

An analysis of the significance of trust and trust-developing drivers for more effectively managing industrial distribution channels in Germany, Italy, the Netherlands and the UK

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Abstract

Industrial manufacturer-distributor relationships take place in an international economic environment where interactions between different national cultures have become a constant part of the business market. The failure of cross-cultural business relationships is often associated with a lack of appreciation of the cultural frameworks within which business relationships operate.

Trust has been recognised as a core criterion for successful business relationships. However, very little research is reported regarding the perceived significance of trust and trust-developing factors in international cross-cultural manufacturer-distributor relationships. The paper examines this subject.

Following on from a review of the trust and culture literature, the authors of this paper have developed two conceptual frameworks which, firstly, link trust-building behaviours with trust-building processes and, secondly, propose links between trust-building processes and national cultures. Qualitative and quantitative data gathered from ten distribution companies located in Germany, Italy, the Netherlands and the UK are analysed and tested against these two frameworks.

The findings suggest that whilst a relatively high degree of consistency is observed across the countries as to the significance of trust in industrial manufacturer-distributor relationships, differences are evident as to the factors that contribute to the development of trust. These results therefore provide a greater degree of understanding of the important links that exist between national cultures and the development of trust.

The paper culminates in highlighting managerial implications arising from this investigation and provides practical recommendations on means to enable improved cohesion within international manufacturer-distributor relationships. These proposals emphasise the importance of demonstrating cultural sensitivity in order to build successful and long-term manufacturer-distributor relationships.

Keywords: Trust, National Culture, Relationship Marketing, Manufacturer-Distributor Channel Relationships.

Introduction

Two major themes dominate industrial manufacturer-distributor relationships: firstly, a fragmented product market emphasises the significance of distribution channels for market penetration; secondly, globalisation urges manufacturers to seek cross-cultural channel relationships (Corey et al. 1989; Reeder, Brierty and Reeder 1991; Handen 2000; Ford et al. 2002).

The opinion dominating the academic literature is that effective management of distribution channels by manufacturing suppliers leads to substantial cost savings and productivity improvements (Stern and Sturdivant 1987; Narus and Anderson 1996; Tyler and Kramer 1996; Chopra and Meindl 2001). Empirical research has provided evidence that strong manufacturer-distributor relationships positively impact the performance and sales of channel members (Kumar 1996; Narus and Anderson 1996; Liu and Wang 2000; Industrial Performance Group 2004a; Industrial Performance Group 2004c). The literature emphasises that it is not so much contractual agreements but behavioural aspects that account for successful business relationships (Fites 1996; Mishra 1996; Nootboom 2003). The manufacturer-distributor relationship is defined as a “social system subject to the same behavioural processes characteristic of all social systems (Rosenbloom 1995, p. 131).” The appreciation and harmonization of behavioural aspects therefore need to be the major goals of managing business relationships between manufacturers and distributors (Liu and Wang 2000).

This paper emanates from an exploratory study analysing the role of trust in industrial manufacturer-distributor relationships in Germany (GE), Italy (IT), the Netherlands (NL) and the UK and the factors that drive the development of trust in a country-specific channel relationship. The authors of this paper developed two conceptual frameworks against which they have carried out their research, seeking to establish whether a link exists between the means by which trust develops and the cultural characteristics of a particular country environment.

The perspective from which trust and trust-building behaviour is evaluated is that of the distributor, thereby placing the manufacturer in the role of the ‘trustee’ and the distributor in the role of the ‘trustor’. In this paper, a manufacturer is defined as the producer and supplier of industrial fasteners and access hardware. A distributor is defined as an independent business that acts as an intermediary and sells these products on behalf of several manufacturing suppliers.

Trust in Manufacturer-Distributor Relationships

The role of trust in industrial manufacturer-distributor relationships is viewed in the context of the concept of relationship marketing which has emerged from the understanding that in order for a business relationship to be most profitable mutually beneficial and interactive partnerships need to be sought. Many definitions exist for relationship marketing and an array of characteristic factors is associated with this approach. Figure 1 lists factors that are consistently mentioned in the literature. The depiction shows that whilst trust is certainly regarded as a major contributor to successful business relationships, other factors are seen as equally important: (Christopher, Payne and Ballantyne 1993; Cram 1994; Morgan and Hunt 1994; Rosenbloom 1995; Blois 1999; Hanmer-Lloyd and Hopkinson 1999; Gummesson 2000; McDonald et al. 2001):

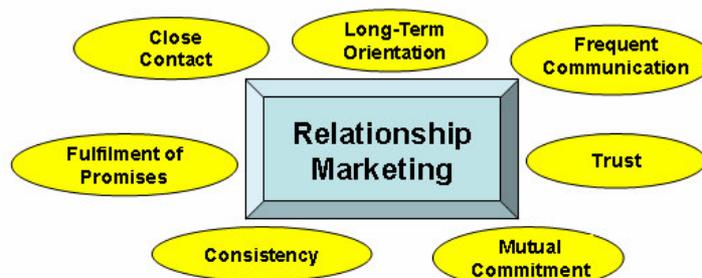


Figure 1: Factors impacting business relationships

With respect to the element of trust in manufacturer-distributor relationships, because of the ever-increasing unpredictability of the competitive environment, companies are “concerned about the level of faith that their distribution channel partners have in them (Kumar 1996, p. 95).” Some researchers argue that “detailed formal contracting . . . can start a relationship on a footing of mistrust (Nootboom 1999, p. 25).” Others state that “contracts . . . come close to an artificial creation of trust” (Blois 1999, p. 208).” The academic literature stresses the need of “trust-sensitive management (Nootboom 2003, p. 22)” and discusses to what degree trust impacts the selection of manufacturing suppliers by distributors. The common agreement, based on empirical investigations, is that trust supports the likelihood of a certain supplier to be selected and is described as “the underlying cement that initiates and sustains buyer-seller relationships (Fawcett et al. 2003, p. 1; Industrial Performance Group 2004b).”

Trust and Trust-Developing Processes - Conceptual Framework I

The literature distinguishes trust at an organisational level from trust at an individual level (Mishra 1996; Tyler and Kramer 1996; Hanmer-Lloyd and Canning 2002; Cummings and Bromiley 2003). This research mainly focuses on the concept of trust at an individual level, although the individuals whose opinions and perceptions have been analysed are examined within their professional surroundings. The differentiation between these individuals is not, however, made on the basis of some organisational structure, but on the basis of nationality.

Risk and vulnerability are regarded as conditions for trust to become operational. Within a relationship trust is said to gain meaning only when some degree of risk or uncertainty characterises this relationship which makes either one or both parties vulnerable, i.e. susceptible to harm (Moorman, Deshpandé and Zaltman 1993; Ganesan 1994; Nootboom and Six 2003).

The development of trust derives from expectations an individual/organisation has in the behaviour and intentions of another individual/organisation (McAllister 1995; Doney and Cannon 1997). Most trust models differentiate between several processes of trust development. The models of Shapiro et al. (1992), McAllister (1995) and Doney and Cannon (1997) share several similarities in their theoretical approaches, as outlined in the following.

They all recognise that trust can develop for purely calculative reasons. Trust then exists because the parties are aware that damaging the relationship causes a cost greater than maintaining the relationship. Economic investments, financial gain or a channel partner's size in terms of turnover may indicate trustworthiness: if a manufacturer financially supports his distributors to help them market the manufacturer's product, distributors may develop trust as the manufacturer is unlikely to become opportunistic and seek new distribution partners as this would imply losing the investments made. Calculative trust has been assessed as comparatively fragile because of the lack of emotional bonding within the relationship.

Demonstrating expertise and the ability to make things happen are the drivers for another trust development process which Doney and Cannon call the “capability process (Doney and Cannon 1997, p. 37).” McAllister speaks of “cognition-based trust (McAllister 1995, p. 2).” Firstly, capability as in job-specific know-how can boost trust. If a distributor is provided with defective goods, the trust of the distributor in the manufacturer's production skills may decrease. Secondly, capability can express itself as perceived reliability and dependability. A manufacturer's capability to provide on-time delivery and show flexibility can impact the level of distributor trust. Furthermore, trust can be evoked if a manufacturer is perceived to be powerful enough to ensure that promises are fulfilled (Solomon and Flores 2001).

Doney and Cannon speak of the “prediction process (Doney and Cannon 1997, p. 37)” when trust develops because there is a track record of certain actions and behaviour. Shapiro et al. (1992) speak of “knowledge-based trust (Lewicki and Bunker 1996, p. 121).” Longevity is significant here as the longer a manufacturer and distributor have been working together, the more familiar they are with each other. The prediction process may also be operative when manufacturer and distributor share the same interests and values (Morgan and Hunt 1994; Putnam 2000). Being able to predict a partner's action and behaviour is particularly valuable in an unstable economic environment (Blois 1999).

When the ability to predict a partner’s actions and behaviour is complimented by the perception that the partner is concerned with the other partner’s interests and needs, strong trust is likely to form. The literature speaks of the “intentionality process (Doney and Cannon 1997, p. 37)”, “identification-based trust (Lewicki and Bunker 1996, p. 122)” and “affect-based trust (McAllister 1995, p. 2).” Investments may strengthen trust if these demonstrate the willingness to adapt to a partner’s requirements. A manufacturer who shares confidential data may be perceived as a caring and therefore trustworthy supplier. Frequent contact can also grow trust between the two parties, as mutual understanding and identification with the other party’s needs increase through recurrent interaction.

A fifth trust development process which is mainly mentioned in the work of Doney and Cannon is the “transference process (Doney and Cannon 1997, p. 37).” Within manufacturer-distributor relationships, this means that distributor A, who regards a certain manufacturer as trustworthy conveys this perception to distributor B who again considers distributor A as a trustworthy informant to take such advice on board. Reputation is considered a major driver for this kind of trust development (Moorman, Deshpandé and Zaltman 1993; Blois 1999). A distributor will more easily trust a manufacturer who is known in the market place for maintaining fair supplier relations.

Figure 2 consolidates the above-mentioned processes and factors that drive the development of trust in business relationships in a conceptual framework which, in the following, will be referred to as conceptual framework I. It is important to note that different trust development processes can take place simultaneously, as well as that the same actions or behaviour can be the trigger for different trust development processes. Economic investments that a manufacturing supplier embarks on can, for example, be interpreted in a purely calculative manner if the focus lies on the aspect of financial gain, or they can be perceived as an indication of a manufacturer’s benevolence. In Figure 2 this overlap is indicated by the three ellipses bearing dashed lines.

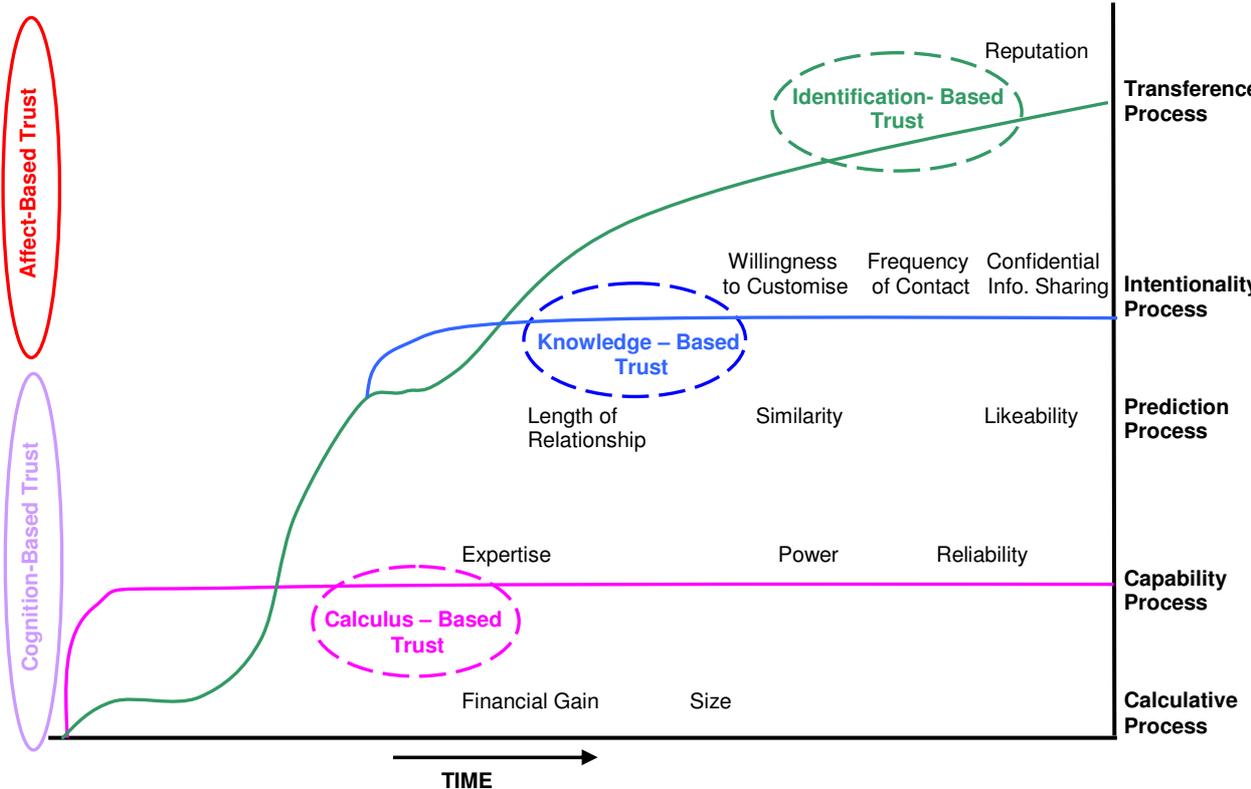


Figure 2: The development of trust as adapted from the models of Shapiro et al. (1992), McAllister (1995) and Doney and Cannon (1997) – conceptual framework I

The Concept of National Culture

Culture in itself is a complex phenomenon which has been examined in many different ways. Hofstede's frequently quoted definition of culture as "the collective programming of the mind which distinguishes the members of one group or category of people from another (Hofstede 1994, p. 5)" forms a major reference point in the academic literature (Funakawa 1997; Cray and Mallory 1998; Schmitz 2003). Hofstede and others emphasise that various facets of culture exist, and that individuals belong to several cultural groups (Smith 1990; Hofstede 1994). This research focuses on the national level of culture and defines a national cultural group by political boundaries. It is important to note that cultural boundaries are not always identical with political boundaries because political boundaries have often been created artificially and do not always reflect cultural borderlines (Hofstede 1994). Within the western European context, where political borderlines have largely evolved over centuries, it seems appropriate to differentiate between groups of national cultures on the basis of political country entities.

A dominating theme in the academic literature that discusses the links between relationship management and national culture is that national culture differences are seen as a major factor for the failure of business relationships (Hofstede 1994; Das and Teng 1998; Parhizgar 2000). It is commonly accepted that individuals of different national backgrounds have different expectations about business relationships (Nootboom 1999; Parhizgar 2000; Koeszegi 2004). Cultural awareness and sensitivity are therefore described as keys to successful business relationships (Hofstede 1994; Hall 1995; Lane, DiStefano and Maznevski 1998; Blois 1999; Harris and Dibben 1999; Heffernan 2004).

Trust and National Culture – Conceptual Framework II

Based on what has been said above, a couple of analogies can be drawn between the concepts of trust and national culture. Firstly, as national cultural differences make a relationship more vulnerable, an environment is created in which trust gains an important role for sustaining the relationship. Secondly, the observation that the development of trust is a sociological and psychological process in the mind of an individual also holds true for the manifestation of national culture. Hofstede describes culture as deriving from an individual's social environment and as "patterns of thinking, feeling and acting *mental programs* (Hofstede 1994, p. 4)."

It can therefore be assumed that the development of trust is causally linked with national cultures. Knowing what factors drive the development of trust in a specific national cultural environment will help to adapt actions and behaviour in order to strengthen the long-term benefits of a business relationship (Aulakh and Kotabe 1996).

With respect to establishing links between the concepts of national culture and trust within business relationships, the academic literature mainly presents adaptations of Hofstede's dimensions of national culture. The amount of literature dedicated to this subject is however limited. It appears that only over the past few years, this area has attracted the gradual attention of academic research (Doney and Cannon 1997; Harris and Dibben 1999; Solomon and Flores 2001; Heffernan 2004).

The authors of this research paper have developed a model which links the trust-building factors and trust-building processes from Figure 2 with Hofstede's dimensions of national culture in one conceptual framework which, in the following, is referred to as conceptual framework II and is used for identifying the behavioural drivers for trust development in industrial manufacturer-distributor relationships in Germany, Italy, the Netherlands and the UK. Figure 3 illustrates the conceptual framework. The authors have derived this framework by conflating the work of Doney, Cannon and Mullen. (1998), who suggest a series of theoretical propositions on linking the concept of trust development with Hofstede's (1994) dimensions of national culture.

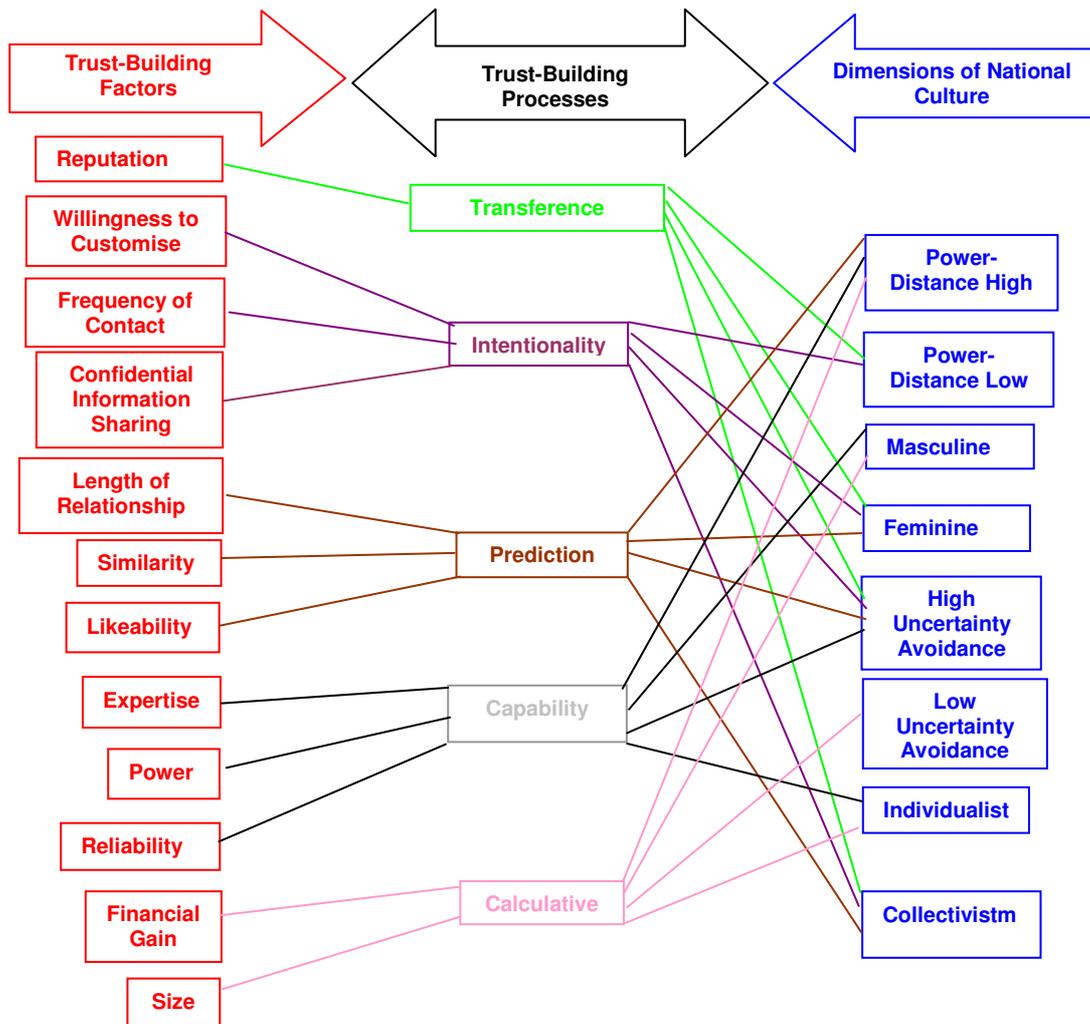


Figure 3: Relating trust-building factors to dimensions of national culture via trust-building processes

The authors of this paper have extracted these propositions and interlinked these with the twelve factors associated with the five trust-building processes as depicted in conceptual framework I. By merging the factors associated with each trust-building process (Figure 2) with the country-specific cultural values, probabilities have been derived, assuming that each of the factors bears equal weight. For example, the calculative process in the UK has a weighting of 42.86%, which is related to the factors of financial gain and size. Applying the equal weighting assumption, the two factors are given 21.43% each, i.e. 42.86% divided by two, the percentages are provided to an accuracy of two decimal places (DP) for a percentage. Therefore, the probability value is 0.2143 for each factor, financial gain as well as size. The probabilities collated in Table 1 have been subject to goodness-of-fit testing as part of the quantitative data analysis. The approach undertaken to arrive at the probability model as depicted in Table 1 is described in detail in Sturman (2005).

Country	Trust-building process											
	Calculative		Capability			Prediction		Intentionality				Transference
	Financial Gain	Size	Expertise	Power	Reliability	Length of Relationship	Similarity	Likeability	Willingness to Customise	Frequency of Contact	Confidential Info. Sharing	Reputation
GE	0.1000	0.1000	0.1000	0.1000	0.1000	0.0333	0.0333	0.0333	0.0666	0.0667	0.0667	0.2000
IT	0.1364	0.1364	0.1212	0.1212	0.1212	0.0606	0.0606	0.0606	0.0303	0.0303	0.0303	0.0909
NL	0.1250	0.1250	0.0417	0.0417	0.0417	0.0417	0.0417	0.0417	0.0833	0.0833	0.0833	0.2500
UK	0.2143	0.2143	0.0952	0.0952	0.0952	0.0000	0.0000	0.0000	0.0476	0.0476	0.0476	0.1429

Table 1: Probabilities associated with the various countries and trust-building processes

Methodology

The research, which was carried out over a period of three months during 2004, included qualitative as well as quantitative investigations with representatives of ten distribution companies in Germany, Italy, the Netherlands and the UK. One representative per organisation was nominated for an interview which was, in each case, carried out at the distributor's location. In addition, prior to each interview, between three and five questionnaires were handed to a staff member with the request to distribute these to colleagues who deal with manufacturing suppliers. Ninety percent of the questionnaires were returned; Appendix A provides a copy of the questionnaire. Table 2 provides the number of responses from the four countries.

Country	Germany	Italy	The Netherlands	UK
Number of Responses (n=45)	16	10	6	13

Table 2: Number of responses for each of the four countries

The interviews were semi-structured covering the following four major topics:

- factors that account for successful manufacturer-distributor relationships,
- the role of trust within such relationships,
- factors that create distributor trust in manufacturer-distributor relationships, and
- the concept of trust in an international business context.

The interviews were designed according to what is described in the literature as a "funnel structure (Bocij et al. 1999, p. 362)": starting with factual questions regarding the distributor's business, the interview moved towards a general discussion about aspects of successful manufacturer-distributor relationships and then arrived at the core subject of this study - the concept of trust and drivers of trust development in such relationships. The data were analysed in a deductive manner, applying the analytical tools of categorisation and unitising which allowed for selecting the data most relevant to this study and also seeking relationships among the different statements made by representatives of the same country group (Saunders, Lewis and Thornhill 2003). The replies were evaluated against the list of seven factors which, in Figure 1, have been highlighted as characteristic factors associated with successful business relationships and against the twelve factors which, in Figure 2, have been described as the drivers of trust development. Based on the findings inferences have been made as to which factors and trust-building processes appear to be most important for each country group.

The questionnaire, which was presented to all interviewees in English, is subdivided into three sections: the first section comprises six questions which form a brief characterisation of the candidate. Questions 7 and 8, forming the second section, have the same intention of seeking to pinpoint those factors that are considered most important to business relationship development and to measure the significance of trust within such relationships. However, the orientation of these two questions is posed differently: whilst question 7, by using a Likert scale (Hitchcock and Porter 2004; Siegle 2004), seeks a ranking for each of the factors identified for successful relationship development (Figure 1),

question 8 requires the candidate to provide an order of significance to the four most important factors out of the ones prescribed in question 7. Questions 9 and 10, forming the third section and focusing on determining what factors drive the development of distributor trust in manufacturer-distributor relationships, are structured in the same way. In question 9, a five-point Likert scale is used to measure the importance the survey participants attach to the twelve factors which constitute conceptual framework I (Figure 2), and question 10 requires the candidate to provide a relative value of significance to these twelve factors.

Therefore a relationship exists between questions 7 and 8 and between questions 9 and 10 respectively, which has been drawn upon for the following two purposes: firstly, the accuracy in a candidate's understanding of questions 7/8 and questions 9/10 has been measured by obtaining the level of agreement between these two questions, which has been produced via the correlation estimate of the sample average of each of the two questions. Secondly, due to the difference in orientation between questions 7/8 and between questions 9/10, the amount of scatter in the candidate's responses to these two questions provides a measure of the degree of consistency in the perception of the factors considered most important to successful relationship development (questions 7/8) and the development of trust (questions 9/10). Therefore, by obtaining an estimate of the standard deviation (SD) in each question and then by generating the correlation coefficient estimate between the standard deviation measures of these two questions, a measure of consistency can be obtained. When the correlation coefficient value exceeds zero, it is "positively correlated"; whereas for values below zero the result is "negatively correlated" (DeGroot, 1989: 214). For the purposes of this study three ranges are suggested in the correlation estimate: a measurement of agreement (for correlation exceeding +75%), no correlation (for interval of correlation between -75% and +75%), or disagreement (for correlation below -75%).

The chi-square testing method has finally been used to assess the validity of the postulated probability model (Table 1) and the experimental data which have been obtained via the questionnaires. The chi-square test will provide a figure of merit on whether the proposed statistics for a given country are in agreement with those measured for that country and will also include a means to visually interpret the similarity between the expected and measured results.

Qualitative Data Findings

As to factors that across the four countries are perceived as important for successful manufacturer-distributor relationships, trust, fulfilment of promises and commitment are the most frequently mentioned ones. Two conclusions are drawn from this observation: firstly, it can be deduced that whilst trust is certainly regarded as a major contributor towards successful manufacturer-distributor relationships, across the four countries of interest it is not viewed as the sole dominating force that shapes such relationships. Secondly, it can be inferred that there is some degree of consistency in the statements made by the interviewees regarding the factors that drive successful manufacturer-distributor relationships. In those cases where interviewees have given contrasting replies, this has frequently happened within the same country group and can therefore not be seen as identifying differences in national cultures.

At the same time, some factors have been expressed in certain countries particularly strongly. For example, whilst the factors of frequent communication and close contact have been positively related to successful manufacturer-distributor relationships in several countries, it was only the Italian interviewees who described these factors as determinants of the quality and overall value of a manufacturer-distributor relationship.

With respect to the concept of trust, it has been observed that different connotations are associated with this term in different countries and therefore the concept of trust is discussed in different ways. Whilst the German interviewees define the concept of trust as an atmosphere of mutual understanding and empathy, the UK interviewees associate specific behaviours and skills with the concept of trust such as responsiveness, the flow of communication and the quality of product. Accordingly, for the UK interviewees trust may cease to exist should such behaviours be neglected by the manufacturer, whereas for the German interviewees, trust should serve as the foundation of business relationships and therefore it should be strong enough to sustain relationship problems.

Similarly, differences among the countries are evident when it comes to identifying which trust-building process dominates in each country.

To the German interviewees, trust mainly develops through the intentionality process where the ability to share confidential information is greatly valued and where the distributors find themselves in a respectable position where their concerns are listened to by the manufacturers and acted on. To the Italian interviewees, trust mostly grows through the capability process. Factors such as reliability, responsiveness and expertise have been emphasised in each interview. To the Dutch interviewee, trust, in the first place, develops via the transference process where the manufacturer's reputation in the marketplace decides the degree of trust the distributor places in the manufacturer.

In contrast to the data gathered in Germany, Italy and the Netherlands, where it has been possible to identify one main trust-building process, the analysis of the two UK interviews does not reveal such dominant factors but suggests that different trust-building processes are relevant to similar degrees. To add to the complexity of the UK responses, there is not much agreement between the two distributors' statements. The only similarity that exists is that for both interviewees the development of trust is influenced by the capability process. The focus is, however, on different factors within this process: whilst the one distributor emphasises the importance of power, the other one stresses the significance of reliability. Besides the capability process, to the one UK distributor trust mainly develops via the intentionality process with an emphasis on confidential information sharing, whilst to the other UK distributor, trust mostly evolves around calculative thinking where the assurance that financial gain and benefits are guaranteed is sufficient to have trust in a supplier.

As to the interviewees' perceptions of the link between national cultures and the development of trust in manufacturer-distributor relationships, different reactions have been observed across the four countries. Whilst all ten interviewees share the view that national cultures impact the management of business relationships and can be the cause of misunderstanding or friction, the responses vary as to what are the managerial implications that arise from this situation. The need to learn about other national cultures and appreciate and respect the different ways of doing business is most strongly expressed in the interviews with the German distributors. In the other three countries, the need for adaptation is not mentioned, but it seems that the interviewees take their own understanding of trust and relationship management as the benchmark, and thereby judge others against this.

Quantitative Data Findings

The data obtained from the characterisation of the respondents support the validity of the gathered responses as all participants have substantial experience in dealing with manufacturing suppliers. In considering the forty-five respondents, the average length of time each one has been working for his/her current employer is 8.4 years and the frequency of contact with manufacturers is on average 10.4 times per week.

The data relating to the factors for successful relationship development as well as the factors impacting the development of trust have been examined by calculating and analysing the sample mean and sample standard deviation estimates for each set of data. This has given rise to higher-order analysis via correlating both the sample mean and the sample standard deviation. Table 3 provides a summary of these correlation values. It has been observed that for the two attributes of interest there is generally a high degree of correlation in the sample mean, which therefore provides a high degree of agreement in the candidates' general views on these attributes. Also present in Table 3 are the sample standard deviation estimates, where the percentage correlation estimates are not equivalently clear-cut.

Attribute	Sample	GE	IT	NL	UK
Most Important Factors for Successful Relationship Development (Q. 7 & 8)	Mean	91	84	85	95
	SD	83	-2	-37	4
Factors Impacting the Development of Trust (Q. 9 & 10)	Mean	95	75	80	89
	SD	-56	-9	-31	-45

Table 3: Percentage correlation estimates associated with responses to questions 7 to 10

With respect to the factors that impact manufacturer-distributor relationships, derived from the sample mean, a strong consistency is observed across the four countries of interest as either trust or fulfilment of promises ranks amongst the top two most important factors. With the exception of the UK, in each case, the percentage weighting of either trust and/or fulfilment of promises is around 30% which underlines the significance of this result which is presented in Table 4.

Attribute (Sample Mean)	GE	IT	NL	UK
Most Significant	Trust (29%)	Trust (32%)	Fulfilment of promises (30%)	Commitment (22%)
Second-Most Significant	Fulfilment of promises (27%)	Fulfilment of promises (23%)	Consistency (20%)	Trust (21%)

Table 4: Summary of sample mean estimates of the two most important factors for successful relationship development

With respect to the factors which impact the development of trust and with regard to the importance of the trust-building processes, the findings derived from the sample means suggest that in each country, trust is largely developed via the capability process. This observation is supported by the fact that, with the exception of the Netherlands, expertise is ranked the most important factor in Germany, Italy and the UK. However, considering the wide selection of factors that influence the development of trust, it is important to take the weighting of the other factors and processes into account in order to arrive at a fuller understanding of what actions and behaviour matter to the different country groups. This is illustrated in Table 5.

Level of Significance	GE	IT	NL	UK
1	Capability	Capability	Capability	Capability
2	Intentionality	Prediction / Intentionality	Calculative	Intentionality
3	Prediction	Intentionality / Prediction	Intentionality	Calculative
4	Calculative	Calculative	Prediction	Prediction
5	Transference	Transference	Transference	Transference

Table 5: Ranking of trust-building processes for the four European countries

The quantitative analysis has culminated in validating the applicability of the cultural differences in the trust-building processes via application of the chi-square test which compares the collected data with the probabilities derived from conceptual framework II (Table 1). The application of the chi-square testing process provides two cases (Germany and Italy) where the expected and measured number of occurrences appear rather similar, particularly so for the trust-building processes. The theoretical model seems to best match Italy, since it demonstrates the lowest values. In the case of the Netherlands, the chi-square testing provides measured results which are inconsistent with the expected values; reasons for this include insufficient sample size or (and) a need to reassess the postulated probability distribution. In the case of the UK, there is the need for a refinement to the framework as it may be seen that the development of the model produces a void for the prediction process which therefore renders the chi-square estimation ineffective.

Conclusion

This study has examined the role of trust and the drivers of trust development in manufacturer-distributor relationships, as perceived by representatives of ten distribution companies located in Germany, Italy, the Netherlands and the UK. The research has been set against the background of relationship marketing which underlines the importance of collaborative manufacturer-distributor partnerships in a global economic environment where distribution channels have become crucial for a manufacturer’s market penetration and where business relationships are sought across national

cultures. The study has provided empirical evidence to support the important role of trust in manufacturer-distributor relationships and has, importantly, demonstrated that a causal link exists between the development of trust and national culture by illustrating that different behavioural factors account for the development of trust in different countries. In doing so, the study has also tested the validity of research propositions derived from the existing academic literature on trust and national culture.

The following synthesises the conclusions from the qualitative and quantitative data analyses and reviews them in the context of the existing academic literature. Generally speaking, it has been found that, as suggested by the literature (Bocij et al. 1999), in most cases the qualitative data have supported the quantitative findings by offering more in-depth and detailed information on specific aspects of the analysis. Examples of this will now be discussed.

As to the role of trust in manufacturer-distributor relationships, the findings suggest, firstly, that major similarities exist among the different national cultures as to the choice and weighting of those behavioural factors that mainly drive successful manufacturer-distributor relationships and, secondly, that trust plays rather an important role in such relationships, regardless of the specific national cultures of the channel partners.

Both the qualitative data analysis and the quantitative data analysis arrive at the same conclusion, namely that in each of the four countries, trust and the fulfilment of promises are perceived as the most important factors for successful manufacturer-distributor relationships. These findings support the academic literature as to the fundamental significance attached to the role of trust within business relationships (Fawcett, Staheli and Williams 2003). However, it also reveals that other behavioural factors are considered as highly relevant when it comes to defining and evaluating business relationships. The interviews have provided valuable insight into the distinct differences among the four national cultures with respect to the understanding and significance of certain factors, and have thereby given evidence of national cultural characteristics which also finds support in the literature. For example, the emphasis of the Italian interviewees on face-to-face contact with business partners is supported by Fukuyama (1995) and Gesteland (2002).

Furthermore, the qualitative data analysis has demonstrated that, as suggested in the literature review, the different factors used as characteristics of successful business relationships are conceptually linked. In the UK interviews, for instance, the factor of commitment has been defined by referring to the factor of fulfilment of promises and long-term orientation has been mentioned in the same context as frequent communication.

As to the factors that create distributor trust in manufacturer-distributor relationships, this study has developed a conceptual framework derived from the models of Shapiro et al. (1992), McAllister (1995) and Doney and Cannon (1997), which associates twelve behavioural factors to five different trust-building processes (conceptual framework I). The qualitative and quantitative data have been evaluated against these factors to establish the dominant trust-building process in each country. Derived from the quantitative data, there appears to be a high degree of similarity among the four countries because the capability process has received the highest rating in each country. However, although all four countries share the capability process as the dominant trust-building process, there are different levels of significance attached to the other four processes for each country which therefore shows that there are differences in the way trust develops in each of the four countries of interest.

Furthermore, among the four countries, it is important to note that there are differences in the weighting of the factors that constitute each trust-building process. With respect to the capability process, whilst for the UK, Italy and Germany the focus lies firstly on expertise, secondly on reliability and thirdly on power, the Dutch data show that it is firstly reliability, secondly power and thirdly expertise that matter. It is therefore concluded that there is the need to understand the significance of the individual factors for each country to thoroughly appreciate and respond to the specific requirements of each national culture.

Table 6 illustrates that, with respect to the dominant trust-building process, the results for each country obtained via the qualitative data analysis do not always match the quantitative findings. Furthermore,

in contrast to the questionnaire results, the interviews do not reveal a consistent dominant trust-building process across the four countries.

	Interview	Questionnaire
Germany	Intentionality	Capability
Italy	Capability	Capability
The Netherlands	Transference	Capability
UK	Intentionality/Capability	Capability

Table 6: Most dominant trust-building processes as derived for each of the four countries via the qualitative and quantitative data analyses

The qualitative data analysis reveals more clearly than the quantitative data analysis that trust develops differently in different countries. At the same time, the qualitative data analysis confirms the significance of the relevance and the perception of the individual factors that constitute each trust-building process: using the example of the capability process again, whilst to the Italian interviewees capability is mainly defined by expertise, it is the aspect of power that concerns the UK interviewees in this context.

To further evaluate the research findings of this study, the results have finally been compared to research propositions which have been derived from the works of Hofstede (1994) and Doney, Cannon and Mullen (1998) and plotted into a conceptual framework which suggests probabilities for the expected weighting of each trust-building process for each country (conceptual framework II). The best match has been observed for Italy which falls in line with the match that has also been observed between the qualitative and quantitative data for Italy. Table 7 summarises the observed and expected percentage weighting for each trust-building process and country.

Country		Calculative	Capability	Prediction	Intentionality	Transference
GE	Observed	10.75	38.31	16.16	23.91	10.88
	Expected	20.00	30.00	10.00	20.00	20.00
IT	Observed	17.60	37.70	18.50	18.50	7.70
	Expected	27.27	36.36	18.18	9.09	9.09
NL	Observed	18.00	41.33	15.83	16.33	8.50
	Expected	25.00	12.50	12.50	25.00	25.00
UK	Observed	15.87	36.32	13.65	21.18	12.96
	Expected	42.86	28.57	0.00	14.29	14.29

Table 7: Comparison between observed and expected percentage weighting

To sum up, with respect to the development of trust in the countries of interest the analysis of the qualitative and quantitative data as well as the comparison of this study's research findings with the conceptual framework as derived from the works of Hofstede (1994) and Doney, Cannon and Mullen (1998) have contributed ample evidence to support that "nations . . . have a cultural style (Hall 1995, p. 41)" that determines the behavioural factors relevant when developing trust. The findings of this study therefore not only support the notion of "trust-sensitive management (Nooteboom 2003, p. 22)" to achieve profitable and long-term manufacturer-distributor relationships, but also, and importantly, further develop this concept and underline the significance of demonstrating cultural understanding when aiming to win the trust of a business partner.

We suggest that whilst the trust literature mainly distinguishes trust at an organisational level from trust at an individual level, a third differentiating level needs to be added which is that of national culture that arguably supersedes the organisational and individual levels.

Recommendations

Evaluating the findings of the study within a managerial context, the following recommendations are made:

The importance for managers to develop cultural sensitivity and particularly to understand what factors impact the development of trust has been highlighted. It has also been revealed in this context that the distributor representatives across the four countries of interest regard contractual bonds as more fragile than the presence of trust. It is therefore suggested that managers of distribution networks apply tools such as focus groups, surveys or scorecards on a regular basis in order to gain a better understanding of what actions and behaviour are perceived as important to trust building by their distribution partners and to monitor these behavioural drivers (Aulakh and Kotabe 1996).

Considering that all four European countries have emphasised the significance of factors relating to the capability process, its importance for the distribution manager must be that the smooth operation of the daily interactions between manufacturers and distributors are valued very highly by the distribution partners. The manufacturer's investments must therefore focus on achieving the highest possible degree of operational excellence in areas such as on-time delivery, short lead times, zero defects, and service quality.

It is important to convert the efforts made to develop cultural understanding into financial benefits gained through changed management behaviour. The evidence suggests that as cultural understanding grows, business relationships improve which in turn translates into higher profits and economic gain (Das and Teng 1998; Industrial Performance Group 2004a).

Whilst this study has dealt with the development of inter-organisational trust, the relevance of intra-organisational trust needs to be explored by management. An organisational culture that demonstrates openness, tolerance and responsiveness towards other national values is best-placed to engage in highly productive and profitable business relationships.

This study has focused on depicting the perception of trust from a distributor perspective. In a real-time management situation, the manufacturer's perception of trust needs to be similarly considered. Meeting the reciprocal needs of interacting business partners will enable optimal performance for the benefit of all parties involved.

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APPENDIX A : DATA COLLECTION TOOLS

A.1: Sample Questionnaire

The sample questionnaire is provided in the following with several personal details withheld and the table numbers have been adjusted to be consistent with the style of the dissertation.

Dear participant,

Thank you for your time and cooperation in completing the attached questionnaire.

This survey forms an essential part of the research I am carrying out for my MBA dissertation that deals with the subject of channel management and in particular with aspects that impact the business relationship between distributors and manufacturing suppliers. The findings of this questionnaire, which has been handed out to fifty members of distribution companies, should help manufacturing suppliers to understand what behaviours are expected of them to have successful and long-lasting relationships with their distributors. Please be assured that all information will be dealt with in a confidential manner.

If you have any concerns or questions, please feel free to contact me either by phone on 0044 (0) 1452 XXXXXX or by e-mail under: usturmanXXXX@XXXXXXXXXX.com.

Yours sincerely,

Ulrike Sturman
(University of Gloucestershire)

1 How long have you worked for your current employer?

2 What is your job role?

3 Within your job role, how often do you have direct contact with manufacturing suppliers? Direct contact includes face-to-face contact as well as contact by phone or e-mail. Please tick the appropriate box.

- several times a day
- once a day
- appr. twice a week
- once a week
- 3-4 times a month
- less than once a month
- 3-4 times a year
- never

4 What is your nationality?

5 Have you ever stayed in a country different to your mother country for a period longer than two months? If the answer is 'No', please proceed to question 7.

6 Please list which countries you have stayed in, the length of time you stayed in each country and the reason for your stay.

7 Table A.1.2 lists factors which, according to the academic literature on relationship marketing, impact business relationships. How important do you believe each of these factors to be for the successful development of relationships between distributors and manufacturing suppliers? Please

indicate the relative importance by ticking the appropriate box in Table A.1.2. Table A.1.1 describes the different ratings.

Rating	Description
Very Important	I believe that this attribute is indispensable in this context.
Important	I believe that this attribute is highly critical in this context.
Moderately Important	I believe that this attribute slightly supports the successful development in this context.
Of Little Importance	I believe that this attribute has a minimal impact in this context.
Unimportant	I believe that this attribute has absolutely no bearing in this context.

Table A.1.1: Ratings and descriptions of ratings

How important do you believe each of these factors to be for the successful development of relationships between distributors and manufacturing suppliers?

Factor	Very Important	Important	Moderately Important	Of Little Importance	Unimportant
Commitment					
Trust					
Fulfilment of Promises					
Consistency					
Frequent Communication					
Long-Term Orientation					
Close Contact					

Table A.1.2: Factors impacting business relationships

8 From Table A.1.2, please select those four factors which you consider most important for the successful development of relationships between distributors and manufacturing suppliers. Then, rank these four factors from 1 to 4, with 1 indicating the least and 4 indicating the greatest importance.

- 1 = _____
- 2 = _____
- 3 = _____
- 4 = _____

9 Please review the factors listed in Table A.1.3. Using the same rating as explained in Table A.1.1, please indicate how important you believe each of these factors to be for the development of distributor trust in manufacturing suppliers.

Factor	Description	Very Important	Important	Moderately Important	Of Little Importance	Unimportant
Reputation	<input type="checkbox"/> the manufacturing supplier partner is honest and concerned about you					
Size	<input type="checkbox"/> the overall size of the manufacturing supplier's firm as, for example, in terms of number of employees and offices, and the market share position					
Willingness to Customise	<input type="checkbox"/> the manufacturing supplier's readiness to make investments to meet your needs					
Confidential Information Sharing	<input type="checkbox"/> the extent to which the manufacturing supplier shares private business information (e.g. customer or financial data) with you					
Length of Relationship	<input type="checkbox"/> the duration of the relationship					
Expertise	<input type="checkbox"/> the manufacturing supplier's technical competence or job knowledge					
Reliability	<input type="checkbox"/> the manufacturing supplier keeps promises					
Power	<input type="checkbox"/> the manufacturing supplier makes things happen					
Likeability	<input type="checkbox"/> the manufacturing supplier is friendly, nice and pleasant to be around with					
Similarity	<input type="checkbox"/> the manufacturing supplier shares common interests and values with you					
Frequency of Contact	<input type="checkbox"/> the manufacturing supplier is in regular communication with you					
Financial Gain	<input type="checkbox"/> major financial rewards result from the business relationship					

Table A.1.3: Factors impacting the development of distributor trust

- 10 You have £ 1,000 to advise a group of manufacturing suppliers on how to gain trust from their distributors. Please allocate this amount of money amongst the factors listed in Table A.1.4. The more money you allocate to a specific factor, the more important you consider this factor to be for building distributor trust in manufacturing suppliers.

Factor	Description	Allocated Amount of £
Reputation	<input type="checkbox"/> the manufacturing supplier partner is honest and concerned about you	
Size	<input type="checkbox"/> the overall size of the manufacturing supplier's firm as, for example, in terms of number of employees and offices, and the market share position	
Willingness to Customise	<input type="checkbox"/> the manufacturing supplier's readiness to make investments to meet your needs	
Confidential Information Sharing	<input type="checkbox"/> the extent to which the manufacturing supplier shares private business information (e.g. customer or financial data) with you	
Length of Relationship	<input type="checkbox"/> the duration of the relationship	
Expertise	<input type="checkbox"/> the manufacturing supplier's technical competence or job knowledge	
Reliability	<input type="checkbox"/> the manufacturing supplier keeps promises	
Power	<input type="checkbox"/> the manufacturing supplier makes things happen	
Likeability	<input type="checkbox"/> the manufacturing supplier is friendly, nice and pleasant to be around with	
Similarity	<input type="checkbox"/> the manufacturing supplier shares common interests and values with you	
Frequency of Contact	<input type="checkbox"/> the manufacturing supplier is in regular communication with you	
Financial Gain	<input type="checkbox"/> major financial rewards result from the business relationship	
Total Money Spent		£1,000

Table A.1.4: Ranking of factors impacting the development of trust