

## Chapter 5

# Antecedents of Stakeholder Trust in Business Development in Latin America

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### **ABSTRACT**

*Trust is the expectation of honest and co-operative future behavior based on commonly shared norms (Fukuyama, 1995). In Latin American region, people who believe that most people can be trusted ranges from 4 to 19% as compared with 34% for USA and 60% for China and Sweden (World Values Survey, 2010-2014; Jamison, 2011; Cardenas et al., 2009). Trust consists of a mix of inter-personal trust and institutional trust. An understanding of business culture, national culture and religion is essential for developing trust in business relationships (Hurtado, 2010; Searing, 2013; Weck, 2013, Ransi and Kobti, 2014). Trust among various business stakeholders within a firm or between firms in a local, national or international setting is an essential component of business development activities that are rooted in the relationships between exchange partners (Barron, 2014; Taylor, 2013; Friman et al., 2002;). The monitoring mechanisms on trust, i.e., “trust but verify” are conducive to maintaining trust in a business relationship (Kusari, et al. 2014).*

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## **INTRODUCTION**

From a utilitarian perspective, trust can be viewed as ‘mutual glue’ that holds a relationship together. In a business exchange, trust is a multi-dimensional psychological concept concerned with shared human feelings between exchange partners making them either ‘in-group’ or ‘out-group’. Trust is a dynamic concept, and is influenced by the past, present and future interactions. Each business interaction has consequences for trust. Trust increases by synergistic and ethical behavior. Trust decreases by opportunistic and unethical behavior (Khodyakov, 2007). In a business context, the entrepreneurs use mutual trust to sustain their enterprises and socioeconomic networks. Maintaining trust with all the stakeholders is essential for running an existing business profitably. To develop a new business, trust has to be established first before the deal is completed. In Latin American countries, the interpersonal trust is low, which has implications for existing businesses and new business development (Jamison, 2011). Low trust in Latin American countries significantly hampers efforts to achieve sustainable, long-term economic growth (Neace, 2004).

In this chapter, the role of stakeholder trust in the performance of the existing businesses and the development of new business in Latin America is reviewed. Some of the stakeholders in a business include the customers and clients, employees, supply chain partners, local communities, government and regulators, non-governmental organizations (NGO’s), creditors and investors. A conceptual framework of trust, based on transaction-cost theory, social-exchange theory and commitment-trust theory is discussed for understanding the needs and concerns of different stakeholders regarding trust (Phelps and Campbell, 2012). The influence of culture and religion in the LA region on the stakeholder trust is discussed. The role of trust in leadership, organizational performance, business development activities including marketing and supply chain management are discussed. The determinants of the trust are discussed in the context of B2C, B2B and e-Business (Jones et al., 2000).

## **LOW TRUST LEVELS IN LATIN AMERICA**

The low inter-personal trust in LA region reflects the colonial history and the lack of trust at the institutional and government level (Lagos, 2001). The LA citizens do not trust their public institutions, financial and legal institutions, government, police and the media (Power and Jamison, 2005). The expression *viveza criolla* (native cunning) is an example of LA mistrust. It expresses a belief that a person who does something shady and gets away with it, is successful while others who act in good faith are naïve, miss out on the opportunities and end up failing. Trickery and deceit

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