Role of Time in Development of Trust Within Hi-Tech SME Business Relationships

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ABSTRACT

This study investigated the function of time (as a moderator, determinant or quasi moderator) within hi tech Small to Medium Sized Enterprise (SME) downstream (i.e., customer) trust-based relationships. A four antecedent (i.e., competence, transaction specific investments, flexibility and coercive power) research model was developed to represent trust within the SME business-to-business (b-to-b) relationships. Time was conceptualized chronologically as duration of a relationship in years. The model was empirically tested with 117 respondents from the UK Original Equipment Manufacturing (OEM) sector. The research outcome supported a significant and positive moderating effect of time on competence to trust and flexibility to trust pathways. However, time had a negative moderating yet significant effect on the association between coercive power and trust. Correlation between Transaction Specific Investments (TSIs) and trust was significant but time showed neither moderating nor deterministic effect on the TSIs to trust link.

Keywords: Business-to-Business Relationships, Hi Tech SME Trust, Impact of Time, Original Equipment Manufacturing (OEM), Small to Medium Sized Enterprise (SME)

INTRODUCTION

Whether business relationships move linearly (following a pattern) or non-linearly (develop as a result of iterative and non-predictive process) is still open to debate with arguments for the both sides (Rao & Perry, 2002; Wilson, 1995). However there is a certain degree of consensus on the evolution of business exchanges. This time influenced relational progression or digression is affected by the nature of experiences and interactions that involved parties encounter and deal with (Levin et al., 2006). The outcome of these relational episodes (whether conducive or abusive) determines the future direction of the relationship. Within this ‘exchange context’, time (as days, months and years) provides the environment (healthy or repressive) in which the business relationships flourish or wither (Medlin, 2004).

Time element has been largely ignored within trust based b-to-b relationships. The main reason for this negligence seems to be the complex and fluid nature of time (Laaksonen,
1987). However within trust based exchanges, where key relational objective/purpose is to minimize vulnerability, reduce uncertainty, eliminate risk and share knowledge, the role and prominence of time cannot be ignored (Suh & Kwon, 2003). Particularly as dynamic and fluid nature of b-to-b relationships is perceived to be in a state of flux due to the instable and volatile nature of exchange environment (Ford, 1990; Hakansson, 1982).

In the changing business environment, relational variables play their part (active or passive) in life cycle of a relationship (Gill et al., 2006; Wilson, 1995). Within this perspective research addressing the time-driven dynamism, related to business relationships, and its impact on behavior of relational constructs (trust-based or otherwise) is highly useful in identifying the time-dependency role of relational components (i.e., How variables evolve on a temporal dimension of a relationship?). The proceeding literature review looks further into the above-mentioned question and more specifically attempts to address relational issues associated with business-to-business (b-to-b) trust within SMEs.

LITERATURE REVIEW

Most downstream studies have taken a cross-sectional/transverse approach where a limited number of interactions (i.e., largely a snap shot view of the relationship) is afforded and hence effect of time, as a continuation of a number of interactions from the past to the present and into the future, is largely ignored (Dion, 1991). A dynamic phenomena such as a relationship whose very existence is determined by series of experiences and their subsequent outcome, requires a longitudinal treatment where type of trust (rational or affective or behavioral or cognitive etc.,) within different relational phases is charted against time (i.e., relationship length).

Predominantly within time and business relationships research, interactive approach has been taken where exchange environment has been largely portrayed as a network of interdependent business actors (Thomas, 2008; Halinen & Tornroos, 1993). Within this context, study of time has been largely linear where emphasis has been on the progression of relationship through frequency and extent of interactions revolving around general variables of the relationship. Therefore in majority of studies a limited orientation of time has been adopted and consequently its precise impact on a relationship determinant (such as trust, commitment, satisfaction, cooperation etc.,) has been rarely investigated.

Ganesan (1994) explored long term orientation (LTO) within upstream and downstream trust based relationships. By contrasting short-term orientation (STO) with long-term orientation (LTO), Ganesan (1994) achieved a research outcome in terms of whether trust is affected by time orientation. However in addressing the time question, Ganesan (1994) falls short of explaining influence of time (i.e., deterministic, moderating or otherwise) on relationships and only provides involved actor’s perception of time (i.e., trust relationship is viewed within short or long time frame). For example TSIs are suggests as significant determinants of LTO but the impact of time on TSI itself (e.g., does TSI with time increase or decreases or is independent of time) is not explained.

Heide and John (1992) comment on the changing nature of the relationship (i.e. from transactional to relational). In particular their research provides further insight into the loosening of ‘control mechanisms’ as the relationship moves from a short-term and into a long-term frame. As a potential area for future research, Heide and John (1992) suggest an investigation into the transformation of relational norms (from rational to affective) along the temporal axis.

Coulter and Coulter (2002) investigate moderating effect of time (relationship length) on trust within services sector. They see role of trust (developed and reinforced through time) as a means of reducing uncertainty, risk and knowledge gaps inherently associated with service provision. Unlike Ganesan (1994), Coulter and Coulter (2002) take a rational view of time and consider trust antecedents (i.e. competence,
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