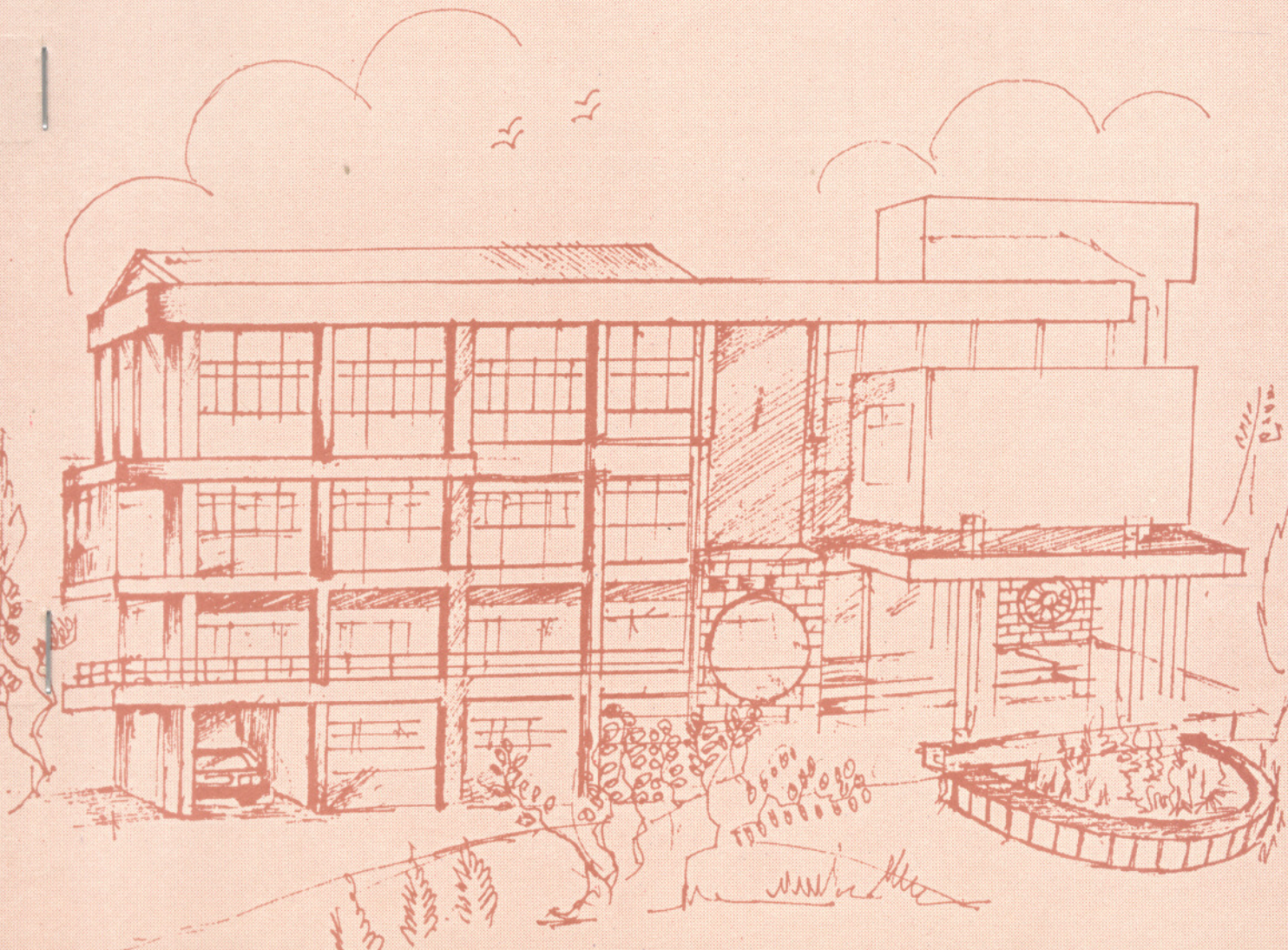


Working Paper Series

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GOODWILL TRUST AND COMPETENCE TRUST IN AN ADMINISTERED CHANNEL RELATIONSHIP: ARE THEY INDEPENDENT?

R.C. Natarajan¹

Pride of work and organisational loyalty are widespread phenomena in organisations...people will be strongly motivated by organisational loyalty, even when they can expect no 'selfish' rewards from it.

- Herbert Simon

Abstract:

Administered marketing channels, arrangements characterised by member firms dependent on the channel-leader, the principal organisation throw up peculiar problems in monitoring control. Complete control by the principal organisation is either impossible, or exorbitant, warranting trust by the principal in his agent to play a role. Trust-literature in the context of inter-organisational relationship considers goodwill trust and competence trust as two distinct types of trust. Many scholars have made mentions about the two bases of trust distinctly. However, the veracity of this distinction does not seem to have been addressed by researchers. This paper reports an experiment to test whether the two types of trust are, indeed, distinct and the results threw up the surprising finding that they are very highly and positively related. Principal's perception of agent's trustworthiness does not seem clear-cut as competence-based or goodwill-based. The paper offers a plausible explanation from the field of psychology through the concept of 'halo effect'.

Key words: Principal-agent relationship, administered marketing channel, trust, halo effect

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INTRODUCTION

Administered marketing channel, also known as administered vertical marketing systems (Pelton, Strutton and Lumpkin, 2002, p. 372), represents ongoing relationships between a principal organisation—the channel leader—and an agent firm that acknowledges the necessity to *follow the leader* (Bowersox and Cooper, 2004, p. 106, emphasis in original), where the behaviour by each is governed both by mutually accepted norms and by control systems. There is a limit to principal's documentation and monitoring of preferred behaviour by the agent. Somewhere down the line, in such administered channel relationships, the principal has to let go of control and start reducing monitoring efforts owing to either infeasibility or exorbitant cost of such efforts. The final choice of the degree of control and monitoring efforts depends greatly on the degree of comfort the principal feels vis-à-vis the agent or simply, the *trust*. A principal may trust an agent either due to the latter's ability to carry out the task as desired or due to the perception that the latter will not act in a manner detrimental to the relationship or the former. Scholars consider these types of trust separately—as if they are different—without explicitly stating anything about their relationship (Morgan and Hunt 1994; Hosmer, 1995; Nooteboom, 1996; Johnson 1999; Das and Teng 2001; McKnight and Chervany, 2001). This paper examines the relationship, if any, between two such seemingly independent types of trust, namely *goodwill trust* and *competence trust*.

Significance of Trust in Management

Trust has attracted the attention of scholars in different fields so greatly that the EBSCO database lists 120 articles on trust published in peer-reviewed scholarly journals during 2005-06, underlining the importance of the phenomenon in management of ongoing relationships. One comes across the view in inter-organisational research that trust and control are substitutional, in the sense that trust acts as a lubricant in a relation (Sydow and Windeler, 2003, p.69). When A trusts B, A's proclivity to monitor and control B will be less. To quote Reed (2001, p. 203, parentheses in original),

Trust and control are different sides of the same analytical coin in which, at one logical extreme, discretionary content and behavioural autonomy are totally excluded from the work relationship ('zero-trust' organization structures) as opposed to the other end of the trust/control spectrum in which they are maximized ('total-trust' organization structures).

In an ongoing relationship, the time and efforts put in by both the parties constitute a form of transaction specific investment which makes switching costly. Therefore, the principals need not always expect the agents to act opportunistically. Without the threat of *opportunism*², the need for specialised governance is attenuated. The assumption that exchange partners will be trustworthy as opposed to opportunistic ... [and, *sic*] inclusion of the social-context variable of trust in the principal-agency relationship studies will yield a model with greater predictive validity (Joshi & Stump, 1999, p. 293-294), which can reduce need for costly controls. Besides, organisational loyalty cannot be dismissed as wishful thinking. Such loyalty, in the context of both intra-organisational and inter-organisational relationships emerges longitudinally, when the loyal party sees the benefit of staying in the relationship in the long run. Under such loyalty, it makes better sense to trust the loyal party than to carry out actions of surveillance and monitoring with a view to controlling him. It is not only sub-optimal from a cost-minimisation dimension but may also be counter productive by sending negative signals to the agent that may eventually cause serious damage to the relationship itself. Therefore, it is a logical and plausible stand to view management from the angle of prevalence of trust. It can help us to save cost, time and efforts—that need to be expended under the constant suspicion of opportunism and shirking—and may develop a relationship characterised by mutual trust, respect and high self-esteem.

When the principal trusts the agent, the former's proclivity to monitor and control the latter will be less. This implies the possibility that when the perceived trust is high—in a specific inter-organisational relationship—one expects to see fewer controls. Sydow (1998, p.31) comments:

...in a world of increasing uncertainty and complexity, flat hierarchies, more participative management styles and increasing professionalism, trust is thought to be a more appropriate mechanism for controlling organisational life.

Because trust represents a positive assumption about the motives and intentions of another party, it allows people to economise on information processing and safeguarding

² *Opportunism* is defined as “self-seeking with guile” (Williamson, 1985, p.47)

behaviour (McEvily, Perrone & Zaheer, 2003b, p. 92-93). This underscores the importance of trust in management, especially its pertinence to control mechanisms.

Definitions of Trust

Scholars have recognised the difficulty in arriving at an acceptable-to-all definition of trust. It has been reported that “[across three unabridged English dictionaries—Webster’s, Random House and Oxford] on an average, trust has 17.0 definitions, while the others [cooperation, confidence and predictable *sic*] had an average of 4.7. While trust is an important construct, it is by nature hard to narrow down to one specific definition because of the richness of meanings the term conveys in everyday usage” (McKnight & Chervany, unpublished paper, p.3). Two main reasons for the difficulty of a common understanding and definition of trust are (a) every discipline views trust from its own unique perspective; and (b) ‘trust’ is a vague term. Like other natural language terms, it has acquired many meanings (McKnight & Chervany, 2001, p. 37).

Trust: A Belief

The word “trust” derives from the Scandinavian word *truste*, which means firm, solid, steadfast... [it] means being counted on to do the right thing when nobody is watching (Fiorina, 2003, p. 28). This seemingly moralistic view of trust, however, deserves due respect since it has been expressed by a former CEO of Hewlett-Packard. Trust is defined in many ways among researchers in various fields, the differences being subtle. Trust is defined as (i) a willingness to rely on an exchange partner in whom one has confidence (Moorman, Zaltman and Deshpande, 1992, p. 315); (ii) a particular level of the subjective probability with which an agent assesses that another agent or group of agents will perform a particular action, both before he can monitor such action and in a context in which it affects his own action” (Gambetta, 2000b, p. 217); (iii) an expectancy of positive (or nonnegative) outcomes that one can receive based on the expected action of another party in an interaction characterised by uncertainty” (Bhattacharya, Devenney and Pillutula, 1998, p. 462); (iv) the degree to which the trustor holds a positive attitude toward the trustee’s goodwill and reliability in a risky exchange situation” (Das & Teng, 1998, p. 494); (v) accepting the risks associated with the type and depth of the

interdependence inherent in a given relationship (Sheppard and Sherman, 1998, p. 422); (vi) the willingness of a party to be vulnerable to the actions of another party based on the expectation that the other will perform a particular action important to the trustor, irrespective of the ability to monitor or control the other party (Mayer, Davis and Schoorman, 1995, p. 712); (vii) a psychological state comprising the intention to accept vulnerability based upon the positive expectations of the intentions or behaviour of another (Rousseau, Sitkin, Burt & Camerer 1998, p. 395); (viii) an individual's belief that another individual makes efforts to uphold commitments, is honest, and does not take advantage given the opportunity (Ferrin & Dirks, 2003, p.19); (ix) an individual's belief or a common belief among a group of individuals that another individual or group (a) makes good-faith efforts to behave in accordance with any commitments both explicit or implicit, (b) is honest in whatever negotiations preceded such commitments, and (c) does not take excessive advantage of another even when the opportunity is available (Cummings & Bromiley, 1996, p. 303). Trust is said to exist in a bilateral relationship to the extent to which it is evident to B that A's decision processes include, as a component of A's satisfactions, the preferences of B regarding whatever joint policy is being negotiated (Bonoma, 1976, p.511). Trust is more non-rational, a faith not based on pure logic or calculated data. "If you do not consider alternatives, you are in a situation of confidence. If you choose one action in preference to others in spite of the possibility of being disappointed by the action of others, you define the situation as one of trust. In the case of confidence, you will react to disappointment by external attribution. In the case of trust, you will have to consider an internal attribution and eventually regret your trusting choice" (Luhmann, 2000, p. 97-98). That is, the fine distinction between confidence and trust lies in the former being based on rational reasoning while the latter being based on supra-rational faith due to the uncertainty involved.

Trust: An Action

Trust is defined as *a willingness to rely on an exchange partner in whom one has confidence* (Moorman *et al*, 1992, p. 315). "When we say we trust someone or that someone is trustworthy, we implicitly mean that the probability that he will perform an action that is beneficial or at least not detrimental to us is high enough for us to consider

engaging in some form of cooperation with him” (Gambetta, 2000b). Ouchi observes that “people must either be able to trust each other or to closely monitor each other if they are to engage in cooperative enterprises” (Ouchi, 1979, p.846). For trust to be present in a relationship, one member has to believe in the trustworthiness of the other and display the *readiness to act* on the basis of that belief. McKnight, Cummings and Chervany (1998) categorically define trust “to mean that one believes in, and is willing to depend on, another party (p. 474). That is, it is not merely a positive affect about the other party, but also an expression of the readiness to act on the basis of that affect that is essential for trust to be present in any meaningful way. If “one believes that a partner is trustworthy without being willing to rely on that partner, trust is limited” (Moorman et al, 1992, p. 315).

Trust, Uncertainty, Vulnerability and Ability to Monitor

Trust is relevant only under conditions of uncertainty and risk. “*Uncertainty* is critical to trust, because trust is unnecessary if the trustor can control an exchange partner’s actions or has complete knowledge about the actions” (Moorman et al, 1992, p. 315; emphasis in original). It “requires uncertainty. It involves both confidence in the partner’s ability, and faith in the partner’s benign intentions” (Huff & Kelley, 2003, p. 82). “Although trust in general is indispensable in social relationships, it always involves an unavoidable element of risk and potential doubt. We would not have to accept this risk if there were some functional alternative” (Lewis & Weigert, 1985, p.968). In fact, like the faith in God and religion, “trust begins where rational prediction ends as trust bridges the information uncertainty” (Lane, in Lane & Bachmann, 1998, p. 6).

Trust involves vulnerability of the trusting party. “Without *vulnerability*, trust is unnecessary because outcomes are inconsequential for the trustor” (Moorman et al, 1992, p. 315). Zand (1972) has highlighted the salience of vulnerability arising out of trust when he defines trust “as consisting of actions that (a) increase one’s vulnerability, (b) to another whose behaviour is not under one’s control, (c) in a situation in which the penalty (disutility) one suffers if the other abuses that vulnerability is greater than the benefit (utility) one gains if the other does not abuse that vulnerability” (Zand, 1972, p. 230, parenthetical phrases in original). It is the “correct expectations about the actions of other

people that have a bearing on one's own choice of action when that action must be chosen before one can monitor the actions of others" (Dasgupta, 1988, p. 51). Hosmer, quoting Michalos, states, "It is enough to think of trust as a relatively informed attitude or propensity to allow oneself and perhaps others to be vulnerable to harm in the interests of some perceived greater good" (Hosmer, 1995, p. 383).

Another aspect of trust is the inability to monitor the other party's behaviour. In social interaction, response is often delayed and the initial move has to be made without full knowledge of how the exchange partner will respond, requiring a degree of trust (Lane 1998). That is, trust is necessitated due to the inability to observe or collect data about the exchange partner's response. This is in line with Dasgupta's definition of trust as correct expectations about the actions of other people that have a bearing on one's own choice of action when that action must be chosen before one can monitor the actions of others (Dasgupta, 1988, p. 51). Ouchi's oft-cited quote, "people must either be able to trust each other or to closely monitor each other if they are to engage in cooperative enterprises" (Ouchi, 1979, p.846) summarises this condition of trust beyond doubt.

Trustworthiness as Ability and Intention

The last (pair of) conditions in the understanding in this paper are that trust is either about the ability and/or the intention of the other party to act in a trustworthy manner. Thus, it "may concern a partner's *ability* to perform according to agreements (competence trust) or his *intentions* to do so (goodwill trust)" (Nooteboom, 1996, p. 990; emphasis and parentheses in original). Somewhat a similar understanding is seen in Das and Teng (2001), when they talk about 'relational risk' and 'performance risk' in the context of discussing trust. Relational risk is "defined as the probability and consequences of not having satisfactory cooperation [and which, *sic*] arises because of the potential for opportunistic behaviour" (Das & Teng, 2001, p.253). Performance risk is defined as "the probability and consequences that alliance objectives are not achieved, despite satisfactory cooperation among partner firms" (Das & Teng, 2001, p. 253). This definition is somewhat similar to 'ability' or 'competence trust' of Nooteboom cited above, but in the opposite. Whereas Nooteboom is looking at these two aspects from the dimension of trust, Das & Teng view them from the dimension of risk in the same

context. Nevertheless, we can correlate these two classifications perfectly as one is the obverse and the other is the reverse.

Thus, the essential conditions that must prevail to denote a context as trust are faith in the partner, dependence, willingness to rely on the partner, risk, uncertainty, vulnerability, lack of ex-ante monitoring and ex-ante control. Therefore, in the present research trust is understood as (i) the optimistic cognition and the affect that is present in an interdependent relationship where one believes that the exchange partner has the ability and the intention to act in a manner that will be beneficial to one in a context where one cannot monitor the actions of the exchange partner and that the partner will not act in a manner that is detrimental to one even though the partner has the opportunity to do so, and acting so will be more beneficial to the partner than not acting so³ and (ii) the readiness of one to act on such belief, thus making himself vulnerable to the risk of the partner's possible opportunistic behaviour. This understanding comprehensively captures the cognitive (awareness), the affective (belief or feelings) and the behavioural (readiness to act) dimensions that are characteristic of trust.

Bases of Trust

Various dimensions or facets of trust have been operationalised. The construct/phenomenon has been studied under the fields of economics, psychology, socio-psychology and management. Of these disciplines, management research has borrowed liberally from the other fields and thus such studies that fall under management can be termed eclectic. Scholars cite classification of trust made by Zucker into *process-based trust*, *characteristic-based trust* and *institutionally based trust*. Process-based trust arises from long-term stable relationships wherein the trustor believes that the trustee will continue to behave as he did in the past. Characteristic-based trust assumes that the demographic background—such as family background, religion or ethnicity—of the trustee can be relied upon for trusting a person. Institutionally-based trust arises from the existence of formal structures in society, which are independent of momentary

³ Some authors use the phrase *benevolence* to describe such “sacrificial” behaviour (McKnight *et al*, 1998).

preferences and actions of individuals (Lane & Bachmann, 1996, p. 371; Sydow, 1998, p. 42-44).

Disposition to Trust—covered by Economics and Psychology—deals with trust in general in others. The sub-constructs are Faith in Humanity and Trusting Stance. ‘Disposition to trust’ means the extent to which one displays a consistent tendency to be willing to depend on others in general across a broad spectrum of situations and persons. ‘Faith in Humanity’ means that one assumes others are usually competent, benevolent, honest/ ethical and predictable. ‘Trusting Stance’ means that regardless of what one assumes about the other people generally, one assumes that one will achieve better outcomes dealing with people as though they were well-meaning and reliable (McKnight & Chervany, 2001, p. 45-47)

Institution Based Trust—covered by Sociology—deals with trust in situation or [social, *sic*] structures. The sub-constructs are Structural Assurance of the [Institution, *sic*] and Situational Normality of the [Institution *sic*]. ‘Institutional trust’ means one believes that favourable conditions are in place that is conducive to situational success in an endeavour or aspect in one’s life. ‘Structural Assurance’ means that one believes that the protective structures are in place that is conducive to situational success. ‘Situational Normality’ means that one believes that the situation in a venture is normal or favourable or conducive to situational success (McKnight & Chervany, 2001, p. 45-48).

Trusting Beliefs—covered by Economics and Social Psychology—deals with trust in specific others. The sub-constructs are Competence Belief, Benevolence Belief, Integrity Belief and Predictability Belief. ‘Trusting Beliefs’ means that one believes that the other party has one or more characteristics beneficial to oneself. ‘Competence Belief’ means that one believes that the other party has the ability or power to do for what one needs done. ‘Benevolence Belief’ means that one believes that the other party cares about one and is motivated to act in one’s interest, ... not perceived to act opportunistically. ‘Integrity Belief’ means that one believes that the other party makes good-faith agreements, tells the truth, acts ethically and fulfils promises. ‘Predictability Belief’ means that one believes that the other party’s actions—good or bad—are consistent

enough that one can forecast them in a given situation (McKnight & Chervany, 2001, p. 46-49)

Trusting Intentions—covered by Economics and Social Psychology—deals with trust in specific others. The sub-constructs are Willingness to Depend and Subjective Probability of Depending. ‘Trusting intentions’ means that one is willing to depend on, or intends to depend on, the other party even though one cannot monitor and/or control that party. For their study of trust in ecommerce customer-relationships, McKnight and Chervany (2001) have found this classification providing adequate discrimination between each other.

Two separate works were carried out to identify the core elements of trust. Levine & Renn (1991, cited in Poortinga & Pidgeon, 2003, p. 962) identified five core components of trust: *Perceived competence*, which represents the degree of technical expertise of the other party; *Objectivity*, which reflects the absence of bias in information; *Fairness*, which is the degree to which the other party takes into account all relevant points of view; *Consistency*, which is the predictability of arguments and behaviour based on past experience and *Faith*, which reflects the perception of “goodwill”. Kasperon, Golding and Tuller (1992, cited in Poortinga & Pidgeon, 2003, p.962) identified four key dimensions of trust: (a) *Commitment*, as trust involves some degree of vulnerability, the trustee needs to be fully committed to the other party’s goals; (b) *Competence*, as the person trusted should be able to carry out the obligation; (c) *Caring*, a perception that the trustee shows concern for the trustor and (d) *Predictability*, in the sense that people tend to trust institutions or individuals who are consistent.

Sheppard and Tuchinsky (1996, p. 143-145) distinguish among (a) trust that is based on the awareness that the agent has much to lose from opportunism and hence will not act so, or simply, *deterrence-based trust*, (b) trust that is based on the principal’s knowledge about the agent, or simply, *knowledge-based trust* and (c) trust that emerges out of the agent’s internalisation of preferences, values and principles of the principal, or simply, *identification-based trust*. Identification trust can arise when the agent and the principal belong to the same group [clan, as Ouchi calls it, 1980, p. 136].

Lewis and Weigert (1985) classify trust into arising from (a) when “we cognitively choose whom we will trust in which respect and under which circumstances,

and we base the choice on what we take to be ‘good reasons’, constituting evidence of trustworthiness” (p. 970), or simply cognitive base of trust, (b) “an emotional bond among all those who participate in the relationship... This emotional component is present in all types of trust, but it is normally most intense in close personal trust... The emotional content of trust contributes to the cognitive ‘platform’ from which trust is established and sustained” (p. 971), or simply, emotional base of trust and (c) acting as if the uncertain future actions of others were indeed certain in circumstances wherein the violation of these expectations results in negative consequences for those involved...behavioural displays of trust-implying actions help to create the cognitive platform of trust. When we see others acting in ways that imply that they trust us, we become more disposed to reciprocate by trusting in them more” (p. 971), or simply, behavioural base of trust. Among the three types, behavioural trust has the potency to cause trusting behaviour by the other party as well, an idea that was developed in great detail in the context of development of cooperation by Axelrod (1981).

Johnson (1999, p.327) identified *competence*, *care* and *consensual values* as bases of trust. He further subdivides each of these bases into subcomponents. According to him, competence includes (a) *credentials*—comprising education, training, professional attainment, age and surviving hazard event; (b) *command of Information*—comprising technical, situational, generic, time [duration of hazard endurance]; (c) *experience*—comprising personal contact [familiarity with the other party who is to be trusted]; (d) *procedural efficiency*—comprising direct, swift decision making; and (e) *performance*—comprising errors or disasters and promises [fulfilled]. Care includes (a) *fiduciary responsibility*—comprising putting ‘public’ interest above one’s own interests and serving no private interests; (b) *fair process*—comprising process control, actual access to process consistent with theoretical access, decision control and accountability; (c) *honesty*—comprising of admission of mistakes, lack of contradiction, avoidance of jargon; and (d) *respect*—comprising politeness, treating others’ opinions as worth listening to. He considers consensual values as comprising of correspondence between the values of the trusted and the trustor.

McAllister (1995) identifies *cognition-based trust* and *affect-based trust*. His concept of ‘cognition-based trust’ is from Lewis and Weigert (1985, p. 970) mentioned

above. ‘Affect-based trust’ emanates out of the emotional bond between individuals... [when we see that people, *sic*] express genuine care and concern for the welfare of the partners, believe in the intrinsic virtue of such relationships and believe that these sentiments are reciprocated” (McAllister, 1995, p. 26).

Hosmer (1995) lists five components of trust, namely, *integrity*, *competence*, *consistency*, *loyalty* and *openness*. Integrity of an agent is the reputation for honesty and truthfulness on his part; Competence is the technical knowledge and interpersonal skill needed to perform the job; Consistency is the reliability, predictability and good judgment in handling situations; and, openness is the mental accessibility or the willingness to share ideas and information freely with others (Hosmer, 1995, p. 384).

Das and Teng (2001b) distinguish between *goodwill trust* and *competence trust*. Their work relates to trust, control and risk perceptions. ‘Goodwill trust’ is about one’s good faith, good intentions and integrity (p. 256). ‘Competence trust’ is about “the expectation of technically competent role performance” (p. 256). Competence trust is about the agent’s ability to perform the task in the in the interest of the principal whereas goodwill trust is about the intentions to perform the task. This classification has been adopted by many researchers in management and organisation theory. “Trust may concern a partner’s ability to perform according to agreements (competence trust) or his intentions to do so (goodwill trust)” (Nooteboom, 1996, p. 990; parentheses in original).

Based on the studies cited, we can collapse different bases and types of trusts mentioned by authors into *goodwill trust* and *competence trust*. This is shown in Table 1.

Table 1. Collapsing Elements of Trust under Goodwill and Competence Trust

Author & Year	Dimensions that can be decomposed under <i>Goodwill Trust</i>	Dimensions that can be decomposed under <i>Competence Trust</i>
McKnight & Chervany (2001)	---	---
Levin & Renn (1991) *	<ul style="list-style-type: none"> - Objectivity (Intentions) - Fairness - Consistency (Intentions) - Faith 	<ul style="list-style-type: none"> - Objectivity (Professional) - Perceived competence - Consistency (Professional)
Kasperson (1992) *	<ul style="list-style-type: none"> - Commitment - Caring - Predictability (Intentions) 	<ul style="list-style-type: none"> - Competence - Predictability (Professional)
Sheppard & Tuchinsky (1996)	<ul style="list-style-type: none"> - Deterrence-based Trust (Intentions) - Knowledge-based Trust (Intentions) - Identification-based Trust (Intentions) 	<ul style="list-style-type: none"> - Deterrence-based Trust (Professional) - Knowledge-based Trust (Professional) - Identification-based Trust (Professional)
Lewis & Weighart (1985)	<ul style="list-style-type: none"> - Cognitive Trust (Intentions) - Intentions Trust (Intentions) - Intentional Trust (Intentions) 	<ul style="list-style-type: none"> - Cognitive Trust (Professional) - Behavioural Trust (Professional)
Johnson (1999)	<ul style="list-style-type: none"> - Care - Consensual Values (Intentions) 	<ul style="list-style-type: none"> - Competence - Consensual Values (Professional)
McAllister (1995)	<ul style="list-style-type: none"> - Cognition-based Trust (Intentions) - Affect-based Trust (Intentions) 	<ul style="list-style-type: none"> - Cognition-based Trust (Professional) - Affect-based Trust (Professional)
Hosmer (1995)	<ul style="list-style-type: none"> - Integrity - Consistency (Intentions) - Loyalty - Openness (Intentions) 	<ul style="list-style-type: none"> - Competence - Consistency (Professional) - Openness (Professional)
Das & Teng (2001)	Goodwill Trust	Competence Trust
Zucker (1986) #	<ul style="list-style-type: none"> - Characteristic-based trust - Institution-based Trust (Intentions) 	<ul style="list-style-type: none"> - Process-based Trust - Characteristic-based trust (Professional) - Institution-based Trust

* Cited in Lane & Bachmann, 1996

Cited in Poortinga & Pidgeon, 2003

It can be seen that the elements that constitute goodwill trust are different from those that constitute competence trust. Whereas goodwill trust emerges out of the principal's perception about the agent's integrity and benevolence, competence trust emerges out of the principal's perception about the agent's ability to carry out the task or process as desired in the relationship. In addition, many scholars are seen to have considered cognition and affect (or emotion) as different bases of trust too. These two bases, too, can be linked to the two main classifications of trust and thus we can arrive at four classifications of trust as shown in Figure 1.

Figure 1: Typology of Trust

Competence Trust	Cognitive Competence Trust	Affective Competence Trust
Goodwill Trust	Cognitive Goodwill Trust	Affective Goodwill Trust
	Cognitive	Affective

The bases and types mentioned by scholars sufficiently indicate how they emanate from different sources. Specifically, goodwill trust and competence trust are seen from Table 1 to comprise of different elements. Hence, there is a strong reason to believe that the two types of trust are unrelated. Therefore,

H_1 : *In an administered marketing channel, the principal's overall goodwill trust and his overall competence trust in his agent are NOT related.*

H_{1a} : *In an administered marketing channel, the principal's cognitive goodwill trust and his cognitive competence trust in his agent are NOT related.*

H_{1b}: *In an administered marketing channel, the principal's affective goodwill trust and his affective competence trust in his agent are NOT related.*

Methodology

The research setting of an administered distribution channel scenario was created as a part of the MBA curriculum in the elective course “Distribution Channel Management”. This was done with a view to testing the hypothesis in a controlled condition. A case and two caselets were used to build the needed scenarios.

Case Radheshyam Agencies: This live case is about M/s. Radheshyam Agencies, a firm engaged in distribution of packaged and branded food products in the city of Hyderabad, Andhra Pradesh, India, which is faced with a critical situation. The firm's performance has come under severe criticism by its principal company. The case warrants a thorough analysis of the situation and a decision about the future course of action by the students. The case represents a context where the competence of the agent—the distributor—is under scrutiny and provides the possibility of a medium level competence trust that a student may have in this distributor. The case was announced a week before the class session and the students were given the questions “How do you assess the distributor’s performance in the Agency Theory framework? What are the causes for the conflict?” The first part of the class session was spent in the students responding to the questionnaire (56 items) that contain items relating to both goodwill trust and competence trust.

The two caselets were imaginary situations of two distributors. They were used among students to establish two different contexts, (i) a distributor who has a record of many incidents of engaging in opportunistic behaviour to the detriment of the company and (ii) a distributor who has shown, over the years, excellent traits of high professionalism and excellent independent performance. The former was given to create a situation of low goodwill-trustworthy distributor and the latter a situation of high competence-trustworthy distributor. At the end of each of the caselets, a questionnaire (58 items) was administered to get data on students’ goodwill and competence trust. This was done so as to ensure that in each context, degrees of both goodwill trust and competence trust are assessed for studying the relationship between the two types of trust.

The two caselets are shown in Annexures A and B.⁴ The questionnaire is shown in Annexure C. The students were briefed about the proposed use of the data captured *after* all requisite data were captured so as not to bias their response which could have lead to politically correct responses.

Trust Constructs and Measurement Scales

Broadly, trust was categorised into goodwill trust and competence trust. Within these categories, trust was sub-categorised into *cognitive trust* and *affective trust*. Cognitive trust pertains to the principal's awareness of the trustworthiness of the agent. This was captured through such items as "I think this distributor is ..." or "I think that this distributor does (not)..." or "This distributor knows ...". Affective trust pertains to the principal's belief about the trustworthiness of the agent. This was captured through statements such as "I believe..." or "I feel...".

Goodwill trust: The scale pertaining to goodwill trust was adapted from Cummings and Bromiley (1996). The scale with 39 items was used for capturing both cognitive and affective goodwill trusts. All items were responded on a 7-point Likert Scale from Strongly Disagree [1] to Strongly Agree [7].

- a. *Cognitive Goodwill Trust* (GWT_{COG}): This was captured through a measure with 27-item Likert Scale, containing statements such as "*I think the distributor does not mislead my company*", "*I think commitments made to my company by this distributor will be honoured*", "*I think this distributor will not take advantage of my company*". Thirteen of the items were reverse coded since they were expressions of distrust. This measure had a high scale-validity (Cronbach's $\alpha=0.944$; Std.Error=0.006).
- b. *Affective Goodwill Trust* (GWT_{AFF}): This was captured through a measure with 12-item Likert Scale, containing statements such as "*I feel that this distributor takes advantage of my company*", "*I feel that this distributor deals with my company honestly*". Seven of the items were reverse coded since they were expressions of distrust. This measure had a high scale-validity (Cronbach's $\alpha=0.885$; Std. Error=0.012).

⁴ The case *Radheshyam Agencies* can be obtained from the author on request.

Further, the overall goodwill trust score had a correlation of 0.698 ($p < 0.01$) with the global goodwill trust item. This implies that the measures of goodwill trust had internal consistency as well as validity of measuring what they were supposed to.

Competence trust: The scale pertaining to competence trust was composed by putting together various scales in extant literature. Developing a composite scale for competence trust was more laborious than in the case of goodwill trust. Unlike in the case of goodwill trust, no composite scale was readily available for competence trust, necessitating creation of a composite measure through assembling the scales available in the literature was necessitated. From the past studies involving competence trust, two items were taken from Smith & Barclay (1997), six from Hoy & Moran (2000), two from Nooteboom *et al* (1997), one from Nielson (1998), two from Selnes (1998), three from Doney & Cannon (1997), four from Cummings & Bromiley (1996), three from Moorman *et al* (1992), one each from Suh & Kwon (2005) and Neveu (2005). Together, these formed a 25-item composite scale.

The next step involved classifying the items under cognition, affect, intended behaviour and stated actual behaviour. This was achieved through seeking expert opinion among fourteen faculty members of the business school where the researcher works and seven top-ranking students of final year MBA. Together, these 21 respondents' opinions enabled classification of the items under the four sub-constructs. The final step of data-analysis was carried out *after* administering the research-questionnaire to the students. At this stage, the responses were run through the software *Statistical Package for Social Sciences* (SPSS) Ver.13 for the reliability of each sub-construct heuristically. Those items that were inconsistent with the measure were removed. The reduced composite scale, thus, had twenty items of which three items pertained to behaviour on the basis of trust. These items were not used in the analysis for this paper.

- a. *Cognitive Competence Trust* (CT_{COG}): This was captured through a measure with 5-item Likert Scale, containing statements such as “*I think the distributor really knows the market*”, “*I think this distributor is not an expert*”, “*I think this distributor is knowledgeable*”. One of the items was reverse coded since it was an expression of distrust. This measure had a high scale-validity (Cronbach's $\alpha = 0.880$; Std. Error=0.014).

- b. *Affective Competence Trust* (CT_{AFF}): This was captured through a measure which started with a 12-item Likert Scale, containing statements such as “*I can rely on this distributor*”, “*I feel that this distributor is one of the most important distributors for my company*”. Three items were dropped from the list due to inconsistency with the set of measure and thus this measure eventually had nine items. Two of the items were reverse coded since they were expressions of distrust. This measure had a high scale-validity (Cronbach’s $\alpha=0.925$; Std. Error=0.009).

A global item—*This distributor is reliable*—was considered among the lot. The correlation between the overall competence trust (CT_{OVRL}) and the global competence trust was high ($r = 0.893$, significant at 0.01 level), implying that the measure *did* actually measure competence trust. The scales used for measuring competence trust—its sub-constructs and overall—were of high reliability and hence its use in the current research was justified.

Data Analysis and Findings

Data analysis involved the following steps:

- i. Responses to reverse items were reversed by subtracting from 8 to get the corresponding degree of trust. The items were grouped under GWT_{COG}, GWT_{AFF}, CT_{COG} and CT_{AFF}. Simple arithmetic mean for each group was arrived at for each respondent. This was done for the purposes of (a) to reduce the data to comparable levels and (b) to check if “high” and “low” trust scenarios actually had the desired effects
- ii. The reduced data was fed into SPSS ver.13
- iii. Carl Pearson’s coefficient of correlation was calculated between
 - a. GWT_{COG} and CT_{COG}
 - b. GWT_{AFF} and CT_{AFF}
 - c. GWT_{OVRL} and CT_{OVRL}

The results obtained were as follows:

Whereas competence trust was distinctively discerned in terms of high and low levels, goodwill trust scenarios were not perceived so clearly, especially pertaining to the low trust scenario. High goodwill trust, however, was clearly recognized by the respondents. Though this does not have a major impact on the testing of the hypothesized relationship between the two types of trust, it is indicative of the fact that the range of degrees of trust available for study is large enough. Such a high range in the degrees of trust enable us to check the relationship between goodwill trust and competence trust

with greater freedom.

The mean trust scores for goodwill and competence trusts and their sub-constructs of cognitive and affective trusts are as shown in Table 2.

Table 2: Degrees of Trust under Different Scenarios

Type of Trust	Competence Trust			Goodwill Trust		
	High	Low	Overall	High	Low	Overall
Cognition	5.198 <i>p</i> < 0.001	3.579 <i>p</i> < 0.001	4.475	4.895 <i>p</i> < 0.001	4.028 <i>p</i> = 0.759	4.461
Affect	5.090 <i>p</i> < 0.001	3.604 <i>p</i> < 0.001	4.338	4.660 <i>p</i> < 0.001	3.976 <i>p</i> = 0.796	4.318
Overall	5.037 <i>p</i> < 0.001	3.564 <i>p</i> < 0.001	4.314	4.451 <i>p</i> < 0.001	3.856 <i>p</i> = 0.097	4.154

For “High Trust” scenario, mean values above 4.0 are considered

For “Low Trust” scenario, mean values below 4.0 are considered

Relationship between Goodwill Trust and Competence Trust

It has been indicated that the constructs *competence trust* and *goodwill trust* are made of different elements that are not related (Morgan and Hunt 1994; Hosmer, 1995; Nooteboom, 1996; Johnson 1999; Das and Teng 2001; McKnight and Chervany, 2001). For example, competence trust is formed through the principal’s awareness and conviction regarding the agent’s skills, financial ability and consistency in performance—thus providing reliability. Goodwill trust, on the other hand, forms on the basis of the principal’s awareness and conviction regarding the agent’s good intentions such as not acting in opportunistic manner even when the principal cannot monitor his behaviour, intentions to carry out tasks that may be costly for himself but are in the best interest of the relationship, commitment to the relationship, honouring the commitment given and honesty/integrity. Competence trust is based on the perceived *ability* of the agent, whereas goodwill trust is based on the perceived *willingness* to act in a manner that is of use to the principal. Hence, it was expected that these two trusts, stemming from different sources of faith, would not be related. Therefore, the hypotheses pertaining to the relationship between goodwill trust and competence trust—H₁, H₁₁ and H₁₂—

postulated that the correlation coefficients between these two types of trust would be about zero.

Three scenarios were used for the purpose of measurement of association between the two types of trusts—one for *high competent trust*, one for *low goodwill trust* and an open-ended real-life case that gave the opportunity to the students—executives were not involved in this exercise due to paucity of their time—to use their judgment about assigning the trust-scores for the distributor. Analysis of data for the three scenarios showed the relationships between the respective elements of goodwill and competence trusts.

Relationship between Overall Competence Trust (CT_{OVRL}) and Overall Goodwill Trust (GWT_{OVRL})

H₁ posited that the correlation between overall competence trust and overall goodwill trust would be zero.

Table 3 Relationship[#] Between Overall Competence Trust and Overall Goodwill Trust

High-Trust Scenario	0.679	$p < 0.001$
Open Scenario (Case)	0.681	$p < 0.001$
Low-Trust Scenario	0.692	$p < 0.001$
All Three Scenarios	0.881	$p < 0.001$

The correlations between overall competence trust and goodwill trust in this research were all positive and were of significant magnitude (Table 3). Contrary to what was expected in the relationship posited, all the correlations are positive and are of high magnitude, rejecting the hypothesis H₁.

Relationship between Cognitive Competence Trust (CT_{COG}) and Cognitive Goodwill Trust (GWT_{COG})

H_{1a} postulated that the relationship between the respective cognitive components of competence trust and goodwill trust would show zero *r*-value. The correlations between cognitive goodwill trust and cognitive competence trust found in this research were all positive of significant magnitude, failing to support the hypothesis H_{1a} (Table 4).

Table 4. Correlations Between Cognitive Competence Trust and Cognitive Goodwill Trust

High-Trust Scenario	0.550	$p < 0.001$
Open Scenario (Case)	0.254	$p < 0.05$
Low-Trust Scenario	0.306	$p < 0.05$
All Three Scenarios	0.545	$p < 0.001$

Relationship between Affective Competence Trust (CT_{AFF}) and Affective Goodwill Trust (GWT_{AFF})

H_{1b} postulated that the relationship between the respective affective components of competence trust and goodwill trust would show zero r -value.

Table 5 Correlations Between Affective Competence Trust and Affective Goodwill Trust

High-Trust Scenario	0.565	$p < 0.001$
Medium Trust Scenario	0.764	$p < 0.001$
Low-Trust Scenario	0.685	$p < 0.001$
All Three Scenarios	0.902	$p < 0.001$

The correlations between affective competence trust and affective goodwill trust were all positive as well. Analysis of the collective data for all the three agents showed a very high, positive correlation of 0.902 and this was statistically significant as well (Table 5). All these correlations were positive and of high magnitude, thus failing to support the hypothesis H_{1b} .

Thus, *hypotheses H_1 , H_{1a} and H_{1b} were all rejected*. The summary of these results pertaining to the relationship between goodwill trusts and competence trusts are given in Table 6.

Table 6. Inter-trust Correlation

Hyp.	Pairs of Elements of Trust Tested	High CT	Mixed Trust	Low GWT	Combined Scenario	Remarks
H ₁	CT _{OVRL} —GWT _{OVRL}	0.679 $p < 0.001$	0.681 $p < 0.001$	0.692 $p < 0.001$	0.881 $p < 0.001$	H ₁ is rejected
H ₁₁	CT _{COG} —GWT _{COG}	0.550 $p < 0.001$	0.254 $p < 0.05$	0.306 $p < 0.05$	0.545 $p < 0.001$	H ₁₁ is rejected
H ₁₂	CT _{AFF} —GWT _{AFF}	0.565 $p < 0.001$	0.764 $p < 0.001$	0.685 $p < 0.001$	0.902 $p < 0.001$	H ₁₂ is rejected
	CT _{GLOB} —GWT _{GLOB}	0.462 $p < 0.001$	N.A	0.279 $p < 0.05$	0.675 $p < 0.001$	Not Applicable

Discussion

The *en masse* rejection of the hypotheses—all of which appeared intuitively acceptable—causes intrigue. Such a phenomenon can occur either (a) due to the intuitive understanding being actually incorrect; (b) due to the method of measurement being faulty; or (c) due to certain other factor working on the variables in question.

The postulates about the absence of any relationship between competence trust and goodwill trust were arrived at after logical reasoning that the elements that constitute each of these two trusts are very different. The intuitive reasoning in this argument was that if the antecedents of one trust were quite different from the antecedents of the other, and if these antecedents were not related, then we could expect that the two types of trusts would also not be related. Though this reasoning is not comprehensive in its explanation of roles of various factors causing trust, from what one comes across in research-literature, one would view these two trusts differently and distinctly. Hence the hypotheses that these two trusts were unrelated stood to reason.

The proposition (b) cannot be true since the scales used for measuring the trusts were both internally consistent and were valid measures of goodwill trust and competence trust. The competence trust scale had a correlation of 0.893 ($p < 0.01$) with the global competence trust item and the goodwill trust scale had a correlation of 0.698 ($p < 0.01$) with the global goodwill trust item. Therefore, the scales used were both internally consistent and were valid measures of goodwill trust and competence trust respectively.

To test the proposition (c), the Pearson's coefficient of correlation was checked for the two global scales for the combined scenarios of the high trust, low trust and the live case together. The r -value for the combined scenario was found to be 0.675 ($p < 0.001$), which indicates very high positive association between goodwill trust and competence trust. The data was further checked for the association between the global trusts and it was found that the coefficients of correlation for the high trust agent ($r = 0.462$; $p < 0.001$) and that for the low trust agent ($r = 0.279$; $p < 0.05$) were both positive. This implies that the respondents consistently associated the context of high/low goodwill trust with high/low competence trust and *vice versa*.

Therefore an element of doubt arises about the proposition that competence trust and goodwill trust can be treated as completely independent factors. There must be some other factor that influences trust-ratings by the respondents. Otherwise, this interesting phenomenon cannot be explained. The possible explanation to this intriguing phenomenon was found in literature pertaining to inter-personal relationships.

In research works on study of attitudes and behaviour, one comes across an important aspect in people's attitudes towards others, objects and brands, namely, ***halo effect***, which is the tendency in rating an object on a particular attribute to be influenced by a general impression, implying that an individual's ratings on an attribute may be determined by many other variables besides cues directly relating to the particular attribute (Beckwith, Kassarian and Lehmann, 1978, p. 465) which may occur when overall preferences colour belief-ratings and thereby obscure the underlying role of perceptions as bases of evaluations. It need not result from a deliberate attempt by the respondents to mislead the researcher but may be subconscious in origin and may simply reflect the respondent's tendency to maintain cognitive consistency, which may produce spurious results for attitude models that assume a unidirectional causal influence of perceptions on affect (Holbrook, 1983, p. 247) or on behaviour. The main implication of halo effect is that not only do beliefs influence attitudes but that attitudes also influence beliefs (Beckwith and Lehmann, 1975, p. 266). The measures used for trust in this research are multi-attribute scales measuring both goodwill trust *and* competence trust. The explanation for the high degree of correlations between the two types of trust can be that the students, presented with a scenario that portrayed a picture only about one type of

trust—goodwill trust or competence trust—when faced with a scale that covered both types of trust, in order to maintain cognitive consistency, perhaps, relied on the information about one to extrapolate their response to the other. This is the most plausible explanation for this surprising result in this work. This explanation is in line with the finding in the field of brand perception research where respondents indicated higher average belief scores on attributes for their preferred brand than for less favoured brands of some consumer non-durables (Beckwith and Lehmann, 1975, p. 266). In order to check the veracity of the attribution of halo effect to this finding, the data set for CT_{OVRL}, CT_{COG} and CT_{AFF} on the one side and GWT_{OVRL}, GWT_{COG} and GWT_{AFF} from the combined test for their relationship were put through another test to see if they confirm to the theory that *halo effect is higher at the upper and lower ends and is lower in the middle* (Tsui and Barry, 1986, p. 588). The total number of observations of ratings of CT and GWT were divided into “High Trust”, “Neutral” and “Low Trust” as shown in Table 7.

Table 7. Categorisation of Observations

Category	Mean Trust Scores [#]	
	Competence Trust	Goodwill Trust
High Trust	7.000 – 4.183	7.000 – 4.247
Neutral	4.183 – 3.759	4.247 – 3.856
Low Trust	3.759 – 1.000	3.856 – 1.000

[#] The classifications are based on t-test for mean trust score 4, at 0.05 level of significance

The reason behind this classification is the fact that in the trust-measure, which used a 7-point Likert scale, the neutral point was 4.0.

Table 8. Correlations Between CT and GWT across Three Ranges

Category	Competence Trust	Goodwill Trust
	CT	GWT
High Trust	0.570 $p < 0.001$	0.537 $p < 0.001$
Neutral	0.171 $p = 0.143$	0.276 $p = 0.091$
Low Trust	0.441 $p < 0.001$	0.322 $p < 0.001$

Allowing a small margin on both sides of neutrality, which was based on the t-tests for significance of difference between the mean-trust scores and the neutral value of 4, the data set was analysed for the correlations at the three ranges by sorting once on the basis of CT and then on the basis of GWT. The correlations in the three ranges between CT and GWT were found to be as shown in Table 8.

It can be seen that in both the cases of CT and GWT, the high trust range and the low trust range showed high degree of positive correlations between the two trusts. However, the middle range showed weak correlation—though positive—and were not significant. Thus, the strength of the relationships between the two trusts is high at high levels and at low levels of trust whereas in the middle the strength is somewhat low. These findings confirm Tsui & Barry's finding that halo effect tends to be more at the extremes and less in the middle, thus explaining that the high degree of positive correlations between CT and GWT is most possibly due to halo effect. This seemingly abrupt conclusion is made despite the fact that Tsui and Barry's findings talked about causality of trust-level on halo effect. In the absence of any other explicit reason for this counter-intuitive result, as shown in Table 8, one has to accept that halo effect may perhaps be the best explanation.

The explanation of this phenomenon through halo effect has parallel in research in psychology, where *Implicit Personality Theory* propounds that respondents in research on rating of others display co-occurrence expectancies among traits and behaviour (Borkenau, 1992, p. 296). That is, if a person has trait-A, he is expected to have trait-B

which may not be related logically to trait-A and whose presence may not be necessarily inferred from the presence of the former. In addition, the implicit personality theory also attributes a possible semantic similarity between two attributes that may cause such consistent distortion. In the current research, the global scales (“*The distributor is honest/competent*”) cannot be stated to be semantically similar. Nevertheless, the correlation between the two global items is also highly positive ($r = 0.675$; $p < 0.001$). Notwithstanding the fact that the two scenarios of trust presented to the students described clearly about the presence or the absence of *either* goodwill trust traits *or* competence trust traits but not both, students showed a tendency to be influenced by one trust to attribute the other to the agent in question. The scenarios presented to the students enable them to form a picture about the trustworthiness of the distributor—competent or goodwill, as the case may be—and this overall view seems to have been interpolated to the specific attribute pertaining to the other trustworthiness.

Another possible explanation to this counterintuitive phenomenon is available in D’Amico’s (2003) determinants of trust: *perceived value congruency* and *perceived behaviour consistency*. She posited that these two determinants of trust have positive relationship with the individual’s willingness to trust and without one, the other does not evoke trust. Thus, the two determinants are positively related by indirect association. Therefore, as respondents of the current research, (a) when the students perceived presence/lack of value-congruency in the high/low goodwill trust agent, they perhaps associated him with presence/lack of professional behaviour-consistency as well; and (b) when the students perceived presence/lack of professional behaviour-consistency, they perhaps associated him with presence/lack of value-congruency as well.

Conclusion

This paper considered two types of trust, goodwill trust and competence trust, which are repeatedly mentioned in research literature as two distinct phenomena. The two trusts were examined for their geneses, which are largely different. The paper, which is based on a laboratory study using MBA students as respondents, found that though scholars mention them as two different forms of trust, the two types of trusts were found highly and positively related. The explanation for this surprising phenomenon hails from

literature in psychology through the concept of “halo effect”. The paper found a plausible support to this explanation in explaining the highly positive relationship through high halo effect and low and high trust scenarios and low halo effect in medium trust scenarios, in line with what has been suggested in research literature. The relevance of this paper lies in the revelation that managers seem to mix up the sources of trustworthiness, which can possibly result in sub-optimal decisions in control and monitoring. This understanding can pave the way for designing trust-based control systems that can eliminate wasteful expending of time, money and efforts in monitoring the agent. The paper also provides the opportunity for further research on trust-control relationship in principal-agent relationship with clear examination of trust in its cognitive, affective and behavioural components.

Annexure A

You have recently joined a company as the Area Sales Manager, handling distribution of a consumer-product in a state in a medium sized country. Your predecessor was sacked for non-performance and you have to act fast to resurrect the dwindling branch. The sales have been declining; the morale of the field-force is low and the market-complaints are plenty. You have gone through the records and one particular distributor has caught your attention. You wonder, “Why didn’t my predecessor do anything about this guy?” The records—which are mainly complaints from the retailers and reports from your own salesforce—state the following about the particular distributor:

1. The distributor overcharges the retailers when he supplies the fast-moving product to them. However, he writes the authorised price in the invoice, thus leaving no evidence. The retailers (over forty of them) have complained about this charging an “unofficial premium without any receipt”.
2. The distributor transferred the stocks to the capital city of the country—outside your state—where he got a premium for the shortage products. Many retailers - from the capital city (over seventy of them) have written to your predecessor about the illegal transfer of goods—since your distributor is supposed to sell the products within a specific city only—and have sought action against him.
3. Two years ago, the godown keeper of your company was sacked because he sent a consignment of wrong—costly—products to this distributor. This was not verifiable on record, but the circumstantial evidence proved that this was what actually happened. [Enquiries in the market revealed that the distributor sold the costly products at a cheaper rate very quickly, even before the company realised that wrong stocks were despatched]. When asked, the distributor vehemently denied and offered that the company officials could visit his warehouse and check; the company was helpless since it was too late, as he had already liquidated the stocks.
4. Two territory sales executives, who handled this distributor in succession, were sacked over four years, since they could not achieve the target of a flagship product. The main reason reported by the company’s Sales Officer was that this distributor was getting the stocks from the capital city at a lower price and selling it in the state and the TSE was helpless.
5. Once this distributor dishonoured his cheque—which is not an offence in the country—and your predecessor had to give away sumptuous discount to get the payment made.
6. Your National Sales Manager told you that this distributor is politically well-connected. He is also said to have connections with certain “unscrupulous elements involved in black-marketing”, as per three reports in the files in your office.

Your National Sales Manager has sought your action plan with specific reference to this distributor. Your reply should be sent today.

You have to act fast; you have to make up your mind about this distributor. There is no time for wishy-washy thinking; there is no time for intellectual debates. You have to take a stand.

Please answer the questionnaire given to you in this context. Do not read between the lines; and there are no right or wrong answers.

Annexure B

You have recently joined a company as the Area Sales Manager, handling distribution of a consumer-product in a state in a medium sized country. Your predecessor was sacked for non-performance and you have to act fast to resurrect the dwindling branch. The sales have been declining; the morale of the field-force is low and the market-complaints are plenty. You have gone through the records and, as a surprise, one particular distributor's performance has caught your attention. You wonder, "Why didn't my predecessor do anything about this guy?" The records—which are sales records and reports from your own salesforce—state the following about the particular distributor:

1. This distributor has achieved all his targets in every product month after month since four years.
2. He has been growing steadily in his turnover by a respectable 8.5 to 10% since 6 years.
3. He has helped your Territory Sales Executive (TSE) to capture some institutional buyers, who have since then stayed with you. These sales are directly made from your organisation and no over-riding commission is paid to this distributor.
4. Whenever any launch of new products was made, this distributor, on his own accord, took the initiative to offer his area for the test-launch. He did the entire launch-plan, as the reports of your TSEs show.
5. He has engaged stalls in Home-Life Exhibitions every year on his own and has been showing awareness of your brands in his territory.
6. This distributor once wrote a letter to your General Manager (New Product Development) with the report of a field research he carried out. The resultant new product was a grand success and leads the market in that segment allover the country.
7. He has achieved the maximum retail penetration in his area, and is ranked first in your state for retail penetration.
8. Even during the period when your TSEs were absent for a reasonably lone period due to marriage of family-tragedies, his business grew without any hurdle.
9. Whenever there were any problems between your TSE and any other distributor, this distributor was able to mediate and resolve the problem amicably.
10. His suggestions for sales promotion schemes always earned growth in sales and your company could achieve market leadership in that product category.

Your National Sales Manager wants you to suggest some distributors who can be shown as ***Model Distributor*** of the state. He has sent you a questionnaire, to be sent back to him today itself.

You have to act fast; you have to make up your mind about this distributor. There is no time for wishy-washy thinking; there is no time for intellectual debates. You have to take a stand.

Please answer the questionnaire given to you in this context. Do not read between the lines; and there are no right or wrong answers.

Annexure C**Trust Measurement Scale**

#	Statement	Type ^A	Source ^B
1	I think that this Distributor is fair in his dealing with my company	GT-C	10
2	This Distributor really knows the market	CT-C	1
3	I think that this Distributor fairly (correctly) represents his firm's market work	GT	10
4	This Distributor is fully competent to do the job for which he has been appointed	CT-C	2
5	I think that this Distributor takes advantage of my company *	GT-C	10
6	I can rely on this Distributor for doing his job	CT-A	2
7	This Distributor can be counted to do his work well	CT-A	2
8	I feel that this Distributor takes advantage of my company *	GT-A	10
9	Because my company supplies to this Distributor, my company obtains information that would be otherwise difficult to access by the company	CT-C	3
10	I think that this Distributor misrepresents his information to my company's Territory Sales in Charge *	GT-C	10
11	This Distributor can be relied on for his/her technical ability	CT-A	5
12	This Distributor has knowledge about the market and market trends	CT-C	6
13	I think that this Distributor manipulates others to gain a personal advantage *	GT-C	10
14	I think this Distributor keeps commitments	GT-C	10
15	I don't have to be concerned about the technical skills and knowledge of this Distributor	CT-A	1
16	This Distributor is not an expert *	CT-C	7
17	This Distributor is knowledgeable	CT-C	7
18	I think that this Distributor misrepresents his firm's capabilities *	GT-C	10
19	This Distributor is one of most important distributors.	CT-A	7
20	When it comes to things that are important to my company, the company can depend on this Distributor for support	CT-A	8
21	I think that this Distributor takes advantage of ambiguous situation *	GT-C	10
22	I think this Distributor behaves according to his commitments	GT-C	10
23	I trust this Distributor to do things which my company can't do itself	CT-A	9
24	I feel my company can depend on this Distributor to deal with the company honestly	GT-A	10
25	I think this Distributor tries to take advantage of my company *	GT-C	10
26	I feel that I can depend on this Distributor to take the distribution of my company's products forward	CT-A	10

#	Statement	Type	Source
27	I worry about the success of my company's distribution efforts through this Distributor	CT-A	10
28	In my opinion, this Distributor is reliable	CT-A	10
29	I think that this Distributor uses confidential information to their own advantage	GT-C	10
30	I think that this Distributor takes advantage of a changed situation *	GT-C	10
31	I think that this Distributor is dependable	GT-C	10
32	I feel my company cannot depend on this Distributor to fulfill his commitment to the company *	GT-A	10
33	I think that this Distributor deals with my company fairly	GT-C	10
34	I think that this Distributor tells my company the truth about distribution of my company's products	GT-C	10
35	I think that this Distributor meets his contracted obligations to my company	GT-C	10
36	I think this Distributor keeps his promises	GT-C	10
37	I think that this Distributor succeed by stepping on other people *	GT-C	10
38	I think this Distributor keeps the spirit of an agreement	GT-C	10
39	I think this Distributor gives us important information fairly	GT-C	10
40	I feel that this Distributor tries to get upper hand *	GT-A	10
41	I think that this Distributor takes advantage of my company's problems *	GT-C	10
42	I feel that this Distributor deals with my company honestly	GT-A	10
43	I think that this Distributor takes advantage of my company's weakness *	GT-C	10
44	I feel that this Distributor will keep his word	GT-A	10
45	I feel confident that this Distributor won't take advantage of my company	GT-A	10
46	I feel uncomfortable about the willingness of this Distributor to stick to my company's rules of distribution *	GT-A	10
47	I think this Distributor is open about his strengths & weaknesses in dealing with my company	GT-C	10
48	I think that this Distributor deals with my company realistically	GT-C	10
49	I think this Distributor does not mislead my company *	GT-C	10
50	I think this Distributor interprets ambiguous information in his own favour *	GT-C	10
51	I feel that this Distributor tries to get out of his commitments *	GT-A	10
52	I think that commitments made to my company will be honoured by this Distributor	GT-C	10
53	I feel that this Distributor handles the joint expectations of my company honestly	GT-A	10
54	I think this Distributor lets down my company *	GT-C	10
55	I worry about the commitment of this Distributor to agreed upon commitments*	GT-A	10

#	Statement	Type	Source
56	I feel that this Distributor takes advantage of people who are vulnerable *	GT-A	10
57	This distributor is honest #	GT	---
58	This distributor is competent #	CT	4

Note: Respondents were required to indicate their response on a seven-point Likert Scale of *Strongly Disagree* (1) to *Strongly Agree* (7)

* Items marked are reverse-scaled

Global Item

^A The abbreviations denote the following:

- CT-C Cognitive Competence Trust
- CT-A Affective Competence Trust
- GT-C Cognitive Goodwill Trust
- GT-A Affective Goodwill Trust

^B The sources are as follows:

- 1 Smith and Barclay (1997)
- 2 Hoy and Megan (2000)
- 3 Nooteboom *et al* (1997)
- 4 Neveu (2005)
- 5 Nielson (1998)
- 6 Selnes (1998)
- 7 Doney and Cannon (1997)
- 8 Suh and Kwon (2005)
- 9 Moorman *et al* (1992)
- 10 Cummings & Bromiley (1996)

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