

The Effect of Mutual Trust on Relational Performance in Supplier-Buyer Relationships for Business Services Transactions

在商业服务交易中的买卖关系中相互信任对关系绩效的影响

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Abstract

Trust has been studied extensively in psychology, economics, and sociology, and its importance has been emphasized not only in marketing, but also in business disciplines in general. Unlike past relationships between suppliers and buyers, which take considerable advantage of private networks and may involve unethical business practices, partnerships between suppliers and buyers are at the core of success for industrial marketing amid intense global competition in the 21st century. A high level of mutual cooperation occurs through an exchange relationship based on trust, which brings long-term benefits, competitive enhancements, and transaction cost reductions, among other benefits, for both buyers and suppliers.

In spite of the important role of trust, existing studies in buy-supply situations overlook the role of trust and do not systematically analyze the effect of trust on relational performance. Consequently, an in-depth study that determines the relation of trust to the relational performance between buyers and suppliers of business services is absolutely needed.

Business services in this study, which include those supporting the manufacturing industry, are drawing attention as the economic growth engine for the next generation. The Korean government has selected business services as a strategic area for the development of manufacturing sectors. Since the demands for opening business services markets are becoming fiercer, the competitiveness of the business service industry must be promoted now more than ever.

The purpose of this study is to investigate the effect of the mutual trust between buyers and suppliers on relational performance. Specifically, this study proposed a theoretical model of trust-relational performance in the transactions of business services and empirically tested the hypotheses delineated from the framework. The study suggests strategic implications based on research findings. Empirical data were collected via multiple methods, including via telephone, mail, and in-person interviews. Sample companies were knowledge-based companies supplying and purchasing business services in Korea. The present study collected data on a dyadic basis. Each pair of sample companies includes a buying company and its corresponding supplying company. Mutual

trust was traced for each pair of companies.

This study proposes a model of trust-relational performance of buying-supplying for business services. The model consists of trust and its antecedents and consequences. The trust of buyers is classified into trust toward the supplying company and trust toward salespersons. Viewing trust both at the individual level and the organizational level is based on the research of Doney and Cannon (1997).

Normally, buyers are the subject of trust, but this study supposes that suppliers are the subjects. Hence, it uniquely focused on the bilateral perspective of perceived risk. In other words, suppliers, like buyers, are the subject of trust since transactions are normally bilateral. From this point of view, suppliers' trust in buyers is as important as buyers' trust in suppliers. The suppliers' trust is influenced by the extent to which it trusts the buying companies and the buyers. This classification of trust using an individual level and an organization level is based on the suggestion of Doney and Cannon (1997).

Trust affects the process of supplier selection, which works in a bilateral manner. Suppliers are actively involved in the supplier selection process, working very closely with buyers. In addition, the process is affected by the extent to which each party trusts its partners. The selection process consists of certain steps: recognition, information search, supplier selection, and performance evaluation.

As a result of the process, both buyers and suppliers evaluate the performance and take corrective actions on the basis of such outcomes as tangible, intangible, and/or side effects.

The measurement of trust used for the present study was developed on the basis of the studies of Mayer, Davis and Schoorman (1995) and Mayer and Davis (1999). Based on their recommendations, the three dimensions of trust used for the study include ability, benevolence, and integrity. The original questions were adjusted to the context of the transactions of business services. For example, a question such as "He/she has professional capabilities" has been changed to "The salesperson showed professional capabilities while we talked about our products." The measurement used for this study differs from those used in previous studies (Rotter 1967; Sullivan and Peterson 1982; Dwyer and Oh 1987).

The measurements of the antecedents and consequences of trust used for this study were developed on the basis of Doney and Cannon (1997). The original questions were adjusted to the context of transactions in business services. In particular, questions were developed for both buyers and

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suppliers to address the following factors: reputation (integrity, customer care, good-will), market standing (company size, market share, positioning in the industry), willingness to customize (product, process, delivery), information sharing (proprietary information, private information), willingness to maintain relationships, perceived professionalism, authority empowerment, buyer-seller similarity, and contact frequency.

As a consequential variable of trust, relational performance was measured. Relational performance is classified into tangible effects, intangible effects, and side effects. Tangible effects include financial performance; intangible effects include improvements in relations, network developing, and internal employee satisfaction; side effects include those not included either in the tangible or intangible effects.

Three hundred fifty pairs of companies were contacted, and one hundred five pairs of companies responded. After deleting five company pairs because of incomplete responses, one hundred five pairs of companies were used for data analysis. The response ratio of the companies used for data analysis is 30% (105/350), which is above the average response ratio in industrial marketing research.

As for the characteristics of the respondent companies, the majority of the companies operate service businesses for both buyers (85.4%) and suppliers (81.8%). The majority of buyers (76%) deal with consumer goods, while the majority of suppliers (70%) deal with industrial goods. This may imply that buyers process the incoming material, parts, and components to produce the finished consumer goods. As indicated by their report of the length of acquaintance with their partners, suppliers appear to have longer business relationships than do buyers.

Hypothesis 1 tested the effects of buyer-supplier characteristics on trust. The salesperson's professionalism ($t=2.070$, $p<0.05$) and authority empowerment ($t=2.328$, $p<0.05$) positively affected buyers' trust toward suppliers. On the other hand, authority empowerment ($t=2.192$, $p<0.05$) positively affected supplier trust toward buyers. For both buyers and suppliers, the degree of authority empowerment plays a crucial role in the maintenance of their trust in each other.

Hypothesis 2 tested the effects of buyerseller relational characteristics on trust. Buyers tend to trust suppliers, as suppliers make every effort to contact buyers ($t=2.212$, $p<0.05$). This tendency has also been shown to be much stronger for suppliers ($t=2.591$, $p<0.01$). On the other hand suppliers trust buyers because suppliers perceive buyers as being similar to themselves ($t=2.702$, $p<0.01$). This finding confirmed the results of Crosby, Evans, and Cowles (1990), which reported that suppliers and buyers build relationships through regular meetings, either for business or personal matters.

Hypothesis 3 tested the effects of trust on perceived risk. It has been found that for both suppliers and buyers the lower is the trust, the higher is the perceived risk ($t=-6.621$, $p<0.01$ for buyers; $t=-2.437$, $p<0.05$). Interestingly, this tendency has been shown to be much stronger for buyers than for suppliers. One possible explanation for this higher level of perceived risk is that buyers normally perceive higher risks than do suppliers in

transactions involving business services. For this reason, it is necessary for suppliers to implement risk reduction strategies for buyers.

Hypothesis 4 tested the effects of trust on information searching. It has been found that for both suppliers and buyers, contrary to expectation, trust depends on their partner's reputation ($t=2.929$, $p<0.01$ for buyers; $t=2.711$, $p<0.05$ for suppliers). This finding shows that suppliers with good reputations tend to be trusted. Prior experience did not show any significant relationship with trust for either buyers or suppliers.

Hypothesis 5 tested the effects of trust on supplier/buyer selection. Unlike buyers, suppliers tend to trust buyers when they think that previous transactions with buyers were important ($t=2.913$, $p<0.01$). However, this study did not show any significant relationship between source loyalty and the trust of buyers in suppliers.

Hypothesis 6 tested the effects of trust on relational performances. For buyers and suppliers, financial performance reportedly improved when they trusted their partners ($t=2.301$, $p<0.05$ for buyers; $t=3.692$, $p<0.01$ for suppliers). It is interesting that this tendency was much stronger for suppliers than it was for buyers. Similarly, competitiveness was reported to improve when buyers and suppliers trusted their partners ($t=3.563$, $p<0.01$ for buyers; $t=3.042$, $p<0.01$ for suppliers). For suppliers, efficiency and productivity were reportedly improved when they trusted buyers ($t=2.673$, $p<0.01$). Other performance indices showed insignificant relationships with trust.

The findings of this study have some strategic implications. First and most importantly, trust-based transactions are beneficial for both suppliers and buyers. As verified in the study, financial performance can be improved through efforts to build and maintain mutual trust. Similarly, competitiveness can be increased through the same kinds of effort. Second, trust-based transactions can facilitate the reduction of perceived risks inherent in the purchasing situation. This finding has implications for both suppliers and buyers. It is generally believed that buyers perceive higher risks in a highly involved purchasing situation. To reduce risks, previous studies have recommended that suppliers devise risk-reducing tactics. Moving beyond these recommendations, the present study uniquely focused on the bilateral perspective of perceived risk. In other words, suppliers are also susceptible to perceived risks, especially when they supply services that require very technical and sophisticated manipulations and maintenance. Consequently, buyers and suppliers must solve problems together in close collaboration. Hence, mutual trust plays a crucial role in the problem-solving process. Third, as found in this study, the more authority a salesperson has, the more he or she can be trusted. This finding is very important with regard to tactics. Building trust is a long-term assignment; however, when mutual trust has not been developed, suppliers can overcome the problems they encounter by empowering a salesperson with the authority to make certain decisions. This finding applies to suppliers as well.

Keywords: Mutual trust, Business services, Supplier, Buyer,

Dyadic analysis

摘要

信任在心理学, 经济学, 社会学中已被广泛研究, 其重要性不仅在市场营销中被强调, 在一般商业原则中也被强调。供应商和买家之间的关系与过去不同, 过去的关系需要相当大的私人网络优势, 并可能涉及不道德的商业行为。而在以工业营销成功的为核心的二十一世纪激烈的全球竞争中, 供应商和买家之间的关系是伙伴关系。在相互合作的高级别信任的基础上, 通过交换的关系, 这会给买家和供应商带来长期的利益, 竞争力增强和交易成本的降低以及其他福利。

尽管现有的研究有信任的重要性, 但是在购买与供应关系中却忽视了信任的作用, 也没有系统地分析信任对关系的影响。因此, 深入研究, 确定买家和商业服务供应商之间信任和关系绩效之间的联系是绝对需要的。

本研究中的商业服务, 包括那些支持制造业, 正作为下一代经济增长的引擎而吸引着人们的注意。韩国政府已选择其作为制造业发展的战略领域。由于商业服务开放市场的需求日趋激烈, 商业服务业的竞争力应该比以往得到更多的提倡。

本研究的目的是探索相互信任对买家和供应商之间的关系绩效的影响。具体来说, 本研究在商业服务交易中提出了一个关于信任-关系绩效的理论模型, 并实证检验根据模型而提出的假设。这项研究表明, 研究结果有战略意义。本研究通过多种方法收集经验数据。这些方法包括通过电话, 邮件和面试。作为样本的公司是在韩国供应和购买商业服务的以知识为本的公司。本研究收集的是二进的基础数据。每个样本公司对包括购买公司及其相应的供应公司。并跟踪调查每个公司对的相互信任。

本研究为商业服务的买卖双方提出了信任-关系绩效的模型。该模型由信任和它的前因和后果。买家的信任分为对供应公司的信任和对销售人员的信任。根据Doney 和 Cannon (1997)的研究我们在个人水平和组织水平上观察信任。

通常情况下, 买方是信任的受体, 但这项研究我们建议以供应商为观察受体。因此, 它独特的关注了双边角度的知觉风险。换言之, 供应商和买家一样, 是信任的主体, 因为交易通常是双边的。从这个角度来看, 供应商对买家信任和买方对供应商的信赖一样重要。供应商的信任从某种程度上受它信任的买方公司和买家的影响。这种使用个人水平和组织水平的信任分类是根据Doney 和 Cannon (1997)的研究。

信任影响供应商的选择, 这是一项双向放的工作。供应商们积极参与与供应商选择过程中, 和买家密切的一起工作。此外, 该过程从某种程度上受每一方信任的合作伙伴的影响。挑选过程包括一些步骤: 识别, 信息检索, 供应商选择和绩效评价。

作为这一进程的结果, 买家和供应商都进行绩效评估, 并就这些结果为基础, 采取有形或无形的纠正行动。

本研究中使用的关于信任的测量问项是根据Mayer, Davis 和 Schoorman (1995) 以及Mayer和Davis (1999)的研究发展起来的。根据他们的建议, 有关信任的三个方面的研究包括有能力, 善和完整。根据商业服务这个背景我们调整了原来的问题。例如, 如“他/她的专业能力”已被改为“当我们讨论我们的产品时销售人员表现出专业能力。”这项研究使用的测量问项不同于在以往的研究中使用的问项 (Rotter 1967; Sullivan和 Peterson 1982; Dwyer和Oh 1987)。

本研究中有关信任的前因后果的测量问项是根据Doney和 Cannon (1997)的研究为基础制定的。根据商业服务这个背景我

们调整了原来的问题。特别是, 问题被设计为对买家和供应商以解决下列因素: 信誉 (诚信, 客户服务, 良好意愿), 市场地位 (公司规模, 市场份额, 在行业中的地位), 愿意定制 (产品, 过程, 交付), 信息共享 (专有信息, 个人信息), 愿意保持良好关系, 认为专业, 权威授权, 买方与卖方的相似性, 以及接触频率。

作为信任相应的变量, 我们对关系绩效进行了测试。关系绩效分为有形的影响, 无形影响, 和副作用。有形的影响包括财务业绩; 无形的影响, 包括关系的改善, 网络开发, 以及内部员工的满意度; 副作用包括既不是有形影响也不是无形影响的影响。

我们联系了350对公司, 105对公司答复了我们。由于不完整我们删除了5对公司, 105对公司被用于数据分析。用于数据分析的回应率为30% (三百五十零分之一百零五), 高于工业营销的平均回复比率。

至于回应的公司的特点, 大多数的公司运作的商业服务既为买方 (85.4%) 也为供应商 (81.8%)。大部分买家是做消费品贸易 (76%), 而供应商的大部分 (70%) 是做工业品贸易。这可能意味着买家的过程是购入材料, 部件和组件从而生产消费品成品。正如他们对他们与合作伙伴关系的长度的报告表示, 供应商比买家有更长的商业关系。

假设1测试买方-供应方特点对信任的影响。销售人员的专业度 ($t=2.070, p<0.05$) 和权威授权 ($t=2.328, p<0.05$) 积极影响买方对供应方的信任。另一方面, 权威授权 ($t=2.192, p<0.05$) 积极影响供应方对买方的信任。对买方和供应方来说, 权威授权的程度对保持对彼此的信任有关键作用。

假设2测试买卖双方关系特点对信任的影响。买家倾向于信任供应方, 因为供应方总是尽全力联系买方 ($t=2.212, p<0.05$) 这种倾向性在供应方方面也表现得很强 ($t=2.591, p<0.01$)。另一方面, 供应商对买方的信任是由于供应商感知买家与自己的相似性 ($t=2.702, p<0.01$)。这一发现证实了Crosby, Evans, 和Cowles (1990)的研究结果。他们的结果表明供应方和买方通过商务或私务的定期会议来建立彼此的联系。

假设3测试信任对感知风险的影响。结果表明无论对买方还是供应方, 信任越低, 感知风险就越大 (买方: $t=-6.621, p<0.01$; 供应方: $t=-2.437, p<0.05$)。有趣的是, 这一趋势已被证明对买方更强。这种较高水平的感知风险的一个可能的解释是在商业服务交易中买方通常比供应方感知到更大的风险。为此, 有必要对供应商对买方实施减少风险的战略。

假设4测试信任对信息搜集。根据结果, 对供应方和买方, 与预期相反, 信任取决于他们合作伙伴的名誉 (买方 $t=2.929, p<0.01$; 供应方 $t=2.711, p<0.05$)。这一发现表明, 具有良好信誉的供应商往往是可信的。以往的经验并没有显示出任何与买家或供应商信任的重要关系。

假设5测试信任对供应方/买方选择的影响。与买方不同, 当供应方认为以往与买方的交易重要时, 供应方倾向信任买方 ($t=2.913, p<0.01$)。但是, 本研究并没有现实资源忠诚和买方对供应方的信任之间有显著关系。

假设6测试的是信任对关系绩效的影响。对买方和供应方, 当财务表现被报告提高时, 他们比较信任他们的合作伙伴 (买方: $t=2.301, p<0.05$; 供应方: $t=3.692, p<0.01$)。有趣的是, 这种趋势在供应方比较明显。类似的, 当竞争力被报告提高时, 买卖双方比较信任他们的合作伙伴 (买方 $t=3.563, p<0.01$; 供应方 $t=3.042, p<0.01$)。对供应方来说, 当对买方信任时效率和生产力会提高 ($t=2.673, p<0.01$)。其他绩效指标与信任没有显著关系。

这项研究结果有一定的战略意义。首先和最重要的是, 以信

任为基础的交易对供应商和买家而言都是有益的。根据研究证实, 通过努力建立和保持相互信任可以使财务表现提高。同样, 可以通过同样的努力提高竞争力。第二, 以信任为基础的交易能够减少购买情况中的感知风险。这对供应商和买家都有启示。人们普遍认为, 在一个高度参与的采购情况中买家感知到更高的风险。为了减少风险, 以往的研究已建议供应商制定降低风险的策略。而本研究的特点是从双边角度关注知觉风险。换言之, 供应商也容易存在风险, 特别是当他们提供的服务, 需要非常先进的技术, 操作和维护。因此, 购买者和供应商必须一起密切合作解决问题。因此, 相互信任在问题解决过程中起着关键作用。第三, 在这项研究中发现, 销售人员有更多的授权, 他或她越被信任。这一发现从战术角度看是非常重要的。建立信任是一个长期的任务, 然而, 当互信尚未开发, 供应商能够通过授权销售人员做出某些决定来克服遇到的问题, 这一结论也适用于供应商。

关键词: 相互信任, 商业服务, 供应方, 买方, 并元分析

I. Introduction

Trust has been studied extensively in psychology, economics, and sociology, and its importance has been emphasized not only in marketing, but also in business disciplines in general. Unlike past relationships of suppliers and buyers comparatively making much of private network accompanying unethical business practices, partnership between suppliers and buyers is a core success factor for industrial marketing in the intense global competition environment of the 21st century. Mutual cooperation with a high level is done through an exchange relationship based on trust, and the exchange relationship brings long-term benefits, competitiveness enhancement, transaction cost reduction, etc. for both buyers and suppliers.

In spite of the important role of trust, existing studies, in buy-supply situations, (1) pass over the role of trust and (2) do not systematically analyze the effect of trust on relational performance. Consequently, an in-depth study to connect trust and relational performance between buyers and suppliers of business services is absolutely needed.

Business services in this study, which are supporting the manufacturing industry, are drawing attention as the next generation's growth engine. Korean government has selected business services as a strategic area for the development of manufacturing sectors. As demands for opening business services markets are getting fiercer these days, the competitiveness of the business service industry needs to be promoted more than ever before.

The purpose of this study is to investigate the effect of mutual trust between buyers and suppliers on relational performance. Specifically, the study proposed a theoretical model of trust-relational performance in the transactions of business services and empirically tested hypotheses delineated from the framework. The study suggests strategic implications based on its research findings.

II. Theoretical Background

2.1. Literature on trust

Trust has drawn scholarly attention in psychology (Deutsch 1960; Lewicki and Bunker 1995; Lindsold 1978), sociology (Lewis and Weigert 1985; Strub and Priest 1976), and economics (Dasgupta 1988, Williamson 1991). Among the studies on trust, Anderson and Weitz (1989), Dwyer, Schurr and Oh (1987), Ganesan (1994), Moonman, Zaltman, and Deshpande (1992), and Kim (2003) are representative of studies in marketing. Each discipline uniquely deals with the characteristics, definition, and construction of trust.

Studies conducted in non-marketing fields propose, first, that trust is initially formed on the basis of uncertainty and causes vulnerability or risk in trust subjects. If uncertainty does not exist, trust is unnecessary, and if vulnerability or risk is unexpected as a result of trust, it cannot be defined as trust (Bigley and Pearce 1998; Sitkin and Pablo 1992). Second, trust includes optimistic expectations or confidence in uncertain situations. It would not be trust but distrust if an act is feared or unwanted. Third, trust supposes the dependence of trust subjects on trust objects. The vulnerability is based on this dependence. Real dependence can appear in situations in which the possibility of supervision and control or revenge is excluded, allowing for the development of trust. Fourth, trust is not a behavioral concept, such as cooperation or decision making, but a psychological state. Trust expressed as a behavior can be managed by external variables such as compensation or punishment. Fifth, trust is determined by situations and objects. In other words, the level of trust for the same trust objects might differ according to the trust objects and the situation (Rousseau, Sitkin, Burt and Camerer 1998; Hosmer 1995; Bhattacharya, Devinney and Pillutla 1998).

A number of studies managing trust carried out in the field of marketing have been conducted with regard to the distribution process. For example, it was reported that vulnerability is present in relationships because interdependency (Gundlach and Cadotte 1994; Kumar, Scheer and Steenkamp 1995), commitment (Dwyer, Schurr and Oh 1987), long-term orientation (Ganesan 1994), the tendency to stay in a relationship (Anderson and Weitz 1989), etc. have constantly been managed by focusing on building a long-term relationship because of high conversion costs. Especially in research dealing with vulnerability, an industry buying products depends on its long-term relationship with suppliers and emphasizes the trust of its suppliers. Since buyers perceive risks in a highly involved purchasing situation, suppliers must attempt to reduce the risks. Finally, the level of risk related to buying influences the trust relationship between suppliers and buyers.

In the relationship development model of Dwyer, Schurr, and Oh (1987), trust was mentioned as important, because the development of trust involves a lower process of investigation and enlargement. Schurr and Ozanne (1985) defined trust as

the belief that the words or promises of an opponent are faithful and that the opponent would fulfill its duty in an exchange relationship. In addition, it was found that buyers' trust in and expectations for negotiation affect their behavior and attitude toward suppliers. Dwyer and Oh (1987) defined trust as the expectation that opponents want cooperation and will fulfill their duty and responsibility on their side of the relationship. Zand (1972) insisted that expectations in a long-term relationship are formed on the basis of mutual experience and behavioral interaction.

Contrary to these definitions, past studies have considered trust to be something opposed to and independent of conflict. In the research of Young and Wilkinson, trust was thought to reduce transaction costs, ease uncertainty in transactions, and induce cooperation. (1989)

Trust can be formed between individuals, departments and organizations. This suggests that organizations can also be the object of trust since trust is important in mutual relationships. Therefore, in industry purchasing situations, not only trust in individual service, but also trust in supply companies may affect decision making (Doney and Cannon 1997). In the study, trust is defined as the perceived credibility of trust objects and benevolence. Perceived credibility is objective trust, which is the degree of trust toward contracts or the promises of transaction parties, and tolerance involves subjective trust, which is the extent to which transaction parties are interested in helping their partners. Doney and Cannon (1997) applied this definition to purchasing. If buyers recognize the risks of buying, they become dependent on benevolent and credible suppliers.

2.2. Literature on business services

Business service is growing rapidly and is beginning to have a significant influence on the domestic and foreign service industries. In the research of Wilson and Smith (1996), enterprise services in 11 fields in the U.S. for the ten years from 1982-1992 were analyzed, and it was found that the average growth rates of the services per year were all higher than that of the GNP and that four among them were more than two-fold higher. These data suggest a tendency not to receive corporate services in-house but to outsource.

According to a study of the National Association of Purchasing Managers, the cost of buying enterprise services (54%) exceeded that of tangible products (46%), which was remarkable in the service industry (84%) and government section (62%). However, for the manufacturing sector, the cost spent on tangible products (61%) exceeded that spent on services (39%) (Fearon and Bales 1995). In another research study, enterprise services purchases increased more than the tangible products purchases (Dowst 1987). In summary, the tendency to outsource special services, including accounting, judicial and tax affairs, facilities management services including building management and cleaning, the preservation of public peace, and even research and design development, is increasing.

There are reasons for outsourcing enterprise services. First,

maintenance/repair of computer software requires the support of outside experts, and second, it is economically more sound to be supported by outside service providers in the cases of security services, laundry, and garbage disposal. Third, travel agencies and product testing are unique specialties whose services must be outsourced. Finally, it is convenient to outsource temporary services such as temporary work or entertainment (Kim et al. 2003).

A wide range of studies discuss the differences among tangible goods and suggest different purchasing and marketing strategies based on these differences (Berry 1980; Stock and Zinszer 1987; Thomas 1978; Zeithaml 1981; Zeithaml et al. 1985; Lovelock and Yip 1996). However, these studies focus mostly on consumer product services rather than enterprise services. The more serious factor is that the research dealing with the industry product market rarely deals with enterprise services, as noted in Jackson et al. (1995).

Generally, buying services entails more complications and higher risks than does buying tangible goods. It is hard to accurately estimate service providers and to describe the service design structure required because these services tend to be intangible. In addition, it is difficult to estimate a service after it is supplied, so the task of determining whether the supplied service meets the expectation causes some difficulty. Several studies have examined business service quality, including those of Brensinger and Lambert (1990) and Bienstock et al.(1997). The former study pointed out the inappropriateness of SERVQUAL for business service quality measurement, while the latter study discussed distribution service quality level. However, Babakus et al. (1995) insisted that studies on business service quality are lacking, which implies that more studies on business service quality are necessary.

Furthermore, Matthyssens and Vandembemt (1998) claimed that research on industry goods service management and marketing among existing service research need more weight, and Morris and Davis (1992) and Moore and Schlegelmilch (1994) have also indicated a lack of industry goods service marketing research and the need for more research in this field.

Three things should be noted about the current studies of purchase and supply situations in business service: (1) The roles of forgiveness and trust have been overlooked; (2) the impacts of forgiveness and trust on the forgiveness process and the relational performance between suppliers and buyers have not been analyzed systematically; and (3) in-depth studies connecting trust, forgiveness, and relational performance are lacking.

III. Research Model and Hypotheses

3.1. A proposed model of trust-relational performance

A model for trust-relational performance in the buy-

ing-supplying of business services is suggested in Figure 1. The model consists of trust and its antecedents and consequences. In the model, the trust of buyers is classified into trust in the supplying company and trust in the salesperson. Viewing trust both at an individual level and at an organizational level is based on the research of Doney and Cannon (1997).

Normally, buyers are the subjects of trust, but the present study supposes that suppliers are also the subjects of trust. The present study uniquely focused on the bilateral perspective of perceived risk. In other words, suppliers, like buyers, are also the subjects of trust since transactions are normally bilateral. From this point of view, suppliers' trust in buyers is treated as equally important as buyers' trust in suppliers. The suppliers' trust is influenced by its trust in the buying companies and its trust in buyers. This classification of trust both at an individual level and an organizational level is based on the suggestion of Doney and Cannon (1997).

Trust affects the process of supplier selection, which works in a bilateral manner. Suppliers are actively involved in the supplier selection process, working very closely with buyers. The process is also affected by the extent to which each party trusts its partners. The selection process consists of need recognition, information searching, supplier selection, and performance evaluation.

As a result of the process, both buyers and suppliers evaluate performance and take corrective actions based on tangible, intangible, and/or side effects. Figure 2 depicts the process of supplier selection.

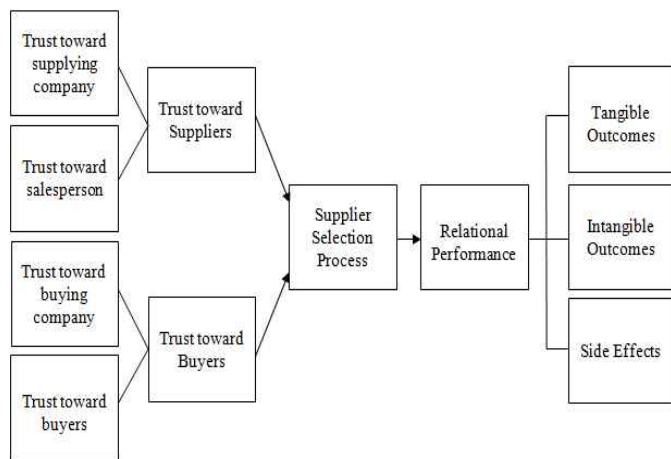


Fig. 1. The proposed model of "Trust-Relational Performance"

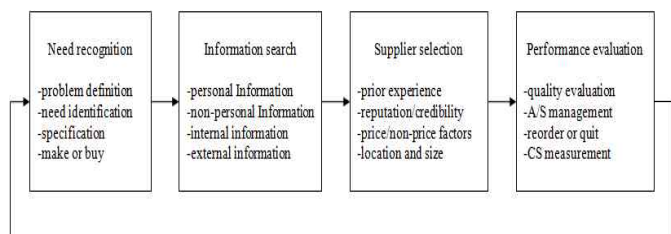


Fig. 2. Supplier Selection Process

3.2. Research hypotheses

As shown in Figures 1 and 2, research hypotheses have been delineated. Hypotheses 1 and 2 deal with the effects of the antecedents of trust on trust itself. Hypotheses 3, 4, and 5 deal with the effects of trust on the consequences of trust, and Hypothesis 7 deals with the relationship between trust and relational performance.

3.2.1 The effects of buyer-supplier characteristics on trust

H1-1: The degree of the buyers' perceived professionalism and the authority of the suppliers have positive effects on the trust of buyers in suppliers.

H1-2: The degree of the suppliers' perceived professionalism and the authority of the buyers have positive effects on the trust of suppliers in buyers.

When trust subjects believe that trust objects are professional, the subjects tend to trust the objects. Busch and Wilson (1976) found that the higher was the buyers' perceived salesperson's professionalism of the salesperson, the more the buyer trusted the salesperson. Moorman, Deshpande, and Zaltman (1993) indicated that trust was based on perceived professionalism, and Crosby, Evans and Cowles (1990) found that, in the case of the insurance industry, the perceived professionalism of a salesperson significantly affected the levels of trust of the customers. In summary, in business service transactions, the level of the buyers' perceived professionalism of a salesperson tends to positively affect the level of trust buyers have toward suppliers.

Buyers normally believe that salespersons can successfully fulfill their order requirements only when the salesperson has authority. As Swan and Nolan (1985) indicated, a salesperson cannot keep the promises they make about emergent orders if they are not allowed the necessary authority to process the orders. Moorman, Deshpande, and Zaltman (1993) reported that researchers were trusted when the necessary authority was given to the researchers as they conducted their research. Consequently, previous studies imply that in the transactions of business services buyers tend to trust suppliers and salespersons when they have the authority to process the transaction as specified in the requirements.

Since business transactions are bilateral, the trust of suppliers toward buyers is also important for maintaining a healthy relationship. Hence, it is hypothesized that the degrees of the suppliers' perceived professionalism and authority affect the trust of the suppliers toward the buyers.

3.2.2. The effects of buyer-supplier relational characteristics on trust

H2-1: The degrees of the buyers' perceived buyer-seller similarity, contact frequency, and willingness to maintain relationships with suppliers have positive effects on the trust of buyers toward suppliers.

H2-2: The degrees of the suppliers' perceived buyer-seller

similarity, contact frequency, and willingness to maintain relationships with buyers have positive effects on the trust of suppliers toward buyers.

Johnston and Johnston (1972) found that sales performance improved when buyers and sellers perceived each other as similar, and Doney and Cannon (1997) found that buyer-seller similarity significantly affects buyers' trust toward sellers. Similarly, in the context of business services transactions, it is assumed that buyers' trust in the salesperson is affected by the buyers' perception of buyer-seller similarity.

Since buyers interact frequently with suppliers and have a closer acquaintance with suppliers, buyers tend to have sufficient opportunity to build trust in suppliers. Crosby, Evans and Cowles (1990) found that in the case of the insurance industry, salespersons and clients build relationships because they meet regularly either for business or personal matters. Hence, in transactions of business services it is expected that frequent contact between buyers and suppliers may improve the probability of developing trust between the two parties.

As previous studies have reported, trust can be developed through a long-term relationship between trust objects and subjects. As Anderson and Weitz (1989) have indicated, the willingness to maintain relationships beneficial to both buyers and suppliers plays a crucial role in developing trust. Benefits in building a long-term relationship include buyers increased abilities to predict suppliers' reactions and to resolve problems in close collaboration with suppliers (Dwyer, Schurr and Oh 1987). Therefore, it is assumed that in the context of transactions of business services, buyers' perceived willingness to maintain relationships with suppliers affects the trust of the buyers toward the suppliers.

Since business transactions are bilateral, it is hypothesized that the degrees of suppliers' perceived buyer-seller similarity, contact frequency, and willingness to maintain relationships with buyers has positive effects on the trust of suppliers toward buyers.

3.2.3. The effect of trust on perceived risk

H3-1: The more buyers trust suppliers, the lower will be their perceived risk.

H3-2: The more suppliers trust buyers, the lower will be their perceived risk.

When buyers do not trust suppliers, they are not convinced that the suppliers will provide the needed services. The increased anxiety of buyers may increase the degree of perceived uncertainty and risk. This tendency will be elevated when transactions involve intangible products. As Zeithaml (1981) and Shin and Park (2006) indicated, the credence characteristics of services will be attributed to increased uncertainty and high perceived risk.

When transactions involve intangible products, buyers encounter difficulties in evaluating the services provided. Consequently, buyers perceive the higher risks involved in the transactions. This evidence is also supported by previous

studies. Zeithaml and Bitner (1997) and Huh (2003) reported that service transactions entail higher risks than those of transactions involving tangible products.

Since business transactions are bilateral, it is also hypothesized that the degree of trust that suppliers have toward buyers affects the perceived risk of suppliers.

3.2.4. The effect of trust on information searching

H4-1: Buyers will depend on surrogate measures as their trust in suppliers decreases.

H4-2: Suppliers will depend on surrogate measures as their trust in buyers decreases.

As mentioned earlier, buyers are not convinced that suppliers will provide the needed services when the buyers do not trust the suppliers. This situation may lead buyers to seek to develop risk-reduction strategies to alleviate anxiety and uncertainty. As Burton (1990) suggested, decision makers often depend on peripheral clues, especially when decision making is not formalized. For example, buyers tend to depend on prior experiences when looking for suppliers with a good reputation. Such surrogate measures sometimes help buyers to reduce the perceived risk in a highly involved purchasing situation. Similarly, Shostack (1977) found that, in the supplier selection process for consulting services, service buyers have shown a tendency toward favoring service providers with whom they are personally well acquainted.

Hypothesis 4 proposes that buyers will depend on surrogate measures as their trust in suppliers decreases. Since business transactions are bilateral, it is also assumed that the degree of trust that suppliers have toward buyers affects the perceived risk of the suppliers.

3.2.5. The effect of trust on supplier/buyer selection

H5-1: Buyers will depend on existing suppliers as their trust in prospective suppliers decreases.

H5-2: Suppliers will depend on existing buyers as their trust in prospective buyers decreases.

Source loyalty is the tendency to depend on a specific supplier. Source loyalty is determined by factors such as supplier switching costs, the existence of substitute suppliers, and prior experiences with existing suppliers (Zeithaml and Bitner 1997). The trust of buyers toward suppliers affects source loyalty.

It is evident that with more trust, source loyalty will increase. This tendency becomes stronger when transactions are highly involved and when services are highly intangible. In this situation, buyers tend to depend on previous partners once they have exceeded buyer expectations. Therefore, source loyalty increases as the involvement and intangibility of service transactions increase.

Hypothesis 5 proposes that buyers are expected to depend on source loyalty because buyers do not trust prospective suppliers in the transactions of business services. This tendency will be stronger as the complexity of the transaction and the

intangibility increase. Since business transactions are bilateral, it is also assumed that suppliers will depend on existing buyers as their trust toward buyers decreases.

3.2.6. The effect of trust on relational performance

H6-1: The extent to which buyers trust suppliers affects the relational performance between buyers and suppliers.

H6-2: The extent to which suppliers trust buyers affects the relational performance between buyers and suppliers.

Intuition suggests that our performances will improve when we are trusted. Similarly, in the transactions of business services, the relational performance will improve when both buyers and suppliers trust each other. Consequently, it is hypothesized that the trust of buyers and suppliers affect their partners' performances.

IV. Measurement of Research Variables

4.1. Trust

The measurement of trust used for the present study was developed on the basis of the studies of Mayer, Davis and Schoorman (1995), Mayer and Davis (1999) and Kim and Kim (2004). Based on their recommendations, the three dimensions of trust in this study include ability, benevolence, and integrity. The original questions were adjusted to fit the context of the transactions of business services. For example, a question such as "He/she has professional capabilities" was changed to "The salesperson showed professional capabilities while we talked about our products." The measurement used for the study differs from those used in previous studies (Rotter 1967; Sullivan and Peterson 1982; Dwyer and Oh 1987).

4.2. Antecedents and consequences of trust

The measurement of the antecedents and consequences of trust used for the present study was developed on the basis of Doney and Cannon (1997). The original questions were adjusted to fit the context of the transactions of business services. Specifically, questions addressing the following factors for both buyers and suppliers were developed: reputation (integrity, customer care, good-will), market standing (company size, market share, positioning in the industry), willingness to customize (product, process, delivery), information sharing (proprietary information, private information), willingness to maintain relationships, perceived professionalism, authority empowerment, buyer-seller similarity, and contact frequency.

As the consequence variable of trust, relational performance was measured. Relational performance is classified into tangible effects, intangible effects, and side effects. Tangible effects include financial performance; intangible effects include improvement in relations, network developing, and internal employee

satisfaction; and side effects include those not included either in the tangible or intangible effects.

V. Data Collection and Hypotheses Testing

5.1. Data collection

Empirical data were collected via multiple methods, including via telephone, mail, and in-person interviews. Sample companies were knowledge-based companies supplying and purchasing business services in Korea. The present study collected data on a dyadic basis. Each pair of sample companies includes a buying company and its corresponding supplying company. Mutual trust was traced for each pair of companies.

Three hundred fifty pairs of companies were contacted, and 105 pairs of companies responded. After deleting five pairs of companies because of incomplete responses, 100 pairs of companies were used for data analysis. The response ratio of the companies used for data analysis is 30% (105/350), which is above the average response ratio in industrial marketing research. Table 1 summarizes the characteristics of responses of the 100 pairs of companies.

As summarized in Table 1, the majority of companies operate service businesses for both buyers (85.4%) and suppliers (81.8%). The majority of buyers (76%) deal with consumer goods, while the majority of suppliers (70%) deal with industrial goods. This implies that buyers process the incoming material, parts, and components to produce finished consumer goods. According to their reported lengths of acquaintance with partners, suppliers appear to have longer business relationships than do buyers.

Table 1. Characteristics of the Respondent Companies

Characteristics	Supplier		Buyer	
		Frequency (%)		Frequency (%)
Number of employees	10 - 30	44 (40.0)	24 (22.9)	
	31 - 100	26 (23.6)	30 (27.1)	
	101 - 400	14 (12.8)	28 (25.0)	
	410 - 2500	26 (23.6)	28 (25.0)	
	Total	110 (100)	110 (100)	
Business type	Manufacturing services	20 (18.2)	16 (14.6)	
	Total	110 (100)	110 (100)	
Types of products	Industrial goods	77 (70)	26 (24)	
	Consumer goods	33 (30)	84 (76)	
	Total	110 (100)	110 (100)	
Rankings of respondents	Entry level	26 (23.6)	13 (12.0)	
	Assistant manager	24 (21.8)	26 (24.0)	
	Manager	8 (7.3)	11 (10.0)	
	Assistant director	2 (1.8)	11 (10.0)	
	Director	24 (21.8)	36 (32.0)	
	Others	26 (23.7)	13 (12.0)	
Total	110 (100)	110 (100)		
Length of acquaintance with partner	6 months- 12months	10 (9.1)	30 (27.0)	
	13months - 24months	16 (14.5)	41 (37.6)	
	25months - 36months	62 (56.4)	16 (14.6)	
	37months - 84months	22 (20.0)	23 (20.8)	
	Total	110 (100)	110 (100)	

5.2. Reliability and validity check

5.2.1. Reliability check

As shown in Table 2, the internal consistency among the items was checked for both buyers and suppliers. Most of the measures showed reliability coefficients above 0.7, which is satisfactory, as Nunnally (1978) suggested. For each group of suppliers and buyers, a few measures were less than 0.7 but greater than 0.65, which seems to be acceptable considering the small number of questions. Single-item measures were excluded in the reliability verification. The number of items to measure trust was reduced from seven items to five items, which produces higher reliability coefficients.

Table 2. Results of reliability check

Measures		Number of items		Average	Cronbach's α
		Initial	Final		
Trust	Trust	7/7*	5/5*	3.647/4.044*	0.880/0.887*
Individual & relationa characteristics	Professionalism	2/2	2/2	3.518/3.890	0.821/0.891
	Authority empowerment	2/2	2/2	3.964/4.010	0.687/0.905
	Buyer-seller similarity	2/2	2/2	3.291/3.230	0.663/0.875
	Contact frequency	2/2	2/2	3.127/3.500	0.810/0.849
	Willingness to maintain relationships	2/2	2/2	3.250/3.847	0.721/0.672
Company & relational characteristics	Reputation	2/2	2/2	3.591/3.690	0.909/0.866
	Market standing	2/2	2/2	3.200/3.370	0.918/0.905
	Customization	3/3	3/2	2.895/3.567	0.876/0.930
	Information sharing	3/3	2/2	2.642/2.850	0.925/0.940
	Willingness to maintain relationships	2/2	2/1	3.145/3.570	0.720/-----**
Sourcing-related variables	Source loyalty	2/2	2/2	3.154/3.550	0.786/0.661
	Difficulty in service evaluation	2/2	2/2	-----**/2.554	-----**/0.846
	Complexity of decision making	2/2	2/2	2.264/2.390	0.705/0.769
Performance indices	Financial performance	3/3	2/2	3.673/3.550	0.728/0.773
	Efficiency and productivity	3/3	2/2	3.417/3.470	0.804/0.854
	Satisfaction	2/2	2/2	3.445/3.460	0.777/0.775

* Suppliers/Buyers

** Excluded in the reliability check

5.2.2. Validity check

The validity for the measurement of trust was checked, and as shown in Table 3, the results of confirmatory factor analysis showed that all of the indices meet the criteria of goodness-of-fit. Other measures were excluded in the validity checks, since they are "three indicator" cases.

Table 3. Results of the confirmatory factor analysis

Groups	CFA indices						
	Number of items	χ^2	P	RMR	GFI	AGFI	NFI
Suppliers	7 → 5	9.864	0.079	0.020	0.966	0.898	0.967
Buyers	7 → 5	11.095	0.050	0.017	0.954	0.861	0.963

5.2.3. Results of hypothesis testing

5.2.3.1. Hypotheses 1 and 2

Hypothesis 1 tested the effect of buyer-supplier characteristics on trust. As shown in Table 4, a salesperson's professionalism ($t=2.070$, $p<0.05$) and authority empowerment ($t=2.328$, $p<0.05$) positively affected buyers' trust in suppliers. Authority empowerment ($t=2.192$, $p<0.05$) also positively affected suppliers' trust in buyers. For both buyers and suppliers, the degree of authority empowerment plays a crucial role in maintaining trust in each other.

Hypothesis 2 tested the effect of buyer-seller relational characteristics on trust. As shown in Table 4, buyers tend to trust suppliers since suppliers make every effort to contact buyers ($t=2.212$, $p<0.05$). This tendency has been shown to be much stronger for suppliers than is true for the opposite case ($t=2.591$, $p<0.01$). On the other hand, suppliers trust buyers as they perceive that buyers are similar to themselves ($t=2.702$, $p<0.01$). This finding confirmed the study of Crosby, Evans, and Cowles (1990), which reported that suppliers and buyers build relationships as they meet regularly either for business or personal matters.

Table 4. Results of regression analysis for testing H1 and H2

	Independent variables	Groups			
		Suppliers (F=9.499, p<0.01)		Buyers (F=13.851, p<0.01)	
		R2	t-values	R2	t-values
H1	Professionalism	0.314	1.217	0.429	2.070*
	Authority empowerment		2.192*		2.328*
H2	Buyer-seller similarity		2.702**		0.174
	Contact frequency		2.591**		2.212*
	Willingness to maintain relationships		0.684		1.263

* $p<0.05$, ** $p<0.01$

5.2.3.2. Hypotheses 3, 4, and 5

Hypothesis 3 tested the effect of trust on perceived risk. As shown in Table 5, it has been found that for both suppliers and buyers, the lower the trust, the higher the perceived risk ($t=-6.621$, $p<0.01$ for buyers; $t=-2.437$, $p<0.05$). Interestingly, this tendency has been shown to be much stronger for buyers than for suppliers. One explanation may be that buyers normally perceive higher risks than suppliers in transactions of business services. Consequently, suppliers must implement risk-reduction strategies for buyers.

Hypothesis 4 tested the effect of trust on information searching. As shown in Table 5, it has been found that both suppliers and buyers depend on their partner's reputation ($t=2.929$, $p<0.01$ for buyers; $t=2.711$, $p<0.05$ for suppliers). This finding is contrary to expectation. It shows that suppliers with a good reputation tend to be trusted. Prior experience did not have any significant relationships with trust for both buyers and suppliers.

Hypothesis 5 tested the effect of trust on supplier/buyer selection. As shown in Table 5, unlike buyers, suppliers tend to trust buyers when they thought that previous transactions with buyers were important ($t=2.913$, $p<0.01$). However, the present study did not show any significant relationships between source loyalty and the trust of buyers in suppliers.

Table 5. Results of regression analysis for testing H3, H4, and H5

	Independent variables	Groups			
		Suppliers (F=6.156, p<0.01)		Buyers (F=22.561, p<0.01)	
		R2	t-values	R2	t-values
H3	Perceived importance	0.264	0.818	0.419	1.922*
	Perceived risk		-2.437*		-6.621**
H4	Prior experiences		-0.555		0.977
	Reputation		2.711**		2.929**
H5	Source loyalty		0.699		0.702
	Previous transactions		2.913**		1.466

* p<0.05, ** p<0.01

5.2.3.3. Hypothesis 6

Hypothesis 6 tested the effect of trust on relational performances. As shown in Table 6, for buyers and suppliers, financial performance was reported to improve when they trusted their partners (t=2.301, p<0.05 for buyers; t=3.692, p<0.01 for suppliers). It is interesting that this tendency was much stronger for suppliers than for buyers. Similarly, competitiveness was also reported to improve when buyers and suppliers trusted their partners (t=3.563, p<0.01 for buyers; t=3.042, p<0.01 for suppliers). For suppliers, efficiency and productivity were reported to improve when they trusted buyers (t=2.673, p<0.01). Other performance indices showed insignificant relationships with trust.

Table 6. Results of regression analysis for testing H6

	Independent variables	Groups			
		Suppliers (F=7.807, p<0.01)		Buyers (F=15.072, p<0.01)	
		R2	t-values	R2	t-values
H6	Financial performance	.229	3.692**	.445	2.301*
	Efficiency and productivity		2.673**		-0.753
	Employee satisfaction & customer satisfaction		-0.214		-0.521
	Competitiveness		3.042**		3.563**
	Relations with partners		1.350		1.148

* p<0.05, ** p<0.01

VI. Conclusions

6.1. Strategic Implications

The business services industry is growing rapidly in Korea, and its pivotal role has been highlighted as supporting the competitiveness of the manufacturing industries. Despite their importance, business services have not been studied extensively, especially with regard to the role of trust in supplier-buyer relations. The present study investigated the role of trust and the relationship between trust and performance in the transaction of business services.

Supplier-buyer relations are bilateral. To enhance the relational performance for both suppliers and buyers, both parties need to make every effort to build mutual trust and to maintain healthy and profitable relationships by leveraging

trust-based transactions.

The findings of the present study have some strategic implications. First and most importantly, trust-based transactions are surely beneficial for both suppliers and buyers. As verified in the study, financial performance can be improved by endeavoring to build and maintain mutual trust. Similarly, competitiveness can be increased by making the same kinds of efforts. Second, trust-based transactions can help to reduce the perceived risks inherent in the purchasing situation. This evidence applies to both suppliers and buyers. It is generally believed that buyers perceive higher risks in a more highly involved purchasing situation. To reduce the risks of buyers, previous studies recommended that suppliers devise risk-reducing tactics. Beyond these recommendations, the present study uniquely focused on the bilateral perspective of perceived risk. In other words, suppliers are susceptible to perceive risks, especially when they supply services that require highly technical and sophisticated development and maintenance. In most cases, buyers and suppliers make joint efforts to solve problems. Hence, mutual trust plays a crucial role in facilitating the problem-solving process. In addition, buyers need to devise risk-reducing tactics for their suppliers. Third, the more authority a salesperson has, the more he or she can be trusted. This finding is very important in developing tactics. Building trust is a long-term problem. When mutual trust has not developed, suppliers can tactically overcome problems they encounter by empowering a salesperson with authority. This evidence applies to suppliers as well.

6.2. Limitations

The findings of the present study are limited because of the relative intangibility of business services and the complexities of their buying situations. For example, the degree of perceived risk could be moderated by how important a buying situation was to the buyers. Further research needs to incorporate the moderating effects of intangibility and complexity.

A one-on-one dyadic comparison was made for the present study. However, this comparison was limited to the dyad of buyers-suppliers. Further studies need to expand dyadic analyses by considering the type of industry and products involved in these transactions.

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