

The Role Of Trust In SME Business Network Relationships

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Abstract

Many small and medium sized enterprises (SMEs) are adopting cooperative arrangements and forming formal networks with other businesses as a primary development strategy. It is empirically supported that businesses involved with networks have a relatively higher survival and success rate and that the primary variables influencing such performance are inherently social in nature. This research empirically examines trust in SME networks, and investigates the possible influence of several key variables on trust and SME performance, providing a framework for the development of a model of trust in business networks relationships. The findings of this research suggest that the relationship between time and trust is not linear, and that trust is linked to non-financial outcomes. The performance of external consultants was found to be linked to the levels of trust between businesses in the network. This study confirmed that aspects of trust were possibly influenced by network age, size, familiarity, formality. The findings of this research are linked to several other business environments including: self-managing teams, virtual organisations and product development.

1.0 Introduction

Researchers are increasingly recognising that vast numbers of companies are forming interorganizational relationships (IORs) as a business development strategy (Auster 1992; Nohria 1993; Alter and Hage 1993; Powell & Brantley 1994). Business networks are a collection of separate companies or individuals linked through collaborative agreements for business purposes. However, participating firms retain their separate identities. Auster (1994 p.454) further suggests that the relationship must have a 'specific purpose', such as, "transfer, exchange, develop or produce technology, raw materials, products or information". In addition to this, a number of researchers have proposed that the relationship must be 'enduring' and have some degree of 'permanence' to be classified as a business network (Oliver 1990, BIE 1995).

Several countries have recognised the emergence and importance of the trend toward network alliances and have launched initiatives to encourage such business relationships (Miller and Cote 1985). Australia recently established the Business Network Program (BNP), which was implemented to facilitate and promote business networks across Australia. The Australian Government has committed \$24 million (AUD) to the operation of this program over a period of five years. The objective of the BNP is to expand the capabilities of SMEs, enhancing their ability to contribute to economic growth and competitiveness. The program offers subsidies for both existing networks and companies forming a network. Primarily, the program offers such subsidies for networks to engage the services of an accredited consultant (network broker), who has received training from the BNP.

A recent study conducted by the BIE (1995) on 'Business Linkages and Networks in Australia' ascertained that approximately 41% of businesses in the Australian manufacturing sector were cooperating with other businesses on some level. In fact, 24% stated that they had between five and ten cooperative arrangements. This demonstrates that business networking is currently adopted by a significant proportion of businesses. Kogut, Shan, and Walker (1993) propose that the acceptance of the cooperative network is so widespread that the 'make or buy' decision that was previously considered by companies is now 'make or cooperate'.

Interestingly, although the primary objectives of the network activities relate to the support of business activities, social variables such as trust, have been established as the primary determinants of the success of such business relationships. This research empirically examines and seeks to measure trust between network members, and explores the factors that constitute trust. The identified factors will be compared to the traditional factors attributed to trust levels in both interorganisational and interpersonal relations. The relationship between trust and network performance is also investigated, examining the outcomes of increased levels of trust.

2.0 Benefits Of Networking

It appears that in many instances networks are becoming necessary for some companies to survive. Researchers have generally obtained positive evidence that networking, whatever its form, does have an impact on a firm's survival and success (Ring and Van de Ven 1994; Gulati 1995; Kerwood 1995; Grandori and Soda 1995). Due to the established complexity of new product development and market segments, businesses now often find it difficult to establish the necessary expertise in all areas of operation required to compete. Cooperating with other companies provides a mechanism with which this can be achieved. Networks can offer the characteristics of an integrated enterprise, whilst providing more flexibility in the way that the joint operation may develop (Buttery and Buttery 1995). Networks enable firms to concentrate on core competencies, and to achieve economies of scale and scope through their loosely integrated form¹.

3.0 The Concept Of Trust

Trust between parties involved in network activities has been nominated as one of the key determining factors for achieving viable network outcomes (Luhmann 1979; Lewis and Weigart 1985; Bromily and Cummings 1992; Creed and Miles 1996; BIE 1995; Buttery and Buttery 1995; Smith, Carroll and Ashford 1995; Seabright, Leventhal and Fishman 1992), and without it - a determinant of the failure of such relationships (Miles and Snow 1992; BIE 1995; Ring and Van de Ven 1993). Trust is seen as the coordinating mechanism which binds the relationship together, provide the necessary flexibility (Buttery and Buttery 1995; Fukuyama 1995; Larson 1995), reduce transaction costs (Reve 1990; Cummings and Bromiley 1995; Fukuyama 1995) and reduce the complexity of the relationships. Bradach and Eccles (1989) propose that there are three ways to coordinate economic activity: price, authority and trust. Simmons (1981, p.243) suggests that, "trust is the glue of effective, humane and efficient organisations". Fukuyama (1995 p.28) proposes that widespread distrust imposes a form of 'tax' on economic activity and it is generally believed that trust must replace costly monitoring procedures which create greater transaction costs. Previously, the social components of economic relationships such as trust, were primarily

¹For a complete review and discussion on the benefits of networking see Buttery and Buttery (1994)

treated as market ‘imperfections’ and ‘friction’ and not given direct attention as meaningful variables coordinating economic action (Easton and Araujo 1994).

A series of studies have established that trust is a major inhibiting factor, which impacts on the success of networks. Table 1 summarises the top five inhibiting factors to networking identified in four recent studies conducted in Australia. The results indicate that issues relating to trust were cited in the top five perceived inhibiting factors in the each of the studies. The BIE (1995) research further established that ‘lack of control’ and ‘lack of trust’ were the primary determining factors attributed to network failure.

Table 1 - Inhibiting Factors to Networking

Fulop (1995)	BIE (1995)	AGB McNair (1995a)	AGB McNair (1995b)
Lack of trust amongst firms 58.1%	Loss of Control 33.0%	Information 71.0%	Information 63.0%
Commitment of other firms 41.9%	Admin/Legal 22.0%	Disclosure 67.0%	Disclosure 60.0%
Time commitment 37.2%	Time 20.0%	Remain Independent 57.0%	Remain Independent 51.0%
Quality of communication 30.2%	Disclose Secrets 19.0%	Unsure of Usefulness 56.0%	Lack of suitable Partners 46.0%
Network Priorities 30.2%	Lack of trust 18.0%	Distrust of other firms 56.0%	Lack of suitable information 44.0%
		Lack of suitable partners	Distrust of other firms
N=45 Manufacturing Sector	N=1,286 firms Manufacturing sector	N=402 SMEs Manufacturing Sector	N=510 SMEs Service Sector

Despite the established importance of trust, few researchers have examined trust at an in-depth level in a business relationship and network context. The impact and role of trust has not been systematically reviewed, but generally assumed as vitally important. This is succinctly summarised by Jarillo (1990) who states:

“Anybody who has dealt with real networking systems **knows**, the essential ‘glue’ that holds the network together (that organizes the economic activities going on inside) is neither the pure price signal, nor command from above: it is *trust*”.

Gambetta (1988 p.43) noted that because of the centrality of trust, “scholars tend to mention [trust] in passing, to allude to it as a fundamental ingredient or lubricant, ... only to move on to deal with less intractable matters”. There is limited, if any, empirical evidence to support the notion that business networks with higher levels of trust actually do operate more efficiently and effectively. Several studies have examined trust, but usually indirectly as a by-product of the research findings (for e.g. BIE 1995; AGB McNair 1995a). They have not focused on the measurement of trust, nor have they attempted to link it to the overall performance of the network.

4.0 Defining Trust

There appears to be a lack of consensus on the definition of trust, and as a result there is considerable uncertainty about the components of trust and how it develops. The abstract nature of trust is summarised by Barber (1983 p.7) who states that, “both in serious social thought and everyday discourse it is assumed that the meaning of trust ... is so well known that it can be left undefined or to contextual implications”.

Several specific definitions of trust in an organizational and interpersonal context have incorporated the concepts of 'risk' (Deutsch 1962; Gambetta 1988; Kee and Knox 1970; Mishra 1996), 'reliance' (Giffin, 1967; Rotter 1980) and 'vulnerability' (Mishra 1996). Hosmer (1995) provides a definition that recognises the importance of trust in on-going economic exchange relationships, such as networks:

“trust is the reliance by one person, group or firm upon a voluntary accepted duty on the part of another person, group or firm to recognize and protect the rights and interests of all others engaging in a joint endeavour or economic exchange”.

Some researchers have built upon the concept which interprets trust in an 'on-going' framework and concluded that trust is knowing the other party well enough to develop a model of behaviour and reactions in different circumstances (Bidault and Jarillo 1996). Many researchers have suggested that such 'predictability' can not entirely build trust, and have proposed a further moral or ethical dimension of trust that accompanies the predictive component. Bidault and Jarillo (1996) propose two dimensions referred to as 'ethical' and 'technical' to constitute trust. Lewis and Weigart (1985) suggest a cognitive component which is based upon the predictive nature of the behaviour, but they also introduce an affective component which is based more on 'feeling'.

5.0 Hypothesis Development

The following section outlines the hypotheses developed for testing in this research.

5.1 Performance

It has been proposed that networks with relatively higher levels of trust will be more efficient, and generally operate at a higher level of satisfaction and performance. Bidault and Jarrilo (1996) argue that trust is an essential concept in economic analysis, as it ultimately determines the effectiveness of transactions. Research has reported that trust influences a range of relevant exchange variables that ultimately affect performance of the exchange, such as communication and feedback, problem solving, effective delegation and the acceptance of common goals and sharing responsibility (Gunlach and Murphy 1993). McAllister (1995) conducted research between subordinate-superior pairs and discovered that affect-based trust is positively related to peer performance, providing evidence that trust produces relationships beneficial to organisations.

It is generally recognised that financial and non-financial issues should be considered when reviewing organisational performance (see AGB McNair 1995c). Fulop (1995) recognises these two fundamental aspects of performance and suggests that building trust involves both economic and non-economic gains or outcomes for a network. The majority of studies on network outcomes have focused on the financial performance of the network, however the actual direct financial contribution of the network may be obscured. The non-financial performance of the network was seen as important by Smith, Carroll and Ashford (1995) who suggest that the benefits of networks can be defined in non-economic terms, which could include fast cycle time or product to market, improved quality or high quality decision making. They conclude with the fact that there are distinct benefits from examining a broader set of outcome variables. These views lead to hypothesis One:

H1: There is a significant positive relationship between both

5.2 Time

A number of theoretical papers have reasoned that trust evolves over time based on a series of observations and interactions and that repeated interactions produce social inclusion and trust (Ring and Van de Ven 1994; Thorelli 1992). Several researchers have built process models of network development, which generally propose that the interorganisation relationship (IOR) proceeds through a series of serially dependent temporal phases (Ring and Van de Ven 1994, Jarillo 1990, Larson 1992). Curall and Judge (1995) recently conducted research on IORs, which investigated trust with respect to the length of relationship. Using a sample of 152 matched pairs, Currall and Judge (1995) established that the time of the relationship showed significant positive correlations with total trust, communication, and task coordination. They concluded that the incentive for maintaining the trust generally grows as a function of the length of the relationship.

The reasoning generally attributed to the incremental development of trust over time is that as transactions are repeated through time, to meet basic norms of equity and efficiency, parties feel secure in committing to the relationship. In a game theoretic approach, Axelrod (1984) investigated the development of trust through simulating cooperation in two-person games. Using repeated games over time, Axelrod (1984) discovered that a pattern of cooperative behaviour developed what he considered as trust between game participants. Axelrod (1987) proposed that it was this “shadow of the future”, which facilitated cooperation between parties. When parties were aware that future transactions would take place, they were more cooperative, which Axelrod (1987) extrapolated to mean that there was relatively higher levels of trust.

H2: There is a significant positive relationship between the time that network members have been involved with the network and the overall level of trust.

5.3 Facilitation

Fulop (1995) recognised that the facilitation of the network is a significant variable in reviewing factors influencing network success. Using the BNP sample, Holmes *et al.* (1996) conducted research which identified two distinct network initiation processes of: internal initiation (members of the network); and external initiation (external agency, e.g. BNP). They concluded that the different types of initiation influenced the type of network governance adopted and the formation time of the network. It was generally concluded that networks that formed from group initiation accumulated higher trust, based on previous interactions or compatibility.

Oliver (1990) recognises that the distinction between mandated and voluntary group formation processes is important because consequences of relationship formation associated with each are fundamentally different. One of the fundamental reasons for such differences is generally attributed to the fact that mandated group development processes proceed more rapidly when group formation is mandated (Schopler 1987).

H3: There is a significant difference in overall trust levels between networks formed internally compared to those formed externally.

5.4 Size

It has been proposed that the size of a group will also influence the development and operation of that group. The general argument is that as the size of the network increases, and the number of relationships required consequently increases, that the quality and strength of the relationships are weakened as a result. This is summarised by Alter and Hage (1993 p.336) who state: “many ties reduce the likelihood of the tie being strong”. Research has shown that as groups become larger participation, satisfaction and consensus decreases, intimacy between members decreases, and sub-groups emerge (Themes and Fink 1963). The number of organisations in an IOR is generally an important indicator of the complexity of interorganizational relations.

H4: There is a significant negative relationship between the number of members in a network (size) and the overall trust level.

5.5 Governance

Bidault and Jarillo (1996) hypothesise that if there is trust between the parties, there is no need for an explicit contract to state the behaviours deemed appropriate by members and hence an informal governance mechanism will tend to be adopted. Currall and Judge (1995) tested a similar theory when they measured the extent to which an informal agreement was present between dyadic interorganisational relationships in the public sector. They formulated an instrument to measure what they termed as, “a willingness to enter an informal arrangement measure”, which they then correlated with their overall measure of trust. Through this measure they established a positive relationship with overall trust and the propensity to enter into an informal agreement. Based upon such arguments it is hypothesised that networks with a informal mechanisms will exhibit overall higher trust levels.

H5: There is a significant difference in the trust levels of networks coordinated by formal and informal mechanisms.

5.6 Broker Trust

It has been recognised that all networks in the BNP must engage the services of an accredited network broker to provide guidance and assist with the development of the network. It is generally considered that trust can be facilitated by a lead member. Research conducted by Browning, Beyer and Shetler (1995) into the SEMATECH research consortium identified that role models (or leaders), play an extremely important role in building trust relationships. Further researchers have identified that trust can be built through leadership (Smith, Carroll and Ashford 1995). The network broker is viewed as a leader in the network organisation and may have the potential to influence the overall trust levels.

H6: There is a positive relationship between the overall level of trust attributed to the broker and the overall levels of trust between network members.

6.0 Method

The sample frame for this research is businesses involved in hard business networks under the Business Network Program. The majority of the organisations involved with the BNP are small and medium-sized enterprises (SMEs). A total of 60 networks, which constituted 307 individual businesses, registered with the BNP were included in the sample for the research. A

survey was sent to the nominated network manager in each of the companies. The response rate for the mail survey was 35%, which resulted in 107 returned questionnaires.

Several instruments have been formulated to measure trust (for eg. see Rotter 1971; Currall and Judge 1995; Mayer, Davis and Schoorman 1995; Cummings and Bromily 1996) based upon different interpretations of trust and its underlying factors. Due to the large discrepancies between instruments, a broad-base instrument developed by Butler (1991) was adapted for this research. Butler's instrument (1991) contains a large combination of factors which are contained in other trust instruments. It was decided that this broad instrument would be used and a factor analysis would be conducted to reduce the number of factors further, if applicable. Butler's Conditions of Trust Inventory (CTI) contains ten factors of: discreteness, fairness, integrity, loyalty, openness, availability, competence, consistency and promise fulfilment and overall trust. The instrument has four statements to measure each of the factors.

Due to the large number of variables requiring measurement for the research project, a shorter form of Butler's CTI instrument was constructed. One statement was taken from the dimensions contained in Butler's CTI, based on the highest item-to-factor correlation, which is consistent with the method adopted to shorten several established research instruments (see for example, Cummings and Bromiley 1996).

To assess the construct validity of this instrument a second measure of trust was included in the questionnaire. Burt and Knez (1996) measured trust by asking respondents with whom they would discuss sensitive issues. This was based upon the fact that higher levels of trust would be associated with those whom sensitive issues would be discussed. Respondents in this study were asked to nominate who in their network they would discuss sensitive issues. The number of members nominated was divided by the total possible (total number of members minus one), which resulted in a trust index between zero and one. A correlation was performed between the two trust instruments to assess construct validity. The results indicate that the two measures were significantly correlated (see Table 3). The correlation coefficient is not considered to be high, but this is most likely due to the fact that the two measures are examining different aspects of trust. Burt and Knez's (1996) format is more focused towards a relational measure of trust.

7.0 Results

To explore the possibility of reducing the factors contained in Butler's (1991) research instrument, a factor analysis was performed. The results of the factor analysis are contained in Tables 2 and 3. The method of factor analysis followed the principle components method adopted by Butler (1991).

Table 2 - Factor Analysis Statistics

No. of Factors	Eigenvalue	Percent of Variance
Factor 1 - Affective	5.30942	53.1%
Factor 2 - Cognitive	1.22146	12.2%

Table 3 - Rotated Factor Matrix

Variable	Factor 1	Factor 2	Factor loading
Availability	.02283	.76919	2
Competence	.23845	.75601	2
Consistency	.34811	.79166	2
Discreteness	.86411	.25900	1
Fairness	.81186	.10592	1
Integrity	.60501	.60352	1/2
Loyalty	.62069	.39490	1
Openness	.7997	.17168	1
Trust	.55442	.44176	1/2
Promise Fulfilment	.37229	.70469	2

The factor analysis established that there were two fundamental dimensions underlying trust, in contrast to the ten specific dimensions proposed by Butler (1992). The interpretation of the factors drew upon previous research on trust. From examining the variable contained in each of the factors, it appeared that one factor possibly represents an ‘affective’ dimension, whilst the other reflects a rational or ‘cognitive’ component. Variables loading on both factors were excluded from the interpretation, but were considered to be a combination of the two dimensions. This evidence provides support for a small proportion of the extant literature which suggests that trust has two fundamental dimensions of: affective and cognitive character (Cummings and Bromily 1996; Mayer et al 1995; McAllister 1995; and Lewis and Weigart 1985). The results relevant to testing the hypotheses stated in the research contained in the Tables 4 and 5.

Table 4 - Pearson Correlation Coefficients

	Trust Average	Trust Index	Time	Perform Goal	Perform Sales	Size
Trust Average	-					
Trust Index	.3449**	-				
Time	.1048	.0308	-			
Performance - Goal	.2251*	.2929*	.2989**	-		
Performance - Sales	.0983	.0660	.1601	.5159**	-	
Size	.0551	-.3668**	.3361**	-.0202	.0891	-

* Sig. <0.05 ** Sig. <0.01

Table 5 - Independent t-test statistics

Variable	T-Test	2 tailed p
Time (>2 yrs/<2yrs)	2.620	.001
Facilitation (external/internal)	.056	.166
Governance (formal/informal)	.332	.154
Governance (formal/informal) > 1 yr old	-2.310	.025

Hypothesis One proposed that the financial and non-financial performance of the network would be significantly correlated with the overall trust in the network. The results indicate no significant relationship between the sales contribution of the network and the overall trust between members. The second performance measure of goal achievement, which incorporates the non-financial aspects of performance, was significantly correlated with both trust measurements. It appears that in the presence of a trusting environment network goals are more likely to be achieved. Based upon this result Hypothesis One is partially accepted.

It was also discovered that goal achievement was significantly correlated with the time of

network operation. From this it can be extrapolated that the goals of members will be achieved over time as the network continues to operate. Conversely, the sales contribution of the network was not significantly correlated with time. These results further support the importance of the non-financial factors of network operation. Several researchers have proposed that the central benefits of network operation are not purely financial (Oliver 1990, Fulop 1995). Further research should consider the importance of the non-financial performance of networks and continue to map such benefits.

Hypothesis Two proposed that there would be a significant relationship between the overall level of trust in the network and the length of time of member involvement. The results of the correlation analysis between the two variables did not confirm this hypothesis. A further test was conducted to investigate if the factors identified were significantly related to time. A correlation was performed, based on the factor scores resulting from the factor analysis for the two trust factors, but no significant relationship was established with either affective or cognitive dimension.

A scatter plot was conducted between time and average trust to examine for a possible non-linear relationship. No distinct relationship of any kind was established, but after a critical point of approximately two years, the overall trust between members appeared significantly higher. Further tests which dichotomised the variable into two groups, based around the critical point of two years, revealed that there was a significant difference between the mean trust levels of networks younger and older than two years.

It is difficult to speculate the reasons for these results, as the measurement for time was not a longitudinal measurement. A cross-section of networks in different time periods is an indirect way to measure how trust changes over time. However, though examining the scatter plot it appears that not all networks will begin operation with low levels of trust, as a linear relationship would suggest. Many young networks had extremely high levels of trust. Bidault and Jarillo (1996) recognise this and explain that economic relationships do not generally start from a situation of distrust. This phenomena could possibly be explained by Deutsch (1962) who suggests that economic agents enter a transaction on the assumption that they can trust the other party until proof is provided to the contrary. This poses further questions with respect to the actual development of trust and how it evolves over time to reach higher levels. It may be that trust does not follow a linear progression to higher levels, but may be built or lost in more erratic 'spurts' or 'leaps', rather than a slow building process. Alter and Hage (1993) suggest one critical incident can result in trust decreasing at a rapid rate. It is possible that development of trust may follow a similar pattern of growth.

It is also possible that the networks beginning operation with higher levels of trust will be the networks that sustain operation for longer periods of time. It was established in this research that there were significantly higher levels of trust in networks over two years of age, and previous literature has stated that on average, networks have an approximate life of two to three years (Gnome- Casseres 1993). Trust may not change significantly over the life time of these networks, and they will be more inclined to continue operation for longer than the average time period. A further hypothesis to explore would then be: Networks that have higher levels of trust, operate for a longer period of time. To fully explore these results a longitudinal study should be conducted that tracks individual networks over a period of time, and systematically measures trust at designated time intervals.

Hypothesis Three proposed that there would be a significant difference in the overall trust levels of groups that were formed externally compared to those that were formed by internal

mechanisms. This difference was found to be insignificant. The primary basis for the hypothesis, was that mandated groups have truncated development processes and that they are forced to join the group, which results in lower trust levels. However, the networks that were classified as 'externally facilitated' were not completely mandated, and members were not forced to join the network. The level of external influence was considered not strong enough to significantly influence the level of trust between members of networks formed externally.

Hypothesis Four proposed that there would be a significant relationship between the number of members in the network (size) and the overall level of trust in the network. The results of the correlation analysis demonstrate that there was no significant relationship between size and overall trust, but there was a significant relationship with the trust index. These results indicate that as the size of the network increases, the number of network members nominated to discuss sensitive issues, calculated proportionally to size, will decrease. This does not essentially mean that the number of members that respondents would discuss sensitive issues with decreased, but that the number remained relatively constant whilst the size of the network increased. This may indicate that regardless of network size, members will still have a relatively stable small group of members that they would discuss sensitive issues. This characteristic of relationships is supported by Marsden (1990) who identified that people were limited in the number of close relationships that they could establish and maintain.

Hypothesis Five proposed that networks which were governed by informal mechanisms will have significantly higher overall trust levels than more formal networks. The results demonstrated that there was no significant difference between the two groups on the overall levels of trust. There are several possible explanations for this result, such as the imprecise nature of the formal and informal labels. It has been suggested that the formality of a network is far more complex than the simple dichotomous categories derived in most research projects to measure this complex concept (BIE 1991).

A further problem with this measurement lies within the fact that many network members were unable to give accurate information on the intended governance structure. It was established in previous research (Holmes *et al.* 1996) that 50% of networks were still in the process of forming the governance mechanisms of the network in the first year of operation. To further explore this issue, networks under one year were excluded from the analysis. The results of this analysis revealed a significant and somewhat unexpected finding. The formal networks over one year old had significantly higher levels of trust than informal networks over one year old. It appears that networks may need higher levels of trust to actually reach the legal commitment stage. Networks operating informally, may not have the high degree of commitment or trust necessary for members to agree to be legally obligated to the network. This is an interesting finding and further in-depth investigation is required to fully explain the mechanisms behind the development of trust in formal and informal settings.

Bidault and Jarillo (1996) recently proposed that contracts may actually serve as a basis for trust, because the parties feel obligated to behave as promised, since if they failed to do so legal ramifications are possible. The process of completing the agreement or contract forces all members to fully state their intentions and creates an environment of greater knowledge from which trust can be built. Ring and Van de Ven (1994) further suggest that an agreement does not necessarily translate to lower trust levels. They illustrate this issue by stating that even though there is total trust between the two authors, and total trust that the other would risk their life to save other, they would still wear a 'lifejacket' if they were on a boat (Ring and Van de Ven 1994). They justify this by suggesting that there are circumstances beyond the control of the individual. This is also true in the business environment, and a contract is present to control and protect in the

advent of any such unanticipated circumstances. This proposes that formal agreements may be present, but this does not mean that trust is lower as a result.

Hypothesis Six proposed that there would be a significant positive relationship between the trust attributed to the AusIndustry network broker assigned to the network and the overall trust between members in the network. It was established that there was a significant positive relationship between broker trust and both trust measurements. Whilst this does not establish any cause and effect relationship, it does signify a relationship. It appears that an environment of trust or distrust may be established in the network which will carry to all those associated with the network. It was established in the hypothesis development that brokers have a critical role leading the network, and they may also pose a critical role in facilitating the development of trust between members.

8.0 Discussion

Overall, this research has established that trust is a very complex phenomena, and the previous treatment of trust as an outcome of relationship interaction that gradually builds over time, may be too simple to represent the complexity of this variable. It was discovered that trust was not significantly related to the duration of the relationship. However, it was established that older networks do have higher levels of trust between members, but it is still unclear as to the nature of the path taken to reach this point. The factors that affect the growth of trust needs to be further explored to establish the complete nature of any relationship. The possibility of 'erratic' growth patterns, which are significantly influenced by critical incidents occurring in network operation need to be acknowledged and explored. The exact nature and influence of such critical incidents warrants further empirical attention.

It appears that previous theoretical development may have over simplified the treatment of trust and examined its relationship with network performance on a superficial level. A more in-depth investigation has revealed that the relationship between trust and performance is fundamentally based upon a non-financial basis. Trust is inherently a social phenomena and appears to continue to operate at this level in the operation of the network. This research also provides evidence that relationships built solely on informal mechanisms may not be the most conducive to the development of trust. It has been relatively ignored in pervious research that the development of a formal agreement can actually engender trust and provide a basis for trust to be built, rather than a document necessary to protect parties in the case of distrust.

In conclusion, it appears that there are several factors which will inherently influence the levels of trust in a business network, and these factors should be considered when examining or building business networks and the performance of the networks. This research demonstrates that trust in itself is not an isolated variable and it should be interpreted with respect to the range of variables which impact upon network development and operation.

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