AFFECTING DETERMINANTS OF TRUST IN BUSINESS RELATIONSHIPS

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(Received 23 February 2018; accepted 13 March 2018)

Abstract

Scholars claim that cooperation, conflict and even competition can exist between the partners in business relationship. Why are there conflicts among business partners? The logical answer is permanent changes in the fields of politics, economics, regulations, social norms and technological systems. It can also happen that in a new business network a company has to cooperate with its former competitor. In a dynamic relationship trust affects satisfaction. Satisfaction and conflicts are always perceived by business relationship partners. Different cultures evaluate a business relationship in different ways, therefore they have various views on how to start or develop business relationships. The aim of this paper is to investigate the complex effects of trust on perceived satisfaction, perceived conflict and among organizations in existing business relationships. In this research it was found that trust is affected by both satisfaction (positively) and conflict (negatively). Due to the lack of a widely accepted definition of trust in business and what determines it, this quantitative research may bring new thoughts to researchers or even support earlier models as well. In this empirical paper, quantitative research methods were applied and 315 valid questionnaires received from organizations registered in Hungary, independent of size and economic sector. The valid questionnaires were analysed by SPSS software using factor analysis and regressions.

Keywords: trust, satisfaction, conflict

1. INTRODUCTION

In psychology trust is considered as an attribute of the trustors and trustees relationship (Rousseau et al., 1998; Karpik, 2014). In sociology Simmel (1908) points out that confidence is an intermediate between knowledge and ignorance about a man, which is a logical consequence of the view that complete knowledge or ignorance

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DOI: 10.5937/sjm13-16649
would eliminate the need for, or the possibility of trust (Simmel, 1908). Granovetter (2008) presents trust in socially embedded properties of relationships among people. Commitment, trust and satisfaction are often mentioned as key elements determining the quality of business relationships (Hennig-Thurau et al., 2002). Morgan and Hunt posit that “it is trust that leads partner to perceive that future conflictual episodes will be functional” (Morgan & Hunt, 1994). “There is, however, little agreement on the meaning of trust, whose conceptualizations differ with respect to actors, relationships, behaviors, and contexts. At present, we know much better what trust does than what trust is” (italics in original Castaldo et al., 2010).

In this paper the starting point is the definition of Rousseau et al., (1998) because of its multidisciplinary nature. They define trust as follows: „Trust is a psychological state comprising the intention to accept vulnerability based upon positive expectations of the intentions or behavior of another” (Rousseau et al. 1998). Reflecting to Castaldo et al., (2010) the goal of this survey is to give empiric contribution concerning some possible determinants of trust.

2. LITERATURE REVIEW

Trust. In business relationship literature experts usually distinguish two basic approaches of trust. The first one is based on belief and the other focuses on risk-decrease.

The belief-based trust theory think that trust is a certain belief, expectation, will, and a process of belief – attitude – will – behaviour. Doney and Cannon (1997) approach trust from different aspects such as on the one hand a consequence of belief and expectation; on the other hand belief and will that business partners will act according to agreement. In case of risk-approach trust is the base of an expectation in which the partners’ have common interests are to act trustworthily and keep promises. In this approach trustworthiness and commitment are the most important factors (Kumar, 1996). Das and Teng (2004) have a view in their risk-based approach that trust means a positive assumption that the business partner will not behave opportunistic even despite changing conditions. This assumption is naturally voluntary and also includes certain vulnerability. So trust involves not only the belief in the benevolence in the partner’s actions but also the vulnerability against the partner (Morgan & Hunt, 1994).

In this paper both theories were applied. Firstly the definition of Rousseau et al. (1998) was considered as basic definition of trust. This includes beliefs or willingness as essential components of trust which are psychological phenomena. On the other hand risk is considered “as a condition that must exist for trust to arise” (Rousseau et al. 1998). The focus of this research is to understand how perceived satisfaction and conflict with business relationship relate to trust.

The social exchange theory in sociology (Emerson, 1976; Blau, 1964) and social psychology (Thibaut & Kelley, 1959) presents functions and relations between individuals. The most frequently cited representative of social exchange theory is Homans, who in his study of "Social Behavior and Exchange" looks at social relationships more directly and more obviously (Homans, 1961). The essence of social exchange theory is that those concerned interact with social interactions on
the basis of their social and/or economic benefits. If, after a while, the balance between the economic and social development of the relationship is considered to be positive, trust between the parties begins to grow and thus everyone is interested in long-term maintenance of the relationship (Lambert & Pohlen, 2001). This trustful behavior leads to shared trust (Blau, 1964). Like Simmel, Ganesan also believes that trust relationships are not symmetrical. The perceived trust is double, even if this symmetry is not always confirmed (Ganesan, 1994).

**Conflict.** Scholars identify factors which are assumed to negatively influence trust including opportunism, power asymmetries and structural bonds where structural bonds include the perception of marketing alternatives (Bahlmann et al. 2007). But conflict is less frequently added to this list. Conflict may be defined as an expressed struggle between at least two inter-dependent parties who perceive incompatible goals, scarce rewards, and interference from the other party in achieving their goals (Hocker & Wilmot, 1985). In other words “conflict is a way of life in relationships that can be explicitly and implicitly expressed, but it is the way in which we handle or manage these conflicts that determines the quality of our relationships” (Tatum & Eberlin, 2006). Celuch et al. (2011) state that trust has an important role in understanding conflict resolution. In this survey it was accepted that approach in which conflict is an opposite centered episode or episodes which are based on incompatibility of direction goals or values (Hunger & Stern, 1976).

Reid et al. (2004) worked out and tested their method for measuring the conflicts perceived within the business relationships. They found that the extent of the perceived conflicts plays a significant role in the evaluation of the business relationship. Reid et al. (2004) also stated that the concept of the perceived conflict is in line with other variables describing the business relationship. Kemp and Ghauri (1999) also see trust as habits and rules that evolve in long-term relationships and can prevent conflict situations. This view was proved by Hausman (2001) as well who finds less coercion and conflict in the case of longer relationships. Trust is important as it enables cooperative behavior by reducing harmful conflicts and sometimes by promoting effective responses to crisis (Rousseau et al: 1998). Waluszewski and Håkansson (2006) however state that asymmetric trust can cause difficulties furthermore trust is just a small part of the whole gamut of feeling.

All these findings lead us to this hypothesis:

**H1:** Perceived conflict has negative effect on trust among business partners.

**Satisfaction.** “In a focal-node context, satisfaction can be seen as the degree to which a focal firm rises up to or exceeds expectations of the nodes in relation to their motives to collaborate” (Yaqub et al., 2010). Concerning satisfaction with business partner Chiou et al., (2002) think that general or increasing satisfaction develop as a summary of transaction experiences. Singh and Sirdeshmukh (2000) suggest that buyers’ trust before transaction directly affects their satisfaction after transaction. Therefore accumulated perceived trust likely influences satisfaction. They also add that this relationship may be palindromic. Gwinner et al., (1998), Chaudhuri and Holbrook (2001) state that the buyers in long term relations
see three basic advantages: trust, social advantages, and the benefit of special treatment.

Experience also has an impact on customer satisfaction (Rosen & Suprenant, 1998) and certainly the more satisfied the buyer, the more likely the relationship will be sustained (Baron et al., 2010). Relationship satisfaction also can be seen to be needed for relationship quality (Storbacka et al., 1994). Research models of Chu and Fang (2006), and Ratnasingam (2005) also investigated satisfaction and perceived conflict as determinants of trust. Ganesan (1994) and Cambra-Fierro and Polo-Redondo (2011) also see satisfaction as an antecedent of trust. From the relevant literature review it was understood that the variables and mechanism of trust are frequently investigated, while interactions among possible determinants of trust are hardly mentioned. In a dynamic perspective, trust affects satisfaction. In other words perceived satisfaction is a “pleasant fulfillment” as a result of transactional experiences.

Summarizing the literature review above we investigate the following hypothesis:

**H2**: Perceived satisfaction has positive effect on trust among business partners.

### 3. APPLIED METHODOLOGY

Kwon and Suh (2004) established and tested our used methodology in Korea. They created the variables based on Kumar et al., (1995). This quantitative survey of trust was also applied by Chu and Fang (2006). For data collection convenience sampling has been chosen. Although in this case one of the interviewer’s main tasks is to choose the samples, this method is frequently used – especially with large samplings – because it is very cheap and quick (Malhotra, 2007). We interviewed Hungarian organizations of any size and from different sectors. We asked these firms to refer the statements of our questionnaire on one of their business ties, either on a supplier or a buyer.

Out of the 400 questionnaires sent out, 315 were valid which were analysed by SPSS (PASW) software. Among the respondents, large companies represented a larger proportion than the national average while the distribution of the respondents by activity reflects the national proportions. In most cases we use a 7-grade Likert scale in the trust analysis from 1 (“strongly disagree”) to 7 (“strongly agree”) (Piricz, 2013). Reliability analysis is conducted by Cronbach Alpha (0.799).

### 4. FINDINGS

This section presents the results concerning the hypotheses and it ends some of the limitations of this empirical study.

**H1**: Perceived conflict has negative effect on trust among business partners.

More concretely the smaller the perceived conflict is the higher the level of trust among them. To study **H1**: a regression between trust (TRUST) and **perceived conflict (KONFL)** was carried out and the correlation coefficient is 0.422 (see Table 1). This value of R shows a medium linear relationship between trust and perceived conflict. The coefficient of determination is 0.178 (Piricz, 2013). So it seems that the emerging conflict does not exclude trust or impede the development of trust. According
to our experience, the perceived conflict does not significantly affect trust. Even Tjosvold et al. (2010) argue that so-called cooperative trust may strengthen trust. The importance of trust increases when the perceived cooperation goals and common benefits are strengthened between the parties. Business partners can develop trust among each other when dealing with conflicts that appear at dyadic, group, or alliance level. Summarily, H1 was accepted (Table 2).

The hypothesis H2 is: Perceived satisfaction affects positively trust among business partners. To study H2 we have conducted a regression analysis (Table 1). The correlation coefficient is 0.413 which suggests a moderate linear correlation between trust and perceived satisfaction. The coefficient of determination is 0.168 that’s why according to our empirical data, trust affects a certain degree of satisfaction with the business relationship, but it is not the only factor that has an effect on trust. This result corresponds in part to others’ empirical findings in which commitment trust and satisfaction are often mentioned as key elements determining the quality of business relationships (Hennig-Thurau et al., 2002). Finally H2 was accepted (Table 2).

5. DISCUSSION

Figure 1 presents in the form of a model of the essential of the results of empirical investigation about the different determinants of the trust in our Hungarian sample.

**Perceived conflict.** If we show our data graphically, there is a tendency for a high level of confidence in the analysed business relationships to have a low level of conflict and vice versa. However, if we observe the other sections of the figure, we understand that the situation is much more complicated (Figure 2, section A, below) because surprisingly, every section contains existing business links. Probably arm’s length relationships appear in section C where both trust and conflict levels are low. However, we also find hits in the B quarter (high trust – high perceived conflict)! This seemingly rare situation may occur in a long-standing business relationship where confidence could be deepened, but over time it had to resolve several conflicts. The cases in section D – low trust and high level of conflict – are those business ties which may still be in the initial phase, or they might indicate a joint project with a competitor. As conflicts can be considered as inevitable in inter-competitor cooperation it is important for competitors to find ways of managing conflict as it occurs (Hagberg-Andersson & Tidström, 2008).

The above-mentioned diversity of business relationships also demonstrates a well-known view in sociology that conflict is part of life that is true of business (e.g. Tatum
Pondy (1967) emphasizes the significance of latent conflict as well. This kind of conflict is in every business relationship, and it is a silent or invisible element that either remains latent or perceives the affected partners. Trust is also not visible, so it is generally not easy to identify. Practically it is easier to notice lack of trust than its existence.

This empirical research does not confirm the results of Chu and Fang (2006) that a partner's perceived conflict leads to a strong negative impact on trust. This means that...
though there is a perceived conflict by the buyer, it does not have a direct effect on the trust he has in the supplier. In addition to this, the supplier is willing to continue the relationship with this buyer. If the perceived conflict can have a massive effect on the company products, it may lead to a reduction in trust.

Perceived satisfaction. Baron et al., (2010) think that satisfaction has a likely impact on other contributors to relationships. Cambra-Fierro and Polo-Redondo (2011) also empirically find that “as the perceived satisfaction of the relationship increases, so does the trust in the supplier” (Cambra-Fierro & Polo-Redondo, 2011).

In the graph of trust and perceives satisfaction with the partner we can observe the trend of a high level of trust with a high level of satisfaction (Figure 3, section B) which is a rather expected and confirmed result by other surveys. For example Walter et al. (2003) have the view that a high quality business relationship is created by customer satisfaction, trust and commitment. Other scholars studied the factors of trust from satisfaction (Anderson & Narus, 1990).

The relationship empirically found between the two factors is not strong, since the existing business relationship in every quarter of the above figure. In section A of Figure 3 we can see those business ties where despite the high level of the trust, the perceived satisfaction is low. Conversely, field D has relationships that are characterized by low trust and high level of relationship satisfaction. In section C – low trust and low level of satisfaction – the findings could mean relationships are at an early stage. During their research, Geyskens

![Figure 3: Graphic relationship between Trust and Satisfaction (Source: PASW software using own empirical data)](image)
et al. (1999) also concluded that satisfaction should be conceptually and practically separated from concepts such as confidence and commitment. Cambra-Fierro and Polo-Redondo (2011) make a survey in European channel relationships and state trust and satisfaction are antecedents of long-term relationship orientation.

Chu and Fang, (2006) find that a firm’s trust in its supply chain partners is highly and positively related to perceived satisfaction. In contrast we cannot claim such very strong and simple relationship between trust and satisfaction just state there is existing relationship between these notions.

6. CONCLUSIONS

As academic summary the perceived satisfaction shows a moderate relationship with trust which is not a surprising result. However, our empirical research has also shown that none of the factors under consideration has a leverage effect on business confidence. In our view, researchers must take into account that both trust and perceived satisfaction with a business tie are influenced by other factors.

This empirical research leads to see that there is a relationship between trust and perceived conflict but the picture is much more complex and we do not find an evident anti-parallel relationship between the two notions. It is also interesting that the absolute value of R2 both in case of Perceived conflict and Perceived satisfaction is almost the same (0.18 and 0.17)! Yes, it is good if a business partner is satisfied with a certain relationship but it is just one factor.

In this study complicated and broad effects of trust have been found in existing business relationships. As trust having a psychological nature cannot be managed directly. But the management of its different studied determinant can influence it in a business relationship. Consequently it also seems that trust in business relationships develops together as a multiplicity of various factors. We see that the results of trust largely do not appear in direct ways. This survey above has confirmed the well-known theory that conflict belongs to life and business life as well. The question is when or at which level partners recognize conflicts. They should identify if it is a latent conflict and what motives are hiding behind it.

6.1. Managerial implications

So this investigation points out that conflict really part of business relationships. If practitioners are aware of it, they can solve better their conflicts. As shown by the presented research, the variables of social exchange theory – concretely conflict and satisfaction – provide better, stronger explanations for improving trust and commitment. Participants in the supply chain should take these variables into account in order to create an environment where confidence and commitment are strengthening. The authors of the paper suggest that before any investment of an intangible asset is invested, a competent management team should review all the possible benefits of trust and commitment. Careful search of the partner’s exchangeability and the perceived satisfaction with business partners, and mapping possible conflicts that are not yet visible, could provide a good, solid foundation for a business tie where trust and commitment can become a viable reality.
References


ИЗВОД
Научници тврде да сукоби у сарадњи, па чак и конкуренција могу постојати у пословним партнерским односима. Због чега настају сукоби између пословних партнера? Логичан одговор су сталне промене у пољу политике, економије, прописима, друштвеним нормама и технолошким системима. Такође се може десити да у новој пословној мрежи компанија мора да сарађује са својим бившим конкурентом. У динамичној перспективи, поверење утиче на задовољство. Задовољство и конфликти се увек спознају од стране пословних партнера. Различните културе оцењују пословни однос на различите начине, стога имају различита мишљења о томе како започети или развиti пословне однose. Циљ овог рада је истраживање сложених ефеката поверења на сагледано задовољство, и перцепцију конфликта међу организацијама у постојећим пословним односима. У овом истраживању утврђено је да поверење утиче на задовољство (позитивно) а конфликт (негативно). Због недостатка широко прихваћене дефиниције поверења у бизнису, и шта га одређује, ово квантитативно истраживање може комбиновати нове закључке истраживачама али може подржати и раније модели. У овом емпиријском раду примене се квантитативне методе истраживања на 315 валидних упитника добијених из организација регистрованих у Мађарској, независно од величине и економског сектора. Валидни упитници анализирани су употребом „SPSS“ софтвера, користећи факторску анализу и регресију.

Кључне речи: поверење, задовољство, конфликт

Industrial Marketing, 1 (6/7), 600-616.


