In Time We Trust?: The Effects of Duration on the Dynamics of Trust-Building Processes in Inter-Organizational Relationships

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Abstract
Inter-organizational relationships (IORs) have become pervasive in the last quarter of the 20th century. This study is based on the notion that trust serves as a viable means for better comprehension of the underlying dynamics of IORs as it reinforces the positive outcomes and abates the complications due to opportunism and uncertainty. A growing interest of research on trust notwithstanding, studies on the co-evolution of trust, its antecedents, and effects on commitment over time are rather scarce. This study addresses this gap with a new conceptual model of trust incorporating the concept of duration into the process of building trust and commitment within an IOR.

INTRODUCTION
Developments in the last quarter of the 20th century have dramatically shifted the paradigm of strategic management. With the improvements in data processing technology, business practitioners, and academics witnessed the inauguration of the post-Fordist era, which involved a paradigm shift from mass production, reliance on economies of scale and vastly integrated firms to customization, economies of scope, and firms focused on core competence. A pervasive phenomenon of this era has been the increase in inter-firm collaborations. Firms engage in these collaborations with their suppliers, channel partners, customers, and even with their competitors (Turk and Ybarra, 2011). Since the early 1980s, the number of such collaborations has been growing as they help firms better adapt to the co-evolutionary dynamics of market competition, increased global rivalry, erosion of trade barriers, and revolutionary advances in transportation, communication and information technologies (Costa e Silva, Bradley, & Sousa, 2012).

Inter-organizational relationships (IORs) improve the abilities of partner firms to (1) achieve economies of scale through combination of otherwise separate activities under one entity, (2) access to complementary assets of each other, (3) share cost and risk of uncertain demand and/or shortened product life cycles, and (4) shape the scope and basis of competition (Koh & Venkatraman, 1991). As such, research shows that firms involved in alliances had 11% higher revenue and 20% higher growth rate than companies not engaged in alliance activity (Ybarra & Turk, 2009). On the other hand, firms also have to bear the potential risks of forming IORs such as the abrasion of competitive advantages via transfer of knowledge or granting access to the strategic resources, the rise of coordination and safeguarding costs, and the creation of an adverse bargaining position through highly specific investments (Seppapen, Blomqvist, & Sundqvist 2007; Talay & Akdeniz 2009).
Adopting a transaction cost analysis (TCA) perspective, it can be argued that a firm will engage in an IOR as long as it foresees that the potential benefits surmount the setup and operational costs. However, based on TCS, it may also be put forward that it is not possible for firms to precisely envision the aftermath of an IOR during the inception stage as the decision-makers are “intendedly rational, but only limitedly so” (Simon, 1979).

This study posits that trust can improve our understanding of the dynamics of IORs, since it is a valuable means stimulating the benefits of IORs while abating the complications of opportunism. It has been shown to improve the quality of the relationship, increase alliance flexibility, decrease governance costs, avoid conflict, and facilitate learning (Ybarra & Turk 2009). Specific to TCA, trust between IOR partners is found to decrease transaction costs due to uncertainty (Noordewier, John, & Nevin, 1990), encourage long-term orientation (Ganesan, 1994), and facilitate communication (Morgan & Hunt, 1994). Commitment, on the other hand, is another consequence of trust, which indicates a willingness to maintain an IOR (Anderson & Weitz, 1989), and hence has a significant impact on its durability.

A growing interest of research on trust notwithstanding, studies on the co-evolution of trust, its antecedents, and effects on commitment over time are rather scarce. Following the works of Seppänen, Risto, Blomqvist, and Sundqvist (2007), Ybarra and Turk (2009), and Brinkhoff, Özer, and Sargut (2012), this study proposes a new conceptual model to close a gap in the “trust-commitment” literature. Primarily, it aims to contribute to the literature via incorporating the concept of “duration” into the process of building trust and commitment within an IOR.

In the next section, we present a brief literature review on trust in IORs. Then, the conceptual model and propositions are presented. Last section is devoted to the discussion, limitations, and future research avenues of the study.

**LITERATURE REVIEW**

While there exists a plethora of definitions of the IOR phenomenon, in this study an IOR is defined as a “long-term institutional arrangement among distinct but related organizations, ... which emerge either due to a quasi-externalization or due to a quasi-internalization of business functions” (Sydow, 1992). Firms engage in IORs to improve the efficacies of their internal and external activities (Faems, Janssens, Madhok, & Looy, 2008). Despite firms agree to keep the tasks out of their “borders” in an IOR, they still want to monitor, if not control, the execution of these tasks, which necessitates a “loose connection” between IOR partners.

IORs usually involve relationships-specific investments, which render all parties involved in them vulnerable to uncertainty about future exigencies (Patzelt & Shepherd, 2008). In order to manage the uncertainty, resolve future conflicts, and mitigate their detrimental effects in an IOR, firms utilize both formal and informal mechanisms. However, the former mechanisms can (e.g., elaborate contracts) rarely address all possible contingencies, but also they signal distrust and encourage opportunistic behavior (Gaur, Mukherjee, Gaur, & Schmid, 2011). Therefore, informal mechanisms such as trust are consequential for efficient functioning of an IOR (Gulati & Nickerson, 2008).

Trust, a popular research topic in psychology, has also drawn the attention of management and marketing scholars. Especially after the 1990s, there have been numerous studies which
emphasize the importance of trust in joint ventures and strategic alliances (e.g., Ekanayake 2007, Mohr & Puck, 2012; Krishnan, Martin, & Noorderhaven, 2006), and in developing theories of marketing (Morgan & Hunt, 1994). In this study, following Zaheer, McEvily, and Perrone (1998), trust is defined as the expectation that a party (i.e., trustee) can be relied to meet the requirements of a set of predetermined criteria by the other (i.e., the trustor). Trustor also assumes that the trustee will behave in a predictable and fair way, even when there is a possibility for opportunism, hence the close relationship between trust and risk. That said, vulnerability to the risk of opportunism in an IOR is a raison d’être of trust.

Scholars frequently address the significance of trust for successful IORs. Aulakh, Kotabe and Sahay (1996) suggest that trust in IORs (1) hinders opportunistic behavior, (2) serves as a substitute for hierarchical governance, and (3) provides a competitive advantage (Barney & Hansen 1994). Moreover trust is reported to help reduce the monitoring costs (Bensaou & Venkatraman, 1996), to stimulate knowledge-sharing within in an IOR (Bakos and Brynjolfsson, 1993), to encourage risk taking (Becerra and Gupta, 1999), and to increase performance (Aulakh, Kotabe, & Sahay, 1996). Moreover, Williamson (1985), argues that trust is crucial in long-term relationships, since there exist short-term inequities in all IORs, which, through an increase in trust, can be corrected to long-term orientation (Dwyer, Schurr, & Oh, 1987). In sum, existing theoretical and empirical research on trust in IORs suggest that “[..] all else being equal, trust improves alliance performance” Krishnan et al. (2006, p. 895).

While the extant literature has demonstrated how trust improves an IOR’s performance and improves the competitiveness of the participating firms, research examining the antecedents of trust has been scarce (Ybarra & Turk, 2009). In their conceptual study, Inkpen and Currall (2004) argue that unambiguous collaborative objectives and performance guidelines (e.g., market share, return on equity, etc..) will improve trust in an IOR and decrease the need for monitoring mechanisms. In a similar vein, Costa e Silva, Bradley, & Sousa, (2012) demonstrate that shared values and efficient communication lead to higher levels of inter-firm trust while the perceived behavioral uncertainty and vulnerability to opportunistic behavior one partner perceives in the other will decrease the trust placed in that partner. Cooperation, network embeddedness, reputation, asset specificity, and expected lifespan of the IOR are also among the highly cited antecedents of trust (Ekanayake 2007).

We posit that while trust is a significant driver of IOR performance and subsequent partner-firm competitive advantage; a longitudinal examination of the inter-firm trust in an IOR is warranted since the level of trust is likely to change with the duration of an IOR (Ybarra & Turk 2009; Inkpen and Curall 2004).

CONCEPTUAL FRAMEWORK FOR THE EVOLUTION OF TRUST AND COMMITMENT

Figure 1 demonstrates the conceptual framework of this study.

Continuity Intention

Continuity intention refers to the mutual congruity of the parties to uphold the relationship in the future (Heide & John, 1990). It serves as a critical factor to trigger the “shadow of the future”
aspect of trust in IORs (Heide & Miner, 1992). In other words, given expectations of future interaction, parties are more likely to collaborate to recoup benefits in the long term rather than behave opportunistically for self-gain in the short term (Poppo, Zhu, & Ryu, 2008).

The expectation that relationship will continue for the foreseeable future is also an important determinant of IOR performance. More specifically, as the duration of an IOR increases, it is expected to become more beneficial for parties involved (Bstieler, 2006; Gulati, 1995). However, along with continuity intention, partners need to engage in necessary investments or develop certain behavioral patterns for the sustainability of an IOR. Stated differently, a party’s intention to prolong an IOR will increase that party’s need to reduce uncertainty and opportunistic behavior of its partner. As monitoring mechanisms reduce information asymmetry between parties and coordinate and motivate their activities, they are expected to play a critical role for the continuity of the IOR in a mutually beneficial way. Furthermore, monitoring serves to reduce opportunistic tendencies that can deter the expected continuity and benefits from a long-term relationship. Thus, we propose that:

\[ P1: \text{As the continuity intention of IOR partners increases, they implement more formalized monitoring mechanisms.} \]

**Information Exchange**

Information exchange refers to the formal or informal sharing of meaningful and timely information between firms (Anderson & Narus, 1990). In the literature, it is regarded as the most important factor for the success of an IOR as the exchange of information that is timely and valuable between partners contributes to the maintenance of the relationship over time (Jonsson and Lindbergh, 2010). In fact, continuous sharing of information improves firms’ ability to cope better with internal processes and environmental conditions; and hence contributes to the growth of close ties between parties (Carson, Madhok, Varman, & John, 2003).
Consistent with these views, information exchange is necessary in an IOR to alleviate information asymmetry between parties, regulates exchange behavior and improves justice. Furthermore, sharing of information between partners facilitates joint problem-solving arrangements as well as the alignment of expectations from, and responsibilities in, an IOR (Mohr, Fisher & Nevin, 1996). Overall, it serves as a basis for coordination and a mechanism for building and maintaining trust (Costa e Silva, Bradley, & Sousa, 2012). Based on support from the literature, we expect that parties involved in continuous exchange of information in an IOR demonstrate a willingness to rely on their partner and implement less formalized monitoring mechanisms as information exchange serves as a remedy for imperfect information, lowers opportunistic behavior, and aids in conflict resolution. Thus, we propose that:

**P2: As the information exchange between IOR partners increases, they implement less formalized monitoring mechanisms.**

**Asset Specificity**

Asset specificity refers to the extent to which investments made to support a particular transaction have a higher value to that transaction than they would have if they were redeployed for any other purpose (Heide & John, 1988). These investments may be tangible (e.g., a manufacturing facility or a machine), or intangible (e.g., tacit knowledge or a specific technology). Transaction-specific investments can serve as credible commitments by each party to the relationship (Anderson & Weitz, 1992) that motivates the parties to make the relationship work. However, this might not be the case in each IOR with high asset specificity. As the asset specificity in a transaction increases, it renders one party’s investment vulnerable to opportunistic exploitation by the other. Further, while increasing one party’s dependence on the IOR, transaction specific investments aggravate transaction-costs (Ganesan, 1994), which, in turn, create a safeguarding problem (Williamson, 1985).

Therefore, an increase in relationship specific assets necessitates higher control and more complex contracts between parties in an IOR. For instance, contracts need to explain each party’s responsibilities in detail in case of potential contingencies. As contracts become more complex, the costs of writing, enforcing, and monitoring them also exacerbate. Monitoring offers a party control by reducing the information asymmetry in an IOR. It also enhances ability to detect opportunism, which serves to reduce opportunistic tendencies due to increased transaction-specific investments at the first place (Heide & John, 1988). Thus, we propose that:

**P3: As the relationship-specific investments between IOR partners increase, they implement more formalized monitoring mechanisms.**

**Behavioral Uncertainty**

Behavioral uncertainty refers to the unanticipated changes regarding the performance of exchange partners in a transaction (Williamson, 1985). Specifically, it includes difficulties such as performance evaluation and information asymmetry problems in an IOR. These difficulties regarding the assessment of a partner’s effort and investment also allow for free-ridership in a...
relationship. More specifically, transaction cost theory proposes that higher behavioral uncertainty in the context of transaction is likely to increase opportunism and thus, transaction costs in an IOR (Turk & Ybarra, 2011).

When faced with greater fear of opportunistic behavior in a given relationship, firms are more likely to rely on a contract-based and formal governance to reduce the risk (Gaur, Mukherjee, Gaur, & Schmid, 2011). As behavioral uncertainty creates difficulties associated with measuring the contractual performance of exchange partners (Williamson, 1985), it necessitates formalized monitoring mechanisms in the IOR. These mechanisms provide partners with a remedy to reduce uncertainty and enable them to foresee the value in continuing cooperative relationship. Thus, we propose that:

**P4: As the behavioral uncertainty of IOR partners increases, they implement more formalized monitoring mechanisms.**

Monitoring Mechanisms

Monitoring refers to an effort initiated by one partner (usually the focal firm in agency relationships) to measure the performance of another and enforce compliance (Heide, Wathne, & Rokkan, 2007). As detailed in the transaction cost theory, IORs are prone to opportunistic behaviors of the partners and firms constitute governance structures to protect themselves. Like other governance structures (e.g., incentive mechanisms, norms, and contractual restrictions), monitoring mechanisms intend to serve as an ex-post means of preventing opportunistic behavior, and to coordinate and motivate the activities and processes of IOR partners, but only “limitedly” can they serve this purpose.

The monitoring construct appears prominently in several different streams of literature, including marketing, economics, and organization theory and scholars have approached the issue from various angles (e.g., Fryxell, Dooley, and Vryza, 2002). For instance, research in organizational theory research suggests that monitoring in IORs can be accomplished externally by explicitly measuring outputs or behavior of the partner firm or internally, by aligning the incentives of decision makers to reduce the performance measurement altogether (Heide, 1994). In this study, we adopt three types of monitoring mechanisms: (1) output control, (2) process control and (3) social control (Aulakh, Kotabe, & Sahay, 1996). They distinguish between output and process types of control by suggesting that in output control, an IOR partner “monitors the results or outcomes produced by the foreign partners,” whereas in process control “partner’s behavior or the means used to achieve desired ends” are monitored. The last but, not the least, social control refers to the establishment of “an organizational context that encourages self-control” by IOR members.

Contrary to other two control mechanisms, which involve a unilateral, ex-ante specification of the outcomes and processes, common organizational culture and social control pressure may eventually lead to a bilateral relational element, although it is still initiated by one firm as a monitoring tool (Noordewier, John, & Nevin, 1990). Due to its nature, social control reduces the need for reliance on the monitoring of either outcomes or behaviors, and refers to an informal monitoring mechanism. Thus, representing the least formalized type of monitoring mechanisms, social control mechanisms are more appropriate for, and likely to occur in, latter phases of the IOR. In
social control mechanisms, repeated interpersonal interactions, leading to a creation of common organizational values, do not only serve as sufficient means of monitoring, but also stimulate trust between IOR partners (Aulakh, Kotabe, & Sahay, 1996).

Process control mechanisms require mutual inputs of IOR members to help each other to realize pre-determined performance goals. Besides, similar to social control, representing a less formalized monitoring mechanism; it is more likely to be exercised in the latter phases of an IOR (Gulati, 1995). It involves a focus on behaviors and cooperation rather than the outcomes and risks in a relationship. Furthermore, it not only decreases the uncertainty faced by IOR partners, but also encourages long-term orientation (Anderson & Oliver, 1987).

When it comes to the most formalized type of the three monitoring mechanisms, output control delineates the performance goals early in an IOR. Relying on quantitative analysis, performance measurement in output control methods is rather easy and direct compared to more intricate process and social control mechanisms. Formal monitoring mechanisms shift the risk to the other party, but do not necessarily protect the IOR from that risk (Anderson & Oliver, 1987). Findings in the literature regarding the monitoring-trust relationship have been mixed (e.g., Langfred, 2004). Yet, previous research suggests that if monitoring serves the purpose of controlling other parties instead of helping them when in need of assistance, the effects of monitoring on trust are rather unconstructive (e.g., Costa, Roe, & Taillieu 2001). Under more formal controlling mechanisms, lack of “solidarity,” which is most likely to occur in the initial phases of an IOR (Gulati, 1995), generally creates an environment lack of trust leading to behaviors directed at protecting personal interests and a decrease in performance. Furthermore, the lack of trust creates an incentive for partners to disregard the long-term goals of the IOR while focusing on immediate payoffs. In line with the literature, this study asserts that more formal monitoring mechanisms used by the focal firm are both representations of past interactions and would be important determinants of trust. Thus, we propose that:

P5: The more formalized monitoring mechanisms in an IOR will contribute less to the increase in trust between partners.

Commitment

Inter-organizational commitment refers to a willingness to build up and maintain a stable relationship and to sacrifice short-term gains for the sake of maintaining the long-term relationship (Anderson & Weitz, 1992). Similarly, Moorman, Zaltman, & Deshpande (1992) define commitment as an enduring desire to maintain a valued relationship. Based on the literature, in this study, we distinguish between two types of commitment: (1) affective commitment, which refers to a firm’s attachment to, identification with, and engagement in the respective entity and (2) calculative commitment, which refers to a firm’s intention to remain in an IORs based on the assessment of its costs and benefits (Meyer & Allen 1991). In an IOR, effective commitment suggests a willingness to continue the relationship based on a positive sentiment and attitude for the partner, whereas calculative commitment is the state of attachment to a partner based on a realization of the benefits sacrificed and losses incurred if the relationship were to end (Geyskens, Steenkamp, Scheer, & Kumar, 1996).
Previous research has examined the link between trust and commitment (Anderson & Weitz, 1989; Ganesan, 1994; Moorman, Zaltman, & Deshpande, 1992; Morgan & Hunt, 1994) and suggested different impacts on the two dimensions of commitment (Ruyter, Moorman, & Lemmink, 2001). It is argued that IOR partners seek “trustworthy” partners with high integrity, honesty, and fairness traits. As commitment is attributed to vulnerability (Morgan & Hunt, 1994), these traits become critical when social expectations are the basis for the relationship (Gilliland & Bello, 2002). In affective commitment, attachment to an IOR is based on consistency and agreement between partners regarding philosophies, values, and goals enhanced by trust between parties instead of simple economic motivations. On the other hand, Geyskens, Steenkamp, Scheer, & Kumar (1996) report a negative relation between trust and calculative commitment, where the attachment is more rational, materialistic and task-oriented. The continuity aspect of an IOR in this type of commitment is highly affected by opportunity costs and search for alternatives. Although trust and relational norms are still binding factors, they do not necessarily create a fear of the economic consequences of IOR termination (Gilliland & Bello, 2002). Thus, we propose that:

**P6:** As the trust between partners of an IOR increases, their “affective commitment” to each other increases.

**P7:** As the trust between partners of an IOR increases, their “calculative commitment” to each other decreases.

**Duration**

Duration refers to a continued interaction in an exchange relationship (Ybarra & Turk, 2009). In an IOR, a history of continued interaction signifies partner communication and increase in shared values due to the fact that partners get to know each other well over time. IORs that continue for a long period of time are more likely to have survived the critical period of conflict and probable opportunistic attempts from both sides and have reached a more stable state compared to their younger counterparts in terms of establishing foundations for mutually beneficial and good working relationship (Anderson & Weitz, 1989).

Furthermore, we believe that inter-partner attachment, reflecting the history of organizational investments made since the establishment of an IOR, may increase with the duration of an IOR and that it may also lead to a successful maintenance of an exchange relationship and a decrease in the tendency for opportunistic behaviors. Thus, as an IOR ages and partners become more adept in predicting each other’s behaviors and coordinating relationship, there will be less need for over controlling and formalized monitoring mechanisms. In other words, by virtue of time, partners comprehend each other’s characteristics and enhance their empathy for the other party, which improves the both affective quality and the effectiveness of the relationship. Based on this reasoning, we argue that duration of a relationship provides a boundary condition for the relationship between monitoring mechanism and its antecedents. Thus, we propose that:

**P8:** As the duration of an IOR increases, a partner’s desire to implement more formalized monitoring mechanisms decreases with i) the intention to continue an IOR
ii) the relationship specific investments in an IOR, and iii) the behavioral uncertainty of an IOR partner. As the duration of an IOR increases, a partner’s desire to implement less formalized monitoring mechanisms increases with iv) the exchange of information between partners.

**Evaluation Processes**

Evaluation processes refer to alternative courses of action by which partners in an IOR decide on whom to trust (Doney, Cannon, & Mullen, 1998). One perspective in the literature explores how factors such as ability, benevolence, and integrity, contribute to trust building (Leimeister, Winfried, & Krcmar 2005). The other perspective, which we adopt in this study, identifies five cognitive processes as calculative, predictive, intentionality, capability, and transference (Doney, Cannon, & Mullen, 1998). The main difference between these processes is the rationale a trustor uses to evaluate a trustee and develop trust. For the purposes of this study, we focus on the calculative and the predictive process.

In calculative processes, a trustor develops trust based on a calculation of the costs and rewards for a trustee to cheat or cooperate in a relationship. The major premise of calculative processes is that individuals are opportunistic and they seek to maximize self-interest. This process is mainly pervasive in the economics literature (e.g., Williamson, 1985). Moreover, when a trustor evaluates the benefits of cheating with the costs of being caught, the trustor assumes that the other party will refrain from cheating; thus the other party can be trusted. Overall, a calculative process is sustainable to the extent that disincentives for acting opportunistically are clear and likely to occur (Shapiro, Sheppard, & Cheraskin, 1992).

In prediction processes, a trustor develops trust by predicting the other party’s future behavior based on its past behavior. Initially developed by social psychologists, predictive evaluation process is based on the notion that behaviors are consistent and predictable and that past actions of a party provide a viable base for predicting its future behaviors. It is argued in predictive evaluation process that trustor must be able to predict the partner’s future actions and trust can only emerge if the trustor can become confident about its precision and accuracy in this prediction (Doney, Cannon, & Mullen, 1998). Such an argument not only requires time to build a database of “past actions”, but also relies on norms, which may decrease the variance of possible occurrence of “deviant behavior” (Doney, Cannon, & Mullen, 1998).

In the literature, it is suggested that in the initial phases of an IOR, evaluations are done based on a calculative process as parties try to determine the nature of their relationship along with risks, vulnerabilities, opportunities, and future benefits. At earlier stages, it is usual to assume that parties to a transaction will do their promises, abide by rules and regulations since they fear the consequences of doing otherwise (Shapiro, Sheppard, & Cheraskin, 1992). Building upon Proposition 5, we propose that the type of evaluation process also has a moderating effect on the relationship between monitoring mechanisms and trust. As the implementation of formal governance mechanisms contribute more to the calculation-based evaluation processes, we expect that trust will increase under this condition. However, under a prediction-based evaluation process, less formal monitoring mechanisms such as social control or process-based governance are expected to trigger relationships between partners more effectively since partners
gain confidence in the relationship as they can more easily predict future behavior. Thus, we propose that:

**P9:** As the duration of an IOR increases, the type of evaluation process will shift from a calculative to a prediction-based process.

**P10:** Under a calculation-based evaluation process, implementing more formalized monitoring mechanisms will contribute more to the increase in trust.

**P11:** Under a prediction-based evaluation process, implementing less formalized monitoring mechanisms will contribute more to the increase in trust.

**DISCUSSION AND CONCLUSION**

Trust is a key construct between parties of an IORs. The main theme of this paper is to understand the antecedents and consequences of trust in an IOR context and how duration of a partnership influences these relationships. The level of trust shapes the partner interactions in an IOR to a great extent and as relationships evolve and trust increases, the chances of a premature termination of a relationship decrease (Inkpen and Currall, 2004). Building on the previous literature in IORs, trust, and transaction cost theory, we propose a conceptual framework, which suggests that as partners act strategically between different types of monitoring mechanisms and evaluation processes, high levels of trust and commitment in a relationship can be achieved. Furthermore, instead of directly looking at the antecedents of trust, the framework introduces an intermediate step of monitoring mechanisms that detail how continuity expectation of partners, information exchange between partners, asset specificity in a relationship, and behavioral uncertainty of a specific party affect the type of monitoring mechanism that needs to be implemented and thus, affect trust.

While proposing these effects, we account for the longevity of a relationship between partners and its moderating effect on the antecedents leading to monitoring mechanism and direct effect on evaluation processes. Furthermore, we propose how the type of the evaluation process in an IOR affects the relationship between monitoring mechanisms and trust. Finally, we consider two types of commitment and address how they are affected by trust. Overall, this study contributes to the literature by proposing a comprehensive conceptual framework in the trust-commitment area in inter-organizational exchanges. It attempts to fill an important gap in the area of the evolution of trust and commitment over time with particular focus on the impact of this evolution on the antecedents of trust.

Our propositions provide important implications both for researchers and practitioners. Instead of looking at the popular constructs including asset specificity, continuity expectation, behavioral uncertainty, and information exchange as direct antecedents of trust, this study suggests using monitoring mechanisms as an intermediate link to consider in building trust in an IOR. Partners need to consider more formal monitoring mechanisms as a necessity as transaction-specific investments and future expectations of continuity increase and the predictability of partner behavior decreases. On the other hand, continuous inter-partner communication and transfer of information
will necessitate looser control mechanisms in an IOR in order to breed trust. Even though it might
sound counterintuitive at first, this study suggests that more formal mechanisms lead to lower trust
between partners. The literature has confounding results regarding this relationship. However, our
stand in an IOR context is clear in the sense that, as the control mechanisms become more strict
and quantitative-based; it will lead to a lack of solidarity between partners, who are expected to
forego future mutual benefits of the relationship for the immediate opportunistic payoffs. Trust is
viewed as an important source of competitive advantage because it lowers transaction costs, facili-
tates investments in relationship assets, and leads to superior information-sharing routines (Zaheer,
McEvily, & Perrone, 1998). Yet, formalized monitoring mechanisms might not contribute to the
achievement of those objectives since partners will perceive the relationship as more controlling
instead of cultivating.

Our framework suggests managers to keep these relationships in perspective with the dura-
tion of an IOR. As an IOR ages, controlling mechanisms tend to become looser and evaluation
processes are based on the predictive power of past behaviors heavily. IORs are dynamic systems
of adaptation and they evolve over time (Inkpen & Currall, 2004). Thus, an important managerial
implication is to remain flexible with the different governing and controlling mechanisms for the
continuity of successful relationships. Finally, instead of the performance as a popular and exces-
sively examined consequence of trust, this study addresses the implications of trust on the different
types of commitment. In an IOR context, trust contributes to a firm’s commitment to a relationship
by decreasing the perceived risk of opportunistic behavior by the other partner, creating a belief that
short-term problems will be resolved in the long run, and reducing transaction costs (Ganesan &
Hess, 1997). However, the increase of trust contributes more to affective than calculative commit-
tment, because the former requires a more emotional and involved engagement in the relationship.

As with any study, this study has some limitations, which can be addressed by future research.
Our framework does not include some other potentially relevant constructs to IORs for the reasons
of parsimony. Future conceptual or empirical research can consider characteristics such as task
complexity, performance immeasurability, which affect the level of trust in an IOR. Furthermore,
some of the relationships proposed can be examined in loops. In other words, as much as the type of
monitoring mechanism affects trust, the level of trust can affect the type of monitoring mechanism
implemented. We have not proposed the feedback loops in order not increase the complexity level
of the model but we acknowledge that there are other interesting variables that can be integrated
into this model from the trust literature. Lastly, our propositions are about an extant IOR, but trust
can both occurs before the IOR. Therefore, future studies might develop conceptual models that can
accommodate relationships prior to the IOR as well.

An exhaustive empirical work is necessary to test the propositions of this study. We believe
that the relationships in our propositions can be properly tested with some of the already existing
operationalizations in the literature for constructs such as trust, duration, asset specificity, and so
forth. On the other hand, certain scales for some of the constructs of the model (i.e., evaluation pro-
cesses) have been initially developed for interpersonal relationships. Thus, future research might
be needed to develop scales for some of these constructs in an inter-organizational context. Con-
ducting a longitudinal versus a cross sectional study is definitely more challenging; yet, it might be
also more rewarding especially in taking into account the longevity of a relationship.
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