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A critical analysis of the empirical predictability, adaptability studies conducted between 1990 and 2003 on measuring trust between organizations

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Abstract

Trust between organizations is examined in this study via a review of empirical studies. Researchers in the field of inter-organizational interactions have maintained, from the early 1990s forward, that trust between both parties is crucial to the success of such collaborations. The researchers set out to assess the successes and failures of recent empirical studies that have attempted to quantify trust across different types of organizations. Studies on inter-organizational trust that were carried out between 1990 and 2003 are examined in this study with respect to their theoretical approach, conceptualization, operationalization, and measurement concerns. Researchers still face significant conceptual and methodological hurdles when attempting to understand the complexities of trust, despite its growing importance in inter-organizational interactions. Significant discrepancies in trust's conception, operationalization, and measurement are shown by the findings. The report finishes by proposing avenues for further empirical studies.

1. Introduction

One dynamic capacity and important source of knowledge-based competitiveness for firms is their ability to form inter-organizational relations like alliances and partnerships (Eisenhardt & Martin, 2000; Teece, Pisano, & Shuen, 1997). Certain essential success criteria in these types of partnerships have been found by many studies. Blomqvist (2002), Ford et al. (1988), Parkhe (1998), and Sako (1998) all rank trust among the most prevalent and, perhaps, most important. According to Blomqvist (2002) and Creed & Miles (1996), trust allows for more honest conversation, exchange of information, and handling of conflicts. There is some evidence that suggests a minimum level of trust is necessary for collaboration to develop across different organizations (Blomqvist, 2002; Dibben, 2000). According to research by Sako (1994), Lorenz (1988), and Young-Ybarra & Wiersema (1998), trust is crucial because it boosts

predictability, adaptability, and strategic flexibility. Generally speaking, trust is believed to lessen transaction costs, which include administration expenses, acquisition costs, and social complexity (Bidault & Jarillo, 1997; Williamson, 1993; Arrow, 1974; Luhmann, 1979). In addition, it opens the door for collaborative invention and informal network cooperation (Bidault & Jarillo, 1997; Miles, Snow, & Miles, 2000). Trust is also recognized as a potential source of competitive advantage and a key component in improving company performance (e.g., Barney & Hansen, 1994). In light of the above, it is evident that trust theory is still in its formative stages, despite the growing attention among scholars. See, for example, Blomqvist (1997), Hosmer (1995), and Rousseau, Sitkin, Burt, and Camerer (1998) for examples of research indicating disagreement among researchers over the specifics of this complicated idea.

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Researchers' theoretical orientations (Blomqvist, 1997) and the specific empirical setting (Hosmer, 1995; Rousseau et al., 1998) dictate the methods used in the many studies that have been carried out so far. In spite of this growing fascination and the widely recognized importance of trust to a company's competitiveness, no efforts have been made to measure trust in an inter-organizational setting that are both theoretically and empirically sound. So, it's a phenomena that hasn't gotten much theoretical attention and insight (Child, 2001). Churchill (1979), Currall and Inkpen (2002), and others have argued that more rigorous theory testing would be possible with valid and reliable measurement methods. This is because developing and refuting theories relies on hypothesis testing, which in turn relies on solid measurement of constructs (Bacharach, 1989). In order to evaluate how trust has been empirically studied in inter-organizational research, studies that were published in scientific journals between the years 1990 and 2003 were examined. An article search was conducted in international journal databases (Abi/inform, ScienceDirect, EbscoHost, and Emerald), and 107 articles were found. Since the present analysis concentrates solely on inter-organizational trust, studies related to trust inside an organization and to trust between an organization and consumers were left aside. Moreover, these analyses revealed that some of the studies, although claiming to focus on the inter-organizational level, studied and measured trust on the interpersonal level. Theselected focus was on "real" situations of inter-organizational trust, and therefore artificial laboratory experiments, role-plays, and studies among students were excluded. Further-more, it was decided that only private (business) organizations were to be studied, and therefore studies in governmental institutions were ignored. Given these restrictions, 15 empirical studies on inter-organizational trust were left for deeper analysis. The research context, the level of analysis, the informants, the theoretical approaches, and the conceptualizations, operationalizations, and measurement issues are reviewed here.

2. A review of approaches and methodologies in the measurement of inter-organizational trust. The 15 selected articles are briefly introduced in this section. They were all published between 1990 and 2003. A study conducted by [Ganesan \(1994\)](#) examines the key roles of trust and dependence in determining the long-term

orientation of both buyers and their vendors. [Aulakh, Kotabe, and Sahay \(1996\)](#) stress the importance of bilateral relational norms and informal monitoring mechanisms in building inter-organizational trust and improving the market performance of international partnerships. [Chow and Holden's \(1997\)](#) article brought up the essentiality of trust in both the salesperson and the company in forming and maintaining strategic alliances, especially when the partner is a supplier. [Doney and Cannon \(1997\)](#) aimed to draw attention to the fact that trust of the supplier firm and of the salesperson (operating indirectly through the supplier firm) influence a buyer's anticipated future interaction with the supplier, yet neither trust of the selling firm nor of its salesperson influence the current supplier-selection decision. [Nooteboom, Berger, and Noorderhaven \(1997\)](#) assessed the effects of trust-related variables and governance on agent-perceived risk of firms in alliances and found them to be significant. [Smith and Barclay \(1997\)](#) studied the effects of trust on the effectiveness of selling-partner relationships, and found that the dimensions of trustworthiness had both direct and indirect effects on satisfaction, whereas trusting behaviors were found to have a greater effect on perceived task performance than on mutual satisfaction. In their study of the automotive industry, [Sako and Helper \(1998\)](#) noted that, firstly, the way trust is conceptualized by suppliers is more complex in Japan than in the US, secondly, the level of trust is higher in Japan than in the US, and thirdly, the factors facilitating trust and those attenuating opportunism differ in the US and Japan. [Zaheer, McEvily, and Perrone \(1998\)](#) assessed interpersonal and inter-organizational trust as distinct constructs, and came to the conclusion that they play different roles in exchange performance. The results of their study gave some support to hypotheses linking trust to the performance of an organization. [Plank, Reid, and Pullins \(1999\)](#) studied how to develop a multidimensional measure of trust specifically for the sales context, and found support for their division into salesperson trust, product trust, and company trust. [Young-Ybarra and](#)

Wiersema (1999) analyzed flexibility in strategic alliances, utilizing a model drawn from transaction cost economics and social exchange theory. They found that economic constraints, the quality of communication, and the existence of shared values were positively related to trust, and dependence was negatively related. Dyer and Chu (2000) stress in their study that supplier trust is highly correlated with stable and consistent buyer processes and routines, representing commitment toward long-term interactions. They also found that the absolute level of supplier trust differed by country, with Japanese supplier–buyer relations characterized by relatively high levels of trust compared to Korean and US counterparts. They suggested that this difference was due to differences in the institutional environment. Gassenheimer and Manolis (2001) explored the roles of both salesperson trust and organizational trust in regulating dependence. The results of their study indicate that trust in a salesperson helps to explain the degree to which dependence has a positive or negative effect on the future, while organizational trust, in contrast, has no such mediating influence, i.e. it does not appear to be related to issues of dependence. Mo¨llering (2002) dismissed the transaction-cost argument about trust being a parameter-reducing hierarchy, and rather stressed the fact that the triadic-forces argument–price, authority, trust–received stronger support. Norman (2002) studied factors related to the protection of knowledge in strategic alliances and found that higher trust in a partner tended to reduce knowledge protection. Coote, Forrest, and Tam (2003) found support in their study for the notion that commitment is related to trust, indicating that there are clear differences in the effects of antecedents on commitment and trust.

The analyses revealed that the studies varied in contextual background and relationship type (Table 1). They also differed in their contextual focus according to cultural and industry differences—although the majority of them were conducted in the United States, and in knowledge-intensive industries. Inter-organizational trust was studied in vertical and horizontal business relationships, e.g., in buyer–seller relationships and partnerships and

alliances.

2.1. Cultural and national implications in evaluating the concept of trust

The majority of the studies were conducted at the national level in the US (e.g., [Chow & Holden, 1997](#); [Ganesan, 1994](#); [Zaheer et al., 1998](#)), although inter-organizational trust was also studied in the Netherlands ([Nooteboom et al., 1997](#)), Canada ([Smith & Barclay, 1997](#)), China ([Coote et al., 2003](#)), and the United Kingdom ([Mo¨llering, 2002](#)). Some studies did have a more international research focus however, such as that of [Aulakh et al. \(1996\)](#), who included firms from Asia, Europe and Central and South America. [Sako and Helper's \(1998\)](#) and [Dyer and Chu's \(2000\)](#) studies were the only ones in which the cultural effect on trust was also considered. [Sako and Helper \(1998\)](#) compared the concept of trust in Japanese and US firms. They found out that the conceptualization was more complex for the Japanese suppliers than for the US citizens, and that the overall level of trust was higher in Japan. Similarly, the factors enhancing trust were different. [Dyer and Chu \(2000\)](#) studied supplier–automaker relationships in the US, Japan, and Korea, and found some differences in the levels of trust, thus giving empirical support to the claims of Sako and Helper. Their findings also supported the notion that the institutional environment may influence the development of firm-level practices, which further influence trust. As these four authors have verified that there are cultural differences in trust, we call for more papers on cultural issues in inter-organizational research. Results from such cross-cultural studies could offer valuable insights to practitioners in the field, as cultural differences between parties increase the challenges in inter-organizational relationships ([Arinõ, Abramov, Skorobogatykh, Rykounina, & Vila, 1997](#)).

2.2. Industry impact

Trust was studied and measured in the circuit-board industry, industrial manufacturing, microelectronics assembly, the computer industry, the automotive industry, the electrical industry, information technology, printing, and telecommunications. The industry was not specified in some studies, the objects coming from “several fields” or from “industrial marketing relationships”. The majority of the research contexts seemed to be technology-intensive. Technology and risks are often related, and therefore trust is a critical concept in

technology-intensive industries, which is where most of the articles were focused: none concerned the service industry, for example. In today's global and networked economy even more traditional industries are dependent on partnerships and foreign cooperation, and empirical studies should not ignore them. Given the differences in business and industry cultures, more cross-industry comparisons are needed.

Conclusion

The analysis of these empirical papers revealed a lot of differences in both the conceptualization and operationalization of trust. The measurement and methodology used to study trust in inter-organizational relationships also varied. Does this mean that trust is so context-specific that its conceptualization and operationalization are impossible on the general level? Or are there deficiencies in recent studies on inter-organizational trust? Although the contexts of the studies varied to some extent, they were not different enough to justify using essentially different approaches. It could also be reasonably suggested that studies applying the same theoretical approach should share at least the common conceptualization and components of trust, although measurement may

differ according to the context (i.e. industry, vertical or horizontal relationship type). It is also suggested that, in order to grasp the phenomenon of trust in the inter-organizational context, authors should be very clear on the level of analysis: this was not the case in all of the studies under review. It could well be argued that separate measures should be developed for inter-personal and inter-organizational trust. Using more than one—preferably multiple—key informant would appear to be preferable. The congruence between the theory and the measurement should be kept in mind, and strictly assessed. The use of other sources of information to incorporate behavioral trust is also recommended—including archival data sources (for more on this, see [Currall & Inkpen, 2002](#)). In order to enhance comparability between studies and to avoid confusion, semantic issues should also be given more attention. Moreover, the confusion in differentiating between antecedents, components, and consequences of trust is certainly one of the major challenges (see [Rousseau et al., 1998](#)). Future research on inter-organizational trust should consider testing the reciprocal loops of trust and communication, as well as of trust and commitment.

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