partner firms provided a fruitful environment for trust development in this phase. The wishful thinking of the initial phase was confirmed and a solid ground for trust was built on the actual experience of cooperation. The trust placed in each other was enhanced and strengthened, driven by the acceptance of and satisfaction with the partner's competency and goodwill, as evidenced in the daily cooperation. As the relationship matured, affective trust developed more through the experience of the partner firms' behaviour in exceptional and difficult circumstances. The cultivation and intertwining of cognitive and affective trust were observed in this phase, which together merge gradually into expectations of continuity and further enhancement of the relationship.

Despite the existence of solid cognitive and affective trust, its impact on business practices was restricted. Evidence of this is provided by a former Managing Director of HBB China: "*personal trust is always nice and helps you in certain times, but the underlying motto always is 'does it make business sense for both parties?'*" This shows that the driving force behind HBB China's interest in and full commitment to the relationship with Xtar Sports largely stemmed from business considerations, indicating the contingent nature of acting upon trust in business relationship.

Trust between the partner firms was boosted in this phase but it did not play as constructive a role as it did in the initial building phase. Trust escalated the partner firms' desire for a long-term relationship and changed their perception of the relationship to be more than simply a sponsorship program. But these changes did not lead to concrete actions that transcended the nature of the relationship, as most activities and interactions still took place in the sponsorship-specific context.

Transitioning phase (2002-2004)

Relationship development

The bonding between Xtar Sports and HBB China cultivated in the early years began to work in this phase to further develop the relationship. From time to time, Xtar Sports and HBB China would ask for favours from each other. Out of these interactions led to a deeper and tighter connection between the firms. The relationship became institutionalized in that routines and sentiments were developed that gave partner firms a feeling of belonging together (Hakansson and Sharma, 1996). The relationship had become a resource with its own momentum. Both firms were determined to continue the relationship, which motivated them to identify new opportunities for the relationship to ensure its survival.

A tipping point occurred in late 2002, when HBB China experienced a disappointing market performance in China and was asked by its headquarters to do more event marketing. The early discussion initiated by Xtar Sports on doing more events was reopened. The milestone year was 2003, when the two firms formally extended the scope of their cooperation from the tennis events to a variety of projects, including a few major music events and corporate hospitality events for HBB China.

A critical event was the decision by Xtar Sports to rent the ATP franchise (the former HBB Open) to Vietnam after it won the hosting rights for the Tennis Masters Cup for three years starting in 2005. This meant the termination of the HBB Open in Shanghai. More importantly, it indicated Xtar Sports' ambition to stage more prestigious events to develop its business. At the same time, there were internal instabilities within HBB caused by an organizational restructuring. HBB China had not done much marketing since 2004 and relied more on the sponsorship program to achieve its marketing goals. These observations led to the conclusion that, even though Xtar Sports and HBB China knew each other well and kept treating each other favourably, they were moving apart gradually.

Trust development

This phase witnessed the building of broad trust (Zaheer et al., 2002) in which the trust between the partners was grounded on a more comprehensive understanding and set of activities. More favourable behaviours in extra-contractual domains took place and their impact on solidifying trust was stronger and more apparent when the relationship matured.

Ability and integrity were influential in trust development at the early phases of the relationship, but the effect of benevolence increased as the relationship further unfolded. There was a gradual disappearance of the explicit consideration of credibility as a driver of trust (Young and Denize, 1995). Instead, the goodwill of the parties towards each other became more important in sustaining the existing trust. This is seen, for example, in the fact that Xtar Sports always went to HBB China first to check its interest in sponsoring new events before it approached other potential clients.

“If there were other projects that we could do together, we would do together, because there was enough trust there that we knew what the other side wanted and needed... We could just sit down at a meeting and say ‘ ok, this is the opportunity. What do you think?’” Managing Director of International Division, Xtar Sports

At a certain point during this phase, the level of trust may have reached its peak. Though both firms have consistently displayed their professional expertise and benevolent commitment to the relationship, no further changes in the nature and depth of trust were reported. A stable equilibrium was established in the relationship with the patterns of actions and interactions reproducing and sustaining the firms' perceptions and beliefs in each other. Trust was maintained when each firm was able to bring opportunities to the other to achieve mutual relational benefits.

Trust was active in this phase in that it played a key role in driving relationship evolution and became the basis for planning additional activities in the relationship. Trust built the desire for relationship enhancement (Andaleeb et al., 1992, Selnes, 1998) and motivated efforts to deepen the cooperation. Further, it assisted in reducing the perceived risk and stretched the partner firms' acceptance of uncertainty when entering a brand new business, such as managing events in the music industry.

Rebuilding phase (2005-2006)

Relationship development

This phase began with major organizational changes taking place in Xtar Sports and HBB China. One key change was the takeover of the marketing of HBB products in China by HBB Asia Pacific Ltd. (China) in 2006, followed by the allocation of a new marketing team to work on tennis sponsorship. The significant changes in the internal environments especially of HBB China broke the stability in the relationship environment. Instead, a new relationship environment was created. The emotional bonds between the partners became weaker. Fewer interactions took place with the majority occurring in a well-defined contractual context. The relationship was pulled back from a close partnership to a business friendship level (Wilson, 1995). The future of the relationship became uncertain.

The long-term interdependence between the firms, especially the emotional ties Xtar Sports had towards HBB China, encouraged Xtar Sports to expect continuing exchange and future interactions. It adjusted its relational objective to maintain the relationship as long as possible, though at an arm's length at this particular time. Driven by this goal, Xtar Sports took initiatives in communications, trying to learn and build rapport with the new HBB China team. However, the new HBB team was neither responsive nor active in the sponsorship program. The commitment of HBB China to the relationship faded with the assignment of the new team. In 2006, HBB China decided to decrease its investment in sponsoring the Tennis Masters Cup.

Trust development

The structural and personnel changes in HBB China disrupted the existing ties between Xtar Sports and HBB China, which led to a process of trying to rebuild trust with the changed partners. The existing trust built over time, played a role in keeping the relationship going.

Different drivers of trust development existed for the local Chinese management team in Xtar Sports and the two American managers. Mark and Cleve, the two Americans in Xtar Sports, were explicit with their gratefulness to HBB China for its contribution to the tennis event and development of the tennis market in Shanghai. Their trust in HBB China was maintained largely by their affection-based goodwill. On the other hand, the local Chinese management team adopted a more practical strategy that was mainly based on their confidence in HBB China's ability to revive its performance in China and to become active again in sports sponsorship. These differences reflect selective memories of the past that led to different grounds on which trust was maintained, which further illustrates the contingent and dynamic nature of trust.

In general, the trust Xtar Sports placed in HBB China can be seen as a form of strong faith in this phase. Faith has been understood as an emotion related to trust, based on identification and attachment (Young, 2001). It is also an outcome of strong trust (McAllister, 1995). In this case, Xtar Sports' emotional attachment to HBB China as a family member interacted with its confidence in the partner's marketing capability to restore its sales in China. Such affective and calculative trust motivated Xtar Sports to remain loyal and committed to the relationship, to ensure its continuity. This provides a counterargument to the view of Wilson (1995) that trust is latent in maintaining the relationship. When conditions change dramatically, trust could become active in shaping responses, thus becoming a driving force in relationship maintenance.

DISCUSSION

The case can be summarized in terms of a model of the dynamics of trust as presented in Figure 1. The model integrates contexts, processes and outcomes to provide a basis for the interaction between the dynamics of trust and relationship evolution that goes on continuously.

The longitudinal case reveals that the dynamics of trust involves two aspects, namely, trust as an attitude (trusting attitudes including both cognitive and affective types) and trust as an action (trusting actions). These concepts engage two distinct but connected processes embedded in relationship evolution driven by different sets of determinants. Trust as an attitude can be a mix of cognitive and/or affective types at different phases of a relationship, while the strength of each type of trust may increase or decrease or be stabilized over time as the relationship develops. Trust as an attitude is constantly being tested, changing or not as a psychological response to the experience and outcomes of the actions and interactions occurring in the relationship. Trusting attitudes are not forced but develop naturally out of the social and business interactions, with various factors triggering changes in trust. A firm's awareness and understanding of its own resources affect its interpretation and evaluation of the resources possessed by its partner firm, which, in turn, would lead to the emergence and changes of calculative beliefs in the partner firm. Beliefs can also be of affective type developed in both business and social settings. Resources and beliefs are constantly adjusted when firms and the relationships they are in evolve over time, which leads to the changes in the nature and structure of trusting attitudes. For example, as shown in the case, initial trust is built mainly as second-hand goal-oriented learning. It is more likely to be cognition-based, largely driven by partner firms' understanding and interpretation of each other's history and its resources, such as reputation and networks. When the relationship matures and trusting attitudes become consolidated, firms' calculative beliefs in each other are less likely to change and become less conscious to partner firms, but the affective beliefs are still being reinforced especially by behaviours in extra-contractual contexts at difficult times.

Trusting actions, on the other hand, are firms' strategic responses to a given environment, which reflect decisions to rely on trust to take on assumed risks (Mayer et al., 1995). Typical trusting actions include relationship investment, influence acceptance, communication openness and control reduction (Smith and Barclay, 1997). Such actions are intentional behaviours that result from a more conscious and deliberate decision-making process. The existence of trusting attitudes is an essential prerequisite for trusting actions, yet not a guarantee. As observed by Lewis and Weigert (1985), one may trust cognitively without necessarily trusting behaviourally, and when one does trust behaviourally, s/he may only trust in some contexts but not others. This research supports this observation and helps identify the types of contextual factors that influence the occurrence of trusting actions.

The theory of reasoned action (TRA) offers a useful lens to understand the occurrence of trusting actions in business relationships (Fishbein and Ajzen, 1975). Under TRA, the behavioural intention, which predicts the actual behaviours, is determined by the actor's subjective perception and interpretation of the environment, and its attitude towards the behaviour. In the context of business relationships, a firm's intention to take trusting actions is determined by its perceived importance of trusting as well as its behavioural readiness to act trustingly, both of

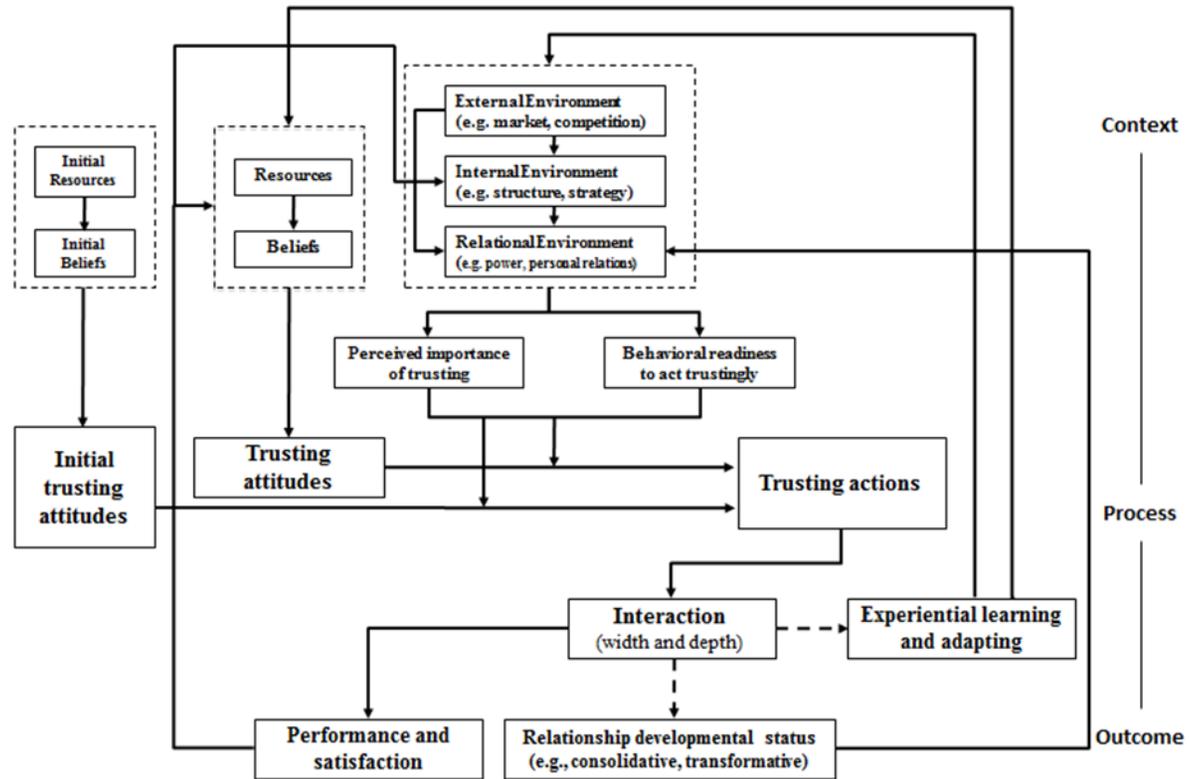
which are affected by a range of environmental factors, including external, internal and relational environments, as discussed in the case analysis.

A firm's perceived importance of acting on trust reflects its perception and understanding of the environment in which it exists and cooperates with others. This leads to various needs and motivations to rely on trust in order to proceed with the cooperation. A particular environment presents those involved incentives or pressures to act trustingly in relationships. The existence of uncertainty and unpredictability in a business relationship makes cooperating firms acutely sensitive to their beliefs in the partner firm (Wilson, 1988), thus, affecting their disposition to act on the existing trusting attitude. On the other hand, firms familiar with each other and cooperating in a stable market environment may see fewer risks and more predictability of behaviours by the other. Therefore, their perceived importance of trusting is low, indicating that their trusting actions could be more motivated by other factors, such as strategic needs, which is an example of firms' behavioural readiness for trusting actions.

A firm's behavioural readiness indicates the firm's attitude towards acting trustingly. This is a function of management's general willingness or propensity to trust others (Mayer et al., 1995), as well as the evaluation of potential consequences of such an act. It is related to the compatibility between possible outcomes of trusting actions and the desired ones according to corporate needs. It can also be linked to a firm's feasibility analysis, such as an examination of resource availability. A firm without sufficient support and capability is not likely to take trusting actions as desired by its partner. In the case, despite its solid trust on the partner, HBB China did not respond to XtarSports' business proposal of doing more events until years later when they had more marketing budget allocated for more intensified event marketing in China.

A firm's perceived importance of and its behavioural readiness for trusting actions varies at different points of time when external, internal and relational environments vary as a result of relationship evolution and the processes of learning and adapting. The model presents a nested system of interconnected cycles of acting, interacting, learning and adapting taking place in and between firms and their environments. Each is subject to its own rhythms and processes, out of which emerges new conditions for a trusting attitude and various trusting actions are taken or not.

Figure 1 A dynamic model of trust in business relationships



CONCLUSION

This research is among the first efforts to formally conceptualize the dynamics of trust in business relationships using empirical data. Not long ago David Arnott (2007b) expressed his frustration that “with the growth of interpretivist approach to the study of marketing phenomena, it was surprising, and a little disappointing, that case study, grounded theory or ethnographic studies were not viewed as viable methods of studying what is, in essence, an unmeasurable entity” (p985). Our research showcases how interpretive research is not only a viable but effective methodology to study entities such as trust.

While most early researchers have treated trust as a general psychological status, this research develops a process-based model that explicitly describes the distinction and connectedness between trust as an attitude and as an action, as well as their different yet interactive evolutionary paths. The model helps explain how and why trust may play various roles in different relationship contexts.

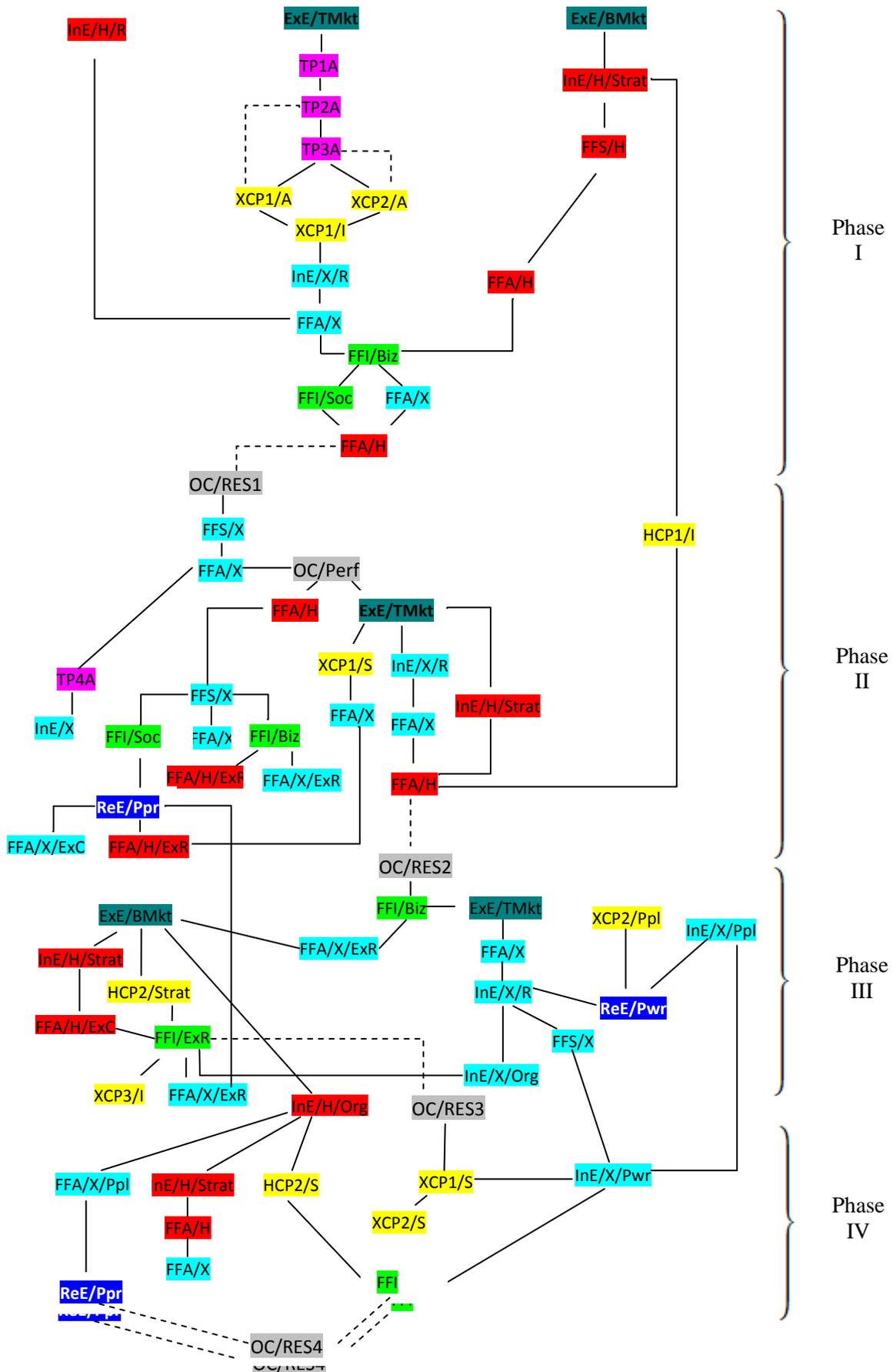
The findings are of value to managers in terms of how to design better strategies for developing, maintaining and using trust in business relationships. Though trust is a key factor for successful and sustainable business relationships, the distinction between trusting attitudes and trusting actions helps managers to realize that trust will not turn into a real competitive advantage until it is activated. Therefore, managers should not only invest efforts in cultivating trusting attitudes in a relationship but also pay attention to the environment in which behavioural intentions to take trusting actions develop that encourage desired actions. Being aware that the existence of trusting attitudes does not necessarily lead to trusting actions, managers are able to understand and interpret the behaviours of their partners more accurately, which, in turn, promotes further relationship development.

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Appendix 1 Summary map for XtarSports-HBChina relationship history (1997-2006)



Environmental factors

InE: internal environment
ExE: external environment
ReE: relational environment
Strat: strategy
TMkt: tennis market
BMkt: beer market
Org: organizational structure
Ppl: personnel structure
Ppr: personal relationship
Pwr: power structure

Actor:

H: HBB
X: Xtar Sports
TP: third party
XCP: party connected to Xtar Sports
HCP: party connected to HBB
FF: focal firm

Process:

I: interaction
A: activity
R: resource
S: schema
ExR: extra role
Soc: social
Biz: business

Outcome:

OC: outcome
Perf: performance
RES: relationship evolutionary status

Links and symbols:

— Sequential link
---- Transformative link
+ positive/more
- negative/less