

Supply Chain Trust and Commitment: Practical Perspectives for Long Term Success

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Abstract. Given the panorama of activities, processes, and systems constituting supply chains, it is incumbent upon each entity in the chain to fully understand the critical success factors and how they interact. While each link in the chain plays a pivotal role, the connectors are equally critical to sustained supply accomplishments. Trust is the most essential connector for success – all other relationship-building bridges are founded on trust. Therefore, the session highlights the dimensions of trust, trust-building strategies, and practical suggestions for using trust as a tactical, operational, and strategic instrument of supply success.

Why Trust Is Important. Trust is the cornerstone of all exchange processes, both organizational and interpersonal. Trust is the foundation upon which most business interactions are based. From a supply perspective, trust is the underlying cement that initiates and sustains buyer-seller relationships. It is the central connector tying together both internal and external supply stakeholders. Internally, cross-functional success is very much dependent upon establishing and maintaining trust within the organization. Externally, varied supply partnerships are held together through trust. Thus, it is essential for practitioners and researchers alike to address every dimension of trust to explore fully the nature of the concept, behaviors leading to trust, and those factors that sustain trust over time.

Various studies have characterized trust and its importance in supply chains in different ways. Nelson et al. (1998) contend that “long-term relationships require dedication and trust, skills that take years to develop and nurture.” According to Tyndall et al. (1998), “effective supply chain management is built on a foundation of trust and commitment. Trust is conveyed through faith, reliance, belief, or confidence in the supply partner and is viewed as a willingness to forego opportunistic behavior.” Poirier (1999) says that “the single greatest obstacle to advanced supply chain improvement is a lack of trust among the parties who will most benefit from cooperation in pursuing mutual gains.” Finally, Fawcett (2000) posits that “next to ensuring that mutual benefits are attainable through collaboration, establishing a high level of trust is the most important alliance success factor.” The above research studies convey the criticality of trust as a pivotal player in supply chain success.

Fundamentally, trust is a value-added asset critical to all buyer-seller interfaces. It is incumbent upon supply professionals to astutely manage the trust asset to the maximum long-term advantage of the supply function in particular and the organization in general. Given that trust is a treasured organizational resource, it should be understood, honed, nurtured, and managed.

Conceptual Perspectives on Trust. Trust is truly a cross-disciplinary concept that spans social psychology, sociology, philosophy, economics, management, and marketing. All of these perspectives contribute to a richer, bolder understanding of the concept of trust and its underlying and related dimensions. Collectively, these viewpoints provide considerable input and influence on how supply professionals and academicians view the power construct. Some examples of these alternative conceptualizations is typified by the following statements about trust:

1. Trust is a state of involving confident positive expectations about another's motives with respect to one's self in situations entailing risk (Boon and Holmes, 1991)
2. According to Ring and Van De Ven (1994), two approaches to trust are appropriate. One is a business-oriented view based on confidence or risk in the predictability of one's expectations, and the other is based on confidence in another's goodwill.
3. Trust is the extent to which a persons is confident in, and willing to act on the basis of, the words, actions, and decisions of another. (McAllister, 1995)
4. Trust is the willingness to rely on another party and to take action in circumstances where such action makes one vulnerable to the other party. (Doney, 1998)

Each of the above conceptualizations of trust overlap in some significant ways. Specifically, each definition includes some aspect of faith and confidence in the other party, based on objective and subjective criteria. There are also both expectations and consequences associated with trusting behavior across parties to the exchange process. All parties involved have particular goals that are interdependent. The higher the degree of interdependency across exchange partners, the greater are both the expectations of a certain behavior and the consequences of unfulfilled expectations. Each of the above approaches to viewing trust offer insight into the study of trust and its impact on supply chain functioning.

Additionally, McAllister (1995) found that trust has both cognitive and affective dimensions. Cognitively oriented trust indicates technical competency or some obligation to perform in some manner. It is based on rationality, reason, and logic. Alternatively, affective dimensions of trust are more grounded in emotional contexts, such as friendship, caring, or genuine concern for the welfare of the other party. Both cognitive and affective dimensions of trust are crucial in understanding the varied and complex relationships that constitute integrated supply chains. Using the abovementioned theoretical foundation of trust, it is important to move to the next level and identify the managerial implications associated with trust and related concepts.

Building Trust in the Supply Chain. Given the pivotal importance of trust in supply chain operations, it is essential to understand the building blocks of trust. In Yuva's (2001) discussion of trust in business, he refers to Maister, et.al. (2000) coverage of their four basic steps driving trust in business relationships:

*Credibility – the supply manager and the supplier must understand each other. They must have some ‘common ground’ on which to base the relationship. Credibility precedes trust.

*Reliability – the purchaser and the supplier must see each other as dependable, consistent, and predictable. The degree of consistency and predictability over time enhances and strengthens the measure of trust among the parties involved.

*Intimacy – this involves understanding the others’ feelings, emotions, and dealing with individuals from a genuinely caring perspective. People are recognized as individuals and not just as representatives of organizations.

*A lack of self-orientation – trust requires commitment to the concerns, needs, and behaviors of the other parties in the supply system. A selfish mindset defeats the underlying principles of trust formation.

In reality, trust is a skillful, purposeful, creative amalgam of credibility, reliability, intimacy, and a selfless orientation. How well supply professionals adroitly mix the above ingredients is a barometer of the strength of trust in the relationship. These building blocks are essential in both the development and maintenance of trust in a relationship.

Other discussions of trust in supply chains focus on the following key five elements of trust:

1. Trust only exist when both sides feel that it does – both sides bring to the table their traditional baggage, perceptions, mindsets, and expectations. When the parties to the exchange process have a ‘meeting of the minds,’ trust is more likely to ensue. As expected, suppliers and purchasers see the same phenomena from totally different perspectives. Even when they see variables and situations similarly, small variations in expectations can be perceived as dramatic swings in either the buying or supplying firms.
2. Treat supply partners like they are really important – that they really do matter. Supply partners should be treated like ‘extensions’ of the buying/supplying organization. Partners should behave in a manner that underscores their mutual interdependency. This perspective is typified in the following scenario: “We’ve looked at what you do for us and at what you charge us. We value what you do for us and think that you need to charge us more. You need to raise your rates because we want you to be successful over the long haul.” This action is truly rare. It is not often that a purchaser will request an increase in rates just to ensure the long- term welfare of the supplier.
3. Share information openly – put all of the cards on the table. Strategic alliances usually require organizations to invest in each other’s capabilities and to go the extra mile to help each other achieve higher levels of success – mutual trust is essential. Information sharing is a highly valued bridge to supply chain success. Trust is established on the foundation of aligned goals and compatible competencies and is supported by open, frequent, and honest communication.

Sharing information regarding new products, market entry, and other strategic initiatives can strengthen the alliance's ability to achieve exemplary results.

4. Doing what you say you are going to do - every time. Keeping promises is the *sine qua non* of trust. A consistent pattern of keeping promises on both sides is absolutely essential to the initiation and preservation of genuine trust.
5. Trust is personal, not organizational. Individuals cement relationships, not organizations. This reinforces the importance of the affective component of relationships. For trust to develop and continue, there must be some degree of 'feeling and emotion' connecting the parties to the exchange process. This bond is a necessary prerequisite for trust. One example of the personal aspect of trust is Wal-Mart's practice of asking each buyer's top six suppliers to evaluate the buyers annually. This approach provides an incentive for buyers to treat their suppliers as fairly as possible, given Wal-Mart's corporate objectives.

Trust Practices in Action. While most purchasers and suppliers recognize the supreme importance of trust as an operational and strategic tool, they fail miserably at integrating trust into the fabric of buyer/seller relationships. Many have not implemented practices that create an atmosphere conducive to trust. A recent study uncovered some of the following examples of behaviors and actions that are totally incongruent with the spirit of trust between purchasers and suppliers.

1. Strategic objectives, operating policies, and operating goals remain disparate, making it difficult to craft an alliance team mentality
2. Managers do not fully understand the forces that drive decision making at their 'partner' companies. By having a 'self' orientation, they fail to embrace the challenges confronting the other party.
3. Managers fail to proactively use information to close attitudinal and behavioral gaps in supply chain alliances. The absence of adequate information linkages can be attributed to ineffective systems, poor integration of systems and processes, and a lack of willingness to share required information.

While there is much discussion about trust in supply circles, the implementation and operationalization of the trust construct is lacking. As the above scenarios reinforce, there is a significant gap between the talk and theory of trust and the active use of trust in short- and long-term purchaser/supplier relationships.

Summary. Trust is a key element in all relationships, especially those characterized by buying and selling behaviors. While both purchasers and suppliers recognize the criticality of trust in initiating and sustaining relationships, there is considerable 'fuzziness' regarding *how* to use trust as an effective management tool. The distance between concept and practice is wider than most envision. Greater managerial attention should be focused on the ways and means of developing and sustaining trust, which includes understanding how specific management action or inaction flow directly from the trust construct. If trust is not an ingrained part of the purchaser/supplier organizational and individual architecture, there is no real genuine

foundation upon which to build solid and sustainable relationships. The above concerns regarding trust and its dimensions present challenges and opportunities for both practitioners and researchers.

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