THE ROLE OF TRUST, COMMITMENT AND COOPERATION IN BUSINESS RELATIONSHIPS

by Ulf Andersson, Martin Johanson and Lars Silver
Uppsala University, Sweden¹

ABSTRACT. During the last ten years cooperation, commitment and trust have appeared as the three main concepts to understand and describe the phenomena business relationship in the major marketing journals. In the following paper, a thoroughly analysis is made of how the three concepts are defined, related to each other and used in marketing and close related disciplines. Finally, a dynamic model with the three concepts, is presented that challenges the static models used by many marketing researchers in their application of the concepts. The argument is made that since the concepts by themselves denotes dynamic interaction, then the models themselves need to be dynamic.

¹ Ulf Andersson holds a Ph.D. at the Uppsala University, while Martin Johanson and Lars Silver both are doctoral students at Uppsala University. Correspondence should be addressed to: Lars Silver, Department of Business Studies, Uppsala University, Box 513, 751 20 UPPSALA. Telephone: +46 (0)18 4711616. Fax: +46 (0)18 555386. E-mail: lars.silver@fei.uu.se.
INTRODUCTION

We have investigated how these concepts have been utilized by in marketing research primarily by focusing on articles presented in the major marketing journals. In these articles we have looked for explicit definitions of the concepts in question. We have from studying these definitions derived at the denotation of each concept, i.e. its precise, neutral described meaning. Further we have tried to depict the different qualities that different authors attach to them, i.e. their connotations.

The purpose of this paper is to accurately define the properties of trust, commitment and cooperation develop the ideas presented by marketing researchers concerning these three concepts into a dynamic model of marketing interaction.

CONCEPT ANALYSIS

Trust

The meaning of the word trust according to Collins Cobuild English Language Dictionary is: if you trust someone, you believe that they are honest and sincere and that they will not deliberately do anything that will hurt you in any way.

The denotation of trust, drawn from the articles studied is; A's reliance on B and A's belief and perception that B will not deliberately cause negative outcomes for A. This is the lowest common denominator among the definitions we could find in the chosen articles. As can be seen it is parallel to the definition offered by the dictionary. The definition and the denotation both contain two distinctive parts; (1) confidence in another person and (2) a safety chapter. The definitions explicitly used in the different articles can be divided in two categories, those that are parallel to the dictionary's definition i.e. have a confidence and a safety paragraph and, those who also contains a positive paragraph. Below two examples are shown, one with and one without the positive paragraph.
"The firm's belief that another company will perform actions that will result in positive outcomes for the firm, as well as not take unexpected actions that would result in negative outcomes for the firm." (Andersson and Narus 1990)

"Trust encompasses two essential elements: (1) trust in partners' honesty, that is, the belief that the partner stands by its words, fulfills promised role obligations, and is sincere, and (2) trust in partners' benevolence, that is, the belief that the partner is interested in the firms' welfare and will not take unexpected actions that will negatively affect the firm. Trust therefore exist when a firm believes its partner is honest and benevolent." (Kumar, Scheer and Steenkamp 1995)

The positive paragraph can probably be explained by the fact that it is trust in business situations that are discussed in these articles. We can conclude that trust is not merely an insurance against negative outcomes when used in a business situation but also that it is meaningless to have relationships at all if they do not produce positive outcomes, at least in the long run. Further connotations of trust is that it implicitly contains a time perspective, i.e., the future welfare of the relationship is seen as very important in the definitions used. Ganesan (1994), states that trust focuses on future conditions in the meaning that it is necessary for the perception of a fair distribution of the pie of resources in the future. In one of the definitions, (Anderson, Lodish and Weitz 1987), mutual trust is explicitly stated, while others say that mutual trust is implicit and occurs when people are positively oriented to each other's welfare (Moorman, Zaltman and Deshpandé 1992). Mutual trust and goal compatibility jointly forms the interorganizational climate of the channel relationship (Anderson, Lodish and Weitz 1987). If this is not the case trust may occur if circumstances permit, i.e. there are complete knowledge of actions, full communication defining responsibilities and violation penalties and/or complete power over actions. (Young and Wilkinson 1989) When trust is a concept used in the analysis of marketing channels, there seem to be a question of long lasting relationships where there are an interdependence in welfare among the actors.
The behavioral intention of willingness is explicitly expressed in one definition, while other authors states that the behavioral intention is implicit in the concept trust. (Morgan and Hunt 1994). Several other dichotomizations of trust exists as well. Trust has also been argued to include a structural and a behavioral component (Aulakh, Kotabe and Sahay 1996). Trust includes a cognitive component as well as a behavioral component derived from confidence in the intentions, motivations or benevolence of a partner (Moorman, Deshpandé and Zaltman 1993, Johnson, Cullen, Sakano and Takenouchi 1996). Mayer, Davis and Schoorman (1995) propose a model where the properties of trust include ability, benevolence and integrity. From this we may infer that trust includes both an component of cognitive beliefs and perceptions, but also a component of activity. In a sense trust needs to be acted, as in showing benevolence or demonstrating a trustworthy behavior. One significant aspect of acted trust is communication opennessness, another is relationship investment (Smith and Barclay 1997). Both of these concepts may subsequently be linked to mental commitment, thus providing a link between the concepts of trust and commitment.

Trust reflects a firm’s positive expectations of related actors. When actors trust each other they also continuously maintain positive feelings by disregarding negative attributions in the related actors in order to confirm their positive trusting attitudes (Geyskens, Steenkamp, Scheer and Kumar 1996). Similarly, when actors distrust each other they reinforce negative attributions in the relationship. The significance in this statement is obvious when the relationship between trust and commitment is considered. Trust apparently is an antecedent to trust according to many researchers, and yet it seems viable to argue that commitment also breeds trust over time if the committed partners actively try to create positive images of relationships based upon trust.

Commitment

According to Collins Cobuild English Language commitment is defined as a strong belief in an idea or system, especially when its shown by your actions and behavior. The denotation of commitment that we propose, drawn from a number of definitions made in the articles marketing journals is a desire to maintain a relationship (Andersson,
Johanson and Silver 1996). The denotation is more limited than the definition, we are not
talking about an idea or a system, but a relationship, and the action and behavior that are
made, consist of maintaining the relationship. The more narrow denotation is due to the
fact that it is done in a business context. Consequently, it can be assumed that the authors
seem to make a difference between economic behavior and other types of human
behavior. People involved in business do not only believe in their ideas or systems, they
also strive to keep them alive.

The authors implicitly mean that commitment is something to strive for. The general
assumption is that when firms make idiosyncratic investments they automatically become
vulnerable (Morgan and Hunt 1994). Commitment can decrease uncertainty and the costs
for continuously seeking new buyers or sellers (Gundlach, Achrol and Mentzer 1995).
According to Moorman, Zaltman and Deshpandé (1992) commitment encompasses a
positive valuation. People do not tend to commit themselves to something that they do not
appreciate. But commitment can cause both benefits, in terms of reliable, stable long-term
exchange, and liabilities, increased vulnerability due to opportunism (Gundlach, Achrol
and Mentzer 1995).

Commitment is not the maintaining of the relationship, that is cooperation, but the
result of a process that ties an actor to the relationship. This tie has an input component,
that is the perception of what has happened, what happens and what will happen in the
relationship. The perception of the inputs and the following desire or willingness not to
depart from the relationship is commitment. We see commitment as a result of a process,
where one party becomes tied to a relationship due to past activities. Thereby, we do not
agree with Dwyer, Schurr and Oh (1987) and Ring and Van de Ven (1994), who see
commitment as a phase in the development of the relationship. Instead, commitment is a
series of ongoing small decisions (Staw 1987), sometimes manifested by a bigger
investments.

One implication is the authors' use of words like belief, desire or willingness, which
gives an impression of commitment being a totally voluntary action from one party's point
of view. There is always a choice, departure from or maintenance of the relationship, but
after a certain amount of commitment has been developed in the relationship, it is,
however, perceived as more costly and painful to break up a relationship, than to continue the same. If termination takes place, it is generally assumed that the terminated party in a relationship will start to seek for alternative and that this seeking process will cause switching costs, since commitment is considered to have appeared when the party is aware of other alternatives but do not test them actively (Dwyer, Schurr and Oh 1987). Morgan and Hunt (1994) argue that even if no alternative relationship is established there will be costs incurred from termination.

One of the main problems is the distinction between input and antecedent. Investment of resources is just one type of input, but investment of resources is not in itself a commitment. Relationship specific investment of resources will probably cause a bigger commitment than more general invested resources that could be transferred to other activities. Thus, the perception of the transferability of the resources invested is of importance for commitment. Therefore we propose the use of need together with the terms belief, desire or willingness in order to properly define the concept commitment.

Besides allocated resources, investments or sacrifices, information is obviously the second main antecedent. If we define information as data, easy to formalize and transfer, then access and disclosure of that information is important for development of commitment. In general, firms are more tended to make investment to something that it has knowledge about. But there is also knowledge that is difficult or even impossible to transfer. That kind of knowledge is situation specific and is often called tacit or experiential (Johanson and Vahlne 1977). According to Brockner (1992) and Staw (1981) the feedback from previous activities, that is what one learns from doing, makes out the platform for escalation of commitment. Knowledge developed while carry out the activities related to the commitment will enforce the commitment. The knowledge and commitment will be bounded in space and time, which will alleviate the perceived uncertainty, but also explain commitment escalation to a failing course of action and the development of long-term relationships.
Cooperation

The least common denominator in assessing cooperation in marketing and distribution channel research appears to be "coordinated action by at least two parties for a purpose". In essence, cooperation is the opposite to use of power, coercion and competition. The cooperative strategy is furthermore, the opposite of conflict behavior within the channel. A widely held belief is that cooperation, from the Latin co meaning "together" and operari - meaning "to work", refers to situations in which parties work together to achieve mutual goals (Morgan and Hunt 1994 and Anderson and Narus 1990). The cooperating parties have entered a stage of joint action, in an effort to enhance the welfare of both parties. In the usual sense cooperation entails coordination for a specific purpose. Some researchers have not explicitly defined purpose in their definition. It seems quite obvious, however, that cooperation needs a purpose in order to be initiated at all.

Anderson and Narus (1990) describe cooperation as "similar or complementary coordinated actions taken by firms in interdependent relationships to achieve mutual outcomes or singular outcomes with expected reciprocation over time". Thus, Anderson and Narus claim that relationships need to be interdependent in order for cooperation to be initiated. Young and Wilkinson (1989), however, counterargue that cooperation in fact does not require interdependence, merely dependence by one party. Furthermore, they claim that many firms are forced into cooperation with others. Therefore, it may be concluded that cooperation does not necessarily entail voluntary action, or even trust for that matter Young and Wilkinson's addition is important in understanding the concept of operation. True enough, cooperation might develop into a relationship not entirely ruled by trust, dependence may to an extent replace trust as the all-important key mediating variable. Mayer, Davis and Schoorman (1995) support Young and Wilkinson's position by arguing that trust is not a necessary condition for cooperation to occur. The argument behind this statement is made simply because cooperation will not necessarily put a party at risk, whereas trust implies a willingness to take risks. Furthermore, Mayer, Davis and Schoorman also stresses the possibility to cooperate with an actor, even though this actor may be deemed as not trustworthy.
Anderson, Håkansson and Johanson (1994) conclude that cooperation seldom is studied explicitly, albeit it is often mentioned. Unfortunately, Anderson, Håkansson and Johanson do not agree upon the notion of commitment influencing cooperation. Instead, they support a causal relationship between cooperation and relationship commitment. In doing so they refer to Axelrod's investigation on the evolution of cooperation in 1984. This discussion highlights a major dividing line in the research on distribution and marketing channels. On one hand, the models represented appears to lack a processual view, it is seldom argued that cooperative or relationship success generates further trust and commitment. Yet, it seems instinctively that this is the case, relationships are shaped over time and therefore also change over time. This processual view is supported by Blankenburg-Holm, Eriksson and Johanson (1996) in their claim that "we are studying ongoing business relationships and posit first that relationship coordination bears the history of the focal relationship", thus in studying ongoing relationships the past experiences highly influence the perception of relationship marketing success and level of cooperation (also Leonidou 1989).

So, how are we supposed to interpret and perceive the concept of cooperation. Cooperation is essentially the opposite of conflict (Dwyer and Oh 1978). In some instances cooperation has been the mediating variable between trust and satisfaction (Anderson and Narus 1990). In other cases cooperation is a mediating variable between social exchange/ information exchange and adaptation, in the IMP interaction model for instance (Metcalf, Frear and Krishnan 1992). Cooperation has also been known as coordination (Mohr and Nevin 1990, Andersson 1992). In any case, cooperation is relatively often used in association with models explaining channel member behavior, explicitly or implicitly. However, it should be brought to attention that cooperation is sometimes replaced by commitment and adaptation in the models, and yet, it is hard to envision any of these latter concepts going into effect without any prior cooperation between the actors in the channel. Nevertheless, it would appear as if cooperation would be better interpreted as a mediating variable to relationship marketing success, partly due to the lack of any accurate, and comprehensive definition. However, if researchers are to adopt the reasoning used by Morgan and Hunt, it may prove necessary to discuss whether
the causal relationships are determined as static, and independent of time and prior history, or if the model is supposed to be consisting of a more processual framework.

EXPLAINING RELATIONSHIP INTERACTION

When comparing the dictionary's definition and our denotations of trust and commitment we came to the conclusion that they differed. Thus, researchers tend to give the concepts a business meaning. This is especially evident for commitment, where the denotation implies that maintaining the relationship is desirable while the definition talks about belief, idea and system. Furthermore, the denotation has an action paragraph maintenance - which the definition does not have. Trust is more complicated since there exist two opinions. Some of the researchers join the dictionary's definition while others prefer to add a positive dimension to their definition. The conclusion we draw from this is that the concepts are used in a specific context, relationship marketing, where the established, but not explicitly expressed, opinion is that relationships are good and desirable in themselves, since they are supposed to cause positive outcomes.

Trust, commitment and cooperation all explain long-term relationship interaction. Why then would a firm consider interacting with other firm's in long-term relationships if the end result is a reduction of alternatives and limited options? Obviously firm's realize the benefits of long-term relationships as opposed to the flexibility and uncertainty inherent in the perfect market economy. This in itself is hardly surprising or controversial, but a more interesting question is how firm's choose their relationship partners and why they choose to retain some relationships, while they purposely terminate others. In the search for an answer to this problem researchers have used a multitude of concepts to explain relationship behavior. Perhaps the three most widely used concepts are the ones we have examined in this paper. When applied together, the concepts of trust, commitment and cooperation form strong models with high theoretical explanation values.

Even though cooperation does not require trust and commitment and trust is not compulsory as antecedent to commitment, it is obvious that three concepts could explain a big part of the nature of business relationship. Firms engaging in relationships are by necessity
dependent on other firms and their resources. The uncertainty that follows, caused by this
dependence, can be managed by introducing and utilizing different control mechanisms and
contracts in the exchange of resources with others.

![Figure 2](image_url)

The chain visualized in figure 2. shows how firms step by step go from uncertainty in
terms of resource dependence. The figure, furthermore, points out how closely the
concepts are related to each other and it is obvious that the limits of the concepts could be
drawn in another way. Thereby, not saying that the limits are drawn arbitrary. The
closeness of the concepts are further enforced by the fact, that so far, no one has proposed
some mediating concept between either trust and commitment or commitment and
cooperation.

When joined together the concepts form a model akin to the Key Mediating Variable-
model presented by Morgan and Hunt (1994). Trust is an antecedent to both commitment
and cooperation, with commitment as an mediating variable affecting cooperation. It is
also evident that trust and commitment emanates from a number of variables themselves.
We know that concepts like communication and shared values (Anderson and Narus,
1990, and Morgan and Hunt, 1994) affects trust. In a comprehensive model combining all
of these elements we would find a set timetable wherein relationship initiation is
thoroughly explained, for ease of reference we refer to this model as the relationship
interaction-model.
CRITICISM OF THE RELATIONSHIP INTERACTION-MODEL

Assuming that relationship interaction follows the timeline proposed by the model may be true when considering relationship initiation, at least when the relationship partners have no previous history of acting jointly. However, in all cases of relationship retention and many instances of relationship initiation there is a previous history of cooperation. Therefore it may be argued that the relationship interaction-model presented here may be an insufficient theoretical tool to explain the process of relationship development, as it fails to take into consideration prior cooperation, which clearly will have an effect on trust and commitment between the actors. Thus prior cooperation would be an antecedent to trust and commitment through a variable denoting the evaluation of cooperation, which may be called satisfaction or outcomes. In a model of trust Mayer, Davis, and Schoorman (1995) explains trust in a processual model where the antecedents of trust is influenced by the outcomes of previous interaction. Thus the authors argue that their model incorporates the dynamic nature of trust by using a feedback loop from the outcomes of trust to the antecedents of trust. Capturing the dynamic nature of relationships goes a long way towards explaining relationship development, as it provides a model independent of the time effects, thus eliminating measurement problems previously unanswered.

A REVISED RELATIONSHIP INTERACTION-MODEL

Our revised relationship interaction-model would therefore take into account the dynamic nature of relationships, by positing a relationship between cooperation and satisfaction (Anderson & Narus 1990) and also a relationship between satisfaction, either positive or negative depending on the actual outcomes of the relationship, and trust Ganesan (1994). Furthermore we posit a relationship between cooperation as this is argued for by Anderson, Johanson and Håkansson (1991). We thus posit that the relationship, and especially the perception of the relationship, is heavily influenced by earlier interaction between the actors. One of the major benefits in using a model including prior outcomes
is it's value in explaining the difference between sick and healthy relationships (Young and Wilkinson 1989). The perceived outcome of a relationship will determine whether the relationship continues to be based on trust or if the trust is turned into mistrust, thus creating a sick relationship more influenced by variables such as power, relative dependence and conflict as compared to a relationship focused on cooperation and interdependence.

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