Collaborative Arrangements and the State of Trust between SMEs and Large Companies in Mandated Business Interactions

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PhD

2017

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Submitted for the Degree of

Doctor of Philosophy

Faculty of Management and Law

University of Bradford

2017

Abstract

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Thesis title: Collaborative Arrangements and the State of Trust between SMEs and Large Companies in Mandated Business Interactions.

Keywords: Trust, Entrepreneurship, Government contracts, SMEs, large companies, Interorganizational relationships, Case studies.

The focus of this study is to explore trust between small and medium enterprises (SMEs) and large companies in interorganizational relationships (IORs) that are mandated by government policy. Due to the important contribution made by SMEs to national economies and to the fact that their growth is pivotal for entrepreneurial activities, many governments have made significant efforts to enhance their performance. However, SMEs are constrained by their lack of resources and experience. Some countries have required large companies to collaborate with SMEs to overcome these constraints. Whilst much attention has been devoted to trust in relationships of choice between SMEs and large companies, scant attention has been paid to the state of trust in mandated business interactions. This study explores the state of trust between large companies and SMEs companies in mandated business interactions, identifying those factors that influence trust between them. Qualitative semi-structured interviews with 25 key managers from large companies and SMEs were conducted in Oman which has a policy of mandated IORs. The interview data were analyzed thematically. The key findings resulted in a new contextual concept of trust, a refinement of classical trust indicators by which the presence of trust in IORs can be more appropriately detected and the development of a model embracing factors which were found to influence trust. Several new factors not previously commented on in the literature were identified in this study. The findings provide theoretical and practical contributions with recommendations for policy, practice and further research.

Acknowledgements

I wish to acknowledge the support of many people at every stage of the research and writing up of this PhD thesis.

Firstly, I am grateful to the Ministry of Manpower for their sponsorship of this PhD and for arranging for me to have the time to carry out the research and the write up of thesis. The Ministry also supported me on a continuous basis throughout the duration of my studies.

Secondly, I am grateful to the Tender Board of Oman, the Ministry of Transport and Communication and the various companies which participated in the research. I also wish to acknowledge the managers of the large and small companies who agreed to be interviewed. Their participation and the candour of their responses to the interview questions have greatly enhanced the findings and contributions of this research.

Next, I wish to express my appreciation of the University of Bradford for offering me a place on their PhD programme and for all the facilities which were made available to me at the university. I trust that my thesis will make some contribution, however modest, to the corpus of scholarship at the university.

I am also deeply grateful to my two supervisors, Professor Carole Howorth and Dr Anna Zueva Owens for their guidance and encouragement without which I could not have persevered and complete this research. I appreciate their guidance, patience, inspiring words, commitment and for their intellectual insights.

Finally, I wish to express my gratitude to my parents, my beloved father Ahmed and my beloved mother Zwaina Alghenaimi who have always valued education and continuously encouraged me to continue to aspire towards higher levels of study and never to submit to failure. They inspired me to overcome many challenges and difficulties including grieving for the sudden death of family members in a tragic accident. Due to my commitments at that

time, I was unable to travel to attend their funerals and this added to my sense of grief. May they rest in peace.

My special thanks go to my beloved wife Zaina Salim Alharthi who has been most supportive throughout my PhD journey and also to my children, Albaraa, Duaa, Tariq and Alaa, who have endured all the inconvenience of travel and settling in a new country. Their emotional support created a conducive environment for me to complete my research.

To all who supported me in so many ways, too numerous to be counted, a sincere thank you!

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Glossary

SMEs	Small and Medium enterprises
IORs	Inter-Organisational Relationships
TBO	Tender Board of Oman
MOT	Ministry of Transports and Communications
MOM	Ministry of Manpower
PASMED	Public Authority for SME Development
GNP	Gross National Product
IFI	International Financial Institutions

Chapter One – Introduction

1.1 Overview

Over the past two decades, there has been significant interest in collaborative arrangements between Small and Medium Enterprises (SMEs) and large companies which are largely seen as important mechanisms of growth for SMEs (Sambasivan et al. 2013). This is because SMEs are considered to be vital for the promotion of entrepreneurship and the economic development of most countries (Beck et al. 2005). Many countries have considered collaborative arrangements as options for enhancing the growth of SMEs and encouraging entrepreneurial activities (Gourlay and Cravo 2012). Alvarez and Barney (2001) note that the interaction between SMEs and large companies creates economic value. The relationship is considered to yield substantial cost saving to large companies while delivering expansion and growth opportunities for SMEs (Blomqvist et al. 2005; Rothkegel et al. 2006; Yang et al. 2014). Thus, policy makers have devoted considerable attention to collaborative arrangements between the two types of companies.

Despite the remarkable attention devoted by policy makers, and the extensive arguments of researchers about the benefits that SMEs can derive from forming relationships with large companies, the literature reveals multifaceted findings; (e.g. Pretorius et al. 2008; Auko et al. 2011; Vandaie and Zaheer 2014; Yang et al. 2014). Many of such collaborative arrangements between SMEs and large companies have experienced high failure rates (Rothkegel et al. 2006; Costa e Silva et al. 2012). Recent estimates indicate that 60% to 70% of business interactions end in failure (Munyon et al. 2011). There may be many reasons why such ventures fail but one of the principal reasons frequently cited by authors is the failure for both partners to establish a relationship based on trust (Seppänen et al. 2007; Ojasalo 2008; Ybarra and Turk 2009; Sung and Kang 2012).

Consequently, trust has become an important element of the success of Inter-Organisational Relationship (IOR) (Ybarra and Turk 2009; Cerri 2012). There is a consensus in the literature that trust facilitates cooperation and coordination between SMEs and large companies (Nguyen et al. 2005). Trust allows business partners to work in constructive interpretations of partners' behaviour and actions (Zaheer et al. 1998). Hence, recent IOR literature has been concerned with investigating and exploring issues associated with the success of collaborative arrangements, with particular attention to the issue of trust (Nguyen and Liem 2013). An extensive body of literature reveals the importance of trust for successful business relationships (e.g. Johnson and Cullen 2000; Francis and Mukherji 2009; Abosag and Lee 2013). It is argued that it is difficult to promote and encourage partners to involve themselves in collaborative agreements and structural integration without building a strong sense of trust (Michalski et al. 2014).

Trust is particularly important for SMEs which often have insufficient resources and limited knowledge of dealing with contracts and with the rapidly changing business environment (Schoonjans et al. 2013). In addition, SMEs are more frequently confronted with the decision of whether to trust in a high risk situation or to forgo entering into such a relationship than are large companies (Welter et al. 2004).

Due to the importance of the SME sector for most national economies, a number of countries have attempted to encourage their growth and promote entrepreneurial activities through the development of collaborative arrangements between SMEs and large companies.

This study focuses on collaborative arrangements between SMEs and large companies in the context of a developing economy. The particular setting for the current study is the Sultanate of Oman which is of interest because, not only did the government encourage the growth of SMEs through collaborative arrangements with large companies, it actually mandated such arrangements as a matter of policy by making it a condition for awarding public projects. Accordingly, the originality of this study lies in its investigation of trust between SMEs and large companies in mandated business interactions.

However, it is important to first present some background information relevant to collaborative business interactions.

1.2 Study background

Over the past two decades, there have been significant interests in using different types of collaborative arrangements such as joint ventures, alliance formations and other forms of interactions with large companies as mechanisms for the growth of SMEs (Sambasivan et al. 2013). Among various forms of interactions, the subcontracting arrangement represents the most conventional form of relationship between SMEs and large companies because the connected parties often articulate their mutual goals during the signing of the contract (Blomqvist et al. 2005). A subcontracting relationship is defined as a contractual arrangement in which large companies entrust certain commissioned work to other companies (Kimura 2002). In this form of interaction, both parties articulate the objectives of the interactions, which may include various elements such as price and quality of the products and delivery time schedule (Hancké 1998). Thus, the commissioning processes of large companies over SMEs during the execution of subcontracting work is considered as a transactional process where both SMEs and large companies utilise opportunities to exchange knowledge and experience (Miller et al. 2002).

The assistance received by SMEs from large companies through subcontracting interactions is beneficial and encourages technological innovations on the part of SMEs; the greater the degree of assistance by the large partner, the greater the level of innovations expected from the subcontracted SMEs (Sudhir Kumar and Bala Subrahmanya 2010). There is a consensus in the literature that interactions with large companies provide SMEs with valuable assets that may facilitate acquisition of the resources, experiences, and knowledge essential for their survival and growth (Van Cauwenberge and Schoonjans 2013). Hence, finding ways to establish, develop and maintain the relationship between SMEs and large companies is an essential step for achieving the intended aim of the interactions (Nguyen and Liem 2013).

Subrahmanya (2008) contended that subcontracting relationships with SMEs increased the flexibility of large companies by hiving off the production of parts which were more cost effectively produced by SMEs. This allowed large companies to reduce their costs while enhancing and increasing the flexibility and specialisations of SMEs (Auko et al. 2011). Auko et al. (2011) also revealed that around 80% of subcontracting SMEs in Kenya had independently developed new technologies under the supervision and guidance of their larger partners.

Subcontracting with large companies was the core function of SMEs' prosperity in Japan which evolved after World War II (Subrahmanya 2008). The Inter-Organizational Relationship (IOR) models in Europe and Japan are usually assumed to have the enhancement of the productivity and efficiency of the SMEs as their principal goal (Auko et al. 2011). In some developing countries (e.g. the Sultanate of Oman), subcontracting relationships have also been considered as an opportunity for SMEs, not only to overcome their vulnerability and various constraints, but also to grow and contribute to the national economy (Varghese 2011). In fact, the government policy in Oman is to embark on major projects in various sectors that aim to create downstream opportunities and activities for SMEs and entrepreneurs (Al-Shanfari Dhafir et al. 2013).

However important the form that the interaction may take, many researchers and policy makers have drawn attention to important issues relevant to the success of the interactions, and significant among these issues is the importance of trust between business partners (Bönte 2008; Jørgensen and Ulhøi 2010; Cerri 2012). This is because the relationships and the business interactions of independent companies are developed for different reasons (Abosag and Lee 2013), and the relationship between interacted companies are often characterised by hidden goals and objectives (Costa e Silva et al. 2012).

Trust is one of the essential components of business relationships (Dyer and Chu 2003; Adobor 2005; Blomqvist et al. 2005; Seppänen et al. 2007; Xavier Molina-Morales et al. 2011; Cerri 2012; Costa e Silva et al. 2012; Guo et al. 2013; Nguyen and Liem 2013), and conversely, the breakdown of trust is often cited as a failure factor in these relationships (Mukherjee et al. 2013). Trust was also found to encourage both large companies and SMEs to boost their productivity by exchanging knowledge and resources (Blomqvist et al. 2005).

Many studies have devoted significant attention to the issue of trust between SMEs and large companies. However, most of these studies were confined to relationships of choice (e.g. Bönte 2008; Dickson and Weaver 2011; Michalski et al. 2014). According to Dickson and Weaver (2011) relationships of choice are either governed by rigorously and strictly negotiated agreements or simply by a handshake. Such business interactions between SMEs and large companies are found in forms of different patterns of relationships such as joint ventures, alliance formation and other forms of business relationships (Sambasivan et al. 2013). Such business relationships are characterized by the willingness of interacted companies to achieve their own interests based on their own available independent assets (Sudhir Kumar and Bala Subrahmanya 2010).

The relationship of choice on the part of large companies often exists in the form of utilising the expertise of SMEs to develop products or to innovate new products for large companies (Pretorius et al. 2008). These relationships may exist in the form of short term collaborations to cover a specific project or to overcome long-standing problems. Essentially, they tend to meet the requirements of the large companies by the smaller companies supplying certain goods or services in ways which represent value for the larger companies (Lunati 2002). Nevertheless, in such choice relationships, the smaller companies benefit by gaining access to the new knowledge and technology that large companies have (Rothkegel et al. 2006), or by entering new markets for obtaining additional funds (Dickson and Weaver 2011), or, yet again, by improving management skills (Pretorius et al. 2008). However, in many relationship between SMEs and large companies, most of the values and benefits of the collaborative arrangements are appropriated by the large business partner (Alvarez and Barney 2001). In such business interactions, the efficiency and even the survival of the SMEs is at risk (Varghese 2011).

In order to minimise the risks to SMEs, many countries have devoted a sizable amount of public resources to enhancing the growth and participation of micro, small, and medium enterprises (Aterido et al. 2011), and various strategies existed to enhance SMEs such as providing special financial schemes, training, consultancy and advice. For instance, the Kenyan government has attempted to enhance the position of SMEs and encourage entrepreneurial activities through policies aimed at promoting SMEs and large companies subcontracting in business relationships (Auko et al. 2011). SMEs in some countries were provided with maximum practical entrepreneurial opportunities, as, for instance, in Chile, where the Government initiated optimal procurement policies in the form of dividing public acquisitions of service and supplies into reasonable opportunities between companies to favour the growth of a larger number of SMEs (Morand 2003). In the United Kingdom, SMEs are supported through public procurements in which several objectives can be achieved such as reducing the demand of SMEs for finance resources and, at the same time, to improve public services (Loader 2007). At the European Union level, public demand was considered and used as an engine for enhancing the SME sector and encouraging entrepreneurship (Edler and Georghiou 2007). The Swedish government tried to enhance SMEs by initiating multi-partner alliances between them and large companies. This was for the purpose of encouraging the innovativeness of SMEs and the development of products (Thorgren and Wincent 2011).

Among the different forms of government intervention is the imposition of mandated subcontracting relationships between SMEs and large companies, especially in public projects (Kidalov 2013). A mandated relationship can be described as a type of relationship that is governed by regulation, legislation, and guidelines (Stuart 2010; Kidalov 2013).

In Oman, interactions between SMEs and large companies in public projects were seen by the government as one of the best opportunities for enhancing the growth of SMEs (Al-Shanfari Dhafir et al. 2013). This policy was state-funded in Oman (Ennis 2015). In some countries, such as the USA, supporting SMEs and enhancing their position by accessing procurement opportunities of large firms was an effective strategy not only for the SMEs but also for developing productive business relationships with their large partners (Woldesenbet and Ram 2012). However, before discussing the structure of mandated business interactions in Oman, some contextual information relevant to the Sultanate of Oman is provided in the following section.

1.3 Context of the study

The Sultanate of Oman is located on the south-eastern coast of the Arabian Peninsula with a total area of 309,500 sq. km and with a total population of 4.7m. Approximately 40% of the population are migrants. In contrast to many developed countries which have ageing populations, of the 3 million indigenous population, 45% are in the 15-29 age range (AlMaimani and Johari 2015). Additionally, in contrast to many Middle-Eastern countries, Oman has a stable political environment, a well-established legal system and promotes enterprise and investment through its international banking regulations (Khan and Almoharby 2007). Thus, Oman is one of the most progressive countries in the Middle East (ibid).

Oman is a middle-income economy with significant oil and gas resources. Petroleum accounts for 64% of total export earnings and represents 80% of government revenues. Due to the decline in global oil prices in 2015, Oman's budget deficit reached $ 6.5 billion, or nearly 11% of GDP. Oman has been trying to diversify its economy and early steps were taken towards industrialisation and privatisation which were aimed at reducing dependency on oil revenue. Tourism and industries such as metal manufacturing, gas resources, petrochemicals and international transhipment ports were the key components of the government's diversification strategy.

Over the last two decades, Oman has undertaken efforts to reduce its dependency on hydrocarbons by enhancing the SME sector (AlMaimani and Johari 2015). This focus on entrepreneurship, innovation and SMEs has been considered the landscape of economic reform in Oman (Ennis 2015).

Previous studies revealed that the SME sector in Oman is plagued by a number of constraints. Besides the commonly known characteristics of SMEs such as lack of human and financial resources (Sherry and Hans Anton 2013), the SME sector in Oman is confronted by the intense domination and competition of large companies over most industries in the market (Al-Shanfari Dhafir et al. 2013). Table 1 compares the percentage of SMEs and large companies in Oman with that of the five largest economies in Europe in terms of number of enterprises, percentage of employment and percentage share of value added to the economy. (* Oman is added in the final row for purposes of comparison).

Table 1: Share of large companies and SMEs

Country	% share of all enterprises		% Share of employment		% Share of value added	
	SMEs	Large comp	SMEs	Large comp	SMEs	Large comp
Germany	99.508	0.492	60.935	39.065	53.808	46.192
France	99.812	0.188	60.383	39.617	55.910	44.09
UK	99.641	0.359	53.941	46.059	50.220	49.68
Italy	99.923	0.077	81.395	18.605	71.319	28.681
Spain	99.880	0.012	76.313	23.687	67.895	32.105
***Oman**	90	10	36.6	63.4	16	84

* The table is a summary of (Fotache et al. 2011) conclusion. The data relating to Oman is extracted from (Al-Shanfari Dhafir et al. 2013).

Table 1 shows that in the five European countries, there is a higher percentage share of SMEs among registered organisations than is the case of Oman. Large companies account for a higher percentage of all enterprises in Oman in comparison to the five major European economies. There is a significant difference in the percentage share of employment between the European countries and Oman in terms of SMEs and large companies. The share of employment accounted for by large companies is significantly higher compared to the European countries. Additionally, large companies in Oman account for a significantly higher percentage of value added to GNP than in any of the five European countries.

Table 1 shows the domination of most large companies over the business opportunities in Oman which, not only affects existing SMEs but also hinders the entrance of new businesses (Al-Shanfari Dhafir et al. 2013), while an open market would provide opportunities for competent SMEs. The International Financial Institutions (IFI) recommended that the government of Oman needed to intervene to control the market to enhance the participation of SMEs and protect their survival (Ennis 2015). Bilal and Nawal Said Al (2015) conducted research into Omani owners of SMEs to investigate any constraints which prevented Omani SMEs from attaining growth. The study concluded that domination of large companies over the market opportunities was one of the main obstacles which was also accompanied by limited financial capacities and limited managerial experiences of owners of SMEs. The study also found that legislation and regulations were not strengthening the positions of SMEs to compete in the market.

Although SMEs constitute more than 90% of registered companies in Oman (Bilal and Nawal Said Al 2015), they have not yet lived up to the expectation of the government in terms of their contribution to the national economy and the provision of employment (AlMaimani and Johari 2015). One of the main reasons for SMEs failing to meet government expectations lies in the fact that although 90% of SMEs are owned by Omanis, they are managed and operated by expatriates and most large companies prefer to deal with SMEs which are also managed by expatriates (Al-Shanfari Dhafir et al. 2013). For this reason, many Omani owners of SMEs facilitated business start-ups for expatriates in return for a monthly payment (Al-Shanfari Dhafir et al. 2013). The SMEs managed by expatriates were attractive to large companies because they were seen to be more cost effective especially by employing non-Omani workers for smaller wages than would be expected by an Omani worker. Such a practice undermined the intention of the government to encourage the growth of SMEs owned by Omanis because it created a loophole through which expatriates could exploit the majority of business opportunities in the market to the detriment of the 10% bona fide SMEs managed by Omanis. There is no obligation on the Omani owner to officially notify a change in ownership or directorship of the company. As a consequence, these expatriate managed SMEs had always been highly contentious to Omani owners of SMEs who handled their own businesses, as large companies had been favouring SMEs managed by expatriates because they were offering lower prices (Al-Shanfari Dhafir et al. 2013). This caused frustration to SMEs owned and managed by Omani youth as they failed to attract large companies (Ennis 2015). In summary, the preponderance of Omani SMEs managed by expatriates resulted in a failure to meet government expectations in terms of contribution to the national economy and also to employability as many of these SMEs employed cheaper foreign labour.

The Government's intention in its mandated business interactions policy is to preserve SMEs and to provide them with opportunities to improve their business activities (Al-Shanfari Dhafir et al. 2013). The hope in Oman is that entrepreneurship and growth of SMEs will stimulate not just a new segment of the economy, but also create employment opportunities for Omani nationals (Ennis 2015). Varghese (2011) suggests that the Government of Oman, through developmental public projects, is in the best position to not only promote the growth of the SME sector but also to ensure that the targeted SMEs which are managed by indigenous Omanis are distinctive and receiving the support which they require. The mandated business interaction policy came into existence to alleviate the problems for Omani owners of SMEs to find alternatives and economically rewarding business opportunities in the market (Al-Shanfari Dhafir et al. 2013). The following section describes the structure of the mandated business interaction in Oman.

1.3.1 Structure of the mandated business interaction

The Omani Government in 2013 devised a policy which made it obligatory for large companies seeking the procurement of public projects to enter into mandated business interactions with SMEs by allocating at least 10% of the value of the contracts to SMEs. The structure of mandated business interactions policy in Oman was in form of instructions which were also combined by either sanctions or rewards to large companies which fulfilled their obligations. The following points present the content of the Omani Government mandated business interaction (www.tenderboard.gov.om). These points are based on government instructions which are presented in detail in Appendix 1.

- Large companies are obliged to assign to SMEs specific work worth not less than 10% of total tender value
- Only SMEs fully owned by Omanis are eligible to receive the work.
- SMEs must be registered with the Tender Board of Oman.
- SMEs must not be an arm of large companies, either directly or indirectly.
- Owners of SMEs must be dedicated to the management of the enterprise and have full authorization to manage.
- Large companies are obliged to reveal the scope of works intended to be assigned to SMEs and those companies exceeding the 10% rule will have greater opportunities for future public projects.
- Large contracting companies must release payments of SMEs within 28 days from the date of the submitted invoice.
- Priority is given to SMEs which are from or close to the locations where the large companies are commencing public projects.

The Tender Board of Oman (TBO) circulated a memo instructing ministries which were supposed to be the end user of the project to supervise the interaction between large companies and SMEs and to submit reports every three months to TBO which must contain performance and satisfaction ratings of large companies and SMEs (see Appendix 2). Additionally, SMEs were provided with financial assistance schemes at 0% interest (AlMaimani and Johari 2015). However, it is argued that the success of such mandated business arrangements depended on the development of trust between the partners (Michalski et al. 2014). The importance of trust in mandated business interactions is considered in the following section.

1.3.2 Relevance of trust in mandated business interactions

Despite the attention devoted by policy makers to enhancing the growth of SMEs, it is argued that any element of enforcement of a relationship such as is inherent in mandated business interactions might hinder the smooth exchange of business relationships rather than enabling them. A number of authors have pointed to the difficulties involved in the establishment of mandated business interactions. For example, Michalski et al. (2014) have argued that it is difficult for business parties to enter into such mandated arrangements without the establishment of a firm basis of trust. This raises a question about the very nature of trust and whether it is something which can be enforced by a third party.

While there have been several studies of SMEs and large companies business relationships (Nguyen et al. 2005) and while many authors have analysed and found trust to be critical for strengthening relationships between interacting companies (Welter 2012), the phenomenon of trust in the specific context of mandated business interactions has received scant attention. Höhmann and Welter (2002) have noted that even though much attention has been given to the concept of trust, few empirical studies had been conducted into its role in promoting economic activities. Kidalov (2013) focused on subcontracting policies and practices between large companies and SMEs in the USA and the EU and discussed how European Union member states had moved away from voluntary business interactions of choice towards binding the interactions with laws and regulations in order to create efficient and productive business interactions. However, this study, while examining instructions and rules which required large companies to subcontract with SMEs, did not consider trust as a distinctive feature of successful business relationships. Additionally, Kidalov (2013) noted that there were no definitive means to check upon the success of such business interactions between large companies and SMEs. Nevertheless, despite the acknowledged role of trust and its importance in facilitating cooperation and coordination between SMEs and large companies (Nguyen et al. 2005), efforts to develop criteria by which levels of trust between business partners could be assessed have received scant attention (Lewicki et al. 2006; Svensson 2006; Seppänen et al. 2007; Laeequddin et al. 2010). Thus, the current research addresses this gap in the literature by investigating how trust can be conceptualised and assessed in mandated business interactions. Additionally, the current research considers the various factors which might influence trust levels between SMEs and large companies in mandated business interactions.

1.4 Aim of the study

This research aims to explore the conceptualisation of trust in mandated business interactions and to develop a means of assessing its presence and level within mandated business interactions. Additionally, the current research considers the various factors which could influence trust levels between SMEs and large companies when they are obliged to work together in a public project, as in the policy context of the Sultanate of Oman.

1.4.1 Objectives of the study:

I. To explore how trust can be conceptualised and assessed in mandated business interactions.
II. To explore the various factors which could influence trust levels between SMEs and large companies in mandated business interactions.
III. The above research objectives lead to the following research question:

1.4.2 The research questions:

I. How can trust be conceptualised and assessed in mandated business interactions?
II. How do various factors influence trust levels between SMEs and large companies in mandated business interactions?

1.5 Research methodology

Since scant attention has been paid to exploring trust in mandated business interactions, this study addresses this research gap by investigating trust within the context of mandated business interactions. Trust is a phenomenon which is not directly amenable to objective measurement (Welter and Smallbone 2006). Consequently, it can be more appropriately investigated by means of a qualitative approach aimed at exploring how trust is conceptualised in certain relationships as well as identifying those circumstances which lead to a diminution of trust (ibid). For this reason, a qualitative research method was adopted as more appropriate for exploring trust as a phenomenon.

An understating of the rationale and implementation of the mandated business interactions was first obtained by interviews with four government officials. This was followed by conducting three pilot studies with key managers of both SMEs and large companies. Then, data was collected by means of semi-structured interviews with 25 key managers from large companies and SMEs involved in mandated business interactions.This data provided rich insights into experiences and perceptions of trust on the part of the participants through a process of thematic analysis. This analysis provided the key issues related to trust within mandated business interactions.

1.6 Contributions of the study

This study makes both theoretical and practical contributions to the study of trust. The principal contribution of this study to trust theory is the development of a new contextual concept of trust which has key implications for both theory and practice. This new conceptualisation moves beyond the current dyadic understanding of trust towards a tripartite conceptualisation where institutions are perceived as playing a crucial role in ensuring the success of the relationship.

It was necessary to explore the presence and levels of trust between organisations by using certain trust indicators gleaned from the literature review. However, these indicators required significant refinements so that the levels of trust could be more appropriately assessed. Additionally, an exploration of factors influencing levels of trust led to the identification of new factors not previously commented on in the literature. This resulted in the development of a model which schematised the factors and demonstrated their respective roles in influencing high and low levels of trust.

The derived model also makes an important contribution to practice. The model informs practitioners and policy makers of the important issues that have to be taken into account for the purpose of ensuring the success of the mandated business interactions in which trust plays a crucial role. The model clearly indicates the important factors contributing to the development of high trust levels as well as highlighting those issues which resulted in low levels of trust. The respective roles of large companies, SMEs and the government in the development of trust are clearly highlighted.

1.7 Structure of the thesis

Chapter two of the thesis is divided into the following sections. The first section covers the definitions of SMEs and large companies and the nature of SMEs' and large companies' business relationships. This is followed by presenting the literature on definitions of trust, its role in inter-organisational relationship (IOR) and the distinction made between interpersonal and inter-organisational trust in IOR.

In order to provide a theoretical grounding for answering the research questions, previous studies which had investigated the phenomenon of trust and identified certain criteria for assessing trust between organizations are presented. This is followed by identifying the various indicators which were used to signal the presence of trust within a business relationship and to manifest whether the level of trust was high or low. This literature review chapter also presents various factors that influence trust between business partners.

Chapter three presents the methodology of the study. It outlines the philosophical assumptions underlying the study, research methodology, research design the sample population and size, method of data collection, data analysis, ethical considerations, issues of validity and reliability and, finally, a brief summary of the chapter.

Chapter four presents the findings related to the first research question which was to explore the conceptualisation of trust and to assess its levels between SMEs and large companies in mandated business interactions using trust indicators derived from the literature review.

Chapter five presents the findings of the interview data which was aimed at answering the second research question by exploring the perceived factors which influenced the levels of trust between SMEs and large companies in mandated business interactions.

In chapter six, the findings from chapters four and five are discussed in the light of the literature and emerging factors from this research are identified.

Finally, chapter seven presents the main conclusions of this research and their implications for theory and practice and makes recommendations. Limitations of the study provide opportunities for further study and practice

Chapter Two – Literature Review

2. Introduction

This chapter presents a conceptual framework for the research. This includes an explanation of the key terms of the study and definitions of SMEs and large companies as in section 2.1 and 2.2.

The literature on the nature of SMEs and large companies' business relationships is presented in section 2.3.

Sections 2.4, 2.5 and 2.6 respectively present definitions of trust, a critical review of the differences between trust at interpersonal and at inter-organisational levels followed by a detailed presentation of trust at inter-organisational levels in section three.

Sections 2.7 and 2.8 present the criteria by which trust between business organisations/ companies can be investigated and assessed.

Section 2.9 of this chapter presents the literature on factors influencing levels of trust between SMEs and large companies.

The final section is the summary of the literature review chapter.

2.1 Definitions of SMEs

Differences between large companies and SMEs can be viewed with reference to statistical and procedural approaches. While statistical differences may include capitalisation, number of employees and sales turnover, the procedural differences can be related to operations and management functions (Zitek 2011).

SMEs, compared with large companies, provide greater economic benefits in term of job creation, and account for the majority of firms in many countries (Morand 2003). In some Asian countries such as Japan, Hong Kong and Taiwan, SME employees account for approximately 81% of the workforce (Fotache et al., 2011). SMEs in European economies represent 99% of the total business stock and account for more than 50% of total employment (Deakins and Freel 2006). For example, in the UK, over 4.3 million SMEs exist;

they represent 99% of the total enterprises and generate over 51% of the country's turnover (Walker and Preuss 2008). In the United States, 75% of the net jobs are provided by SMEs, accounting for approximately 50% of the private workforce and representing 99.7% of all employers (Altman and Sabato 2007).

Even though SMEs represent more than 90% of all companies in most countries, constituting a major source of employment, there is no commonly accepted definition of SMEs and there are no commonly agreed criteria for distinguishing micro enterprise from small and medium enterprises. According to Storey (1994), small enterprises that are engaged in the petrochemical industry may have a higher level of capitalisation, sales turnover and number of employees compared with similar sized enterprises that are engaged in the car repair trade. The difficulty of reaching a general definition of SMEs is not only related to the level of capitalisation, number of employees, and sales turnover, but also to the fact that differences in market sectors make it difficult to reach agreement on these criteria. An additional difficulty in arriving at a definition lies in the fact that many SMEs deliberately do not register with the state authorities (Storey 1994).

The variance of definitions can also be related to different issues such as levels of economic development, population and divergence in demographic locations, cultural and institutional characteristics (Staber and Bogenhold 1993). The statistical definition, which is largely based on the number of employees, represents the predominant discriminating characteristics between enterprises (Li Xue 2011). For instance, the traditional German definition limits SMEs to 250 employees, while, in Belgium, 100 employees is the benchmark (Christodoulou 2009). The number of employees in SMEs is much higher in China; for instance, and definitions of industrial SMEs in China generally accept 2000 as the maximum number of employees (Li Xue 2011).

Given the absence of commonly accepted criteria, this research relies on a definition which sets numerical values to measures such as employee numbers while insisting on independence as the main defining characteristic (Russo and Tencati 2009). This research accepts independence as the principal determining characteristic of a SME. It is useful to also include some numerical values in defining SMEs. Accordingly, the statistical definition of Al-Shanfari Dhafir et al (2013) is adopted in this study where the number of employees of SMEs in the Sultanate of Oman is limited to 5 employees for micro enterprise, 5-9 employees for small and 10 – 100 employees for medium sized enterprises.

2.2 Definition of large companies

Statistical factors are the predominant means of distinguishing large companies from small and medium sized enterprises. The statistical definition relies on taking into account numerical data related to number of employees, annual turnover, and total capital of the company. Due to the variance of the annual turnover from one industry to another and the difficulty of obtaining the annual turnover of some large companies which might result from the diversity of their business activities, number of employees becomes the most common discriminating characteristic between enterprises (Li Xue 2011). The definitions of large companies differ from industry to industry and from one country to another. For instance, large companies in Germany are defined as businesses with more than 250 employees. By contrast, 100 employees is the defining threshold in Belgium (Christodoulou 2009). Large companies in the Sultanate of Oman are defined as those having 100 or more employees (Al-Shanfari Dhafir et al. 2013).

Large companies often adopt different forms of practice and operate with different management styles from those of SMEs (Scheyvens and Russell 2012). They often prefer to operate in stable environments (Dickson and Weaver 2011). They are considered large in size because the nature of their business environment requires extensive procedures of decision (Scheyvens and Russell 2012).

Due to their professional management approach and financial capability, the opportunities for large companies to access local and international markets are both greater and easier than for SMEs (Yang and Chen 2009). Hence, it is argued that competition in the national and international markets is the realm of large companies whereas SMEs remain at local or regional level (Etemad et al. 2001). Large companies have strong bargaining power in their dealings (Yang et al. 2014), and greater options in term of resources and some degree of legitimacy in virtue of their established processes in the market place (Pretorius et al. 2008). Most large companies operate in similar ways, have large numbers of employees, financial capital, and annual turnover (Scheyvens and Russell 2012).

For the purposes of this study, the number of employees is adopted as the most common discriminating characteristic between enterprises (Li Xue 2011). Large companies operating in public projects in Oman are, joint ventures, subsidiaries, and local large companies, and due to the variance in consideration between their countries of origin and Oman, the number of employees is accepted as discriminating between large companies and SMEs.

2.3 SMEs and large companies' business relationships

Inter-organisational relationships (IOR) between SMEs and large companies exist in different forms such as strategic alliances, cooperation for research and development, joint ventures, coalitions, and subcontracting (Kale and Singh 2009). One of the main ways for the growth and development of SMEs is through the establishment of inter-organisational relationships (IOR) with large companies (Okatch et al. 2011).

Due to their structure and size, SMEs face many constraints when operating in the market (Knight 2000; Hollenstein 2005). SMEs may have inadequate resources, insufficient knowledge and inefficient experience and capabilities to manage the rapidly changing environment (Parker and Hessels 2013; Schoonjans et al. 2013). Due to these constraints, SMEs are not only limited in terms of growth but also in acquiring the facilities to produce quality products and services (Bilal and Al Muqbali, 2015). Bilal and Al Muqbali (2015) also suggest that SMEs may not be able to attract and retain competent staff because many employees look elsewhere for jobs with better salaries and conditions.

Despite the challenges SMEs face, an increasing corpus of literature is focused on the many benefits that SMEs can derive from inter-organisational relationships (IORs) with large companies. Most of these studies argue that

SMEs are more likely to survive, achieve growth, and even thrive in business environments if relationships with large companies are established and developed (Etemad et al. 2001; Lee et al. 2010a; Dickson and Weaver 2011; Fotache et al. 2011; Yang et al. 2014). Thus, by entering into business relationships with larger companies, SMEs enhance their flexibility and specialisations (Kidalov 2013). The prevailing view is that inter-firm relationship arrangements with larger counterparts are promising ways for SMEs to achieve growth and to increase their global competitiveness and economies of scale (e.g. Etemad et al. 2001; Lee et al. 2010; Tregear and Lamprinopoulou 2011).

On the other hand, authors such as Fotache et al (2011) have noted that large companies also benefit from entering into business relationships with SMEs and considered SMEs as engines for large companies and generators of applicable technical innovations. It has been argued that large companies are more concerned with formal research and development as well as accumulated technology, while SMEs are concerned with innovations (Sudhir Kumar and Bala Subrahmanya 2010). Similarly, Auko et al. (2011) revealed that most large companies tried to cut down their expenses by subcontracting with SMEs. The economic optimum of large companies is achieved at a certain degree of vertical supply integration that is between 50% - 80% depending on the structure of production (Fotache et al. 2011).

SMEs and large companies can often complement each other; the market for the larger companies' products is often the small-scale manufacturing sector and vice versa (Subrahmanya 2008). The relationship is considered to yield substantial cost saving to large companies while delivering expansion and growth opportunities for SMEs. Hence, both SMEs and large companies may share the same need for relationships with each other (Nguyen, 2005).

Few may disagree that a relationship with a large company is an important means of survival, growth and productivity for a SME (Cameron and Street 2007). However, forming enduring relationships between SMEs and large companies is a critical task (Nguyen et al. 2005). Large companies have greater flexibility in term of resources and also greater legitimacy in terms of their established presence in the market place (Pretorius et al. 2008), whilst most SMEs suffer from scarcity of resources and relative anonymity in the market (Nguyen et al. 2005). SMEs are often constrained in terms of infrastructural resources such as finance, technology, human resource and limited access to information (Auko et al. 2011). It is also difficult for SMEs to negotiate with large companies; large companies often have stronger bargaining power and more options (Yang et al. 2014). Large companies are more interested in replicating their networks, while SMEs invest more on developing their capacity and efficiency in order to gain the legitimacy of large companies (Christopherson and Clark 2007). Considerable debate exists on how SMEs, with their limited capabilities, can complement their larger partners' expectations as well as creating productive and efficient business relationships with them (Thorgren et al. 2011).

It is obvious that the larger companies are in an advantageous position relative to SMEs. Nevertheless, the relationship is not solely dependent on the power of large companies but also depends on the abilities and intentions of entrepreneurs or owners of SMEs to correspond with objectives competitively (Morrison et al. 2003). The specific potential of SMEs such as specialisation and flexibility are their major competitive advantages over large companies (Narula 2004; Hamburg et al. 2014). Such characteristics attract large companies to establish relationships with SMEs. Thus, large companies are frequently seen to capture the advantages offered by SMEs through various types of relationships such as alliances, subcontracting, and collaborative arrangements (Lunati 2002).

Indeed, small entrepreneurial firms and SMEs with specific potential often explain in detail what their potential interest is to large companies in order to attract their attention and to gain their interests for forming business relationships (Alvarez and Barney 2001). This practice may lead large companies to acquire the knowledge of SMEs by integrating them in their business chain; thus, large companies can make SMEs increasingly reliant on them (Vandaie and Zaheer 2014). One of the cited reasons for the low level of successful business relationships with large companies lies in the danger of unintended flow of knowledge or expertise from SMEs to large companies (Pretorius et al. 2008).

SMEs adopt various strategies to secure specific competitive advantages when forming relationships with large companies. Alvarez and Barney, (2001) suggested five strategies to protect the interest of SMEs while forming relationships with large companies. First, is the strategy of “do it alone” and avoid exposing their specific potential to large companies. This strategy is supported by other scholars (e.g. Cameron and Street 2007; Pretorius et al. 2008). They argue that SMEs with specific potential and experience need to ensure that the resources that are attracting large companies to form relationships with them are protected by “doing it alone”. According to Cameron and Street (2007), large companies should not simply take the specific advantage that SMEs possess, but rather should allow SMEs to leverage their own resources more efficiently. The second strategy is to slow the learning rate of large companies about the specific advantage that SMEs may have. This means that the SME only gradually reveals its strengths to the larger partner. The third strategy is to use a detailed contract in order to protect the ownership of specific advantages that SMEs have. The fourth strategy is to bring other resources into the chain of business relationships to gain the interest of the large partner. The fifth and final strategy is building trustworthy business relationships between SMEs and large companies.

The first four strategies are in contrast to the last one; the last strategy is seen as the ideal option in business relationships. If both SMEs and large companies are more willing to enter into trusting relationships with each other, then both are more likely to derive the full benefits from such relationships. There is a consensus that the possibility of attaining mutual benefits for both SMEs and large companies is through understanding the needs of each other and exchanging trust (Davey et al. 2001). Moreover, managers of both SMEs and large companies acknowledge the important role that trust plays in attaining productive business relationships (Zaefarian et al. 2011). Even in the mandated business interactions, some scholars, including Michalski et al (2014), have argued that it is difficult for business partners to enter into such mandated collaborative arrangements without the establishment of a firm basis of trust. Trust is seen by many as a key dimension for the success of business interactions (Huang and Wilkinson 2013).

In the following section, the merits and demerits of various definitions of trust will be explored and a rationale will be presented for the adoption of one particular definition in the current study.

2.4 Definition of trust

The term “trust” has been extensively discussed by many scholars in most of the social sciences (Simpson 2012) and, so far, there is no agreed definition for the term (Ezezika and Oh 2012). Economists view trust as a calculation of risk faced by a partner to a transaction; trust is extended when a partner considers that the other partner will not act opportunistically and, consequently, trust reduces the transaction costs. Hence, the economic approach to trust is mostly calculative (Seppänen et al. 2007). In contrast to the views of economists, sociologists and behaviourally oriented researchers view trust from individual and social perspectives (Barney and Hansen 1994).

Thus, definitions of trust are usually influenced by the context of the research (Adobor 2005); researchers view trust from different social, psychological, and economic perspectives and use definitions that fit those perspectives. Some researchers describe trust as the prior experience that the one party holds about the reliability and ability of the other potential party to fulfil specific requirements (Viitaharju and Lähdesmäki 2012). This supports the earlier definition offered by Adler (2001: P.217) who viewed trust as “the subjective probability with which an actor or group of actors will perform a particular action both before he/she can monitor such action...and in a context which affects his or her own action”. Mayer et al (1995) saw trust as implying a certain vulnerability incurred by one party as a consequence of the expectation that the other party would honour and fulfil its promises regardless of whether or not the other party could be monitored or controlled.

Most researchers introduce trust as the confidence that an individual or a party has about the other party (Ybarra and Turk 2009). The most useful definition of trust in the context of the current study is provided by Nguyen et al. (2005) who defined trust in terms of a psychological state which was characterised by an affirmative disposition towards certain qualities of a partner and the confidence that that partner would fulfil certain expectations. Thus, trust is understood in terms of the perceptions which each partner has of the other.

Nevertheless, not only is there a lack of agreement on definitions of trust, there is a considerable debate in the conceptualisation of trust, particularly when its role is extended to include inter-organisational levels (Lei-Yu et al. 2008). Although trust is primarily a characteristic of persons, one might think of an organisation or a company acting as if it was showing trust towards another organisation (Tomkins 2001).

However, the logic is that a company which is a wholly constituted institution is, in reality, run by individuals and collective human actions and decisions. Therefore, trust can also be discussed at organisational level (Lau and Rowlinson 2009).

The following section presents the literature relevant to interpersonal and inter-organisational trust in IOR.

2.5 The difference between interpersonal trust and inter organisational trust

It is difficult to find any rationale in the literature for the attribution of trust to inter-organisational relationships. This has led to confusion about who trusts whom in inter-organisational relationships, where the logic states that it is a member or members of one organisation rather than the company which can be trusted (Lau and Rowlinson 2009). The introduction of trust into IORs was initially seen in the discussion of transaction cost economy (i.e. Williamson 1975), and specifically the transaction cost theory. It is that personal relationship which was seen as generating trust and which encouraged business parties to be trustworthy rather than behaving opportunistically (Zaheer et al. 1998). It can also be argued that business organisations are often surrounded by different social systems such as norms and litigation where regulations have to be followed. These systems and norms help trust to appear at inter-organisational level by limiting the possibility of opportunistic behaviour occurring (Lau and Rowlinson 2009).

The distinction between interpersonal and inter-organisational trust is discussed by many scholars (e.g. Zaheer et al. 1998; Lewis 2008). Zaheer et al (1998) described organisational trust as the extent of a collective perception in one company about the trustworthiness of other companies. Other researchers such as Tejpal et al (2013) have described trust in inter-organisational relationship (IOR) contexts as the reliability of an organisation in fulfilling obligations when there are potential risks and vulnerability in the relationships.

Personal trust is described as a discursively constructed form of social relations that arise when interactions between people are governed by the norm of reciprocity (Lewis 2008). Therefore, it is defined as the confidence that an individual has in relying on another person and this is assessed by the degree of confidence he/she has that the other, be it a person or group of persons, would do what they were expected to do (Rus and Igli 2005). Trust, in this regard, is defined as a positive expectation on the part of a person about behaviour of particular others.

Nevertheless, certain aspects of trust, such as reliability and interests in integrating into business relationships, make trust applicable even at inter-organisational relationship level (Tomkins 2001). The characteristics and attitudes of groups of people who are representing organisations often inspire confidence between companies involved in the interaction to trust each other (Jiang et al. 2013), and, once these aspects are maintained, for the benefit of involved parties, trust can be reported.

Interpersonal trust and inter-organisational trust are distinctive concepts but they are interrelated (Weck and Ivanova 2013) and they share similar dimensions (Robson et al. 2008). The nature of trust in both types involves confidence that either party will act in such a way that is of mutual benefit and that neither will act opportunistically (Mayer et al. 1995).

The preferred definition in the context of the current research is the one provided by Nguyen et al. (2005) who saw trust as a psychological state which found its expression in a positive affinity towards certain characteristics of a partner and the presumption that the partner would fulfil certain promises.

2.6 Trust at inter-organisational level

Currently, due to rapidly changing market conditions, organisations seek greater flexibility while interacting with other business organisations (Rus and Igli 2005). Trust between business organisations leads to greater flexibility and adaptability, enabling them to deal quickly and efficiently with rapid changes in the business environment (Sung and Kang 2012). Since the early 1990s, many researchers in IORs devoted considerable attention to the issue of trust (e.g. Das and Teng 2001; Hoang and Antoncic 2003; Seppänen et al. 2007; Nguyen and Liem 2013; Iwai 2016). It is argued that trust is essential and seen as a threshold condition for business partners to attain competitive advantages (Blomqvist et al. 2005; Seppänen et al. 2007).

Trust at inter-organisational levels facilitates cooperation, lowers transaction costs such as acquisitions and governance costs (Zaheer et al. 1998); it also encourages interacting partners to engage in implicit and explicit exchange of physical resources, knowledge, experience, future business opportunities, etc. (Welter et al. 2004; Gaur et al. 2011; Pattinson and Sood 2012). It enhances the efficiency and productivity of exchange partners (Lau and Rowlinson 2009), reduces the likelihood of negative interpretations of the intentions of the other party (Krishnan et al. 2006), leads to smooth exchange of information and paves the way for comfortable and informal cooperation (Adobor 2005; Iwai 2016). Trust also reduces hazards and enhances the efficiency and productivity of the interacting companies (Faems et al. 2008), and improves the abilities of interacting companies to adapt themselves to changes in the market and in the complexity of business interactions (Rus and Igli 2005). Trust, particularly for SMEs, can strengthen their ability to compete (Malhotra and Lumineau 2011), innovate and eventually generate greater value in the market which is usually difficult for SMEs to attain independently (Jones et al. 2014).

Thus, when the term “trust” is used in IOR literature, it is assumed that the relationship is one which generates values which are of mutual benefit (Simpson 2012). Nevertheless, some authors make the point that over-reliance on trust has little value for a company and can lead to misallocation of precious resources or experience (Molina-Morales and Martínez-Fernández 2011).

Being in a trustworthy and committed business relationship with a large company may obstruct the potential growth of the SME and may shift the focus of the SME away from the available resources for a competitive market by making the SME increasingly reliant on their larger partner (Vandaie and Zaheer 2014).

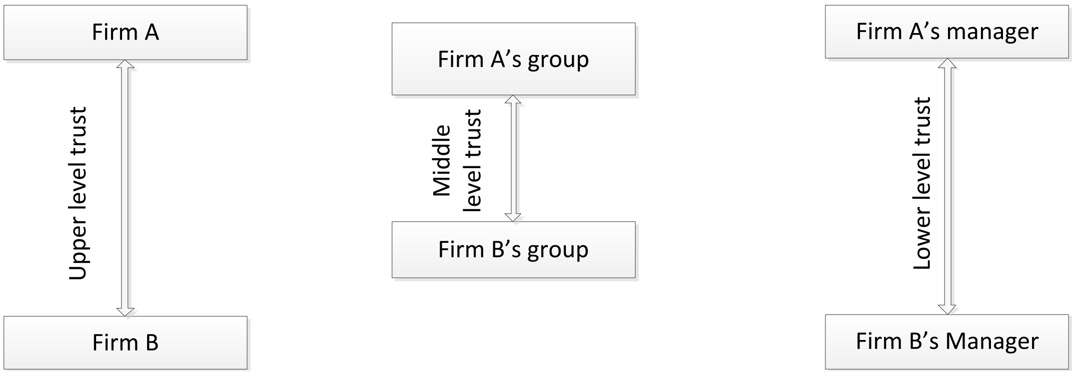
Trust in IORs can occur in a number of different ways and these are discussed in the following section.

2.7 How trust occurs at inter-organisational level

Several researchers have discussed how trust occurs at inter-organisational levels. For instance, Mouzas et al. (2007) described three levels at which trust can occur between business organisations: firstly, at inter-personal level, where inter-organisational trust occurs between one individual in each of the interacting companies. The second level refers to situations where an individual in one company develops a trusting relationship with the entire partner company. The third level refers to the collective expectation of one party of the other party. In other words, the occurrence of inter-organisational trust takes place either between person to person, person to organisation or organisation to organisation.

A similar schema is presented by Nguyen and Liem (2013) who conducted an extensive review of inter-organisational trust literature in order to provide a basis for researchers to investigate trust in IOR and this is presented in Figure 1.

Figure 1 levels of trust in IORs as proposed by Nguyen



Source: (Nguyen and Liem 2013)

At the upper level, inter-organisational trust refers to the trust that exists between two independent organisations. At the middle level, It refers to the trust which exists between departments or groups of one organisation and the other entire partner organisation. The lower level refers to the trust of a person or a representative of one interacting party with a person or representative of the other partner.

Trust in the lower organisational level is based on the individual manager instead of trusting the entire organisation. It is the opposite of the upper organisational level where trust exists only at organisational level. This is because trust at interpersonal level in IOR is viewed as indicating a low level of trust, whereas trust at inter-organisational level indicates a high state of trust (Mouzas et al. 2007).

Section 2.8 presents the literature relevant to the methods by which the presence and levels of trust can be assessed in IOR.

2.8 A review of approaches to the assessment of the presence of trust in inter-organisational relationships

An increasing corpus of literature is focused on the significance and influence of trust on decisions of business actors as well as the performance of their companies in IORs (Glaeser et al. 2000). Fukuyama (1995) noted that the level of trust in any business environment strongly predicted its level of economic activity. Hence, assessing the presence of trust between interacting companies through various trust indicators can be a useful approach for practitioners, decision and policy makers (Ayadi et al. 2016). Because assessing trust level is viewed to be one of the most critical tasks, it therefore should receive considerable attention (McEvily and Tortoriello 2011).

Two predominant approaches to trust measurement exist in the literature; these are the behavioural measurement approach and the attitudinal measurement approach. While the former approach gives prominence to observable decisions and actions of business partners which have financial consequences, the latter approach relies on collecting data through surveys which capture the perceptions of people involved in the trusting interactions (McEvily 2011). Using a dialectal approach, McEvily (2011) reaches a hybrid synthesis by drawing on the “trust matters” thesis and the “trust is irrelevant” antithesis. The two approaches of behavioural and attitudinal measurement approaches belong to the antithesis as the validity of either approach is questioned by McEvily. The crux of the matter revolves around the concept of trust itself. His critique calls into question approaches based on a discrete view of trust as a singular entity and proposes a more complex understanding of trust and criteria for assessing trust. McEvily also draws attention to a conceptual confusion where trust becomes interchangeable with the concept of risk and makes a plea for further research “integrating disparate types of evidence” (McEvily 2011: p 1274).

However, due to the elastic and complex nature of trust (Seppänen et al. 2007), researchers found the behavioural measurement approach was more reliable and realistic than the attitudinal measurement approach (Glaeser et al. 2000). In fact, Glaeser et al. (2000) was critical of the validity of using the attitudinal approach and argued that the questions used in the survey measured trustworthiness rather than trusting behaviour.

The literature relevant to the behavioural measurement approach is not extensive, while without taking an initiative to develop a tool to assess trust can hinder advancing our understanding of the meaning of trust (McEvily and Tortoriello 2011). Researchers have tended to focus mainly on the characteristics of the interacting parties such as their integrity, benevolence, credibility, honesty and transparency in order to measure trust in IOR.

However, this approach relied on identifying antecedents and consequences of trust in different contexts and assumed that trust was a one-dimensional phenomenon (Laeequddin et al. 2010). In contrast, the current research considers trust as an existential phenomenon to be measured within a particular context and this calls for a more qualitative research method. For the current research, trust assessment approaches represent the value of using trust criteria which researchers can refer to in order to assess levels of trust between interacting companies. This approach was proposed by Msanjila and Afsarmanesh (2009). In other words, researchers can use certain indicators as reference points, for example, recurrence of business interactions, degree of formalities, interdependency and reciprocity of information exchange and accordingly make judgments as to whether certain interactions between business partner meet these respective criteria or not in order to assess levels of trust exist between the partners.

Previous studies referred to different indicators which could be used to assess the presence and level of trust that exists between business partners depending on the context of the research and type of business relationships (Nadelson et al. 2014). The reference to different trust indicators basically depended on the context of the study (McEvily and Tortoriello 2011). For instance, Laeequddin et al. (2010) assessed trust level based on degree of formality, dependability of business partners and institutional securities that partners referred to during their business interactions. Ayadi et al. (2013) assessed trust in supply chain management from the perspective of the confidence of a partner in the accuracy, accessibility, validity and quality of information exchanged between business partners. Nguyen et al (2005) preferred recurrence of the interaction, opportunistic behaviour that may surround the transactions and the transactions specific investment in order to investigate the level of trust between SMEs and their large counterparts. Hamida et al (2011) assessed the level of trust between business partners based on preference for partners which have proved to be trustworthy in the relationship, limited formalities during the interaction and the offer of assistance in fulfilling the terms of the deal.

From the range of indicators provided in the literature, four are selected which are particularly relevant for assessing the level of trust in the sub-contractual business interactions between large companies and SMEs. The four trust indicators used in this study are: recurrence of business interactions, degree of formalities in contracts, level of interdependency and the level of reciprocity of information exchange. The reason for selecting four from the wider range is that many of the indicators are not clearly defined (McEvily and Tortoriello 2011), and also some of them appear to be more causal in nature rather than being signals. Plank et al. (1999) suggested that trust could be measured from components or outcomes of business interactions. This was strongly supported by Laeequddin et al. (2010) who asserted that trust between business partners could be assessed from rational facts related to economic choices. Such economic choices included recurrence of contractual arrangements, degree of formalities, inter-dependency and information exchange in which such these economic choices became the sign of integrity, reliability and credibility that often impel partners to work together with confidence. Nevertheless, there is still a need for further development of trust measurement indicators (Svensson 2006; Seppänen et al. 2007; Hamida et al. 2011). The selected four trust indicators are not complex and they can be used with limited mathematical and statistical knowledge. Although some researchers such as Ayadi et al. (2016) argued that assessing trust level in IOR literature is one of the most critical and essential aspects of determining success and failure of business relationships, this study contributes to the development of these indicators by investigating the meanings that they hold for the individuals involved in the interactions.

The following sections present the literature on the selected trust indicators and their roles in business relationships.

2.8.1 Recurrence of business interactions

It is asserted in the literature that companies often have no intention of maintaining constant and repeated business relationships with other partners in the absence of trust (Ming and Song-zheng 2008; Ojasalo 2008; Sung and Kang 2012). In contrast, when there is a high level of trust between business partners, they are found to be more inclined to continue to enter into future business (Cerri 2012). Bouncken (2011) and Steffel and Ellis (2009) have also described long term relationships and most commitments in business relationships as consequences of trustworthy interactions. Cerri (2012) noted that business parties engaged in repeated business interaction for many reasons such as reduced perceived risk associated with a known partner, better planning of business operations, increased efficiency, cost reduction and reduced uncertainty about the future. Hence, recurrence of contractual arrangements can be defined as a situation where business partners have repeated projects (Ojasalo 2008). In terms of repeated business interactions between large companies and SMEs, it is the repeated use of the SME company as a sub-contractor by the larger partner and the SME's repeated willingness to accept these contracts, and the longevity of these business interactions that could indicate a high state of trust (Kundu and Datta 2015). The longevity of business interactions in most of the cases discussed in the literature revealed that it signified a state of mutual trust (Guo et al. 2013).

Several studies were conducted to examine the association between the repeated interactions of partners and state of trust between them. For instance, Guo et al, (2013) examined whether the repeated interaction of business partners was associated with trust. The study concluded that working relationships in which both partners repeated their interactions were strongly and positively associated with trust. Dyer and Chu, (2011) have argued that repeated business interactions provided an insight into the morale and behaviour of the partner, allowing the parties to screen more accurately for those partners with whom interactions could be repeated with confidence. Repeated business interactions was an indicator of trust which was based on the success of each partner in fulfilling their respective roles and the readiness of these partners to enter into further business interactions (Connelly and Miller, 2012). Hence, the recurrence of interaction is a sign of high trust levels, whereas discontinued business interactions indicated low levels of trust.

2.8.2 Degree of formality

The degree of formality is defined as the extent of reliance on formal contractual agreements in the relationship between the large company and the SME. This includes, for example, the extent to which the contracted company has autonomy to make purchases of required materials without having formal approval, the use of each other's resources without the need for formal approval, the release of payments in advance of the due dates and the strictness of monitoring arrangements.

However, the presence of trust in business interactions does not reduce the necessity for contracts, but it can result in lowering the level of formalities (Aalbers 2010). Conversely, high degrees of formalities can signify that a business partner remains suspicious about the other partner and that trust is low (Hamida et al. 2011). Thus, a low degree of formalities in business relationships can signify high levels of trust.

Hence, the degree of formalities in agreements that take place between business partners can indicate the level of trust that exists between them (Hamida et al. 2011). Formal agreements and full control mechanisms could signal the attitudes of ill-will, scepticism and suspicion which are characteristics of low level of trust (McEvily et al. 2003). This may include copious and detailed clauses including many conditions in 'small print' in a written contract. This could even be followed up by detailed checking. Such formalities can often signal a low level of trust. By contrast, informal contractual arrangement through cooperation and coordination can signal a high level of trust (Iwai 2016).

Two common types of contractual arrangements are used by independent parties in business interactions. The first type comprises formal detailed contracts which often act as safeguards to mitigate the risk of any potential losses (Hamida et al. 2011). However, highly formalised contracts can lead to a 'letter of the law' approach in which compliance with the contract results in minimalism and rules out 'going the extra mile'.

The second type of contractual arrangements is informal or less detailed and is often in the form of verbal instructions in which trust operates as the basis of the relationship. Thus, informal or less detailed contracts between partners often indicate a high level of trust (Iwai 2016). The informal or less detailed contract has proven its effectiveness both in theory and in practice (Goto 2013).

An extensive body of literature exists on the significance of informal contractual arrangements and trust. In the context of the construction sector in China, Guo et al. (2013) conducted an empirical study of trust and the structure of governance mechanisms and found that informal working relationships were positively associated with high levels of trust. This resonates with the earlier assertion of Adler, (2001) that trust could reduce formalities through shaking hands instead of signing detailed contracts. Blomqvist et al (2005) stressed the significance of trust for determining the contractual mechanism in asymmetric collaborations. They concluded that contracts did not ensure the success of the collaboration, and when contracts were less detailed and merely used to increase understanding, that this signalled a high level of trust. Malhotra and Lumineau (2011), in the context of contractual disputes involving 102 inter-organisational relationships, found a high negative association between rigidity of contracts and levels of trust indicated by the likelihood of continuing business interactions.

Overall, in order to ascertain the state of trust with the degree of formality indicator, high formalities between SMEs and large companies indicate low levels of trust. On the other hand, low levels of formality are found in situations where there is greater openness by both parties and consequently a high state of trust (Molina-Morales and Martínez-Fernández 2011).

2.8.3 Level of interdependency

Interdependence in IOR is a situation where business partners bring shared interests to the relationship (Sako and Helper 1998). Interdependence is one of the central characteristics of trust theory (Lawler 2001). Business partners maximise economic return from the relationship by facilitating their mutual interdependence (Altinay et al. 2014).

The partners, in high trust situations, rely on each other for the business purpose. When interacting companies are interdependent, both companies often enhance their asset specificity by complementing each other’s needs (Sung and Kang, 2012). This is because each business partner makes a credible commitment to the interdependent relationship (Iwai 2016).

Despite the limitations of size and capacities of SMEs, many large companies have entered into interdependent relationships with SMEs due to their greater flexibility in working as mediators for production processes (Fotache et al. 2011). This does not imply that there is automatically a relationship of trust inherent in such relationships. There may be a mixture of trust and distrust (Wicks et al. 1999). But, what is important about interdependency, is the willingness of both companies to invest in their relationships and bind themselves to be interdependent. For one or even both partners, the potential for opportunism may be great but despite this, they are prepared to accept the costs and risks, as the shared resources in the interdependent relationship may be of high value. Thus, both partners are prepared to enter into a trusting relationship and therefore, the existence of interdependency is often an indicator of trust (Wicks et al. 1999).

2.8.4 Reciprocity in information exchange

Reciprocity in information exchange can be expressed as a situation where business partners share information about business opportunities, share experiences and strategies and sometimes disclose useful information about business partners to a third party (Sung and Kang 2012). Several studies associated reciprocity in information exchange in business relationships with trust, and most of these studies revealed positive correlations between information exchange and trust (Wei et al. 2012). For instance, Thorgren et al., (2011) surveyed a sample of 141 SMEs engaged in alliances with large companies and concluded that the exchange of ideas and resources was positively associated with high trust levels. In contrast, low or limited information exchange was associated not simply with low levels of trust but with its complete absence. It is not simply the exchange of information which is viewed as a sign of trust but the quality of the information. Xiaorong et al., (2013) have argued that trust is present only when the information exchanged between partners is deemed to be valuable. The quality of information exchange is testified by openness and transparency about the disclosure of strategies and policies, business opportunities and advices (Sako and Helper 1998). Bonte (2008) asserted that the higher the exchange of knowledge, resources and experiences, the higher is the level of trust indicated between business partners.

Thus, two-way flow of information and experiences between large companies and SMEs indicated the higher level of trust, whereas the negative and one sided flow of information took place simply to please a third party (e.g. the government) was regarded as indicating low levels of trust.

Table 2 summarises these trust indicators with their scope and associated trust levels.

Table 2: Summary of Trust Indicators

Trust Indicators	Levels of trust indicated	
	High	Low
Recurrence of contractual arrangements	Repeated business interaction	Single and discontinued business interaction
Degree of formalities	Less formalities and control in the business interactions	More formalised, frequent and systematic control
Level of Interdependency	Relationships where both partner rely on each other for mutual benefits	Relationships based solely on the self-interest of one party
Reciprocity in information exchange	Positive and two-way flow of information and experiences which are valuable	Negative and one sided flow of information

Having identified the various trust indicators, the literature review continues by discussing the various factors put forward by the authors as determinants of trust in SMEs and large companies' business interactions.

2.9 Factors influencing the levels of trust in SMEs and large companies' business interactions

In this section, the constituent factors which are presented in the literature as influencing trust in business interactions are presented and discussed. In contrast with the indicators which signalled the presence and levels of trust, factors refer to certain conditions which affect the levels of trust that exist between SMEs and large companies.

Trust is a cumulative development over time that is derived from many factors (Abosag and Lee 2013). As many factors are discussed in the literature, it is useful to have a conceptual framework to categorise them. Several studies have attempted to categorise the types of trust factors in IOR. Lewicki & Bunker (1996) introduced knowledge based trust, calculus based trust and identification based trust. Knowledge trust is based on the history of the relationship that one party has with the other. Calculus based trust is described as a commercial-oriented type in which every process and value of the interaction is calculated (Guemara-ElFatmi et al. 2004). Identification based trust relies on a strong reciprocal understanding of the desires, intentions and expectations of the other partner, as for example, where one party become fully aware of the other party's preferences (Nguyen, 2013).

Sako (1992) introduced three other categories of trust, namely, contractual trust, competence trust and goodwill trust. Contractual trust is based on oral or written agreed promises emphasising that trust is developed by written contractual legally-protected arrangements. Competence trust is based on partner's efficiency and competency, where one business partner predicts that the other partner is capable and will fulfil what is expected from him/her. The third type is goodwill trust which is based on mutual commitment and expectations. This type is characterised by no explicit or detailed promises and partners in this type take an initiative and efforts towards each other.

Rousseau et al. (1998) introduced rational based trust which is built up through repeated business interactions.

Although the above scholars have presented different classifications of trust factors, they all seem to have similarities in term of tracing the underlying factors affecting trust (Nguyen and Liem 2013). Seppänen et al. (2007) reviewed the empirical studies on inter-organisational trust conducted from 1990 to 2003. This included all the studies mentioned above. These studies were categorised in terms of various forms of trust by two dimensions; the first dimension consisted of economic aspects of trust such as competency and calculative; the second dimension consisted of sociological and psychological aspects such as benevolence, goodwill, affective, cognitive, and included institutional based trust.

Although Seppänen et al. (2007) present a very comprehensive two dimensional framework for the different studies focused on trust, the authors did not propose a framework for categorising the factors. A useful systematic approach, in the context of this study, to categorising the trust factors has been presented by Zucker (1986) who classified them into three main categories, namely: characteristics based factors, process based factors, and institutional based factors. Shi et al. (2015) noted that Zucker's categorisation of sources of trust which included the important role that institutions played in the formation of trust was most convincing; they also acknowledged Zucker's emphasis on traditional sources of trust including the common characteristics of partners and their reputations and prior experiences. For that reason, Zucker's (1986) classification remains a very clear and comprehensive schema for understanding the various factors which could influence trust in IORs.

Each of these categories is presented in the following sections with their related discussion in the literature.

2.9.1 Characteristic based trust factors

Characteristic based trust refers to the confidence which the trustor has in the trustee based on known cultural similarities and expectation (Schilke et al. 2016). This category includes the following trust factors: social similarity of partners which embraces shared values of business partners. Shared values, in the context of IORs, refer to the extent that the partners have common beliefs about the underlying motives for entering into business relationships in addition to having similar aims and objectives in the relationship (Ybarra and Turk 2009).

Social similarity refers to the shared similarities between the stakeholders of partnering companies. Where people in companies share similar beliefs and values and are like-minded in their world views and ways of thinking, it is expected that the perceptions the trustor has of the trustee will be positive and conducive to the development of trust (Schilke et al. 2016). Actually, in recent IOR literature, proximity has received significant attention as a factor influencing trust between interacting companies. Several types of proximity have been introduced such as geographical, social, and institutional. Nevertheless, authors still tend to view proximity as a form of homogeneity which was found to be a very influential factor (Wuyts et al. 2005).

In the literature, social similarity is sometimes referred to as social proximity (e.g. Ben Letaifa and Rabeau 2013). There is some confusion among the authors regarding the terminology to be used. However, it is possible to argue for a subtle distinction to be made between both terms on the grounds that social similarity implies the sharing of identical beliefs and values, whereas social proximity refers to sharing some values and beliefs but which may not be exactly identical. In this literature review it is argued that a distinction between both terms should be made as it was intended to demonstrate this subtle difference when examining the different cases of relationships which arose in this study. According to Molina-Morales et al. (2014) the best approach to resolving such confusion is through the reconsideration of the concept of proximity. However, in this study, the distinction between both terms is strongly argued and maintained throughout the study.

Partners with social similarity were found to be confident and willing to pursue further business interactions (Johnson and Grayson 2005). Schilke et al. (2016) noted that this type of trust pertained to the trustee’s characteristics which often led the trustor to categorise the trustee as trustworthy based on shared values and beliefs. If the trustor considers the group to which the trustee belongs to be trustworthy, he or she will regard the trustee to be trustworthy too.

Thus, local and social similarity are sub-factors underlying the characteristics based trust (Abosag and Lee 2013). Wang et al. (2015) noted that demographic characteristics of a party involved in the exchange were what actually shaped trust; they further argued that love and caring between friends, family members or any other social similarity created social situations which allowed trust to arise without any condition or need for influential institutional actions to legitimise the interaction. Sung and Kang (2012) also concluded that trust between business partners was enhanced and developed by social similarity rather than the physical similarity.

Social similarity, from Sung and Kang’s (2012) perspective, included demographic characteristics such as language, age, occupation and the social values which allowed interacting companies to form trust based on a sense of community which strengthened their mutual interests. Andersen and Kumar (2006) found that trusting partners were driven by emotions and benevolence when unexpected problems were occurring for any of the partners. However, Ren et al (2016) concluded that only sincere partners within social or cultural similarity were what were actually associated with trust in IOR.

Some researchers, including Nguyen and Liem (2013), noted that social similarity and shared values helped to create trust between business partners at the initial stage of the interaction only, particularly when the partners did not have any previous experience of each other. An empirical study conducted by Abosag and Lee (2013) have confirmed this in a study conducted in the context of an emerging economy aiming at determining the factors that influenced trust. Their investigation was based on four developmental stages of trust starting from the pre-relationship stage followed by the early interaction stage, the growth stage, and finally the maintenance stage. The study found that professional and social reputations and third party advice were the main factors that generated trust in the pre-relationship stage. However, Welter and Smallbone (2006) had previously noted that partners in the category of characteristic based trust already knew each other, and hence, one party was more likely to know that the other partner would not behave in a way that could have been detrimental to the relationship.

In summary, considerable debate exists about the characteristic based trust factors, and how these factors shape the structure and the ways companies behave in IOR (e.g. Souiden and Choi 2012). Although there is general agreement that all the trust production in this form of trust pertains to characteristics of a partner, these studies have revealed other relevant factors. For example, Nguyen and Liem (2013) argued that the source of this type of trust was more likely related to the geographical proximity of the partners involved. From this perspective, it is argued that representatives of interacting companies always found it easier and more convenient to manage the relationships with partners of the same geographical proximity than those at a greater geographical distance (Bönte 2008). Similarly, Cerri (2012) concluded that the social bonds did not only enhance the notion of trust but actually created an informal environment where close interpersonal relationships between business partners were developed and a better understanding of mutual needs was expressed and quickly achieved. For this reason, some researchers, including Nguyen and Liem (2013), argued that when trust in IORs was based on geographical and social similarity, both the vertical and horizontal integrations between business partners became faster and easier.

Chang and Gotcher (2007) found that shared values were more important than geographical or social similarity in having positive effects on trust. Shared values refer to interacting partners' beliefs in common including what goals, behaviours, and policies were appropriate or inappropriate for developing productive and trusting business relationships (Ojasalo 2008). However, Michalski et al (2014) found that what reflected the notion of trust in asymmetrical business relationships was not only the social similarity and closeness, but the belief of both companies that both were interested in the successful collaborative effort.

Subrahmanya (2008) investigated the reason behind developing trusting and productive business relationships between large companies and SMEs in Japan. The researcher found that SMEs and large companies were complementing each other. The market for SMEs was the large scale manufacturing companies and these large companies were constantly relying on SMEs. Hence, based on national and cultural proximity of the partners, the intention by both partners was also shared and both trusted the shared intention to be committed to the success of the partnership.

2.9.2 Process based trust factors

This section explores the factors which influence process based trust. The factors underlying this type of trust are based on reputation or direct experiences (Schilke et al. 2016). Reputation, in this context, refers to the perceptions that one company has of the trustworthiness of the other company based on third party sharing of information. On the other hand, experience refers to factors arising from the direct business interactions which have taken place between the two companies in the past.

Both reputation and experience are connected with perceptions of the reliability and capability of the partner in fulfilling their roles (Woolthuis et al. 2005). It refers to conscious choice and decision to trust based upon evidenced competency of the other business partner (Ren et al. 2016).

Reputation is one of the factors on which the trustor bases their expectation of the trustee, relying on the reported experiences of others (Guennif and Revest 2005). According to Huang and Wilkinson (2013), reputation is based on enquiry about the behaviour of potential partners as to their fairness and credibility and essentially relies on information about how the companies have behaved in other business relationships.

The most frequently cited factor in process based trust is reputation which can either be encouraging or discouraging for business partners (Munyon et al. 2011). It is very critical at an early stage of a business relationship where a satisfactory history becomes one of the major trust determinants (Hamida et al. 2011). Lui et al. (2006) reported the strong effect of partner reputation on inter-organisational trust rather than that of direct experience (Yang and Wikinson, 2013). Reputation comprises evidence that other company has behaved in a way that was consistent with norms of reciprocity and fairness. Thus, process based trust in asymmetrical business relationships is attributed to the perceptions of either party of the trustworthiness of the other party based on reputation. Typically, a SME will likely have learned from other SMEs that a particular large company has been perceived by them to have acted in a fair and equitable manner. Alternatively, a large company may have heard from other large companies that a certain SME had always fulfilled their contracts and were perceived to be trustworthy.

A series of sub-factors, based on experience, have been found to be essential for the development of process based trust between SMEs and large companies' business relationships (MacKenzie 2008). These experiential factors included keeping promises (Ojasalo 2008), relationship equity (Ybarra, 2009), communication (Das and Bing-Sheng 1998), commitment (Lewicka 2014), motives and intentions of business partners in entering into the relationship (Chipangura and Kaseke 2012), goal congrence (Ojasalo, 2008). SMEs appeared to maintain their relationships with previous large partners on the basis of perceived experiences (Hamida et al. 2011). The perceived experiences included most of the above factors.

Keeping or fulfilling promises is a key factor in process based trust as they lead to repeated interactions based on trust (Ojasalo, 2008). However, past experiences can also have negative effects on trust. An example of negative perception based on previous experience was cited by Davey et al (2001) who found that SMEs were not keen to enter into any further business interactions with the main contractors due to their failure to keep their promises in releasing their payments.

Relationship equity refers to the extent to which one company is seen to have acted fairly towards the other in past relationships. It is based on experience of equal sharing of risks and benefits involved in the relationship (Ybarra, 2009). Where a company has, in the past, acted in an equitable manner with their partner, future interactions are entered into with confidence based on the experience, even when partners are not equal in size or investment, and this occurs only when the benefits from the exchange are proportional and appropriate. In the context of franchisor-franchisee relationship, Shaikh (2015) viewed the issue of relationship equity as based on perceptions and beliefs that the contract was either equitable or inequitable. Shaikh identified four dimensions of relationship equity: distributive, procedural, interpersonal and informational.

Distributive fairness referred to the experiences that companies had of sharing benefits and risk in an equitable manner (Laczniak and Murphy, 2008). Procedural fairness referred to perceptions that contracts had been fair in regards to prices and promotional support. Interpersonal fairness was based on representatives being perceived to have acted in a just and equitable way towards each other. Finally, informational fairness was based on experiences of having shared relevant and useful information in a timely manner. Thus, trust can develop when both SMEs and large companies have experience of relationship equity in their previous relationship, whether that equity took the form of distributive, procedural, interpersonal and informational.

Power balance is another aspect of relationship equity which can affect process based trust in business relationships. Hancke (1998) provided evidence that confirmed the outcomes of the balance of power in the trust relationship between SMEs and large companies in the automotive industry in France. This practice was found to have enhanced the performance and productivity of both companies and resulted in high trusting relationships.

Communication has been described as experience based on informational equity either through formal or informal exchanges of necessary and meaningful information (Francis and Mukherji 2009). Cerri (2012) emphasised the importance of communication for trustworthy business relationships, and described communication as the glue connecting the interacting parties. Trust is influenced by the previous experience of the communication that existed between SMEs and large companies. Palmatier et al (2006) noted that communication can only be of significance when the number and frequency of quality information exchanged is valuable for the exchange of relationships. Similarly, Rai et al (2012) argued that interacting companies could only plan on how to increase their responsiveness and reduce inefficiencies in the exchange of logistic processes through communication. Thus, it is contended that past experience of sharing of relevant and useful information in a timely manner is a factor leading to a high level of trust (Francis and Mukherji 2009). An empirical study conducted by Grosse (2007) examined how communication between managers of interacting companies enhanced the development of trust in business relationships. The study found that communication facilitated the exchange of knowledge and experience and strengthened the degree of trust between business partners. Grosse (2007) also found that personal interest; sincerity and honesty during the communication played significant roles in strengthening trust.

Commitment is also a widely cited factor that affects developments of process based trust in IOR. It is a constant engagement in developing and maintaining the exchange relationship characterised by a longer term approach to the relationship and the sacrifices that this entails (Kwon 2011). Commitment is defined as the willingness of interacting companies to cooperate and effectively work towards their mutual benefits. It has been posited that commitment in a relationship is necessary for understanding the vision of the other partner and constantly paying attention to achieving their potential mutual interests (Munyon et al. 2011). However, conceptualisations of commitment in IORs are only valid if they consider the market structure where companies of different sizes in one market are supposed to share similar feelings of commitments (Frow 2007). This is because there is a significant distinction between calculative and affective commitments in IOR (Lewicka 2014) and each organisation in a relationship will continue to have their own visions and commitment.

Calculative commitment is grounded on financial calculation and economic bases of rationality of business relationship, while the affective commitment reflects positive social and psychological feelings towards the exchange partner (Ganesan et al. 2010). Sudhir Kumar and Bala Subrahmanya (2010) have noted the assistance that large companies (principal contractors) provided to small innovative subcontracting enterprises; the study found that the commitments and constant support of the principal contractors increased the performance and productivities of their smaller partner and the development of trust. Additionally, Souiden and Choi (2012), in a Japanese context, found that commitments to a partner through relationship specific actions or investments functioned as a facilitator for their trust in investors.

Motives and intentions refer to a situation where business partners expect benefits to be derived from the business relationship (Nguyen, 2009) and is another sub-factor of process based trust. Motivations and intentions of a partner seemed to have an indirect effect on trust of the other business partner. Chipangura and Kaseke (2012) noted that characteristics of actors such as intentions and motivations of managers or owners of a company, such as the intention to be committed to the relationship or the intention to manipulate the relationship to their own advantage, were what actually influenced the level of trust in IOR. This was from both sides, owners of SMEs as well as managers of large companies. Several empirical studies support this argument. For instance, Jones et al. (2014) concluded that when owners or managers of SMEs promise their large partners some orders, they in fact signal to their large partners, their intention to be reliable partners. Similarly, when large companies, for example invest in the assets of their smaller partners, they signal to SMEs that their intention is benevolent. Conversely, opportunistic behaviour, defined by Williamson (1975) “as self-interest with guile’’, singled the bad intention of a partner and resulted in low levels of trust (Ojasalo, 2008). Berg et al. (1995) noted that behaviour based on self-interest on the part of either party in the exchange often led to the diminution of trust within the relationship.

Auko et al. (2011) conducted a study to determine the internal and external constraints on subcontracting relationships between SMEs and large companies in the motor vehicle manufacturing industry in Kenya. The sector was intentionally chosen because of the government’s position of promoting SMEs and large companies subcontracting arrangements. The study revealed that the majority of SMEs did not trust their large partners; instead, only small numbers of subcontracting arrangements were taking place between SMEs and large companies. The study revealed that the motive of the large partner in keeping a small number of contractual arrangements with SMEs was only due to their desire to maintain a good reputation with the government.

However, the primary driver of these business relationships was the self-interest of the large companies which prevented the development of trust.

Goal congruence is another process based trust factor and refers to a situation where business partners acknowledge that in the past the goal of other partner was congruent with their own goals (Ojasalo, 2008). Goal congruence does not imply that the goals of either company perfectly match each other. Ojasalo, (2008) has suggested that disagreement over goals was only to be expected where two separate business organisations attempted to work collaboratively. However, goal congruence implies that, despite differences, both partners have been able to find common ground which has allowed them to work collaboratively to their mutual benefits. Where such accommodation and collaboration has been found to be effective in past experience, a high level of trust often existed which could lead to future collaborative business interactions.

Prior experience of the reliability of a partner is another sub-factor in process based trust. Viitaharju and Lähdesmäki (2012) conducted research into IORs involving SMEs who were representing food producers in Finland and their larger partners who were representing retailers. They concluded that it was the past experience of the reliability of SMEs in producing quality products that was the principal factor underlying the interest in developing trusting business relationships. Experience of previous interactions where SMEs had proven to be reliable outweighed the negative effects of the power of their larger partners. In this regard, Pretorius et al. (2008) noted that the reliability of SMEs was directly evidenced by completing any assigned task and by their innovative approach in developing technical knowledge. This often resulted in trusting relationships with large companies.

In addition to the factors and sub-factors presented in this section, an extensive body of literature exists on factors affecting trust and many researchers have revealed a large number of factors. For example, Huang, (2013) found cooperativeness; reliability, adaptability, and exchange of expertise and knowledge were essential components of developing trust based on processes. Steffel and Ellis (2009) revealed a series of antecedents in business relationships which were essential for trust to arise such as the limited use of power in resolving disputes, encouraging the habit of give and take, enforcing joint planning and decision making and ultimately goal determination and goal identification. Nevertheless, these additional factors overlap with the earlier ones presented in this section and mostly represent nuanced versions of those principal factors and sub-factors.

A longitudinal survey of antecedents and outcomes of trust formation and development in strategic alliance partnerships conducted by Ybarra and Turk (2009) found that the development of trust was based on communication, relationship quality and shared values. Ojasalo (2008) conducted an extensive review of the literature to determine the factors that influenced trust. The study found communication, fulfilling promises, sharing values, power balance, and goal congruence represented the key factors that affected process based trust. That study, on the other hand, found that opportunistic behaviour and the need for monitoring were the most salient factors that negatively affected trust. Viitaharju and Lähdesmäki, (2012) have also attempted to explore the factors by identifying the antecedents of trust. The study found shared values, market spirit; personal competency, power balance and communication were the key factors that affected process based trust in asymmetrical relationships.

Thus, process based trust factors were found to be twofold in nature; either they were based on information obtained from a third party about a potential partner, or else, they were based on direct previous experience of working with a particular partner.

2.9.3 Factors underlying institutional based trust

The third distinctive type of trust is an institutional based one. This type of trust is grounded in the external world including the surrounding social and political institutions (Zucker 1986), which may include professions, traditions, certifications, license, and most of the institutional arrangements which exist as an independent part of the interacting companies (Fuglsang and Jagd 2015). This includes formal institutions, sanctions and legal processes and other informal codes of practices and values (Welter and Smallbone 2006). It is treated as the macro level of trust. Institutional based trust, at the most general level, is a form of personal or collective actions that are constitutive rooted in the surrounding institutional environment; in which the trustor often builds on positive assumptions about the trustee's future behaviour (Bachmann and Inkpen 2011).

Institutions create social orders and contain patterns of behaviour which need to be followed by the actors. They lend legitimacy and meaning to the behaviour of business actors (Bachmann and Inkpen 2011) and, if pre-established agreements are violated, sanctions against the offending party are taken by the relevant institutions or certification bodies (McEvily et al. 2003).

It was argued by Bachmann and Inkpen (2011) that institutional trust was essential when strategies were developed to enhance particular individuals or organisations. This included situations where some governments, such as the Sultanate of Oman, decided to enforce positions of SMEs by reserving not less than 10% of public projects awarded to large companies to be allocated to SMEs. It is strongly argued that interpersonal trust in asymmetrical forms of business relationships could limit the productiveness of economic actors such as SMEs in the country because of the reliance on strong ties within cohesive groups instead of relying on strong institutions (Rus and Igli 2005). The economic actors, left to their own devices, might not always act in accordance with the intention of the government in promoting SMEs. Accordingly, an independent regulatory body or institution is often required and this can facilitate the development of trusting relationships. According to Dickson et al. (2006) the legal and regulatory system may impact on the collaborative arrangements in three ways. Firstly, public institutions can govern the financial and physical transactions which take place between business partners. Secondly, public institutions can safeguard the owner's right over their intellectual property. Thirdly, legal institutions can protect both partners from any kind opportunistic behaviour in the place where they operate. Bachmann and Inkpen (2011) and Rus and Igli (2005) concluded that institutional trust which can be in forms of control or behavioural coordination was essential in asymmetrical business relationships. They viewed it as playing a crucial role in trust building processes through creating orders and patterns of behaviour which ultimately had to be followed by the interacting parties. The fact that both business partners are regulated in their actions by an independent institute leads to trust as either partner realises that awards of public projects require the compliance of both partners to the rules and expectations of the monitoring body.

Different institutions give rise to different levels of trust (Vlaar et al. 2007). According to Welter and Smallbone (2006) institutional environments can bring about two levels of trust. If the institution is strong and has legal powers, this can lead to a trusting relationship in that both parties are bound by regulations and being in breach of these regulations can have serious consequences for procuring future projects. This may seem like enforced trust which is a contradiction in terms. However, for both companies to trust each other, it may well be the better option and lead to a win-win situation. Thus, strong institutions can lead to trusting relationships. On the other hand, if the institutions or regulatory body are weak, they may be ineffective in influencing partners to enter into trusting relationships.

Institutions or regulatory bodies can bring about different levels of trust, ranging from high to low. The levels of institutional trust levels can have different impacts on the productivity and efficiency of business relationships. A low trust environment discourages market entry, leads to low levels of growth and ends up by encouraging unproductive business relationships (Welter and Smallbone 2006). An example of low trust environment is indicated in the study conducted by Mambula (2002) on constraints on SMEs' growth in Nigeria and found that large companies did not only dominate every business opportunity such as securing government procurement, but also attracted employees of SMEs by offering better wages and benefits. This was due to the absence or weakness of public institutions as the activity of the dominating business partner was in no way curtailed by ineffective public institutions.

Another study which aimed at distinguishing between strong or weak institutional environments was conducted by Welter et al (2004) who investigated the role of trust in IORs between Western and Eastern Europe businesses. The researchers found that in stable institutional environments such as Germany, personal trust only played a minor role in IORs, while in unstable institutional environments such as that of peripheral regions of Russia, personal trust substituted for institutional deficiencies. The researchers further concluded that forms of trust often depended on regional and sector environments. When strong institutional trust existed, the relationships could be developed without even the need for prior experiences as the institutions acted as guarantors for the business partners (Bachmann and Inkpen 2011). Strong institutional forces which exist in the form of regulative and normative rules can influence the behaviour of economic actors and force them to avoid acting opportunistically (Kroeger 2012).

Several studies have attempted to identify the factors underlying institutional based trust. Dickson and Weaver (2011) found that regulatory institutional intervention mattered in the initial stages of the business arrangements by clarifying the duties and responsibilities of both partners and that legal sanctions were essential to limit the risk of any opportunistic behaviour. Hagen and Soonkyoo (1998), in the context of buyer- supplier relationships in Japan included social sanctions, such as exposure in the local media, which in fact led interacting partners to carefully consider those sanctions before committing any unacceptable action. Thus, social sanctions are constructed through social norms which complemented the established formal institutions such as legal institutions.

Nguyen and Liem (2013), by reviewing the literature of trust in IOR, revealed three factors by which institutions could enhance the establishment of trust in IOR: regulations, laws, and monitoring actions. However, Nguyen and Liem did not reveal what roles these factors played in bringing about trust between business partners.

An important contribution to the role that institutions played in controlling the behaviour of actors involved in the interaction was made by Bachmann and Inkpen (2011). They confirmed that institutions could play four critical roles in developing trust in IORs. Firstly, through legal provision, interacting companies were compelled to behave in a lawful manner by honouring their side of contractual agreements; otherwise partners that violated agreements exposed themselves to considerable punishment. Thus, legal provision is a factor of institutional based trust.

Secondly, are professional codes of conduct. Adherence to professional codes was monitored by conducting a survey to investigate and evaluate satisfaction of partners with each other. This was in order to encourage them to attain productive business relationships, as unsatisfactory feedback could result in penalties. Thus, professional codes of conduct based on customer feedback are another important factor in institutional based trust.

Thirdly, is certification; the awarding of certificates to companies for meeting standards and satisfying various criteria, is a factor of institutional based trust. This is because the company in possession of the certificate is perceived to be trustworthy based on the award from a reputable awarding body.

Fourthly, is the force of community norms which compels companies to act ethically in order to protect their reputations in the community. Thus, public perceptions based on social norms represent factors of institutional based trust.

In summary, institutions such as regulatory bodies and codes of practice frequently carry state legitimacy and are enforceable by law. However, often such enforcement is not perfectly applied in practice and certain actors are able to behave opportunistically by placing their own self-interest ahead of the regulations set by the state (Kroeger 2012). It was also argued that social and community norms in developing countries could be even more effective in facilitating the development of trust than public rules and regulations (Child and Mollering 2003). Furthermore, despite the attention paid to the importance of institutions in promoting the development of trust, there is still a consensus among authors that the role of institutions in the development of trust remains unclear (Bachmann and Inkpen 2011; Fuglsang and Jagd 2015). The lack of clarity in the role of institutions is addressed in the current research.

2.10 Summary of the chapter

This chapter has presented some approaches to identifying levels of trust between SMEs and large companies in mandated business relationships. This involved the use of indicators which signalled the levels of trust between business organisations. Additionally, the literature review surveyed the various factors which have been found to influence the levels of trust between SMEs and large companies. These indicators and factors were important for addressing the two research questions at the heart of this research.

Trust indicators included: recurrence of business interaction, degree of formality, level of interdependency and level of reciprocity in information exchange. These four indicators were selected to form the conceptual framework of the study in order to address the first research question.

Trust factors were categorised into three main groups, characteristics based factors, process based factors and institutional based factors. Each category contained a number of factors. These were selected to contribute to the conceptual framework of the study in order to address the second research question.

Chapter Three – Methodology

3.1 Introduction

This chapter provides an outline of the research methodology that underpins this research which aims at addressing issues of trust in mandated business interaction.

Based on a critical literature review (Chapter 2) the following research questions are formulated:

I. How can trust be conceptualised and assessed in mandated business interactions?
II. How do various factors influence trust levels between SMEs and large companies in mandated business interactions?

The purpose of this chapter is to present the research design through which these research questions will be addressed.

3.2 Research design

The research design can be described as a detailed outline of how an investigation of certain phenomena will take place (Punch 2005); it consists of a plan for data collection and data analysis. However, an appropriate outline of the research design must be taken into consideration in order to ensure that the collected data answers the research questions.

The literature provides various options for research designs and there is no common agreement among researchers on which research design to select. For instance, Crotty (1998) identifies four elements which represent two theoretical and two practical elements to be considered in relation to research design. The theoretical elements are epistemology and theoretical perspectives; practical elements include methodology and methods:

- Epistemology: the knowledge claims which inform the research.
- Theoretical Perspectives: The philosophical assumptions underlying the research.
- Methodology: The research strategies which link the methods to the outcomes.

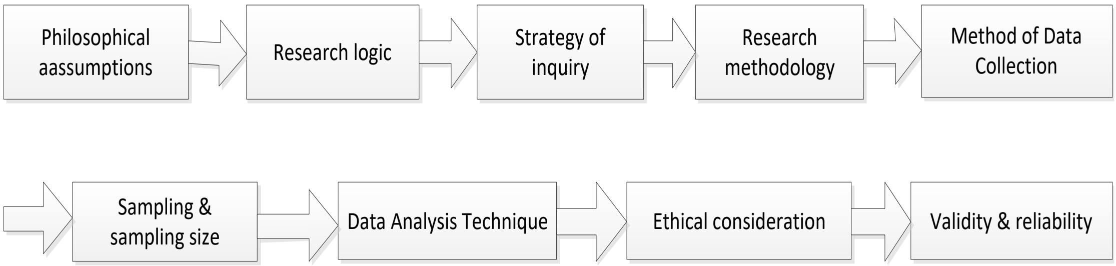
- Method: The procedures adopted to address the research questions.

An alternative approach to research design is presented in Denzin and Lincoln (2005) and consists of five sequential steps. The first step is concerned with the field of inquiry which can either be qualitative or quantitative. The second step is the selection of an appropriate theoretical research paradigm. Third step is concerned with the methodology and, finally, two steps are concerned with the instruments for collecting data and the procedures of data analysis. Saunders et al. (2007) propose six layers of research design known as the 'research onion'. These layers include the philosophical stance of the researcher (e.g. realism or positivism), the research logic (inductive or deductive), methodologies (e.g. surveys, case study), methods (e.g. single or mixed method), time perspective (e.g. longitudinal, cross-sectional), field of inquiry (quantitative or qualitative), and finally, the procedures for data collection and analysis.

The differences in approach to research design are mainly that of classification; the essential elements of research design are similar in most scholars in the field.

Figure 2 is based on the common features of research design identified in the above studies. The chapter is divided into nine different sections, which include 1) philosophical assumptions, 2) research logic, 3) strategy of inquiry, 4) research methodology, 5) method of data collection, 6) sampling and sampling size, 7) data analysis technique, 8) ethical considerations, 9) validity and reliability. The following figure depicts the above stated sections:

Figure 2 Structure of the research design



3.2.1 Philosophical assumptions

Philosophy is an activity and is defined as a method that initially involves thinking skills, and is followed by practical skills to search for reality, by involving the ideas, experience, and knowledge of others (Greetham 2006). Philosophy helps researchers on how research objectives and research questions must be formulated and how researchers must seek for information that is essential to answer the research questions (Creswell 2013). Philosophy analyses the social reality of the world from various paradigms such as realism and interpretivism. In this regard, researchers need to give careful consideration to the issue of an appropriate paradigm for acquiring knowledge, and the various epistemological paradigms are not always straightforward (Aliyu et al. 2014). Thus, identifying a philosophical perspective can help a researcher to define his/her study objectives and clarify the perspectives and research questions that will be posed in the project.

Epistemology relates to the issue of what constitutes valid sources of knowledge. Creswell (2003) has pointed out that epistemology is rooted in ontology which is the science of being and involves views of what constitutes reality. Two broad ontological positions are possible. The first is realism which posits that reality is mind independent, objective and something which is to be discovered by the human mind. The second position is that of idealism which sees reality as largely mind-constructed or the way in which the human mind makes some sense of external reality. It is also sometimes referred to as interpretivism. In this study, the ontological stance is that of interpretivism in that trust is a phenomenon which is largely mind-constructed.

The interpretivist paradigm is predicated upon the view that knowledge is constructed through the perceptions and experiences of the people involved;

therefore, social scientists describe this paradigm as a means to grasp subjective meanings from the perceptions and experiences of the individuals involved (Bryman and Bell 2011). In contrast to the other paradigms, interpretivism embraces a wide range of philosophical and social thought (Creswell 2013). The simple and fundamental laws of nature are seen as insufficient to understand the complex nature of social phenomena (Blumberg et al. 2005) such as trust. Hence, it can be said that this paradigm is concerned with understanding the world as it is, and to understanding the fundamental nature of social world (the state of trust such as level and factors that influence the levels of trust) at the level of subjective experience (Viitaharju and Lähdesmäki 2012).

The interpretivist ontological point of view describes reality as largely mind constructed, therefore, it attempts to understand and explain the social world primarily from the point of view of the actors directly involved in the interaction (Bryman and Bell 2011). This represents the essential function of social sciences, and particularly studies that attempt to understand the subjective meaning of various actions (Bryman 2012). This is similar to studies that attempt to explore and investigate the notion of trust between SMES and large companies (e.g. Nguyen et al. 2005; Thorgren et al. 2011).

Trust is a multi-dimensional construct (Deepak,2011), and elastic in nature and can be investigated and explored once individuals involved in the interactions give their views and experience about the other partner (Seppanen, 2011). Adobor (2005) noted that trust was a soft concept where even betrayal of trust by any business partner could not be noticed until the actors involved expressed it in some way and this required an explanation from the individuals involved. Some studies of trust that were conducted within a realist paradigm (e.g. Chong et al. 2009; Steffel and Ellis 2009; Barnes and Yen 2011) revealed multifaceted findings and most of these studies concluded that trust should be given further attention through deeper investigation perhaps within an interpretivist paradigm. James Jr (2002) noted that the phenomenon of trust cannot be easily quantified and that this area of research required much deeper attention through interpretivist studies in order to generate meaningful information. Similarly, Adobor (2005) emphasised that the elasticity and dynamic nature of trust required deeper investigation and views and experiences of individuals who were directly involved in the interaction. Actually, studies conducted within the interpretivist paradigm were found to play a crucial role in obtaining reliable information through which the researcher got closer to reality by discussing and investigating the various issues that can determine the state of trust such as levels and influential trust factors from the perspective of the actors involved (e.g. Nguyen et al. 2005). It is argued that actors can explain a broader scenario and possible sets of elements or concerns that can influence the relationships (Lee et al. 2012). Zaheer et al (2010) also noted that the content of the relationship can clearly be understood by interpreting and analysing the meanings that can be generated by the questions how, why and what from the individuals involved in the relationships. Hence, an interpretivist paradigm provides a holistic insight by using the questions of why, how and what, in the experiences, views, and perspectives of key managers in such relationships.

The following points are put forward for justifying an interpretivist paradigm for this study:

a. Its ability to explore and investigate the complex pattern of relationships and business interactions that exist between SMEs and large companies, which are not usually amenable to researches located within positivist paradigms (Welter, 2012).

b. Trust between organisations is, in reality, trust between people, and can be constructed through various means such as the intervention of a third party who can either endorse or break the relationship (Gaur et al (2011). Therefore, it is described as a complicated term to be understood, as such a concept can evolve through various means and change over time (Nguyen et al. 2005).

c. Trust in IORs is influenced by many issues (Bandeira-de-Mello et al. 2011). The literature offers a large number of factors (i.e. institutional, psychological, social, economic and cultural concerns) that can influence the levels of trust in business relationships (Palmatier et al.

2006) and it is not clear which ones may influence SMEs and large companies in the mandated business interactions in public projects. An interpretivist study will provide insights into the perceptions of key players as to which factors are of practical importance from their perspectives.

d. Finally, trust appears to be a catch all phrase used to explain various aspects of personal relationships (Welter, 2012). Therefore, an interpretivist study is expected to offer researchers the possibility to clarify the phenomenon of trust from the perspectives and experiences of actors involved in the interactions.

The next consideration is called the research logic which is discussed in the following section.

3.2.2 Research logic

Research is conducted to find answers for questions either posed by theoretical considerations or by developing theory after collecting and analysing data associated with the research projects (Bryman and Bell 2011). In this sense, the literature reveals two common research logics in social studies namely, deductive and inductive logics.

The deductive method represents a quantitative approach which is closely linked with positivism (Robson 2011), where theories are developed by the testing of hypotheses (Bryman 2012). Creswell (2003) argues that in quantitative research, the hypothesis and research questions are based on the theory that the researcher seeks to test. Thus, deductive approaches are driven by theory.

Inductive logic, on the other hand, is concerned with the development of theory which is associated with the findings of domains of research enquiries (Bryman and Bell 2011). Unlike deductive logic, the use of theory in inductive logic is much more varied (Creswell 2003), and is usually less straightforward (Punch 2005). Researchers following an inductive logic use the implications of findings for the development of theory by linking research findings with certain domains of inquiry. With regards to trust between SMEs and large companies in mandated business interaction as the reality under investigation in the current research, this study adopts an inductive approach.

The following section presents the particular strategy of inquiry based on the ontological, epistemological and logical assumptions underlying the current research.

3.2.3 Strategy of inquiry

The exploratory nature of this study calls for a qualitative approach as most appropriate for answering the research questions (Nguyen et al. 2005; Shaw 2006). Qualitative studies provide researchers an opportunity to gain an in-depth understanding of the social phenomena under investigation and to understand the complexity of the relationships, particularly in researching a nascent concept that can be difficult to understand such as trust (Bonte, 2007).

Most studies relevant to assessment of trust have made use of attitudinal surveys which were often based on general expressions such as “most people are trustworthy” or “it is prudent to be cautious when entering into deals with others”. Responses to such statements, usually using a Likert rating scale, are frequently difficult to evaluate either because they are based on attitudes or because the statements are often vague and generic (Ermisch et al. 2009). The responses to such statements do not refer to incidents or actions and the context within which the respondent was applying their particular rating has been lost in the instrument by which the data is being collected (Ermisch et al. 2009).

Trust is a complex phenomenon which can only be conceptualised and understood from individuals’ perspectives (Aliyu et al. 2014). It is a broad and multi-dimensional construct and is often related to beliefs of one partner about other partners’ intention, behaviour, and to the related risks (Blomqvist, 2005). Abosag, (2013) noted that trust between business partners develops over time. Hence, a qualitative approach provides a more holistic insight into interaction issues and allows researchers to explore different perceptions, views and experiences. It also helps to avoid generating oversimplified understandings of the context (Nguyen et al. 2005),.

Welter et al (2004) argued that trust was too complicated a topic to be researched quantitatively because of its nature which is influenced by different sociological, cultural and institutional issues. It is clearly noted by Steffel and Ellis (2009) that issues concerning competition, coordination and relational exchange can be revealed and clearly understood by conducting qualitative research. In contrast, quantitative approaches, are argued to be best in explaining phenomena that have quantifiable dimensions such as frequency and duration of inter-organisational interactions and measuring their consequences (Steffel and Ellis 2009).

Support for the argument of the appropriateness of qualitative rather than quantitative approaches can be drawn from previous researchers in IORs (e.g. Holmlund 2004; Reisenwitz and Fowler 2013; Scheer and Lund 2013) who posit that the elements of relationships and trust favour conducting qualitative methods. This can also be explained from the findings of some of IORs studies. For instance, Lee et al (2012) conducted research in inter-organizational collaboration networks using quantitative methods and suggested that aspects of relationships could be better discussed, obtained, and understood through deeper investigation through qualitative methods. Similarly, Thorgren et al (2011) conducted research specifically on trust in IOR, and concluded that the findings did not specify the determinant elements that could influence trust in the interaction. Thus, a qualitative method is expected to generate valuable information in investigating the concept of trust and assessing its levels in mandated business interactions.

3.2.4 Research methodology

The research methodology is a consideration of the issues involved in the adoption of a certain data collection method in terms of the expected outcomes of using that method (Bryman and Bell 2011). It can also be described as a structure of the logical process that researchers follow to collect reliable and fruitful data (Silverman 2011). This structure helps the researcher to ensure that the content of the research methodology assists the researcher to obtain the required information accurately; the accuracy here can be achieved by determining the evidence selected to either evaluate or describe phenomena (Punch 2005). Generally, there is no wrong or right method, rather it is a matter of selecting the most appropriate method to research the topic (Silverman 2011). Most importantly, the boundary selected for the research should be appropriate to achieving the purpose of the study (Punch 2005). In this research, the context is trust in mandated business interactions in the Sultanate of Oman and justification for this context has been presented in chapter one (see 1.3).

However, prior to framing the topics to be covered in interviews, four preliminary background interviews were conducted with several public institutions in order to obtain relevant information on the institutional context.

Table 3 shows the name of the public institutions, designation of the interviewees and purposes of the interview. These interviews had the function of providing the researcher with much background information which aided the researcher towards a more in-depth insight into various aspects of the mandated business interactions.

Table 3: Background interviews conducted with public officials

Public institution	Designation	Purpose of the interview
Tender Board of Oman	General Manager	To identify the role and procedures that TBO play and follow in the mandated business interaction.
Public Authority for SMEs Development (PASMED)	Acting CEO of PASMED	To identify the role that PASMED played in mandated business interaction and to know how PASMED enhanced SMEs in this form of business interaction.
Ministry of Transport and Communication (MTC)	General Manager	To identify the role that MTC played and its influence on the relationship between SMEs and large companies in this form of business interaction.
Ministry of Manpower (MOM)	Head of section inlabour administration & inspection programme	To identify the role and influence that inspection teams had on SMEs and large companies' business relationship.

The interviewed public officials provided some useful information about involvement of their institutions in the mandated business interaction. They provided some documents such as decrees and procedures that committees followed in supervising and monitoring the interactions of the companies at public sites.

The interviewees apologised for not being able to have the interviews recorded. These interviews were conducted in form of preparation to have broader background about the mandated business interactions and roles of involved public institutions.

The specific methods used to generate data for the research are addressed in the following section.

3.3 Method of data collection

The data was generated in this study by means of semi-structured interviews with representatives of key managers of both large companies and SMEs.

3.3.1 Interviews

The interview is one of the most frequently used tools in qualitative studies; it is considered as one of the best tools for accessing perceptions of people about definitions, meanings, and experience of situations (Denzin and Lincoln 2005).

There are three main types of interviews: semi-structured, structured and unstructured interviews (Punch 2005). These types of interviews have different characteristics based on the degree of structure which is, in turn, decided by how deep the interview intends to go. It is also based on the questions and objectives of the research.

According to Nguyen et al (2005) trust requires in depth discussion and the researcher may be required to ask several questions in order to understand levels of trust that exist between interacting companies. Thus, among the various types of interviews, semi-structured interviews seemed to be the most effective tool to reveal the levels of trust and to determine the factors that influenced the levels of trust. Semi-structured interviews required researchers not to develop or adopt highly specific research questions in advance, but rather to adopt a flexible approach to eliciting views and opinions on issues and topics related to the research questions (Bryman and Bell 2011). Maria, (2012) investigated trust using semi structured interviews and concluded that every interview they conducted offered fascinating stories in which interviewees expressed their experiences and illustrated the factors that they perceived as influential in the development of trust between business partners.

3.3.2 Semi-structured interview

A semi-structured interview is a most appropriate tool for exploratory studies (Silverman 2011). Exploring trust in business relationships, and particularly at asymmetric levels of business interactions, is a complicated issue (Sefiani and Bown 2013) due to the unequal power balance and the variation of needs and expectations of the partners. Thus, it must be investigated in indirect ways with the interviewees. Hence, several questions need to be asked in order to determine the levels of trust and identify the factors that influence levels of trust in mandated business relationships.

Several advantages of semi-structured interviews are revealed in the literature. One advantage is the great flexibility which they offer to the researcher. Although the researcher may have in mind a list of questions on a specific topic, this list is considered only as a guide that leads the researcher to fairly cover the topic (Bryman and Bell 2011).

A second advantage is that semi-structured interviews allow interviewees to express their views and experiences in their own words (Abosag, 2013). It also offers an opportunity to enable respondents to clarify the questions as the semi-structured interviews is more like a conversation than a questionnaire (Silverman 2011).

To obtain the required knowledge about the levels of trust between SMEs and large companies and to determine the factors that influenced the levels of trust, the participants were initially requested to narrate their experiences with their partners in the mandated business interactions. At this point, the researcher adopted an indirect approach to issues of trust due to its sensitivity in the context of mandated business interactions. The interviewer was guided by the following list of open questions to prompt the interviewee to express their views and opinions.

- How the relationship began? How long did it last?
- Did the relationship develop or decline? How and why?
- Did you experience any challenges while interacting with your business partner?
- How they were solved and how they affected your relationship with your partner?
- Can you describe the influence of public bodies in this form of business interaction?
- How formal has been the deal between you and your partner? Why?
- How do you experience the interdependency between you and your partner?
- Did you experience any kind of information exchange?
- Was the information readily forthcoming or did you have to press the other partner for the information?
- Was the information exchanged between you and your partner influenced by the relationship in any way?
- What are the characteristics of your partner that you experienced important for the development of trust? Was anything discouraging?
- Did the mandated nature of the contract affect the relationship in any way? How?

These questions were essential to create a dynamic conversation in which the researcher could spontaneously ask for more clarification and raise questions based on their answers.

3.3.3 Pilot interviews

According to Punch (2005), pilot studies are important for adjusting and shaping the research plan, flows of the contents and questions. It can, consequently, reduce the risk of failure in collected information. Three pilot interviews were conducted with three representatives (One with project manager of one of the large companies operating in Oman, one with site engineer of a large company, and one with an owner of medium enterprise). These three pilot interviews took place prior to the actual 25 interviews. None of the three interviewees in the pilot study was included in the actual research.

Minor adjustments were subsequently made particularly in the wording of the questions to avoid the possibility of repeating the same question and to avoid any ambiguity in the questions. For instance, the owner of a SME, initially, discussed experiences of their enterprise in the mandated business without determining one specific business partner. Thus, the actual conducted interviews were initially preceded by providing a brief explanation of the topic and its boundaries. Additionally, most of the interviewees were not comfortable with the use of English language due to the limited capability to express their experiences about this kind of business interactions. So, most of the interviews were conducted in Arabic, only four were conducted in English.

Issues related to sampling and sample size of participants are presented in the following section.

3.4 Sampling and sample size

Sampling in qualitative studies is not only concerned about which event to observe or which people to select for interviews but is considered as a tool of settings and processes of data collection (Punch 2005). Sampling selection in qualitative studies varies from that of quantitative studies. Quantitative sampling most often tends to use probability sampling aiming at representativeness, whereas qualitative research tends to use purposive sampling for generating data from those who are assumed to be the focus in mind (Punch 2005).

Three main issues have to be considered in the selection of a purposive sample in qualitative studies: who to select as informants for the study, the strategy which will be followed to engage the purposive sampling and, finally, the number of informants required (Creswell, 2013).

In examining a relationship, it is important to obtain data from both parties (e.g. Svensson 2006; Schoorman et al. 2007). The selection of participants provided the perceptions of both parties involved in the same inter-organisational relationship. This study selected its sample from SMEs and large companies that were engaged or had been engaged in mandated business relationships in public projects. This study engaged project managers, site engineers and owners of SMEs. The primary aim of selecting individuals from managerial posts of both companies was related to their involvement and experiences in this kind of business interaction. These individuals were expected to express their experiences and illustrate the levels of trust between them and their partners in mandated business interactions; they were also expected to reveal the factors that influenced the level of trust in such business relationships.

Project managers (PM) were expected to provide an extensive overview of their projects and opportunities that were reserved to SMEs; they were also aimed at illustrating their experience of dealing with owners of subcontracted SMEs, such as how they have been overcoming unpredictable situations while interacting with SMEs, how they often dealt with SMEs, and they were also aimed at revealing some distinctive characteristics of SMEs and owners, and what encouraged or discouraged them from forming productive business relationships with SMEs based on trust.

The middle management of large companies (Site Engineers) were included because of their direct interaction with owners of SMEs and employees of these SMEs on a daily basis. They were expected to be very much concerned about the quality of work and completion and the character of SMEs that frequently worked with them. They were aimed at reporting their experiences and discussing various issues that might refer to the trust and factors that influenced the levels of trust between them and their smaller counterparts.

The sample population of SMEs was drawn from owners. The purpose of selecting this sampling population was to investigate their perceptions, experiences, and views about their relationships and specifically how they either formed trusting or distrusting business relationships while interacting with their large counterparts in mandated business relationships.

3.4.1 Sample size

The most important concern regarding sample size is that the selected sample population is appropriate for providing in-depth insights into the issues under investigations (Creswell 2013). It conversely depends on whom and how many participants are required for obtaining comprehensive and reliable data

(Cleary et al. 2014), else, inappropriate determinant considerations of sampling population may lead to an error in research findings (Creswell 2003).

Therefore, the sample size was initially intended to engage a total of 30 participants. Twelve from the large companies represented one project manager and one site engineer from each large companies. The remaining 18 represented the owners of each of the intended SMEs in the embedded cases. However, 25 were finally interviewed as explained later in this section. Additionally, the sample of large companies was selected from different types of large companies operating in Oman. The rationale behind engaging different large companies was to interpret different perceptions and experiences from the diversity of business and social backgrounds.

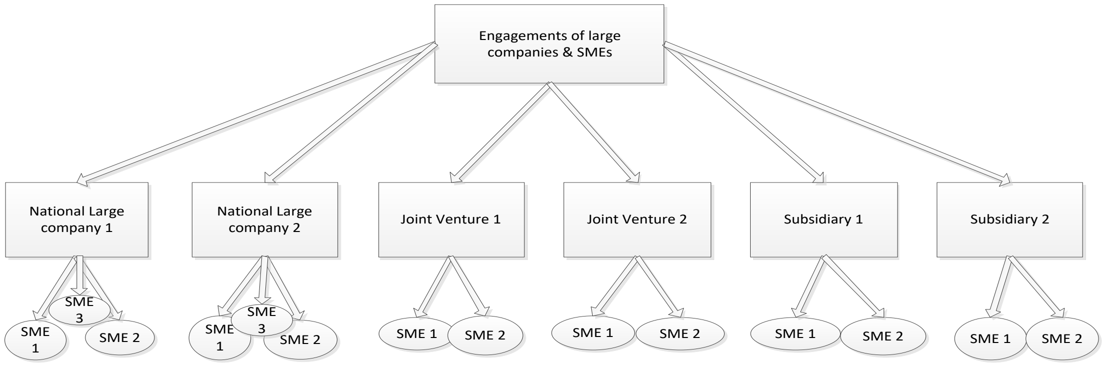
Two large companies were selected from each of the following three types of large companies:

- Two from large joint venture companies
- Two from large subsidiary companies
- Two from Omani owned large companies.

The large joint venture companies were involved in an alliance between a foreign based company and a local Omani owned company. The large subsidiary companies were solely foreign based companies. The final type of large company was drawn from Omani owned companies.

The sample population of SMEs was initially intended to comprise three subcontracted SMEs with every single contracting company of the various types of large companies. This would have resulted in 18 embedded cases. However, for various reasons, it was not possible to include three SMEs contracted to each of the 6 large companies. In two instances, there were three SMEs engaged with two large companies; the remaining 4 large companies, were each engaged with 2 SMEs. This resulted in a total of 14 embedded cases. This is shown in figure 3.

Figure 3 Structure of the embedded cases



Each embedded case was thus represented by more than one interview. Initially, it was intended to interview 18 from SME owners and 12 from large companies giving a total of 30 planned interviews to represent the embedded cases. However, prior to the interviews being held, one site engineer and three SMEs owners declined to be interviewed. Following the interviews, another SME owner decided to have his data removed from the study. This resulted in a total of 25 interview transcripts for the analysis of the data.

In summary, 25 interviews were included in the analysis; 6 interviews were conducted with project managers, 5 interviews with site engineers, and 14 interviews with the owners of SMEs. The 25 interviews took place during a period from March 2015 and July 2015. Each interview lasted between 40 and 75 minutes. Most of the interviews took place in their offices in Oman except for two owners of SMEs who preferred to be interviewed at a neutral venue.

3.4.2 Engagement of participants

Due to the nature of mandated business interactions which often began within public bodies, the participants were engaged in a systematic way. Initially and after providing evidence of my identity and after obtaining ‘’To Whom It May Concern letter’’ (see appendix 3) from my sponsor which is the Ministry of Manpower’’, the Tender Board of Oman (TBO) agreed to provide me with the following information:

- List of companies (Large companies and SMEs engaged in mandated subcontracting business interactions) in public projects.
- List of public projects.

The representative of TBO provided a list of the companies and emphasised that the Ministry of Transport and Communication (MTC) was one of the public institutions which was paying very significant attention towards implementations of mandated business interactions between SMEs and large companies. The general manager of TBO also expressed that MTC was one of the most influential public institutions involved in implementing the mandated business between SME and large companies in public projects. He stated that collecting data from MTC and particularly in road construction industry would be helpful for the researcher as it was very rich in terms of sample size. According to him, the findings of this study were expected to reveal the current state of interaction and trust and the factors which would eventually help the decision makers in Oman on how to utilise public projects for development of SMEs and for encouraging Omani youth to become entrepreneurs.

Having obtained the required information from the TBO, the next stage was to contact the Ministry of Transport and Communication (MTC). The Tender & Contract Department in MTC appreciated the effort made by the researcher to explore the state of trust between SMES and large firms in the mandated business relationships. The General Manager (GM) of this department explained the efforts that MTC tended to make in order to ensure more productive business relationships between SMEs and large companies. He provided some documents which showed the formations of committees that supervised the site and monitored the interactions between large companies and SMEs. The GM of this department had instructed his teams to provide detailed lists of various types of companies that were engaged in this form of business interactions. The GM of tender and contract department provided a list of large companies and SMEs working on their sites with their contact details. Generally, the sample group of various types of companies and their subcontracting SMEs were subjected to the following conditions:

- SMEs and large companies must be engaged in mandated business companies.
- The owner of SMEs must be an Omani.

- The interactions between SMEs and large companies must be under the supervision of the Ministry of Transport and Communication.

Immediately after obtaining the contact details of large companies and SMEs, potential participants were sent emails along with the information sheets and the consent form which were approved by the Ethical Committee of the University of Bradford. I initially contacted six large contracting companies two of each type (2 national companies, 2 subsidiaries, and 2 joint ventures). Five of them agreed to be interviewed and one subsidiary company declined. An alternative subsidiary large company was found. Arrangements for interviews with owners of SMEs only took place once the relevant large company confirmed that they would participate. 18 owners of SMEs were contacted by sending and dropping information sheets and consent forms into their offices.

The researcher experienced some difficulty in engaging 4 owners of SMEs; in the case of 3 of them, this was due to their constant engagements which were more likely related to unexpected personal commitments, whereas, in the case of fourth one, he had decided to withdraw three days following the day of the interview. It is appreciated that SMEs are in a different situation than large companies with fewer resources and personnel. Additionally, owners of SMEs may have been reluctant to take part due to fear and suspicion that the interview might be some form of checking up on their activities. Furthermore, owners of SMEs might have had limited experience of interviews for research purposes and may not have valued the importance of such research.

It was not difficult to engage the Project Managers (PM) and the Site Engineers (SE) but, surprisingly, it was much more difficult to engage owners of SMEs. Several owners of SMEs kept requesting for a reschedule of the interviews which had already been agreed.

Preparation for face to face interviews required patience and constant follow up to secure potential participants. The purpose of the study and the information sheet had to be further explained through follow up phone calls particularly for owners of SMEs, some of whom appeared to be hesitant or reluctant to participate. This also necessitated an explanation of how their participation was important for the success of the relationship.

3.5 Data analysis technique

From the outset, it is important to recall the two interrelated objectives of this study; the first objective is aimed at exploring the concept of trust and investigating the levels of trust that exist between SMEs and large companies in mandated business interactions, and for this, indicators (see: 2.7.1 to 2.7.5) were used to signal the levels of trust in the embedded cases of this study. The second objective involved an exploration of how various factors influenced the levels of trust in mandated business interactions.

With regards to the first objective of the study, which was concerned about determining trust levels that existed between business partners, the four trust indicators were the means used to ascertain those trust levels. It is worth noting that these trust levels were derived primarily from information based on the perceptions of SME owners who tended to provide rich case specific data. In contrast, the information provided by informants from large contracting companies tended to be rather general in nature.

Generally, all the interviews were carefully transcribed after the translation from Arabic into English. The translations were made by the researcher who also conducted the interviews. The researcher's first language is Arabic. Additionally, the researcher is Omani by birth so is not only familiar with the nuances of Arabic, the senses of which are often difficult to convey in English, but also has a deep appreciation of Omani culture and everyday life. As far as was practical, the researcher remained close to the original language in translation, but in some instances, it was necessary to apply transliteration rather than direct translation in order to convey faithfully what was being disclosed by the interviewees. In this regard, the researcher's proficiency in English was of great assistance in producing English transcripts.

For the analysis of the transcripts, a thematic tool is the most frequently used method to analyse the collected data (Thomas and Harden 2008). It is identified as the most common approach in qualitative studies (Bryman 2012). This may be due to its appropriateness and abilities of analysing broad unities of information that may constitute several codes aggregated from a common idea (Creswell 2013).

All the transcripts were analysed thematically by using Nvivo.10 software which helped for better management and control of the large volume of data which exceeded 400 pages. This thematic analysis resulted in the identification of 11 main factors which were found to influence high levels of trust and 9 main factors which were found to influence low levels of trust. Thematic analysis was carried out in a series of steps as described by Bryman and Bell (2011). These steps began with breaking down the different themes after several reviews of the data; this was followed by establishing initial coding processes to create the final themes. The final stage was to reduce the themes after merging those codes which covered similar ideas.

This process is very similar to the steps described by Creswell (2013) who described the above three steps as the common strategies of data analysis in qualitative studies.

3.6 Ethical considerations

Ethical considerations must be considered in every stage of the research (Hammond and Wellington 2013). The researcher complied with the guidelines and regulations of the University of Bradford for the conducting of research, especially with regard to issues of voluntary participations, anonymity, confidentiality and informed consent.

Thus, after getting the list of names and types of SMEs and large companies that were engaged in mandated relationships from Tender Board of Oman (TBO), an email was sent to the potential participants, for initial request and approval. The emails provided potential participants with the nature and purpose of the research (Blumberg et al. 2005). The email also included a consent form as an attachment. It was explained that the giving of consent by signing the form implied that permission was being given for the recordings of the interviews to take place (see Appendix 3).

Assurances of privacy, confidentiality, data protection and safe disposal at the end of the research were given to each participant. To assure the participants that disclosure during interview would not result in any harm or negative consequences for them (Robson 2011), it was explained that their responses would be made anonymous by coding the names of organisations and names of persons. Thus, they were labelled as in table 4.

Table 4 Coding of the participants and their organisations

Two National Large Companies	Labelled as N1 and N2
Two Joint venturing large companies	Labelled as JV1 and JV2
Two Subsidiaries large companies	Labelled as S1 and S2
SMEs subcontracted by every large company	Labelled as, for example, N1-SME1, N1-SME2 or S1-SME1 and so on.
Project Managers of large companies	Labelled as PMs of, for example PM of N1
Site engineers of large companies	Labelled as SE of, for example SE of N1
Owners of SMEs	Owners of SMEs were labelled as SME1, SME2 or SME3 and the embedded case was indicated by adding working with N1, JV1 etc.

Assurance of confidentiality was also given by informing participants that data would be held securely and password protected, accessible only by the main researcher. Respondents were also informed that they had the right to have their data withdrawn within two weeks if they changed their minds. This is because there is a potential in any social research to cause stress, harm and anxiety and other negative consequences to participants. In the event, one SME owner requested that his data should be withdrawn and this was done.

Finally, as a matter of courtesy, all participants received a message of gratitude at the end of the interview and a note of acknowledgement was included in the foreword to the research.

3.7 Validity and reliability

Validity and Reliability are two concepts for evaluating the usefulness of the findings of a piece of research. Validity may be either internal or external (Amaratunga et al. 2002). Internal validity refers to the extent to which the methods employed to collect data accurately measure what they claim to measure, whereas external validity is concerned with the generalisability of the findings (Yin 2003). Reliability is more concerned with the consistency of the research method. This means that if the research was repeated under similar circumstances, similar findings would be expected (Guest et al. 2011).

The traditional approach for evaluating research has been to check the internal and external validity of the findings as well as the reliability and objectivity of the research. These traditional criteria arose when there was a prevalence of quantitative rather than qualitative studies. However, these criteria can be extended to apply to qualitative studies. Lincoln and Guba(1986) proposed an alternative set of criteria applicable to qualitative studies and these criteria are presented in Table 5

Table 5 Comparison of traditional criteria with alternatives applicable to qualitative research

Traditional Criteria for evaluating Quantitative Research	Alternative Criteria for evaluating Qualitative Research
Internal Validity	Credibility
External Validity	Transferability
Reliability	Dependability
Objectivity	Confirmability

Adapted from Lincoln and Guba (1985)

These alternative criteria were utilised by the researcher in evaluating the current research. Each criterion is discussed in the following sections.

3.7.1 Credibility

This criterion corresponds with internal validity and is related to a judgment as to how believable the findings of the research are based on the perspectives of the participants. Clearly, as this piece of research is concerned with investigating the phenomenon of trust, it is only the key participants or those interviewed in the piloting stage who are in a position to judge the credibility of the findings. Accordingly, a draft summary of the findings was presented to a number of the participants and they confirmed the credibility of the findings.

3.7.2 Transferability

This criterion relates to external validity and refers to the extent to which the findings can be generalised to other contexts. It is important to point out that the primary responsibility for the transferability of these results to other situations rests with the researcher who is attempting to generalise based on these results. This is why it was important to present the context of the current study (see 1.3). The context of this study, presented in 1.3, should provide ample information to assist another researcher to decide whether or not the findings of this research could be validly transferred to another context.

3.7.3 Dependability

This criterion corresponds to reliability in the more traditional approaches to research and refers to the extent to which the current findings would be replicated if the research was conducted under similar circumstances. However, as has already been pointed out in this chapter, circumstances in qualitative studies can change over time and even within the time frame of the current research. Dependability takes account of the changing conditions occurring in qualitative studies but claims that the broad results and findings are dependable especially under the prevailing conditions at the time of the research.

3.7.4 Confirmability

Quantitative studies aim at objectivity in their findings in order to avoid bias of any kind, particularly researcher bias. For that reason, the researcher must remain aloof from the data in the interest of avoiding any kind of bias which could compromise the findings. However, in qualitative studies, the researcher is very much involved in the data collection.

Confirmability was established in a number of ways in this study. Firstly, the researcher carried out extensive piloting and background checking (see 3.2.4 & 3.4.2) where the Tender Board of Oman actually recommended that the research be directed towards investigating projects supervised by the Ministry of Transport and Communication.

Secondly, the exact procedures for collecting data have been outlined in the research design and these are available for another independent researcher to assess. That independent researcher can pay special attention to any novel findings or those which contradict the findings of previous studies.

3.8 Summary of the chapter

This chapter has presented the methodology and research design of the study. It began by identifying and justifying the philosophical assumptions underlying this study. The research logic, strategies of inquiry, methodology and research design were discussed with brief introductions and justifications. Sampling and sampling size and method of data collection were presented. Issues of validity and reliability were discussed. The chapter concluded with a description and justification for thematic analysis techniques and the ethical considerations relevant to this research.

Chapter Four – The analysis and findings

The Conceptualisation of Trust and the Assessments of its Levels between Large Companies and SMEs in Mandated Business Interactions

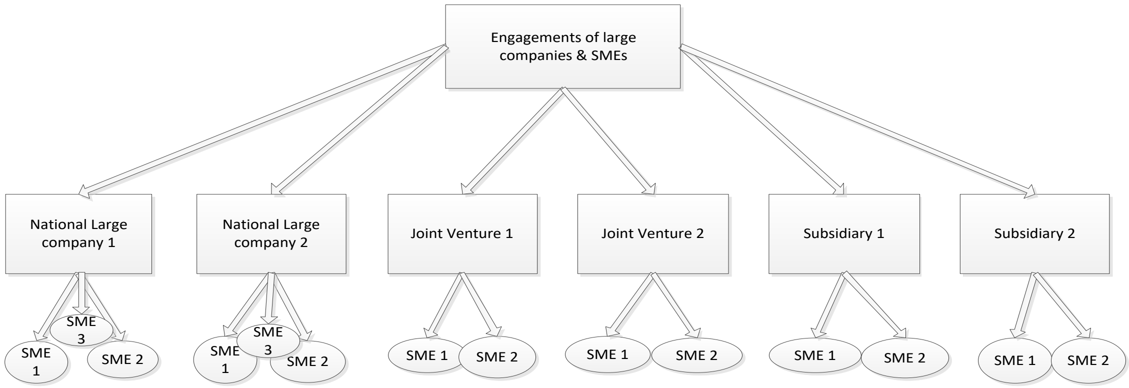
4. Introduction

The findings of this study are presented in two interrelated chapters. Each chapter is aimed at addressing one of the research questions of the study. This chapter addresses the first research question: how can trust be conceptualised and assessed in mandated business interactions? Chapter five explores the factors that influence the levels of trust between two companies.

From the outset, the question arises as to whether trust in the context of mandated business interactions differs in any substantial way from trust in business relationships of choice. While, there is an abundance of literature on trust in the context of relationship of choice, scant attention has been paid to trust in the context of mandated business interactions. In this chapter, the conceptualisation of trust, in the context of mandated business interactions, is addressed by a critical analysis of the findings of this research. By considering how trust operates in mandated business interactions, the nature of trust in this particular type of business interactions is explored leading to a new contextual concept of trust.

Additionally, before presenting the method by which the levels of trust were assessed in this chapter, it is of primary importance to recall that there are fourteen embedded cases in this study, each of which is a relationship between a large company and SMEs. Figure 4 illustrates the embedded cases. For instance, the National Large Company 1 appearing on the left side of the figure is analysed separately, and the level of trust finally is presented in connection with the SMEs that were engaged in business interaction with the same company (see figure 4).

Figure 4 The embedded cases engaged in this study



The 14 relationships engaged in this study were obtained from the projects which were commenced by large companies and SMEs under the supervision of the Ministry of Transport and Communications. Additionally, all the SMEs are owned by men in their 30s or 40s, who are well educated, had previous jobs, but then established independent companies as a better source of income by working in public projects alongside large companies under the supervision of government.

As stated in chapter two sections: 2.8.1 to 2.8.4, four indicators were used to ascertain the levels of trust between SMEs and large companies in mandated business relationships in this study.

The first indicator is the recurrence of contractual arrangements. It is described as a situation where business partners tend to have repeated joint projects or where the large company repeatedly uses the SME company as a sub-contractor and the SME repeatedly accepts these contracts. Repeated contractual arrangements between business partners signify a high state of trust. On the contrary, discharges of contracts between business partners at an early stage of business interactions indicate a low state of trust.

The second indicator is the degree of formality. It is defined as the degree of reliance on formal contractual agreements and frequent control in the relationship between the large company and the SME. It implies some degree of suspicion by one party of the motives of the other party. Hence, when the formalities between partners is reduced to the minimum, it indicates a high degree of trust, whereas, high formalities indicate a low trust level.

The third indicator – interdependence - is described as a situation where business partners make a mutual commitment to the relationship. The partners, in high trust situations, attempt to invest in the asset of the other partner as both partners rely on each other for the business purpose. In this regard, interdependence for mutual interest between large companies and SMEs is set to signify a high level of trust, whereas interdependence for self-interest and exploitation is set to designate a lower trust level.

The final indicator - reciprocity in information exchange - can be seen in a situation where business partners share information about business opportunities, share experiences and strategies and sometimes disclose useful information about business partners to a third party. Hence, trust can be seen when the information exchanged between the partners is deemed to be valuable and the outcome leads to psychological and/or economic benefits for both parties. Thus, to ascertain the level of trust using this indicator, positive and valuable flows of information between large companies and SMEs would indicate a higher level of trust whereas low levels or only low value of information flows would be regarded as indicating a low level of trust. The following table (Table 6) summarises these trust indicators:

Table 6 Summary of trust indicators and their scopes in each level of trust.

Trust Indicators	Levels of trust indicated	
	High	Low
Recurrence of contractual Arrangements	Repeated business interaction	Single and discontinued business interaction
Degree of formalities	Less formalities and control in the business interactions	More formalised, frequent and systematic control
Level of interdependency	Relationships where both partner rely on each other for mutual benefits	Relationships based solely on the self-interest of one party
Reciprocity in information exchange	Two-way flow of information and experiences which are valuable	Information exchanged is intentionally of limited usefulness

Critical analysis of trust levels between business partners

The four trust indicators illustrated in Table 6 proved to be useful for signifying levels of trust between business partners. These are further elaborated in Table 7 following this discussion. However, following this analysis of trust levels between large companies and SMEs in mandated business interactions, this study stresses that naïve reliance on these four trust indicators should be avoided in favour of a more nuanced approach. What is evident from the findings of this study is that the tripartite nature of mandated business interactions, which also involved the government in the relationship between large companies and SMEs, has changed the dynamic of the business relationship and consequently, the nature of trust in the relationship. Consequently, influential issues were taken into consideration during the analysis to detect more authentic levels of trust. For instance, considering recurrence of business interaction as a trust indicator, it was found that some large companies repeatedly engaged SMEs for the sole purpose of preserving future public projects. Actually, a high trust level between large companies and SMEs was revealed when the recurrence of interactions with the same partner was found to continue despite the availability of alternative business opportunities with other large companies in the market. Moreover, a high level of trust was detected when recurrence of interactions had taken place even after having several attempts with other available business opportunities in which trust had failed to develop. This was largely perceived by owners of SMEs. Hence, it is not simply the recurrence of business interactions, per se, but the meaning attached to such recurrence by the partners.

Similarly, in the case of the second of these trust indicators, degree of formality, it is difficult to say that trust was high when the formality level was low and vice versa. Instead, it was the meaning that degree of formality held for the partners which was significant. Some large companies exposed themselves to considerable risk and gave their small partners carte blanche to arrange all essential materials without any need for prior approval form their large partners. In these cases, the large partner appeared to be magnanimous and the superficial view of such low degree of formality could be viewed as a signal of a high trust when, in fact, the perception of their small partners was totally the opposite. Large companies could have less formalised deals in order to exploit the creativity and innovativeness of SMEs. Because of resource constraints, power imbalance and limited management levels, owners of SMEs could have limited degrees of formality when dealing with large partnering companies. One could view this as a high level of trust when, in fact, there might be no trust at all. Although, the outcome of the analysis supports the association between less formalised deals, such as having the autonomy to make purchases and use of other resources without having a formal deal or the need for formal approval between partners, yet, levels of trust can be more appropriately assessed by looking at what has been perceived by either of the partners in terms of degree of formality compared to consequences and outcome of those limited formalities.

With regards to the third trust indicator, i.e. interdependency, it is important to recognise that interdependency signalling high trust in mandated business interactions is not limited to the interests of both partners to invest cost and efforts in the relationship, but is also based on the interest of the government which actually founded the mandated form of interaction. Hence, high trust was also signalled when both partners collaborated throughout the project in order to impress the government and to ensure its approval for the sourcing and cost of quality material to be used in the project.

Finally, considering reciprocity of exchange as a trust indicator, it must be admitted that it is not merely how independent business partners exchange information or experiences that could determine levels of trust. Again, because of the involvement of the government in the tripartite relationship, business partners had to, on some occasions, pass misleading information to the government representatives about the other partner and that both partners understood that passing such misleading information still served the interests of both companies. More precisely, the content of the information its accuracy, timeliness and credibility was of less importance than the fact of sharing information in the first place. Hence, information exchanged in mandated business interaction can be inaccurate but can still indicate high trust levels.

The following table (Table 7) summaries categorisation of trust levels. The table shows that 8 of the 14 business relationships were successful while interacting in mandated business interactions. The confidence in these relationships was a result of various sources of trust. In the other six cases, there did not seem to be any hope of developing trusting business relationships; hence, SMEs had to quit the business within their first business interaction.

However, it is worth noting that because informants of large contracting companies tended to provide somewhat general views and perceptions about their smaller partners rather than case specific information, trust levels, in each case, were catogrised as high and low based primarily on the responses of owners of SMEs whose perceptions were generally rich and nuanced and case specific.

Table 7 Summary of the levels of trust in each case engaged in this study.

Embedded cases		Recurrence of interaction	Formalities	Interdependency	Information exchanged	Level & source of trust	Summary of the cases
N1	SME1	Interacting in continuing basis for the last 4 years	Low	High	High & positive	High, Characteristic based	The case experienced high level of trust from both sides which was extensively attributed to the distinctive characteristics of partners such as commitments and interest showed to development of productive business relationships.
	SME2	Interacting in continuing basis for the last 4 years	Low	High	High & positive	High, Characteristic based	This case experienced dramatic trust development between N1 and SME2. Trust was slightly disturbed in the middle of the business interaction and intervention of public institution would have resolved the disturbance but the due to the trust formed about N1, the problem was resolved at inter-organisational level.
	SME3	Interacting in continuing basis for the last 3 years	Low	High	High & positive	High Characteristic based	The relationship experienced high trust at both inter-organizational and at interpersonal levels. Role of tribal norms was the reason behind existence of trust at interpersonal level.
N2	SME1	Quit from the first business interaction which just lasted for nine months.	High	Low	Low & negative	Low	This relationship experienced low state of trust from both sides. N2 attributed the failure of mandated business interactions with SMEs to the structure of the policy set by the government, to the discouraging characteristics of SMEs, and to the size of business N2 had. In contrast, owner of SME1 made several attempts aiming to develop trusting relationship with N2.
	SME2	Quit from the first business interaction s once SME2 found partner	High	Low	Low	Low	This relationship experienced a low state of trust from both sides. From N2 perspective (As in the case of N2-SME1). From SME2 perspective: several behavioural issues preventing development of forming productive business relationship based on trust.
	SME3	Interacting in continuing basis for the last four years.	High	Low	Low	Low	This relationship experienced low state of trust from both sides. From N2 perspective (As in the case of N2-SME1). In contrast to the above two cases, SME3 had a continuing business interaction which seemed to be a result of different factors which will be presented in chapter five.
S1	SME1	Interacting in continuing basis for the last four years	High	Low	Low	High Institutional based trust	S1 advocated "a win-win" strategy to engage SMEs in productive business relationship based on trust. From the perspective of SME1, the mediating role played by government representatives was the basis for trust to develop between S1 and SME1.
	SME2	Interacting in continuing basis for last 5 years.	Low	High	High	High, characteristic & institutional	This relationship experienced high trust level from both sides and different factors played vital role in trust development between the two partners.

S2	**SME1**	Quit within the first business interaction	High	Low	Low and expressed from both sides	Low	This case experienced low trust level. S2 experienced around 20% leaving their sites at initial stage of the business interactions. S1 attributed the failure to discouraging characteristics of appointed SMEs. In contrast, SME1 attributed the failure to several characteristic based factors.
	SME2	Interacting in continuing basis for the last six years	High	High	High	High Characteristic Based	This case experienced high trust and trust went to an extent that S2 recommended SME2 to well-esteemed company in Oman.
JV1	**SME1**	Interacting in continuing basis for the five years	Low	High	High	High Characteristic Based	JV1, due to unfavourable characteristics of SMEs had a low level of trust in appointed SMEs. However, owners of SMEs who had access to public officials were favoured by JV1. In contrast, owner of SME1 initially experienced several challenges but eventually succeeded in developing high level of trust.
	SME2	Quit from first business interaction	Not revealed	Not revealed	Not revealed	Low	JV1 attributed the low trust to the poor characteristic of SMEs. Owner of SME2 attributed the failure to different factors and his dedication to the business was the most influential one.
JV2	**SME1**	Quit within the first business interaction	Low	High at the beginning	High	Low	JV1 attributed its low level of trust in appointed SMEs to their weakness and inability to meet expectations of large partners. In contrast, owner of SME1 reported several constraints which, in fact, did not only destroy trust formed with JV1 but also demolished his potential hope of partnering with large companies.
	SME2	Interacting in continuing basis & worked with JV2 in three projects	Low	High	High	High Institutional based trust	JV1 attributed its low level of trust in appointed SMEs to their weakness and inability to meet expectations of large partners. In contrast to the case of JV2-SME1, SME2 had high trust level which owner of SME2 attribute it to the mediating role played by the government

The following narratives present the perceived experiences and views of each large company and SMEs that were engaged in business interaction with the same company. Nevertheless, before presenting the narratives of each large company and its subcontracted SMEs in which the levels of trust was evaluated and assessed, it is primarily important to present the acronyms that are frequently recurring in the narratives and findings chapters.

Table 8 presents the acronyms that are frequently recurring in the narratives and findings chapters.

Table 8 Acronyms frequently recurring in the findings and discussion chapters

PM	Project Managers of large companies
SE	Site Engineers of large companies
N1	National large company 1
N2	National large company 2
S1	Subsidiary large company 1
S1	Subsidiary large company 2
JV1	Joint venture large company 1
JV1	Joint venture large company 2
N1-SME1	Is the acronym to describe perceptions of the embedded case in business relationship of N1 and the SME1
MTC	Ministry of Transport and Communication
MOM	Ministry of Manpower
TBO	Tender Board of Oman

It is worth noting that due to the space limitations, transcripts of projects managers and site engineers of each large company were compared and merged according to similarity of contents. The transcripts of large companies were then compared and contrasted with the transcripts of subcontracted SMEs.

4.1 The first national large contracting company - N1

N1 is one of the leading Omani road infrastructure development companies founded in 2000 with a small number of machines and manpower. The owner of N1 and his team, managed largely by Omani personnel, succeeded in establishing a construction company within a span of 5 years. N1 succeeded in building a long term relationship with its clients but mainly with the Ministry of Transport and Communication (MTC). The total value of work orders the company received from the MTC in 2014 exceeded $84 million of which $8.4 million was reserved for subcontracted SMEs.

Based on the first trust indicator, i.e recurrence of business interactions, N1, in particular, was found to have many repeated contractual business relationships with SMEs. In fact, the PM (Project Manager) of N1 presented a long list of SMEs with which N1 had been engaged over a substantial number of years indicating an openness and readiness to enter into repeated and longer term business relationships based on trust.

> *'See this list, look how we carry them. Here is a list of SMEs; [N1] engaged them on a continuing basis'.*

N1 seemed to treat the mandated business interactions very seriously. This can be seen in the expression of the PM of N1 who explained that this encouraged many Omani youths to not only create their own companies but to think of being "real entrepreneurs" who could contribute to the economy as a whole. He emphasised that no company could produce 100% of the work; hence, N1 had always been willing to maintain trusting relationships with SMEs:

> *'We wish and we are ready to enter into constant and repeated business relationships based on trust. You go and ask them'.*

The positive attitudes of N1 seemed to encourage owners of SMEs to establish and develop productive business relationships based on trust. This was revealed by the PM of N1 who stated that his company experienced some appointed subcontracted SMEs who had initially miscalculated some costs while quoting for potential business opportunities. As a common practice in his company, the PM called up the owners of these SMEs to show them what they had failed to consider while quoting for the work and came up with a solution which was mutually satisfactory as in the case of one SME:

> *‘I had to call him, sat with him, and explained to him what he did not take into consideration. He thanked me for this and appreciated this effort and said I wish the other large companies become like yours’.*

In fact, the PM commented on the need to be patient with SMEs as they often lacked knowledge, know-how and efficiency in deploying human and capital resources. Being himself an Omani PM and consequently having an intimate understanding of the modus operandi in Oman, he expressed his knowledge of difficulties often faced by Omani owners of SMEs:

> *‘I am Omani. I appreciate the effort that the government made; I believed, I already noticed some local SMEs growing. In the long run, this will certainly encourage Omani youth, not only to establish their own businesses, but to think of being real entrepreneurs’.*

Furthermore, the PM further reported with distress the game that large companies unfortunately played in order to bring about the failures of SMEs in order to justify not contracting with them in the future. He pointed out one tactic which was to assign SMEs difficult tasks and to give them work with little value which did not create a competitive market. According to him, he reported this tactic to some officials in the government hoping that they might put restrictions on this practice. Revealing the bad intentions of some large companies to the public officials, without any direct advantage to N1, illustrates how N1 cared for the SMEs.

With regards to the second trust indicator, N1 seemed to have certain levels of formalities with appointed SMEs. N1 did have concerns about some SMEs whose employees’ records were not maintained to the government’s standards. It was stressed by the PM of N1 that to ensure SMEs were in compliance with the government requirements, N1 dedicated a section to look into the contractual procedures and to record the progress of subcontracted SMEs. According to the PM of N1, the primary work of this contracting section was to ensure that the potential partners had clear records including SMEs’ profiles such as financial records and the legal status of employees. The PM expressed this in the following words:

> *'One of the works of the created section is to ensure appropriateness of SMEs records, ownership, employee's, experience. It is important to ensure that SMEs with appropriate records receive our intention'.*

Despite the limited degree of formalities N1 had with SME, N1 seemed to relay only on those SMEs whose official records were kept appropriately. Besides this, it was also important for N1 to ensure that these SMEs were meeting the criteria set by the client and also to avoid any kind of responsibilities for which the company would be ultimately held responsible.

Although SMEs were the weaker partners in these relationships, the PM of N1, nevertheless, always dealt with them in less formal ways:

> *'It is necessary to understand their positions, with little formalities and friendly ways of dealing, they became confident, and their progress was quite good'.*

A good example of this was seen in the response of the PM of N1 to a SME which had commenced work in an unacceptable way. The only action he took was to talk informally to the owner of the SME in his office asking him to rectify matters:

> *'I also advised the owner to pay attention to the work at the site. I recommended him to find another engineer if he feels that his engineer is not capable'.*

The project manager later expressed the outcome of such positive attitudes towards owners of subcontracted SMEs:

> *'That's why you may find many SMEs working with us on a regular basis'.*

The avoidance of formalities caused the owners of SMEs to feel confident and resulted in smooth progress being made at the work places. The limited level of formalities that N1 had with subcontracting SMEs can be indicated in the expressions of the Site Engineer (SE) of N1. The SE asserted that the progress of the work in most of the locations he observed was due to the informal and friendly ways that N1 dealt with SMEs:

> *‘Imagine, I found myself, and in many cases, coping with many issues at the site without even referring neither to the PM of his company nor to the owners of SMEs’.*

Besides the lack of formalities, N1 was also able to rely and depend on SMEs to the extent of entrusting 40% and sometime 50% per cent of the projects that they got from the government to SMEs. N1 experienced several instances in which SMEs started with N1 a couple of years before commencing civil works. These SMEs currently provided specialised services to N1 as well as to other large companies.

The information revealed by the PM of N1 stressed that N1 could depend on those who were sincere and attentive, realistic, honest and well-organized. Some owners of SMEs attempted to attract the attention of N1 by displaying their products on the sites where N1 operated. N1 was also found dependent on appointed SMEs, particularly those who were more familiar with the local market and the surrounding environment. Such distinctive characteristic seemed to be advantageous to N1 and the SMEs.

Besides interdependence which signified high trust levels, N1 seemed to exchange valuable information with SMEs and other large companies about SMEs. The PM said:

> *‘Introducing service that appointed SMEs provide to other large sister companies was important to grow the confidence of SMEs’.*

Actually, the PM illustrated with a smile that N1 did not give rewards to SMEs but certainly shared with SMEs any opportunities which had arisen. It was also found important for N1 to have a common vision with SMEs. This helped them both to align the priority of the project and this was achieved by transparent communication between N1 and the SMEs.

In conclusion, it was perceived by the informants of N1 that N1 generally dealt with SMEs in a fair and transparent way, gave them assistance in fulfilling their contracts and was generous in allocating additional contracts to them beyond what was required by the mandated relationships.

4.1.1 The embedded cases within N1

N1-SME1

N1-SME1 is a medium-sized enterprise. The initial work entrusted to SME1 by N1 was in 2012. This was a water drainage scheme. The second business opportunity appeared immediately after completing the first task and that was in February 2013. Since then, this medium company confidently worked with N1 in four more projects on a repeated business interaction basis.

Recurrence of business interaction indicating high level of trust can be observed in the expression of the owner of SME1 who described the relationship with N1 as a distinctive one:

> *'I had several experiences. Without compliment [N1] is different and I only felt confident with [N1]'.*

There were several reasons for this company to confidently work with N1 in repeated interaction bases. One of the most important of these reasons was the possibility to recover any cost even those caused by unpredictable environmental disasters. An example of this was a situation when unexpected heavy rain flooded the valley and destroyed the majority of the work which his company had commenced for N1. In fact, the owner of SME1 had been waiting for the advice of the engineer of N1 to concrete the floor beams which were intended to be the foundation for the flyover in the valley. He presented and gave me a photo of the work before it was destroyed by the flood (see the picture below).

> *'My company would have collapsed, right, if I would have been with other company. By the way it was good the machines and rest of the equipment were shifted earlier to a higher level. They were safe. Immediately raised up the issue to the site engineer and to the PM. [N1] compensated the loss and I was fine'.*

A high level of trust between SME1 and N1 can be observed in a number of places in the narrative of owner of SME1. Before SME1 had any relationship with N1, the owner of SME1 presumed that the involvement of government representatives in mandated business interactions was something essential to minimise the risk of his small company in entering into business interactions with large companies. However, his experience with N1 from this first business interaction had changed these views.

A less formalised deal, indicating a high level of trust between SME1 and N1, can be observed in several quotations in this narrative. A clear example of this can be seen in the following statement:

> *'I did not have to bother myself with some formalities, [N1] and from the first business interaction; they completed most of formalities with the government, I always had smooth deal with [N1]'.*

The only formal practice the owner of SME1 revealed with N1 was when N1 asked him and the owners of subcontracted SMEs to officially submit records of employees. Nevertheless, he did not regard this request of N1 as a negative one but rather as something which sorted out SMEs with proper employee records from those which did not keep proper records. He evidenced his claim by reporting an incident. This happened when the government of Oman, represented by the Ministry of Manpower (MOM), made an unannounced inspection to check on business owners' adherence to the labour laws which required companies to have an accurate list of their employees working on sites. During this visit, many subcontracted SMEs were caught violating the rules except for a few companies which included his own company. As a consequence, he immediately received words of thanks and appreciation from the project manager of the contracting company. This appeared to enhance the state of trust, as was found in the case of SME1 and N1.

> 'Seriously, I wish other companies were like [N1]. For such behaviour, you know, once I commenced the work long time before receiving the work order'.

Several favourable characteristics of N1 seemed to be important for trust to develop between SME1 and N1. It can be stated that it was easy for the owner of SME1 to approach representatives of N1 at any time to discuss any concern as N1 was owned and operated by an Omani.

Besides the low level of formalities which indicated a high state of trust between this company and N1, both companies appeared to have an interdependent relationship which indicated high trust. This can be noticed from experiences revealed by the owner of SME1. For example, once, local suppliers had been hesitant to provide SME1 with the large quantity of materials that SME1 needed to commence the assigned task by N1, N1 provided the owner of SME1 with certificates. The owner of SME1 stated:

> *'I spoke to the main contractor. I only requested for a letter, my company is working under [N1], Eng. Khamis provided me with certificates ensuring that [N1] could be responsible too'.*

This company and N1 appeared to rely on each other throughout their business interaction.

Reciprocity of information exchange indicating a high level of trust is also found in the case of SME1 and N1. The goodwill of N1 towards the owner of SME1 could be seen in the readiness of the owner of SME1 to discuss his entire plan to commence the potential business opportunity with the PM of N1 and also informing him about the available local suppliers:

'I already had some personal relationships with some suppliers who were close to the site such as Alkalili group, and Mohammed Reyad. I discussed this with the project manager'.

The owner of this company appeared to be confident that N1 would not utilise the disclosure of such information about local suppliers to directly arrange for the materials; rather, N1 was not hesitant to provide him with a letter informing the supplier about the relationship of this company with N1. Soon after completing the second task, the company received an invitation to participate in one of the major public projects in which N1 was taking part. N1 always informed the owner of this company about business opportunities before they were announced in public.

The owner of SME1 reported that N1 was a high trusting business partner and attributed this to the interest which N1 had in developing trusting and productive business relationships.

N1-SME2

The first business interactions SME2 had with N1 was in 2012. While interacting with N1, owner of SME2 temporarily tried working with other large companies. Unpleasant experiences SME2 had with these companies were reported as being the main reason for the owner of SME2 to strengthen his business relationships with N1. A high level of trust exchanged between SME2 and N1 appeared to be the motive for SME2 continuing interacting with N1.

'I had several experiences with other large contracting companies. Frankly speaking, I only felt confident with [N1] and so far I had four constant business relationships with [N1].'

The owner of SME2 related his confidence in continuing work with N1 to the tolerance and understanding of N1. This can be noticed in the expression of the owner of SME2 who stated that he did not initially inform the SE of N1 about the expertise that his company lacked in the road construction industry but raised this in the second meeting with the PM.

'I told the project manager of [N1], I will start the work, if I face any difficulty or feel I can't continue I will leave the work and go'.

The owner of SME2 was reported to have been pleased to hear the response of the PM of N1 who reassured him that it would not be necessary for him to leave as they would support his company in any difficulty. The owner of SME2 reported that N1 provided him with most of the required technical and advisory assistance.

The less formalized deal with N1 indicating high level of trust is evident in the case of N1-SME2. This can be noticed when N1 agreed to assign him an immediate work which included levelling and compaction of the road foundation of an approximate area of 10,000 square meters. The owner of SME2 actually mentioned that he only completed most of the formalities after he had actually started the work. This informal approach even extended to daily interactions:

> *'I was also not fully aware of calculation of some specific quantities and jobs. Every time, I had to knock the door of the engineer asking for assistance and guidance'.*

However, the good relationship which existed between SME2 and N1 began to change with the appointment of the new site engineer. This deterioration of trust between both partners was seen in the thought of SME2 planning to procure deals in the future by using more formal and official means. According to what was revealed by the owner of SME2, in the middle of the work, N1 appointed a new engineer who was harsh and was not cooperating with SMEs. He emphasised that the engineer several times instructed him to make some changes to the work which he was about to complete; and according to the owner of SME2, these changes were not necessary. They were only money and time consuming. During that period, representatives from the Ministry of Transport and Communication (MTC) came for a site visit. However, due to the good past experiences he had with N1, he did not discuss or raise this concern with them. The attitude of the new site engineer immediately changed when he raised the complaint to the PM of N1. The following quotation revealed the outcome of the complaint that the owner of SME2 had raised with the PM of N1:

'Anyways, this project manager immediately called him. He told him that my company was one of the SMEs which had been working on a constant base with [N1]'.

According to the owner of SME2, the PM of N1 actually attributed the attitude of the new SE to his intention to be appointed to a higher position in N1.

SME2 and N1 seemed to have a mutual interest in relying on each other while working in public projects. In fact, the owner of this medium company related several incidents in which his company would not have been able to commence the work independently:

'I did not have a surveyor; it was not easy for a small company like mine to employ a surveyor. I discovered that the main contractor will provide all subcontractors with surveyors'.

The interdependency of N1 and SME2 can also be seen when the owner of SME2 was able to produce quality works because of the constant assistance received from N1 which eventually motivated N1 to consider SME2 on a continuing basis. The supportive and positive attitude of N1 was also met with special consideration by the owner of SME2:

'It is always, see, when I noticed such initiative, in return, I give the main contractor reasonable prices, you know, I started with little experience, I learned lots when I interacted with [N1]'.

With regards to the fourth trust indicator, SME2 and N1 were shown to have exchanged valuable information and experience which indicated a high level of trust. The owner of this company admitted that before he had any relationship with N1, his company had no experience of the nature of road construction works, thus, he had to refer to engineers of N1 when his company required supports. The owner of SME2 also revealed that N1 had constantly been exchanging information about business opportunities.

Due to the trusting relationship formed with N1, this company currently has its own civil engineer, a surveyor, and 23 people handling technical and driving jobs and also operates with some of its own road construction equipment.

Generally, SME2 had always placed a high trust level in N1. Even on occasions when trust was under threat because of the actions of some representatives of N1, when an opportunity arose to discuss such threats with the representative of the government, the SME2 owner did not do so as he had a strong belief in the intentions of the management of N1 towards SMEs.

N1-SME3

The initial business interaction this company had in public projects was in 2013. The opportunity of participating in this project came late for the owner; because the work and the percentage which was supposed to be allotted to SMEs had already been allocated. N1 and many SMEs, by this time, had already started the work at the site. However, the interest that N1 showed towards local SMEs was what encouraged the owner of SME3 to engage in repeated business interactions with N1.

> *'When I began to see the chances, I started thinking, how can I utilise the business opportunities. I noticed. I mean [N1] had the commitment to Omani owners of SMEs, not like other large companies'.*

This high trust level based on recurrence of business interaction can be seen when the owner of SME3 stressed his confidence in N1 and reported that his company had continued its relationship with N1 for three further projects over two years.

With regards to informal arrangements indicating high trust, the owner of SME3 narrated one experience. He reported that once, the representatives of N1 did not even ask for a guarantee or a surety for the advance payments which N1 made to SME3 in order to arrange for some required material to start commencing the work of second work assigned to him by N1:

> *'I had no cash to arrange for the required material, [N1] without asking for guarantee released two of my payments in advance'.*

This limited formality can also be seen in the first business interaction. This was when the owner of SME3 approached the Omani site engineer (SE) of N1 to enquire about the availability of business opportunities with N1. The SE suggested that he should start with the existing business opportunity. According to the owner of SME3, it was an open quantity of water supply. The owner of this small company treated the verbal and unofficial order of an open quantity of water supply as an encouraging message to work hard in which he thought he could obtain more valuable opportunities with N1 in the future. He also indicated that he was confident that the SE would never be unjust or take unfair advantage of the open quantity of water supply that SME3 was supposed to deliver based on verbal order by the SE.

> *'The site engineer was Omani, very kind. He was from well-known tribe. I started the work with the verbal order and I was only telling the one in charge about the quantity I was delivering'.*

The business interactions that this small company had with N1 were reported to be the reasons for expanding its size and its business activities.

SME3 and N1 were found to have an interdependent relationship which indicated a high level of trust. In fact, the owner of SME3 asserted that N1 had always been investing money and efforts in his SME. This is evident from the fact that N1 was prepared to release payments in advance and to offer advice and guidance to the SME. The owner of this small company has attributed his confidence to work with N1 in interdependent business relationships to the valuable nature of work that N1 often assigned to SMEs. He asserted that N1 did not tend to dominate over every opportunity, and this is what actually encouraged him to always seek for further valuable business opportunities with N1.

With regards to the fourth trust indicator, this small company and N1 were found to have exchanged information about business opportunities which indicated high trust levels between the two company. This can be seen in the expression of the owner of this company when he asked the SE of N1 about business opportunities that would make his life better. He described the response of the SE:

> *'He immediately replied, he mentioned several civil works. He said, riprap bridge beam structures'.*

He expressed that, given the various choices; he agreed to start with the riprap work which was the least complicated and most convenient work. His company had to arrange the materials during the weekends and worked on the site during the week. This company did its best to show its interest even to handling potentially higher scale activities with N1. He further expressed his gratitude towards N1 and said:

> *'I realized this, rather than [N1], imagine, most of large contracting companies leave you without even saying words of thanks, nor they give you a hope for further potential business opportunities'.*

Generally, he had high confidence in N1 and he wished other companies would follow the same path and not exploit entire works of public projects. He attributed his high state of trust to the supporting Omani management of N1 as well as to the goodwill shown by representatives of N1 towards creating productive and trusting business relationships.

4.1.2 Summary of the state of trust between the first national large company (N1) and the subcontracted SMEs engaged with N1

The goodwill and potential interest N1 showed in developing productive business relationship with the follow Omani owners of SMEs based on trust was confirmed by the owners of SMEs. Representatives of N1 expressed how the strategy N1 followed in dealing with SMEs enhanced the level of trust between them and their small partners. As a consequence, the three owners of SMEs related their confidence and high level of trust to the distinctive characteristics of N1 which eventually motivated them to put in their best efforts just to confirm their interest in developing trusting business relationships with N1. Most noteworthy, in this regard, were the interactions which began in the three relationships without direct intervention from the government, although the government did intervene later through supervision and inspections.

The sincerity revealed by N1 in engaging with SMEs in compliance with government rules and regulations was appreciated by the owner of SME1 who, during the interview, expressed how grateful he felt towards N1. This was in relation to a significant incident in which certain subcontracted SMEs were caught violating the rule with the exception of a few companies including SME1.

The owner of SME1 related his confidence in working with N1 to the good experience his company had had with N1 even with unpredictable disasters such as the flood. Furthermore, minimum formality in deals was expressed by representatives of N1 as aimed at raising the confidence of their smaller partners and was highly appreciated by owners of SMEs. Most of them expressed various experiences to depict the high state of trust they had with N1 which differed from their relationships with other large contracting companies. Both the owner of SME1 and SME2 emphasised that several times they had commenced the work based on verbal agreements before receiving the official documents.

Similarly, the intention of creating interdependent relationships revealed by N1 was confirmed by owners of SMEs. Most of them related their confidence and high state of trust to the confidence they had in N1 especially in investing in their SMEs which eventually helped them in expanding their business activities. A clear example of this can be seen in the case of SME3.

With regards to reciprocity of information exchange, it can be noticed that both representatives of N1 as well as owners of SMEs had high confidence in exchanging information and experiences which were essential for both partners to work in an efficient manner.

All owners of SMEs attributed their high trust level and success to the distinctive characteristics of N1 and its management which had always been supporting.

Trust operated in these relationships in ways which differed from how it is presented in the literature related to interactions of choice. The main difference was the tripartite nature of mandated business interactions in which both partners tried to meet government's expectations by complying with the government's rules and regulations. A new contextual concept of trust, based on mandated business interactions began to emerge from the interview data and this is explored in greater depth in chapter six.

4.2 The second national large contracting company - N2

N2 is one of the nation's largest construction companies owned by an Omani but managed and operated by expatriates, mostly from India. N2 prides itself as being one of the largest employers of Omani nationals in the Private Sector. The Ministry of Transport and Communication, in 2014 alone, awarded N2 projects worth approximately $ 261,186 million, and out of this total value, an amount of $ 26,118 million was reserved for SMEs.

With regards to the engagement of SMEs in public projects, N2 appeared to have had very few repeated contractual arrangements with SMEs in mandated business interaction due to the lack of trust which he placed in SMEs. The PM of N2 said:

> *'Handful of SMEs succeeded in having constant and lasting relationships with [N2]'.*

The PM of N2 attributed this lack of trust in SMEs to the fact that even after receiving a contract from N2, SMEs seemed more interested in finding contracts with other large companies rather than prioritising the fulfilment of their existing contract with N2. N2 presumed that the reason which made the majority of SMEs seek out such opportunities with other companies was basically due to their weakness and inability to comply with the parameters set by N2. The PM said:

> *'Imagine, you expect something that we both agreed for and at the end you don't find what you expect them to do. Working up to our expectations is a must'.*

From the perspective of N2, the project manager (PM) emphasised the need to investigate the abilities of SMEs to cope with large companies while operating in public projects. N2 seemed to be unhappy with the appointed SMEs and N2 found that the majority of SMEs were lacking basic knowledge of business as well as not having sufficient capital and human resources to cope with the requirements of N2. Hence, N2 was not willing to have repeated contractual relationship with SMEs.

N2 did not trust appointed SMEs. The PM stated that he was disappointed with many of the owners of SMEs who did not show any sense of sincerity. He described their attitudes in the following terms:

> *'Until owners of SMEs put their hands and work alongside with their employees I will not trust them'.*

Actually, the nature of the work that N2 wanted appointed SMEs to do required hard work and dedication which N2 did not see. Additionally, N2 did not like these SMEs because of their employees who had not been carefully selected. The PM of N2, who is an Indian said:

> *'Employees of these SMEs are from different origins and as you know that the Bangladeshi workforce is cheaper than Indian, also they cannot be easily led. They are arrogant in nature'.*

However, the minimum recurrence of business interaction with SMEs was found to be related to other unfavourable characteristics of SMEs. The PM of N2 recounted several incidents in which majority of SMEs approached N2 without providing realistic quotations and that N2 had no time to deal with this matter:

> *'I experienced some of them who approach us without considering the risk and they don't learn from their mistakes'.*

Similarly, the (Site Engineer) SE of N2 reported several incidents in which he had heard the owners of SMEs complaining to the representatives from the Ministry of Transport and Communication who visited the sites. SE of N2 reported that owners of these SMEs complained about the nature and low value of the work allotted to them by N2 which, according to him, N2 could not do anything to change. The SE highlighted the fact that the completion of public projects was the main concern and that his company was not concerned about having repeated business interactions based on trust:

> *'Confidence does not exist in our dictionary, completing the given task perfectly and within time is what concerns [N2]'.*

N2 related the failure of having repeated business interactions with SMEs to the structure of the mandated business strategy which led many SMEs to quit the business interaction due to the delay of payments from the government. The PM of N2 noted the need for the government to treat both parties equally. He stated that the government insisted on N2 releasing payments to SMEs in 28 days whereas, the government delayed payments to N2 for a year or more and this was not acceptable. As a consequence of the perceived unfair deal with the government, the PM of N2 expressed the knock-on effect on the relationship which such unfair practices might cause:

> *'When the relationship with the government fails, the relationship with our subcontractors also fails'.*

With regards to degree of formality, N2 was found to have mitigated the risk of partnering with SMEs in public projects by having fully-fledged sets of agreements in which the interests of N2, particularly from the government perspective, was protected and secured. Actually, the PM stressed that appointed SMEs were tied by contracts in which there were penalties for delay of works or any other concerns.

With regards to interdependency, the PM of N2, having revealed his experiences with SMEs, had no hope of developing any interdependence of relationships with SMEs:

> *'We rarely depend on anybody, and we are sure that most of SMEs do not have the capacity to execute any given work'.*

However, as will be seen later in the analysis of the SMEs' perceptions on this matter, there is a conflict of perceptions here which raises the issue of whether N2 was being prejudicial or not. The PM of N2 indicated that he was not confident at all about their ability to commence the work efficiently. Similarly, the SE recounted several experiences in which he found that the majority of SMEs had required regular assistance which he was not free to give. In the view of N2, the government was supposed to provide Omani owners with some management courses and financial and technical support which the government did not seriously take into consideration. Due to the above mentioned reasons, N2 preferred to work on its own instead of depending on subcontracting SMEs.

> *‘See, you must understand that [N2] is a huge and well known contracting company. We have most needed equipment which we try to deploy in our work… this is in any projects… as much as we can.*

As a result of such negative impressions of SMEs, N2 did not see any necessity for exchanging knowledge or experiences with SMEs. Actually, the PM asserted that, in order for him to believe in the necessity of exchanging knowledge and business opportunities, he firstly wished to see some initiatives such as employing the right people and being honest in stating what they had to offer in terms of resources. Almost similar impression was revealed by the Site Engineer (SE) of N2 but with different issues and concerned. The SE expressed several cases in which he experienced many owners of SMEs not willing to express their difficulties arguing that it was also possible to think of alternatives, the PM said:

> *‘But I don’t see any problem in telling their difficulties, we will not take an instant action, I mean think of alternatives like replacing them’.*

His point of view was that articulating their problems was important so that the work was not impeded and to avoid incurring penalties for delays.

N2 was not satisfied with the strategy of mandated business interactions and as revealed by the informants of N2 that there was no hope of developing trusting and productive business relationships with appointed SMEs. N2, throughout its experiences of working with SMEs, had always a low state of trust in them.

4.2.1 The embedded cases within N2

N2-SME1

The first mandated type of business experience SME1 had was with N2 in 2013. The opportunity arose when he was checking for available business opportunities that had been initiated under the Ministry of Transport and Communication (MTC). It was expressed by the owner of this SME that he had no clue about the importance of the MTC to N2, he attempted to attract the attention of N2 representatives in two ways; firstly, he thought about the delivery of the required quantity of specified materials which N2 instantly needed and, secondly, the owner of SME1 engaged the assistance of other SMEs to complete the work allotted to SME1 and provided N2 with the profiles of those SMEs. N2 was able to use the second action of SME1 to their own advantage by creating the impression with government officials that N2 was actually engaged with many SMEs not only SME1, in order to attract more public projects in the future.

The owner of the SME tried to attract the attention of N2 by completing the assigned work within the time frame. This was also witnessed by engineers of N2 who stated that the work had been achieved with a high degree of quality. Despite his efforts, the owner of SME1 asserted that he did not have any hope in developing or having repeated business interaction based on trust with N2.

> *'I experienced [N2], several times, they approached me and other SMEs when they were not in a position to handle many public projects on their own, I know them very well'.*

After this first and the only experience of working with N2, the owner of SME1 was invited to work with N2 but he refused due to the bad experience he had had with N2.

The owner of SME1 reported several incidents to express the low trust level he had with N2. First, N2, retracted parts of contract which had been initially assigned to his company by purposefully delaying payments in order to limit his capacity to complete the works:

'[N2] purposefully delayed my payments. It was just to limit my progress and my efficiency. They always play stupid games'.

The failure of having repeated business interaction based on trust was not found to be limited to delay of payments; the owner of SME1 reported several other tactics employed by N2. One other reported ploy used by N2 was to spend so much time checking quantities delivered which resulted in holding up his work. It was mainly the perseverance and independence of this owner which enabled him to overcome the lack of government interventions which according to him were necessary to minimise the power and control of N2. Because the project was at an advanced stage, the government representatives were rarely seen visiting the site. The owner of this company seemed to be in a hopeless position with N2 especially when he hired equipment, tools and workforces from other SMEs to commence the work assigned to him by N2. He sums up his experience:

'I have faced many challenges to cope with the main contractor but did not succeed, I realised that there was no hope'.

With regards to the second trust indicator (i.e degree of formality), the relationship between SME1 and N2 was found to have been characterised by a high degree of formality. Actually, the owner of SME1 perceived that the restriction set by N2 was another impediment to the development of trust with N2. N2 offered SME1 an opportunity to do some levelling work in addition to the first assigned work order but the owner of SME1rejected the offer. The rejection was due to two reasons. The first reason was related to restrictions set by N2 in checking the quantity delivered by SME1 every time. The second was due to checking upon sincerity of the PM of N2 in developing productive and repeated interactions based on trust with the SME1. To check upon sincerity of the PM of N2, the owner of SME1 said:

'I said to them I don't have the cash to arrange the required resources'.

The owner of SME1 stated that the PM of N2 had agreed to provide him with some financial assistance but again put many formal restrictions on this assistance. The assistance was accompanied by stringent methods of inspections without paying attention to or acknowledging the sincerity and commitment which he had already shown in the first assigned job.

With regards to interdependency, the experience this company had with N2 showed the minimum of interest of SME1 and N2 in establishing a relationship based on interdependency and mutual interest.

> *'After realizing the intention of [N2], my concern was to gain as much as I could of this interaction just to strengthen; I mean to grow my company'.*

From this statement, it can be revealed that the owner of SME1 had no interest in developing further his relationship with N2. The lack of interdependency, indicating a low trust level, was recounted in several incidents. SME1, within the second allotted work by N2 had arranged for most of the required tools and equipment and started the levelling work which N2 had basically requested SME1 to do alongside the delivery order. However, N2 retracted part of the allocated work and began using N2's resources to complete the work rather than relying on SME1. These incidents soured relationships between them and led to the breakdown of trust.

N2 shared information about a business opportunity when N2 was not in a position to handle the work on its own. The owner of this medium company asserted that he was only called when N2 was under pressure and needed to delegate some tasks to him.

The owner of this SME attributed his unpleasant experience with N2 even in exchanging information about business opportunities to the fact that it was managed and operated by expatriates, mostly from India. The owner of this small company asserted that N2 was favouring and supporting SMEs managed and operated by Indians. Hence, until Omani personnel were appointed on managerial posts of these large contracting companies, he decided not to engage in any relationships.

> *'[N2] is mostly managed and operated by Indians. The project managers in most of these large companies must be Omani, Omanis are more loyal to the country, to the national entrepreneurs, and to the owners of SMEs'.*

SME1 left N2 with a bad impression and had a low level of trust throughout his business interaction with N2.

N2-SME2

The first business interaction SME2 had with N2 was in 2013. His brother, who was an employee of N2, encouraged and supported him by putting in a word with N2 for him. The profit margins which were anticipated by the owner of this medium enterprise in the first business interaction were low. Nevertheless, due to the need to cover various expenses, he agreed to take it. SME2 quit the business with N2 during this first business relationship.

The power position of N2 in the market and its powerful influence, even at government level, appeared to be one of the main reasons which led to SME2 quitting the business with N2 within the first business interaction. The owner of SME2 illustrated how N2 had strong network with public officials to an extent that N2 paid minimum attention to the mandated policy. N2 was perceived to have power even over the government. The interviewee expressed the power of N2 in these terms:

> *'I heard that [N2], once, threatened the government, if the government decided to limit their scope in public projects. Yes, it is no wonder. They said they would release the Omani employees working with [N2] if the government tries to limit their participations in public projects.*

SME2 emphasised its bad impression of N2 starting with their first and only business relationship. In fact, the intention to discontinue business interaction was evident when the large partner (N2) decided on its own to take away the supply order of the material and to only assign the civil work to SME2. This happened without any prior notification in the case of N2-SME2. The owner of SME2 stressed that N2 put his company in a serious situation especially when he had already placed the order for the materials. This company was again irritated with the constant instructions of the SE of N2. This was to make changes to the assigned work which had basically been good as witnessed by an engineer of another company working at the same site.

However, the deals between SME2 and N2 were found to change and improve when the government officials paid visits to the sites:

> *'It happened couple of times, when government representatives visit the site, their way of dealing was different, it became better'.*

With regards to degree of formality as the second trust indicator, it was clear in the transcript of the owner of this small company that the use of formal methods of dealing was the only option for him to minimise the control and power of N2. However, the use of a formal deal did not please the representative of N2 and, as a consequence, N2 later attempted to lengthen the procedures of releasing payments. Later on, this company faced difficulty even in terminating the first contract with N2. According to the owner of this small company, this was taken to make it difficult for his company to get into the business of another large company working in the same public project. SME2 was about to go bankrupt but soon recovered after getting into another interaction with a national company which was owned and operated by Omani teams, unlike N2. The owner expressed his confidence and highlighted the difference between the two experiences in the following terms:

> *'In fact, I tried to avoid working for a company like [N2]. If you look at [N2], you will say it's an Indian company. This national large company was totally different. Although it is not as large in size as [N2], but I am confident and happy'.*

With regards to interdependency, it was clear from the expression of the owner of SME2 that he had never experienced N2 investing any effort into the relationship instead, N2 used SMEs just to show the government representatives that they were engaging SMEs in public projects. Clearly, N2 manipulated and distorted the government's mandated policy, effectively rendering it ineffective.

N2, in the view of the owner of this small enterprise, was an old company with multi-disciplinary business activities which also tended to not only dominate the market but also to dominate Omani staff working with N2. As a result of their dominance, even his own brother, who was working for N2, could not tolerate the humiliating behaviour and practices of the management of N2 and had resigned his job:

> *'No. My brother left this company when he was harassed. Let me tell you one thing about [N2], it is full of Indians. You know that Indians try to control everything and do not allow Omani to work in peaceful environment'.*

With regards to reciprocity of information exchange, the interviewee expressed that his experience with N2 was the worst experience his company had ever had. SME2 and N2 never exchanged any information regarding opportunities or experiences; instead, both business partners were reported by the owner of this small company to have concealed information even about their intentions and this signalled low trust.

SME2 had a low level of trust which ended up with the breakdown of the relationship, and this was particularly due to the discouraging characteristics of N2 and its management.

N2-SME3

N2-SME3 is a national medium enterprise established in 2009 with the core business of fixing of road safety crash barriers. This company received the opportunity to work with N2 due to government instruction. N2 was actually resistant to considering his application claiming that N2, at that time, did not have sufficient work required for a partnership with his company.

Although, the owner of this medium company stressed that he was not quite happy with N2 and the trust throughout the interaction remained at the lowest level, he found the business interaction with N2 beneficial. Unlike the two earlier SMEs who did not manage to have repeated contracts with N2, SME3 managed to have repeated and continuing interaction with N2 in the following two and half years.

> *'In general, it did work; this is my fourth business interaction since I started my business relationship with [N2]'.*

The recurrence of business interaction between SME3 and N2 occurred despite the deal which seemed to be based on racism. The owner of SME3 reported a conflict taking place between his employees and the employees of N2 and asserted that he was shocked to see the PM of N2's resistance to accept the fact that it was employees of N2 who had started the conflict.

> *'Despite the mistake which was caused by employees of [N2], the project manager who is also Indian was defending. I had to raise it with the client'.*

The owner of this medium company attributed the discrepancy and position of the PM of N2 who was Indian to a racism issue.

> *'See, the majority of my employees are from Pakistan and they are polite, whereas majority of employees of [N2] are Indians, and you know the history of Indian and Pakistani'.*

The recurrence of business interactions existed between the partners despite the delay of payments to SME3 by N2 which N2 most often claimed was the government's fault and not theirs:

> *'I already completed two phases and I already started the third one, when I spoke with the project manager, he told me that the [N2] did not release my payment because the payment was not yet received from the government. I told him it is your problem; I have a contract with you not with the government'.*

Besides the delay of payment, it was clear from the expression of the owner of SME3 that N2 attempted to use him to put pressure on the government representatives to release payments to N2. He was not clear about why N2 had to do that but he asserted that not only his payments but payments of all SMEs were too small. When he followed up this matter with the government, he was told that N2 had submitted invoices for work in excess of what they had actually completed.

The insincerity of N2 in establishing and developing productive business relationships based on trust can clearly be noticed in the relationship between

SME3 and N2. N2 sent a survey via email to all subcontracted SMEs to have their opinion about the deal with N2 (see Appendix 4). As stressed by the owner of this small company, the intention of N2 was just to convince the government that N2 was its role in mandated business interactions. Therefore, the owner of this medium company was hesitant to take part in the survey as N2 might negatively react against him:

> *'This contracting company may react against me; I wasn't pleased with many issues including delay of payments'.*

With regards to degree of formality, this medium company experienced formalities with N2 as one of the big constraints. The detailed contracts appeared to go to such an extent that the Site Engineer (SE) of N2 was following every single step of his work. The owner of SME3 described this in the following statement:

> *'All of these things happen when you get tired, tied up with detailed contracts, things don't go as you plan. They are not loyal to the country as we'.*

In the view of the owner of SME3, assigning small works which were not of great value and with detailed contracts to deliver quality works was one of the main impediments to developing a productive relationship based on trust with N2:

> *'I seriously thought of quitting this business and closing the company; I thought this would be the option to have peace of mind'.*

With regards to interdependency signalling level of trust, SME3 had no confidence that N2 had any intention to develop interdependent relationships based on trust; he asserted that N2 was simply using him and other SMES to satisfy their government obligation. In fact, the owner of SME3 illustrated an incident where the insincerity of N2 in creating interdependent relationships based on trust can be seen:

‘The company intentionally forced subcontracted SMEs to work behind their maximum capacities… I mean capacity of equipment. Within a few months only half of the SMEs were out of work because of over usage’.

N2 attempted to use this tactic in order to utilise its own resources:

‘This is just to convince the government representatives to allow [N2] to utilise their own resources instead of giving the portion away to SMEs’.

With regards to reciprocity of information exchange, the owner of SME3 reported an astonishing experience in which he received an email from N2 thanking him for the past good experiences. However, the owner of this company eventually reported that he had a personal network in the Ministry of Transport and Communication (MTC), and this is where he was informed about every visit that the committee responsible to report about the mandated business interaction used to make visitations to the sites; this was to follow up and check upon the interaction between SMEs and large companies in mandated business interaction:

‘I was not missing any of the committees’ visits. [N2] thought I had strong connection with MOT but this helped me a lot. They had to deal with me in, at least acceptable manner’.

Due to his specialisation in health and safety, he attempted to attract the attention of N2 by delivering free health and safety courses for N2 employees.

SME3 had a low level of trust and attempted to improve the relationship with N2 by delivering courses to employees of N2 as well as using the network he had with the public officials.

4.2.2 Summary of the state of trust between SMEs and the second national large company - N2

The transcripts of N2 and the three subcontracted SMEs 1, 2 and 3 indicate the low state of trust between N2 and the SMEs throughout their business interactions. Although the SMEs were engaged in the business chain of N2 with government support, owners of SMEs did not see any hope of developing productive business relationships based on trust.

N2 initially attributed the failure of relationships with the SMEs to the government policy which forced large companies to release payments to SMEs in 28 days while the government itself delayed payments of N2 for more than a year. This practice was most unacceptable to N2. Additionally, N2 asserted that trust of SMEs was constrained due to their limitations of business acumen and lack of resources. In contrast, most of SME owners reported their failures in developing trusting relationship with N2 despite their many attempts. No interpersonal or inter-organizational trust appeared in these relationships, only an attempt to create indirect interpersonal trust raised in the case of SME3 and particularly when the owner of SME3 thought of employing Indians feeling this action would please the staff of N2 which was mainly Indian. The role of institutional trust was also evident in the same case and particularly when the network which the owner of SME3 had with public officials helped him to manage the relationship with representatives of N2. Surprisingly, the influence of public officials in the case of SME2 was not very strong as the government representative had only recommended the owner of SME2 to utilise his staff in another location where SME2 was commencing some work for N2 too. This showed that the well intentioned mandated government policy could be easily circumvented by N2 so that its real intentions were being nullified.

4.3 The first subsidiary large contracting company - S1

S1 is a subsidiary large company with diversified business activities. The Ministry of Transport and Communication (MTC) is one of the major sources of projects for S1 in Oman. MTC in 2014 alone, awarded S1 projects worth approximately $ 289,655 million of which nearly $ 28,965 million were reserved to be commenced and completed by the appointed SMEs.

S1 advocated a win-win situation in its strategy while interacting with SMEs. SMEs who succeeded in meeting the expectations of S1 were those who obtained repeated business interactions with S1. This can be seen in the expression of the Site Engineer (SE) of S1 who described an exceptional experience with one of the SMEs:

‘Because he was dedicated to the assigned work and his employees were productive, I requested the project manager to reserve another opportunity for him and at the same site’.

In contrast, the PM of S1 narrated an experience with one of the appointed SMEs in which he had asked the owner of the subcontracted SME to quit the contract after a few months of the first business interaction. In this case, the SME was caught using less than the required quantity of material which was essential to ensure the highest quality of work. The PM of S1 stressed that this was done in order to save some money:

‘Such things raise the bad taste in our mouth. I told the owner not to come into our business with low prices. Having the intention of doing faulty jobs is a major defect in our businesses’.

Unfortunately, S1 also experienced some owners of SMEs coming with the intention of a hit and run operation by grabbing a quick job resulting in low quality work.

‘Owners of SMEs must demonstrate their commitment. They must be transparent and should not hide things under the carpet. How can we trust them when they are insincere?’

S1’s win-win strategy came about for several reasons and the most critical one was expressed by the PM of S1:

‘The majority of owners of these SMEs did not envisage the complexity of several activities; the mandated business interaction involves different parties, SMEs, large companies, and the government’.

With regards to formalities, S1 treated contractual procedures as only preliminary information. The PM of S1 stated that he most often increased the work of SMEs whom he felt confident about from his site visitations.

‘I noticed, when you don’t try to act smart or abuse them they become closer to you, I encouraged the productive ones by increasing their scope when I visited the sites. This makes them feel confident about [S1]’.

S1 avoided having formal deals with SMEs. This can be noticed when the PM of S1 recounted several incidents in which he called his site engineers and the representatives of SMEs in order to avoid a more formal procedure. An incident which had actually happened just prior to the interview. An owner of a medium company was in the office of the PM of S1 discussing the risk that his company was exposed to because of some miscalculation in the scope of work. The PM of S1 stated that he immediately agreed with the owner of this medium company, and the expected risk was confidently shared between the two. The PM evidenced this by showing me the initial agreement and showed how flexible both parties were in shar the risk. He further added that, taking such initiatives often resulted in greater loyalty on the part of SMEs and according to the PM of S1, trust was given a chance to develop by limited formalities, ignoring some mistakes and sharing risks.

With regards to the interdependency, it was revealed by the PM of S1 that his company did not deal with SMEs merely to use their services, but to have interdependent relationships based on trust developed over time.

> *'What they lack and hinder them from coping with our business we try to solve it by providing direct and indirect assistance. This is our strategy'.*

However, S1 also took the view that SMEs needed to stand on their feet firmly, rather than being swept away by the winds of emotion as they were being supported by the government.

Finally, with the principle of entering into business interactions with SMEs by advocating a ''win-win situation'', S1 trusted those who were efficient and had been informing them about potential business opportunities. The PM of S1 stated:

> *'Advocating a win-win situation made many of them think of long term consequences"*

Generally, S1 had a low state of trust with SMEs and this was due to their vulnerability and limited knowledge of business. S1 experienced some of them who were mostly relying on government intervention instead of standing on their feet firmly to discuss their challenges with S1 in order to overcome them.

4.3.1 The embedded cases within S1

S1-SME1

SME1 started with basic activities including a block factory in 2009 and later on became specialized in waterproofing works. This small company succeeded in having repeated contractual business interactions with S1. SME1 initially managed the relationship with the involvement of government representatives where he had to refer to these government representatives to comment on the instructions given by S1 which, according to the owner of SME1, was not always appropriate.

SME1 reported two incidents to highlight the mediating role played by the government which eventually led to the development of trust between SME1 and S2. The first of these incidents occurred when S1 rejected a delivery of certain materials made by SME1:

> *'The site engineer rejected some material which was largely used; the site engineer did not approve it. I had to raise it to the consultant who was appointed by the ministry; I told him I can't work in such environment'.*

The government representative instructed that the material should be checked by an independent laboratory and the material was approved. The second incident happened when S1 instructed the owner of SME1 to commence some work in a nonsensical manner. The owner of SME1 was not convinced and accordingly asked the SE to give him the instruction in written form. This was for no reason but to protect the interest and image of his company.

Again, the government representative was more inclined with the opinion of SME1. In both cases, government representatives were the mediators who defended the position of SME1 which eventually showed how they should deal with each other rather than looking at each other as large and small partners.

With regards to degree of formality, the owner of SME1 stressed that prior to the involvement of the government, he had had a low level of trust in S1 and had even asked the site engineer to give him every instruction in written form. This was for no reason other than to protect the interest and image of his company. However, after involving the government, the idea of dealing with S1 in an official manner changed.

The owner of SME1 found the mediating role played by the government representatives essential and helpful until he proved his capability and developed trusting business relationships with S1. However, the self-confidence in the efficiency of his company enhanced his position to work with S1 on a constant basis.

> *‘Once I knew that what I am doing is right I do it without any hesitation. This is my philosophy, if the relationship does not work with [S1], I believe that it will work with others’.*

With regards to the interdependency and reciprocity of information exchange trust indicators, the owner of SME1 did not experience S1 very much relying on his company, nor exchanging any valuable information with him; instead the owner of SME1 who was approaching S1 seeking for business opportunities:

> *‘I noticed that [S1] will not come, they will not to ask or bother after completing the work which is part of the 10%, I had to see what they have and how I can be of interest to them’.*

Although, SME1 did not experience S1 relying on SME1, nor informing him about business opportunities, yet SME1 had a high level of trust in S1. The mediating role played by government representatives was considered by owner of SME1 as the critical factor which helped both companies to form trusting business relationships.

S1-SME2

S1-SME2 established his company in 2008 and began to engage with S1 in public projects since 2012, this was by supplying heavy load trucks. SME2 succeeded to form trusting relationships with S1. The owner of SME2 described his experience with S1 as one of the distinctive trusted business relationships which had been repeatedly recurring for the last four years. The owner of SME2 described the success his company his company attained with S1 in these terms:

> *'Because of the quality of work my company delivered, the project manager increased the size of my contract. He also realized how other SMEs whom he used to rely on had cheated [S1]'.*

The owner of SME2 also reported an attempt by those who were handling SMEs with improper records trying to convince him to cheat and not to bother about delivering quality work, but he never listened to them. He expressed this saying:

> *'There were temptations, temptations from managers of these SMEs to move me away, they wanted me to be like them, cheating, paying bribes, I never listened to them. I knew it is short lived. I always remember the values I learned since my childhood'.*

The owner of SME2 initially experienced a high level of formalities while dealing with S1. S1 often adopted a tough stance in checking the quantity of materials delivered every day but he did not regard this as a negative factor but rather as something which sorted out active SMEs from those which were inefficient. He described his experience with S1 and reported how important to be sincere and honest saying:

> *'I must say… the work I have done was above their expectation. At this time and because of me the project manager discovered how others have been cheating him. He realised the big difference between what I was doing once compared with those whom he was trusting before'.*

SME2 after attaining a certain level of trust was treated differently. SME2 was trusted to such an extent that it was the only company which was exempted from delivery checking procedures.

The owner of SME2 recounted how his latest experience with S1 compared to that of the first one asserting that S1 now assigned SME2 works without any hesitation and with low level of formalities. He attributed this to the honesty and to the moral value of people living in villages which were not new to the PM of S1 who had been in Oman for many years:

> *'He trusted me when I explained to him where I came from. Dear brother, we are brought up with conservative society and the project manager has been in Oman for many years. He had no doubt our society is tribal and the insult doesn't affect you only but also your tribe'.*

Relating interdependency to a high trust can be seen in the expression of the owner of SME2. He emphasised how trust had made S1 reliant on his company. He stated that the project manager of S1 assigned tasks, constantly relying on his company to the extent that S1 reduced the quotas of others whom he used to trust previously.

The owner of SME2 showed the big difference between the value of the first work order that his company had received four years previously and the values of work orders that his company had received in the current year. In fact, the owner of this SME produced documentary evidence which showed that the value of the contract had significantly grown over the four-year period (see appendix 5).

With regards to reciprocity of information exchange, the transcripts of SME2 working with S1 emphasised that S1 trusted him to such an extent that S1 informed him about future business opportunities in advance, giving the smaller company a distinct advantage in tendering.

> *'I remember the words from the projects engineer who said to me '' where were you from before'', he meant to continue to assign me works. My company became one of the favourable partner for [S1], they inform me about every work [S1] gets from the government'.*

Generally, his self-reliance in arranging required resources, patience, honesty and perseverance made him one of the favoured partners to S1. The company had started with a local purchase order of $ 15,000 and the orders in later interactions had often exceeded $ 500,000 (see Appendix 5).

The competency-based trust was the type of trust that SME2 had with S1; this is to such an extent that SME2 had always been a favoured partner for S1. The inter-organisational level is also clearly apparent in this relationship; this can be seen when S1 exempted SME2 even from the check points which the other SMEs had to go through.

4.3.2 Summary of the state of trust between the first subsidiary's large company S1 and subcontracted SMEs

Representatives of S1 revealed that S1 had always advocated a win-win situation to confidently work with SMEs in public projects. The owner of SME1 reported that he initially experienced representatives of S1 favouring SMEs that they had previously known. Additionally, S1 attempted to force him to commence the work as S1 had wanted but with his self-confidence regarding what he was supposed to do, with the assistance of government involvement, he was able to convince S1 to such an extent that the latter formed trusted relationships with SME1.

The experience of SME2 was different. The owner of SME2 revealed that when S1 noticed the efficiency, productivity and honesty of SME2, S1 went to the extent of increasing the size of the contract of SME2 and reduced the work of SMEs that S2 used to previously rely on and trusted. Interestingly, knowledge of the PM of S1 about the social and tribal background of the owner of SME2 enhanced the notion of trust between the two interacting companies.

To conclude, the competency and institutional types of trust were the predominant types in the case of S1-SME1. The case of SME2 was slightly different, the competency based trust was the only type and the trust was even at organizational level.

4.4 The second subsidiary large contracting company - S2

S2 is one of India's largest construction companies. The Ministry of Transport and Communication and Muscat Municipality were its two major sources of business. In 2014 alone, MTC awarded S2 projects worth of approximately $12,740 million in which nearly $1,273 million were reserved for the appointed SMEs.

S2 rarely had repeated business interactions with SMEs based on trust. According to S2's reports, around 20% of SMEs quitted the business interaction at an early stage of the business. This was clearly expressed by the PM of S2:

> *'According to my records, around 20% of the subcontracting SMEs often leave us at initial stage, they have no patience. You see them looking for business opportunities with other large companies, something strange'.*

Only a few SMEs succeeded in having repeated contractual arrangements with S2. Similar expression was found in the transcript of the site engineer of S2 who reported his low trust in appointed SMEs. This was based on his experience of the project that he was observing at the time of the interview:

> *'In this project, there are SMEs which quit the business in short time, I would say in a few months'.*

The site engineer of S2 was found to be suspicious about engagement and productivities of SME and could not find explanation why many of them quitted the business without even letting representatives of S2 know. Nevertheless, he expressed that he wished to see them exercising more patience:

> *'Owners of SMEs should learn how to be patient and should not expect themselves to achieve what is in their mind with little effort, within a short period of time. Things do not happen overnight'.*

SMEs with Innovative solutions seemed to be the SMEs who had repeated business interaction based on trust with S1. The PM of S2 reported one exceptional experience with a SME that S2 had developed a trusting business relationship with. This was when the owner of the SME proposed to the PM of S2 that he would manufacture some materials in his workshop. The Ministry approved the proposal and the SME supplied the material to S2 at almost half the price of the imported ones. The PM described this distinctive experience of the SME:

‘In fact, I did not believe that he will make, he supplied the material with almost the same imported quality and with reasonable prices’.

With regards to degree of formality and trust that S2 had in SMEs, S2 was reported by its informants to have a high level of contractual formality with appointed SMEs. This reason was to protect the interest of S2. The PM of S2 said:

‘See, our policy is to safeguard our interests; we always try to have full-fledged sets of agreements where all our interests are secured. We try to mitigate our risks which are more likely due to unknown relationships’.

The reason for having full-fledged sets of agreements was due to the criticality of time which informants of S2 described as being an important requirement of the contract and that failure to meet targets would be punished by some form of penalty.

‘When the government imposed any penalties or liquidity damages on our company, we passed them on to SMEs as they were largely responsible for the delay or the damage’.

With regards to interdependency as a third trust indicator, S2 experienced appointed SMEs as partners who could not be relied on due to their weakness and limited capacity. This was in addition to their intention to discontinue working with S2. The PM said:

‘Once they are committed they should work until the end. I rarely experienced any of them whom [S2] can rely on’.

S2 also found it hard to cope with owners of SMEs as most of them rarely came to the sites to check upon progress of their employees and progress of the work.

‘Unfortunately, many of them work in public sector and we hardly see them at the site. It happened last week, we came across some challenges, and we thought of plan B and we had to decide on something and discuss the plan, we struggled to get them and their representatives couldn’t decide on anything...you tell me how can you trust a partner who is not dedicated?’.

The transcripts of both informants of S2 highlighted that availability of owners was essential to discuss progress of the work, to observe the performance of their employees, and to be available for consultation in decision making.

With regards to the reciprocity of information exchange, S2 did not share any sensitive issues such as designs, expertise knowledge, and strategies with appointed SMEs. The PM said:

> *'Sensitive like we don't share our designs; we don't share our strategy with them. But when they have some difficulty like how to do the binding, how to clap steels, what can make particular components work like this... We can support'.*

In general, S2 had a low level of trust with appointed SMEs. S2 trusted those who added value to them such as providing specific services or materials at reasonable prices.

4.4.1 The embedded cases within S2

S2-SME1

S2-SME1 is a small security service enterprise specialized in the installation of CCTV cameras. The first business opportunity this company ever had was with S2 in 2012. SME1 left S2 after completing the first contractual interaction and did not see any hope of working with S2 in the future:

> *'That was the first and the last experience my company had with [S2]. It was a bad experience"*

The owner of SME1 related his failure in having repeated business interactions based on trust with S2 to the misplaced loyalty of managers of S2 who favoured SMEs managed by people of the same ethnic origin and not to SMEs managed and operated by indigenous Omanis.

With regard to formalities, SME1 and S2 found to have high degree of formality which indicated the low trust level throughout their interaction. The owner of SME1 reported that S2 was dealing with his company in an officious manner to such an extent that he had to write a letter to S2 in order for S2 to send the engineer to inspect the completed work. What also discouraged him to work with S2 was the payment issue which was taking a long time because of long and unnecessary formalities. According to the owner of SME1, long and unnecessary formalities were for no reason but to fail him and to show the government weakness of SMEs and the failure of mandated business strategy. Lengthening the procedures of inspections and delaying payments was a very serious issue for SME1:

> *'I borrowed some money to start my business, actually, I have no doubt that the delay of payments was done purposefully. You can't imagine [S2]) had always been delaying the inspection and my payments'.*

To relate degree of formality to trust, the owner of SME1 illustrated two different experiences; one was with S2 and another one which was with a national large company. SME1 appeared to have a totally different experience working with the second company in which SME1 was given the freedom to carry out the contractual arrangement without undue interference and even went so far as to make payments in advance of the contract so that the owner of the SME could pay his employees' wages and other expenses.

SME1 did not experience or notice any initiative by S2 to create an interdependency relationship with his company. With regards to reciprocity of information exchange, the owner of SME1 reported an incident where he had to beg representatives of S2 to give him a copy of the drawing which he needed in order to submit his quotation for one of the potential opportunities with S2. This showed how negative or minimal disclosure of information was associated with low states of trust.

Generally, none of the indicators did signal presence of trust despite his attempted to manage the interaction through the involvement of his uncle. This was in addition to his attempt to create an interpersonal trust through an appointed person from the same ethnic origin as most of the employers of S2 to work on his behalf and to control the contract.

S2-SME2

S2-SME2 is a national medium company established in 2005. SME2 had its first business opportunities in public projects in 2009, and this was with S2 on three road junctions within Al-Seeb area. This case was unlike the previous case (SME1 and S2) in which none of the indicators signalled the presence of trust. SME2, since 2013, worked with S2 in four projects and on a continuing basis and was found to have a high level of trust.

SME2 and S2 seemed to have low degree of formality which indicated high level of trust. Actually, being familiar with the culture of representatives of S2 and being aware of the language (Urdu) that the owner of SME2 used to communicate with the representatives of S2 minimised degrees of formalities with S2:

> *'You know I am Balushi and I speak Urdu and they are Indian, the language I speak helped me to minimize the formalities, I have never thought the language and understanding the cultural background would work for developing a great relationship'.*

He explained that the language that they both shared created a kind of confidence as it also helped him to express his intentions, needs, and helped him to convince the representatives of S2.

With regards to interdependency, S2 initially invested in the assets of SME2 so that SME2 became one of the approved dealers for the traffic light cantilevers. Both companies worked together especially in submitting tenders to the government. This can be seen in the following reported experience by the owner of SME2 when he cooperated with S2 to arrange for some material from neighbouring countries:

> *'I finally found one company in Tehran sold this product for almost half of the price that I got in Dubai. When I returned to Oman I and the PM of [S2] convinced the engineer in the Ministry of Transport about the quality of the material I and [S2] intending to install. I immediately arranged it when I got the green light. Imagine, later on I became the*

dealer for the material and [S2] has been purchasing the material from my company ever since'.

S2, since then, had placed orders for the same material from SME2 and that both companies were benefiting from the arrangement. S2 later on relied on SME2 for supply and installation services. This indicated a high state of trust found in a mutual interdependent interaction.

SME2 and S2 exchanged valuable information which ultimately enhanced the state of trust between the two partners. It was reported that the disclosure of valuable information about SME2, particularly by significant parties such as S2 to well-esteemed companies such as Petroleum Development of Oman (PDO), was considered to be a sign of trust. In fact, the owner of SME2 stated that it was an honour for him to know that S2 was the one who had recommended his company to PDO:

'I received a phone call from PDO requesting me to deliver my company's profile. I doubted no one will do this but [S2]. I appreciated this and thanked the project manager for his trust'.

The cognitive-based trust was apparent in this relationship. Additionally, trust in this relationship started at an interpersonal level and, when the competency of SME2 was evident, it shifted to inter-organisational level. This can be noticed when S2 introduced SME2 to well-esteemed companies. This was considered to be a sign of high trust level.

4.4.2 Summary of the state of trust between the second subsidiary's large company (S2) and subcontracted SMEs

Experiencing an approximate ratio of 20% of appointed SMEs exiting the business interaction with S2 at an initial stage was one of the main impediments raised by S2 to trusting SMEs. Among all SMEs, S2 had an exceptional experience with one SME which, in fact, provided S2 with a local product at reasonable prices. S2 was also proud of this SME to such an extent that S2 helped that SME to get the material approved by the government.

The owner of SME1 attributed his failure in developing a trusted business relationship to the preference S2 shown towards SMEs managed by individuals from India rather than from Oman. However, SME2 had a high level of trust in S2. The (Urdu) language that the owner of SME2 spoke, as well as being familiar with the culture of representatives of S2, facilitated the interactions between the owner of SME2 and representatives of S2. Consequently, trust was raised between the two companies to such an extent that S2 recommended SME2 to another well-esteemed company. How trust operated between SME2 and S2 was clearly different from trust in relationships based on choice as SME2's cost effective actions had impressed S2 and was driven by the motive of impressing the government. Thus, the conceptualisation of trust in such mandated business interactions differs from the conventional view of trust in IORs of choice. A more in-depth discussion of this new conceptualisation of trust is presented in chapter six (section 6.1).

4.5 The first joint venture large contracting company - JV1

JV1 is a joint venture Italian company which teamed up with an Omani national company in 2008 for road and bridge construction. The Ministry of Transport and Communications (MTC) has always been the main source of its business in Oman. In 2014 alone, the MTC has awarded JV1 projects worth $ 371.3 million, of which $ 37.128 million was reserved for the appointed SMEs.

The work quality, time delivery and finally, the cost were the most important conditions that JV1 expected appointed SMEs to fulfil. Hence, according to the experience of the PM of JV1, only a few SMEs succeeded to have repeated contractual arrangements and this was due to the lack of SMEs' efficiency:

> *'Only few, I mean whom I am confident about, and those whom we are confident about have been working with us in a continuing basis'.*

Absence of commitment of SME owners was one of the main constraints for JV1 to trust SMEs. Additionally, detailed and long discussions of every issue were some of the unfavourable characteristics of appointed SMEs led by Omanis; this was in contrast with SMEs managed and operated by expatriates in the view of the PM of JV1. However, some owners of SMEs were favoured by JV1. The PM said:

'Those who have access to official bodies like the Ministry of Manpower are favoured to us, some of them helped [JV1] to secure the required permissions'.

With regards to formality, JV1 attempted to protect its interest with the government by signing detailed contracts with SMEs. This was to avoid any responsibility that might arise if SMEs failed to meet expectations of large partners as well as the government:

'In order to minimize the risk of partnering them, I had no choice but to sign detail contracts with them'.

JV1 did not see any opportunity to create interdependent relationships based on trust. The PM specifically said:

'We thought we could reduce the maintenance, development, and training costs. As you might know, I cannot keep such specialized and trained section and only use it when there is a need, but what to do, I couldn't rely on them'.

The conditions of SMEs the PM of JV1 had experienced stopped his company from depending on them. This was because he experienced some owners of SMEs who were negligent:

'Instead of leading their labourers, the labourers were left to my company, to be told what to do and I had to do this because of the government obligation. Their failure affects us'.

Nevertheless, the PM of JV1, while discussing interdependency, described an incident with an owner of a SME in which he would have destroyed the existing trust with that SME. The incident started when the PM of JV1 thought of utilising the free resources of JV1 on work allotted to subcontracted gas pipeline medium enterprise. He justified his intention to get into the work allotted to SME to commence the entire project as fast as JV1 could. However, he ultimately revealed what this would cost his company by committing what he described as one of the biggest mistakes he could have made. This was because the subcontracted gas pipeline company had trusted JV1. The PM of

JV1 expressed the reaction of the owner of subcontracted SMEs in the following terms:

> *‘The owner of the SME said, you are the main contractor but I will do the work the way I see it right. This is if you like it, if not then you can find someone else to do the work’.*

Clearly, this expressed the low state of trust where a relationship was driven by the self-interest of one of the parties.

According to the PM of JV1, JV1 had no hope in exchanging information with most SMEs. The PM asserted that it was difficult for him to coordinate with owners of SMEs, because these owners thought their job was completed once the contract was signed between them and JV1. Most of them were rarely seen following up the progress of their employees.

Generally, JV1 seemed to have a low state of trust with SMEs. Those who had access to public officials were favoured by JV1. The PM of JV1 experienced owners of SMEs being negligent and insincere and he could not coordinate with many of them as owners of SMEs were basically busy with their works in public projects.

4.5.1 The embedded cases within JV1

JV1-SME1

SME1 is a medium enterprise founded in 2005 and specialised in the road construction industry, particularly in technical support services. The owner of SME1 started his career working as project manager for one of the largest national construction companies in Oman. Due to the experiences that the owner of SME1 had, he was able to attain continuing and repeated contractual arrangements with JV1:

> *‘The managerial experiences, formalities, and previously developed networks with, you know Tender Board of Oman, in addition to my network with representatives of the Ministry of Transports and communications. Most of these helped me and JV1 to work with confidence’.*

SME1 succeeded in having repeated business relationships with JV1 and the trust seemed to gradually increase and eventually became high after the first business interaction. SME1, between 2011 and 2015, worked in more than 4 projects with JV1 and had business chains with other large road construction companies in Oman. The SME1 today has more than 45 items of equipment and machinery and employs 64 people excluding the owner and his two sons.

With regards to degree of formality indicating high trust, the owner of SME1 reported that his company and JV1 had low levels of formalities. The owner of the SME1 related several incidents in which he arranged for expensive equipment from JV1 through phone calls and without the need for any official records:

> *'It happens several times when I need some specific equipment, they are expensive, I only call the project manager of [JV1] and we settle things later on'.*

The owner of this small enterprise was the only one who did not totally blame large companies including JV1 for being formal with some owners of SME. He asserted that he did not agree with many owners of SMEs who misused the government attempt to enhance their position while interacting with large companies in public projects. He said:

> *'Some of them work in the public sector and they are rarely seen. I mean following with their employees, checking their performance. Large companies became suspicious, who is serious and who is not and large companies are responsible for handing over the projects on time'.*

He added that he never had any cheque which was dishonoured and, according to him, nothing was hidden or underhand and this was one of the reasons for JV1 to deal with him with minimum formalities.

With regards to interdependency, SME1 and JV1 had mutual interdependency; JV1 has been relying on the owner of SME1 to overcome some temporary difficulties with public bodies such as licences and permissions. SME1 and JV1 were exchanging information about business opportunities. The owner of SME1 asserted that JV1 took advantage of the structure of SME1 which was largely operated by an Omani to such an extent that the representatives of JV1 had been reporting the success of JV1 in trusting business relationships with the government and described the characteristics of SME1. This was mainly to attract the attention of the government. This was advantageous to JV1 to get more opportunities in public projects.

In general, SME1 and JV1 seemed to have high levels of trust.

JV1-SME2

JV1-SME2 is a small enterprise and was established in 2010, SME2 was engaged in a supply of road studs' materials to road construction companies. The first business interaction SME2 had was with JV1 and commenced in 2013.

SME2 failed in creating a productive business relationship with JV1. Working as a journalist did not give him enough time to experience the development of productive business relationships. The company today has a team of 7 employees excluding the owner and earned approximately $ 55,000 out of the three last work orders received from JV1.

4.5.2 Summary of the state of trust between JV1 and subcontracted SMEs

JV1 revealed its low state of trust throughout its business interactions with subcontracted SMEs. JV1 found that the majority of SME owners failed to supervise their employees and left them to be guided and managed by JV1 whereas the intention of JV1 was to rely on the subcontracted SMEs in order to concentrate on its core business. However, the incident revealed by the PM of JV1, when he thought of utilising some of JV1's free resources in the work allotted to the SME, contradicted the strategy that JV1 claimed to follow in relying on subcontracting SMEs.

JV1 seemed to be more concerned about its own self-interest. Omani owners of SMEs, who had contact with public bodies, were favoured by JV1. Actually, what the representative of JV1 highlighted can be confirmed from the experience of the owner of SME1 who revealed that his accessibility to public officials served his company and JV1 in which they both attained trusting business relationships.

Additionally, being an owner of a medium company which is extensively managed and operated by an Omani team gave an opportunity to JV1 to show the government representative the success of JV1 in partnering with an Omani SME.

4.6 The second joint venture large contracting company - JV2

JV2 is a joint venture between a Portuguese company and the Omani National Construction Company. Ministry of Transport and Communication (MTC) awarded JV2 five projects with a value in access of $137 million. An approximate value of $13.7 million was reserved to subcontracted SMEs. JV2 often tried to limit its activities to the core business as well as to supervision and seemed not to be confident about subcontracted SMEs. The PM said:

> *'Only a few SMEs succeeded; I mean only few whom we felt confident about and carried them in a regular basis'.*

Engaging inefficient employees and improper utilisation of resources were some of the issues which the PM reported and often discussed with the owners of SMEs.

> *'I worked in more than one country. Unfortunately, SMEs in Oman are not organized, most of SME owners believe that it is always better to have large number of workers instead of having specialized teams'.*

The constraints to have repeated business interaction based on tryst was not limited to believe of owners of SMEs such as having large number of workers instead of employing specialised people, the PM of JV2 further stated that he experienced some owners of SMEs not fully aware of the specification of materials that they supplied to JV2, and this was shocking to the PM of JV2:

> *'It was shocking to see some of them not fully aware, I mean of the product and differences between one product and the others. How I can trust a partner with such character'.*

With regards to level of formalities, JV2 had a high degree of formality with appointed SMEs such as signing detailed contracts. These agreements even included details of employees of SMEs; this was done to protect its interest with the government. The PM of JV2 experienced incidents in which some appointed SMEs were caught violating the provisions of the Labour Law, and this caused JV2 to take extra care while engaging SMEs in public projects:

> *'I came across some cases where the extra employees are not registered under the same company and they were caught working on our site'.*

With regards to interdependency, JV2 revealed some experiences where reliance on SMEs was successfully attained. The PM revealed an incident in which he decided to sell some old equipment and replace it with new equipment, asserting that the high cost of maintenance was a burden to JV2. Meanwhile, an owner of a small company who was a technician suggested to him to keep the equipment and sign the maintenance contract for a reasonable price. He stated that his company saved money, receiving satisfactory maintenance services while relying on efficient small enterprises. This was a clear example of a high level of trust between JV2 and enthusiasm that some owners of SMEs had which eventually led to mutual benefits.

In relation to the final trust indicator – reciprocity of information exchanged - JV2 stressed that there was no hope of exchanging any valuable information with appointed SME. JV2 had unpleasant experiences with many of them who were not well organised, not committed to the work and not fully aware of what they want to be in the future. The PM said:

> *'Because the majority of SMEs are not efficient, I usually don't tell them about any expected opportunities hoping to find better SMEs'.*

In general, it can be summarised that JV2 had a low state of trust with subcontracted SMEs and this was mainly due to inefficiency of appointed SMEs.

4.6.1 The embedded cases within JV2

JV2-SME1

JV2-SME1 is a national medium enterprise established in 2008. Surprisingly, it was JV2 who actually approached this medium company in 2013 and assigned SME1 the construction of a hydraulic bridge. This bridge was for one of the national ferry companies which was targeted to become a contributor to the maritime transport infrastructure and development in the Sultanate of Oman. The project, which lasted for 18 months, was the only work that SME1 did for JV2. The owner of SME1 has, since then, ceased any business arrangements with JV2 and dedicated its business to deal with individuals' orders after quitting the first business interaction with JV2.

> *'It was the only experience my company had with [JV2], it was very bad experience, I quit and I didn't want to go through similar experience again'.*

This company had several unexpected bad experiences with JV2 which eventually forced him to decide not to have any repeated interaction with JV2. As revealed by the owner of this small company, and particularly at the time of launching the projects, the owner of SME1 realised the duplicitous intention of JV2. He confirmed that the cost of the work which JV2 assigned to his company was much less than the real cost that was approved by the government. Actually, he provided evidence of this. The owner of this small company was disappointed because the JV2 attempted to keep this information hidden from the owner of SME1. What also seemed to be serious and which caused frustration to the owner of SME1 was that JV2 presented the creativity of the core work of SME1 in the social media as the work of JV2 and this was what led to the breakdown of trust between them. Secondly, an inconclusive Ministry of Transport and Communication's response to the claim of the owner of SME1 made the owner of SME1 feel insecure. According to the owner of SME1, trusted business relations with JV2 could have been established if JV2 had given serious attention to the government initiative which aimed to enhance the growth of SMEs.

With regards to the formalities, JV2 and SME1 initially had a very limited formal deal. The low degree of formality, however, was found to be a tactic played by JV2. The PM of JV2, in the middle of the project, gave the owner of SME1 the green light to arrange all essential materials that he had not considered while submitting his quotation. The PM of JV2 informed him to arrange the material at any cost and even without seeking prior approval. The owner of SME1 expressed that experience, saying:

> *'Imagine, the account was open, if someone else with bad intention, you know, can easily make use of this opportunity and nobody will know'.*

It should be noted that with a contract value of approximately $ 177,000, JV2 in trusting SME1, had exposed itself to some considerable risk. Such confidence being placed in a low formality context is a supreme example of trust.

SME1 had an interdependent relationship with JV2. JV2 invested in the assets of the SME and provided the owner of SME with most of the technical and financial assistance. However, this interdependency was revealed to be based on self-interest on the part of JV2:

> *'I was not having the capability to establish and run my workshop on my own; I cannot deny that I relied on them but when I realised their bad intention I said there is no hope of developing business relationships with [JV2]'.*

With regards to the last trust indicator- the reciprocity of information exchange, SME1 had low trust on JV2, therefore, the owner of SME1 did not exchange any information with JV2.

Generally, the state of trust was high at the beginning of the business interaction between SME1 and JV2 but declined at the end of the first and only business interaction SME1 had with JV2. The interdependency in this relationship is not related to trust but to the self-interest of JV2. The minimal influence and presence of government representatives in this relationship had given an opportunity to JV2 to dominate the relationship.

JV2-SME2

JV2-SME2 is a medium enterprise founded in 2008. The first business interaction that SME2 had with JV2 was in July 2013. SME2 and JV2 had repeated business interaction based on trust.

However, the owner of SME2 attributed this to the presence of the government which facilitated the development of trust between SME2 and JV2. Actually, presence of the government was extensively seen in the public project which was commenced by JV2 and SME2:

> *'Representatives from the Minister of Transport and Communication asked me once, in front of the project manager of [JV2], whether I was satisfied with the interaction and the given business opportunities. I said yes. I worked with [JV2] in three contractual arrangements since 2013'.*

The government intervention was perceived by the owner of SME2 to be important to limit the choices of SMEs and large contracting companies to deal with SMEs with proper records as there are many SMEs operate in the market with improper records. As such SMEs offer cheaper prices to large companies.

> *'[JV2] used to engage SMEs with improper records because of their lower prices'.*

It was even revealed by the owner of the SME2 that he and owners of other SMEs had reported such practices by large companies, including those of JV2, to the Ministry of Manpower which then sent unannounced inspection teams to the working companies and caught many illegal labourers. The restrictions put by the government tended to minimise such dishonest practices. Additionally, government intervention helped most SMEs to obtain the required financial and human resources and this enhanced the level of trust of large contracting companies about their subcontracted SMEs:

> *'The appointed government representative was holding regular meetings. I mean between us and our contracting companies including*
>
> *[JV2]. This was to discuss progress and constraints issues we face'.*

The transcript of SME2 indicated a low level of formality between SME2 and JV2, and this seemed to be the result of the presence of government officials at the site on a continuing basis.

With regards to interdependency, the owner of SME2 experienced a high level of interdependency which indicated a high level of trust between SME2 and JV2.

> *'Imagine, representatives from offices of project managers were highly depending on us to quote for the jobs. I myself used to put higher prices. I don't remember that any of my quotations got rejected'.*

The final trust indicator is the reciprocity of information exchange. SME2 and JV2 had constantly exchanged information about business opportunities. The owner of SME2, actually, revealed that JV2 had been sharing with his company potential opportunities in future public projects, and this signalled a high level of trust between the two companies.

The owner of SME2 expressed this experience as one of the exceptionally good and trusting business interactions that he had ever encountered. Strong institutional arrangements particularly in the form of regulative and normative arrangements were seen as significant.

4.6.2 Summary of the state of trust between the second joint venturing large company (JV2) and subcontracted SMEs

JV2 attributed its low levels of trust to the unfavourable characteristics of appointed SMEs. Unnecessarily engaging of extra work force, limited knowledge of specifications and differences of the quality of material supplied by subcontracting SMEs and, most importantly, experiencing some SMEs which were caught violating the rules, were the major issues that concerned JV2 in this form of business interactions.

In contrast, the owners of the subcontracted SMEs revealed different facts and they both formed a low state of trust with JV2. For the owner of SME1, the duplicity of intention of JV2, particularly in the cost of the work which JV2 had assigned to his company being much less than the work approved by the government, led the owner of SME1 to be very distrustful towards JV2. JV2 attempted to keep the information of the real cost of the work hidden from him and, most importantly, presenting the creativity and the innovation of the hydraulic bridge which SME1 made in the social media as though it had been the work of JV2. This was enough to describe the unacceptable intention of JV2 which compelled the owner of SME1 to immediately quit the business of JV2.

The work which SME1 had commenced with JV2 was in a border region of Oman and very distant from central government. Consequently, this work received little attention or supervision by government officials and, because of this, the state of trust was low. In contrast, there was a high state of trust between JV2 and SME2 where the project was regularly monitored by the government.

Hence, the institutional based trust was the dominant type in the relationship between JV2 and subcontracted SMEs.

4.7 Summary of the findings

The summaries of the analysis which followed each of the embedded cases revealed the state of trust within each case, and the indicators used to ascertain the state of trust have helped to determine the levels of trust that existed between some large companies and SMEs. However, based on the perceptions of the informants, it was found necessary to modify these four indicators so that they were more appropriately relevant to the context of mandated business interactions. These modifications are fully discussed in chapter 6.

The concept of trust in the context of mandated business interaction was found to be notably different from the mainstream understandings of the term in the literature. Immediately, the question arises of whether trust is possible at all in mandated business interactions as there is some level of enforcement by a third party namely the government. However, the findings of this study, based on the perceptions of the key informants in the research, reveal that trust exists in mandated business interactions. The definition of Nguyen et al. (2005) was found to be useful with its emphasis on trust as “a psychological state characterised by positive affect towards qualities of the partner and confidence that the partner will perform certain actions" (Nguyen et al. 2005- p 214). However, the motivation of trust was different in mandated business interactions as both partners strove to impress the third partner, i.e. the government. Far from restricting the development of trust, the presence of the third party was found to have facilitated the development of trust. This is discussed in greater depth in chapter six (section 6.1).

It is also important to point out that trust in some cases was dynamic in nature, and some types of trusts were driven by different social, environmental, and institutional sources. Some types, such as institutional based trust which was driving the behaviour of interacting companies, seemed more influential than others; yet, the influence of the institution was still dependent on the presence and power placed by the government in interacting companies.

Having identifying the levels of trust that existed between SMEs and large companies in mandated business interactions, the various factors which influenced levels of trust are explored in the following chapter.

Chapter Five – The analysis and findings

The factors influencing the levels of trust in SMEs and large companies in mandated business interactions

5. Introduction

This chapter presents the analysis and the findings related to the second research question:

How do various factors influence trust levels between SMEs and large companies in mandated business interactions?

The chapter identifies the factors that are commonly commented on in the literature but in addition new factors emerged from the data analysis which were particularly pertinent to the context of mandated business interactions. The influence of these factors on levels of trust is presented in accordance to the levels of trust found in the fourteen embedded cases which were revealed in the previous chapter. The fourteen embedded cases (see chapter four: introduction) were explored using the indicators to assess their levels of trust. Table (4.3) in chapter four showed that 8 of the 14 business relationships had a high level of trust while the remaining 6 were found to have a low level of trust. A high level of trust was found in all the cases of N1 and subcontracted SMEs as well as S1 and its subcontracted SMEs. The trust in these embedded cases was a result of goodwill, competency and institutional based trust. The embedded cases with N1 and S1 were unlike the case of N2 and subcontracted SMEs, where most of the relationships were indicated as low trust level. The remaining cases were with S2, and JV1 and JV2 as the large company. Each had a relationship with two SMEs, one of which was indicated as high level of trust and the second relationship as low level of trust in each case.

The chapter is divided into two main parts: the first presents the factors underlying a high level of trust; the second presents the factors which led to a low trust level. To list the factors in a systematic way, they are first presented by the dominant types of trust (characteristic based trust, process based trust, and institutional based trust, see chapter two section: 2.9).

The interview data was analysed using Nvivo.10 software. Initial coding was performed and produced over 200 codes from the 25 interview transcripts and these were compared and merged according to similarity of contents. The codes were then compared and contrasted. This thematic analysis resulted in the identification of 11 factors which were perceived as influencing high levels of trust and 9 factors which were perceived as influencing a low level.

5.1 Factors which led to high state of trust

The factors which led to a high level of trust are presented in Table 9.

Table 9 Factors which led to high trust level

Large companies			N1			S1		S2	JV1	JV2
No	SMEs		1	2	3	1	2	2	1	2
	Factors	**Sub-factor**	Characteristics Based Trust factors							
1	***<u>National loyalty</u>***		√	√	√		√			
2	**Cognitive proximity**	***<u>Social similarity</u>***	√	√	√					
		<u>Social proximity</u>						√		
Process Based trust factors										
3	**Reputation of large company**		√	√	√					
4	**Reputation of SMEs**	**Records keeping**	√					√		
		Innovativeness						√		
5	**Commitment**	**Large partner**	√	√	√					
		SMEs -Dedication	√	√	√	√	√	√	√	√
		- **Enthusiasm**	√				√			
6	**Goal congruence**		√	√	√			√		
7	**Sharing Risk**		√	√	√					
8	***<u>Tolerance of partner</u>***		√	√	√					
9	**Transparency**			√						
Factors related to institutions										
10	- ***<u>Tribal norms</u>***				√		√			
11	**Institutional factors** ***<u>- Inspection</u>*** ***<u>- Supervision</u>***		√			√				
			√					√		√

Note: distinction is made in table 5.1 between the factors which emerged from the data by presenting these in underlined Italic format. The factors which were derived from the literature are presented in a plain text format. The sign (√) in the table indicates occurrence of the factors in these cases. The sub-factors are also included in the table.

5.1 characteristic based factors

5.1.1 National loyalty

National loyalty emerged from the data analysis as a new factor and refers to a situation where some interviewees from both large companies and SMEs had an expectation that the other partner would be trustworthy in the business interaction based on the putative sense of loyalty to one's country by being committed to the success of the mandated business interaction. National loyalty was, thus, largely a matter of subjective perceptions and expectations which were mostly borne out in reality. Both companies became willing to engage with each other in trusting relationships based on the sense of national loyalty. National loyalty as a factor influencing trust was seen in N1 where the PM of N1 stated:

> *'I am an Omani. Being in this position, I should pay significant attention towards this strategy (Mandated business interaction) in order to enhance the competitiveness of SMEs in the market. Actually I can give you a list of Omani owners of SMEs who never let us down due to their strong sense of commitment'.*

This statement by an Omani manager is a very strong affirmation of his perceptions that the fidelity of Omani managers of SMEs was a factor which created trust. Apart from the perception of fidelity, he stated, as an objective fact, that Omani owners of SMEs have "never let us down" and was willing to evidence this by supplying a list of SMEs. Thus, the compulsory nature of the government initiative was not the driver of trust but rather the sense of national loyalty which led to the development of high levels of trust between some large companies, particularly N1 and its subcontracted SMEs.

From the perspective of SMEs, the shared sense of national loyalty lay behind the owner of SME2 in working on a continuing basis with N1:

> *'[N1] is a national company and is very supportive of the government's strategy of mandated business interactions. This is why I was confident to enter into business interaction with [N1] for the last four years'.*

Even when the large company and the representatives were non-national, their perceptions that the partnering company was loyal to their own government initiatives was still a driving force for trusting their partner from the beginning of the business interaction. For example, the owner of SME2 working with S1 (Non-national company) was able to observe how the non-national company placed confidence in him based on perceptions of his national loyalty.

These examples show that national loyalty was an important factor which led to high trust levels between some large companies and SMEs.

5.1.2 Cognitive proximity

Cognitive proximity, in the literature, refers to perceived similarity between business partners and is based on their shared perceptions, interpretations and evaluations of the world (Nooteboome, 2000). Shared world views are perceived as facilitating communications as people draw on the same knowledge base in their interactions (Boschma, 2005).

Cognitive proximity was found in this study where interacting partners felt more confident and secure in entering into business relationships with a partner whose cultural background and world view was congruent with their own. This can be seen in the case of SME2 working with S2 who expressed the advantage of similarity of language and shared values:

> *'You know I am Balushi and I speak Urdu with the same dialect as these people, the language I speak helped me to minimize the formalities, it was easy to understand each other as we both understood how each of us think'.*

All of the cases in which N1 was involved showed the positive influence of cognitive proximity on the state of trust which existed between the partners. Cognitive proximity had also enabled both partners to discuss their needs and challenges freely. For example, the owner of SME3 stated that once, in a rather light-hearted way, he had approached the Omani Site Engineer (SE) of N1 asking him about business opportunities that would make his life better. Due to the cognitive proximity of both actors in this case, the SE immediately understood that what had been asked for in a light-hearted way was a cultural device used to ask a serious question. The owner of SME3 expressed the response of the SE in the following terms:

'He immediately replied, he mentioned several civil work, he said, riprap bridge beam structures'.

The three owners of SMEs working with N1 have related their confidence in the Omani representatives of N1 with whom they felt close due to common understandings based on cognitive proximity:

'I mean that this company is at least national, the project manager is Omani. It has always been easy for me to approach them and they are always supportive'. (Owner of SME1 working with N1).

The advantages expressed by the three owners of SMEs who worked with N1 included accessibility to available business opportunities, the assurance of not acting opportunistically and the assistance which was often found with Omani representatives of large companies.

These examples serve to demonstrate how cognitive proximity resulted in shared understandings which led to high states of trust between business partners. The distinction between social proximity and social similarity is presented in greater detail in the discussion chapter (6.5.2).

5.2 Process based trust factors

The factors of process type of trust, in the literature, were found to be based either indirectly on the reputation of the potential partner in the market, or directly on experience of working together in the past. Both reputation and experience were connected with the perceptions of the reliability of the partner in fulfilling their roles in the mandated business interactions. This is a situation in which a business partner has to make a conscious decision to trust based either upon the evidenced competency of the other partner as reported by a third party or else the direct experience of having previously worked together (Ren et al. 2016).

Firstly, the reputation factor resulting in a high level of trust included three sub-factors, one attributed to reputation of the large company within the market, and the remaining two are related to the reputation of SMEs for accurate record keeping or for being innovative.

Secondly, experience factor resulting in a high trust level had several sub-factors which arose from direct experience with a partner. These included: commitment of companies, goal congruence, sharing risk, tolerance of a partner's mistake and transparency.

Due to the distinction between reputation and experience factors, the following section is divided into two parts: the first considers factors arising from reputation; the second part presents factors which emerged from the experiences of SMEs and large companies.

5.2.1 Reputation

In the literature, the reputation of interacting companies was seen as referring to a situation where a perceived distinctive character of one business party attracted the attention of other partners to enter into the business interaction with confidence. This is a situation in which a business partner often makes a conscious choice and decision to trust based on evidenced competency of the other partner reported by a third party.

5.2.1.1 Reputation of the large company

This sub-factor arose as perceptions from owners of SMEs and was acknowledged by some representatives of large companies. Despite the nature of the mandated business interaction which is aimed at enforcing positions of SMEs while interacting with large companies in public projects, yet, owners of SMEs were selective in terms of which large company they chose to interact with. The reputations of large companies, which were based on knowledge and perceptions of other owners of SMEs, were critical sub-factors for owners of SMEs to work with confidence. This was seen in the comments of the SME1 working with N1:

> *'See even before getting into business relationship with [N1], I had a friend who did some work with [N1] , I asked him, if he was trusting them and he told me he was receiving his payments on time, and that was what I actually found when I started interacting with [N1]'.*

The reputation of the large partner in the market was what had motivated the owners of SMEs to trust that the large partner would continue to behave in a trustworthy manner and not to act opportunistically. The good reputation of N1 was also reported by the owner of SME2:

> *'Even before getting into a business relationship with [N1] in mandated business interaction, I asked about the company, nature of its business, the activities the company involved with. I came to know that the core business of [N1] is in road constructions and I did not hear any complaint about their dealings with SMEs and actually that was what I experienced with [N1] from my first the business interaction'.*

Thus, the reputation of the larger company was a driving factor leading many SME owners to enter into trusting business relationships with the larger company.

5.2.1.2 Reputation of SMEs

Reputation of SMEs was perceived by interviewees of both, owners of SMEs as well as large companies and was based on evidence of past innovativeness and on the record keeping of the SMEs. Where a SME had a proven track record of being innovative in the past, large companies were found to be willing to enter into mandated business interactions with them. The PM of S2 recounted one of his experiences with an owner of a SME who had a reputation for being innovative:

> *'As I said such a product was not available in the local market. I approached (X); I trusted his creativity and he actually assured me with possibility of developing the system and actually told me that he even can make the containers locally, he made them and, if you ask me, those whom I trust and like to work with are SMEs such as (X)'.*

Thus, trust developed between the two companies based on the reputation of the smaller partner for being innovative.

The same can be seen in the experience of owner of SME2 working with S2:

> *'I developed the idea to have a centralized control panel and connected the three junctions with one control panel which can serve the three traffic lights at once. In fact, the creative idea that I developed was what actually made [S2] trust me'.*

In contrast, the owners of SMEs who were not innovative remained suspicious about the intentions of their large partners to consider them in the future or whether they would have to shut down.

The diligence of the SME in keeping accurate records was another approach to establishing the good reputation of SMEs in the market which was viewed favourably by the larger partner and often led to a high level of trust. Keeping clean records included: keeping employees details as well as the financial solvency of the SME.

From the perspective of large companies, keeping clear records as required by the terms of the mandated business regulations led to a high level of trust and this can be seen in the case of N1 and its subcontracting SMEs. N1 actually experienced some difficulties with the government due to SMEs which had not kept clear records. Following this, N1 created a dedicated section to oversee the record keeping of all subcontracted SMEs. The reason for this was to have a prudential approach by ensuring that all relevant matters were recorded transparently to avoid any potential risk of legal liability as expressed by the PM of N1:

> *'One of the works of the section is to ensure appropriateness of SMEs records, ownership, employee's, experience. It is important to ensure that SMEs with appropriate records receive our attention',*

An example from a SME's perspective was narrated by owner of SME1 working with N1. There was an incident where government checks were made of SMEs' records subcontracted with N1. SME1 was one of the SMEs whose records were found to be in order and this led N1 to trust SME1. The owner of SME1 expressed the incident in the following terms:

> *'One day, the team (By the Ministry of Manpower) had an inspection visit and some labourers were caught without ID, and some of them were working for different subcontracting companies at the same time. By that time I had 32 labourers working officially in this location. My company always kept clear records and [N1] continued to trust me'.*

With regards to financial solvency, this was expressed by the owner of SME2 that he was always favoured by JV1 because of his financial probity:

> *'The impression about my company had grown very well due to various factors. First of all, I have never had any cheques which got bounced'.*

Thus, reputation based on clear record keeping including employees records and financial solvency were sub-factors which led to high level of trust in mandated business interaction.

5.2.2 Factors arising from direct experience

Direct experience factors are not so much related to the reputation and previous track records of partners but rather on direct experience of working with a partner. A number of sub-factors were found and these are presented in the following sub-sections.

5.2.2.1 Commitment

The commitment of interacting companies emerged from the data analysis as referring, not merely to their compliance with the rules and obligations set by the government, but also to the genuineness of either party in being committed to the success of the partnership.

Commitment on the part of large companies was perceived by the owners of SMEs in the decisions and actions of the large companies in implementing the mandated policy. Commitment on the part of SMEs, as perceived by interviewees of large companies, was not only attributed to the dedication and presence of owners of SMEs on sites on a constant basis but also to the enthusiasm of those owners which resulted in a high level of trust.

Among the large companies, N1 seemed to be the most committed in fulfilling the mandated business interaction. Both the project manager and the site engineer of N1 emphasized their appreciation of the effort made by the government to support SMEs which in their perceptions was an essential step to enhance their efficiency. This can be seen in the expression of the Omani PM of N1:

> *'I appreciate the effort that the government made; I believed, I already noticed some local SMEs growing. In the long run, this will certainly*

encourage Omani youth, not only to establish their own businesses, but to think of being real entrepreneurs'.

N1 and the owners of SMEs found that government intervention was important for both of them to work in an amicable environment which eventually led them to develop high trusting business relationships. The owner of SME2 attributed his confidence in working with N1 to the commitment that N1 showed which was unlike his experiences with other large partners:

'Not all large companies are committed to the mandated business policy. I wish other large companies would become sincere like [N1] and for this reason I have been working wholeheartedly. [N1] doesn't engage SMEs with improper records, these SMEs offer low rates and many large companies still approach SMEs with improper records because of the low prices they offer'.

This statement showed the high degree of trust that existed between N1 and subcontracted SMEs which was based on the commitment of representatives of N1 in working towards the success of mandated business interactions.

From the perspective of SMEs, commitment was demonstrated in two distinct ways: the presence and dedication of the owner of the SME to the business and, secondly, the enthusiasm shown by the owner of the SME.

Most of the interviewees of large companies made it clear that it was fundamental for owners of SMEs to be available at the sites on a constant basis for reasons such as discussing the progress of the work and overseeing the performance of employees. The PM of S2 expressed such an incident:

'Unfortunately, many of them work in public sector and we hardly see them at the site. It happened last week, we came across some challenges, and we thought of plan B and we had to decide on something and discuss the plan, we struggled to get them and their representatives couldn't decide on anything...you tell me how can you trust a partner who is not dedicated?.,

Such lack of dedication led to the diminution of trust and eventually to the decision of the larger company to avoid entering into contracts with those SMEs. Even when the large companies, such as N1, had goodwill towards developing business relationships with SMEs, these eventually avoided contracting with SMEs which displayed lack of dedication.

One example was seen when the owner of SME2 recounted how the representatives of S1 appreciated his availability at the site which actually led his company to complete the initial assigned task to specifications and within the time frame. This pleasing outcome was seen to be the result of the owner of SME2 being readily available at the site to discuss progress, to be part of the decision making process and to continually supervise and monitor his employees. Consequently, SME2 was always favoured by S1 due to the trust that had developed between them as a result of the owner of SME2's constant dedication. The owner of SME2 working with S1 said:

> *'I remember the word of the project engineer who said to me ''where were you previously, as I really needed an owner of a SME like yours'', by this he meant that he intended to engage me in most works [S1] would get from the government in the future'.*

The owner of SME2 had commenced with a small project from S1 worth 5,000 Omani Rial (OR), but due to the trust that had grown between them, this had grown to works valued at 450,000 OR (see chapter 4 section: 4.3.1.2). To see the evidence of the stated value (see Appendix 5).

The enthusiasm which owners of SMEs showed was another sub-factor which led to development of a high level of trust in SMEs. Enthusiasm is related to the eagerness which owners of SMEs showed to enter into business relationships with large partners and to sustain these relationships. The owner of SME2, working with S1, described how, although the project manager of S1 had been initially resistant to assigning any job to him based on previous poor experiences with other appointed SMEs, after a long conversation with the PM of S1, the PM agreed to assign him an initial contract. The reason for doing so was based on the enthusiasm shown by the owner of SME2 which proved to be a genuine expression of willingness to be committed to the contract. This resulted in high state of trust between them which led to continuous contracts.

Enthusiasm from the perspective of large companies can be seen in the expression of the PM of N1 who commented on the enthusiasm of some owners of SMEs and reported one case which he regarded as exceptional:

> *'He was not only chasing opportunities that may arise out of our business, but he was seeking for opportunities with subcontracted SMEs, this helped the SMEs and us to complete the project to get another one'.*

Thus, commitment of large companies to the mandated relationship and towards attaining productive business relationships with SMEs was a very influential sub-factor in the development of high trust, from the perspectives of SMEs. On the other hand, dedication and enthusiasm of owners of SMEs, from the perspectives of representatives of large companies, were very influential sub-factors which also led to developing trusting business relationships.

5.2.2.2 Goal congruence

In the literature, goal congruence refers to the alignment of goals and objectives of both partners. Goal congruence between SMEs and large companies included involvement in the planning for the future expansion of business activities, joint planning for the commencement of work and utilisation of human and financial resources. Goal congruence was found to be important for large companies and SMEs to succeed at the practical level and, consequently, for the development of trust.

This factor occurred where there was a fit between the aims and objectives of both companies which were directed towards achieving common goals. Goal congruence was raised by the PM and the SE of N1 as one of the critical factors for N1 and the subcontracted SMEs to work within a trusting partnership. The PM said:

> *'See, disagreements over achievements of goals is expected when two independent companies must work in parallel and together to achieve certain objectives. Therefore, being clear about the objectives helped us*

to plan and align the priority of the project and eventually led both of us to work alongside each other with confidence'.

This showed how goal congruence was a factor in the development of a high level of trust.

From the perspectives of SMEs, and as a consequence of goal congruence between N1 and subcontracting SMEs, the owner of SME1 related his confidence throughout his interaction with N1 to the congruence of their goals which led to efficient and cost effective use of resources.

The owner of SME2, working with S2, recounted how goal congruence was an important factor which led to the development of a high level of trust between his company and S2:

'I was working in parallel with the main contractor regarding the goal which would be good for both of us in this project and in the future projects. I finally found one company in Tehran sold this product for almost half of the price that I got in Dubai. When I returned to Oman I and the PM of [S2] convinced the engineer in the Ministry of Transport about the quality of the material and [S2] intends to install it. I immediately arranged it when I got the green light. Imagine, later on I became the dealer for the material and [S2] has been purchasing the material from my company ever since'.

Due to working towards the same objectives of cost effectiveness, both companies worked cooperatively and developed a high level of trust based on their goal congruence.

5.2.2.3 Sharing risk

Sharing risk emerged, from the perspectives of some interviewees of large companies, as a factor referring to the readiness of partners to assume a share of the responsibility in certain risk-taking activities. It occurs in situations where the outcomes may not always be easy to predict and one company does not assign all the risk to the other but shares it.

Sharing risk was mostly found in the cases of N1 and subcontracted SMEs. This was seen in the incident reported by the PM of N1, particularly when N1 showed its readiness of sharing risk with appointed SMEs which eventually led to the development of trusting business relationships between them:

> *'I assigned different tasks to local SMEs. Owners of SMEs were desperately waiting for the work to start. These SMEs were caught commencing the work before permission from the government was issued and they were fined, we tried to minimise the effects of the fines imposed on them by allocating additional job opportunities to them'.*

The willingness of the PM of N1 to take on some of the burden of the fines imposed on SMEs resulted in a high level of trust being established between them. This was evident in a further comment made by the PM of N1:

> *'What would I lose if I don't do it? That's why you may find many SMEs working with us on a regular basis'.*

It is found that SMEs in asymmetrical business relationships are the ones who are often exposed to greater risk. The owner of SME1 narrated several incidents which demonstrated the readiness of N1 to share the risk entailed in certain ventures. For example, he reported an incident when there had been unexpected heavy rainfall which had resulted in flooding and the destruction of the majority of the work his company had commenced for N1:

> *'My company would have collapsed, right, if I would have been with another company. Immediately, when I raised the issue to the site engineer and to the PM of [N1], they compensated the loss and I was fine. I sincerely thanked them for their goodwill and this is what led me to confidently work with [N1] in many other projects'.*

Such sharing of risk demonstrated the trust that the PM of N1 had in SME1 due to his readiness to share the risk that SME1 had been exposed to. This trust on the part of N1 was reciprocated by SME1 who showed his trustworthiness by putting in his best efforts by commencing the work efficiently and handing it over to N1 in eight months instead of twelve months as originally agreed. This further enhanced the trust that N1 had in the productivity and efficiency of SME1

5.2.2.4 Tolerating short comings of a partner

In the literature, tolerance refers to a situation where one partner is ready and willing to be patient with the mistakes or shortcomings of the other partner in order to give that partner the time and opportunity to prove their trustworthiness (Hamida, 2011).

Firstly, tolerance on the part of large companies in mandated business interactions, emerged from the data, and refers to situations in which the larger partner willingly supports the smaller partners in various ways either by advice or encouragement. The PM of N1 emphasised the importance of showing tolerance towards the errors of appointed SMEs. The PM of N1 even described how some large companies, unfortunately, used the mistakes unintentionally made by SMEs for unfair advantages instead of being patient and supporting them.

The PM of N1 stressed the limited knowledge and experiences that most SMEs had and he reported how the assistance which his company often provided enhanced their productivity:

> *'It happens very often, the SMEs miscalculate quantities in the submitted quotations, we call them, point out what they had missed to consider in their calculations and we easily come up with a solution which is of mutual benefit'.*

The influence of tolerance on development of trust was confirmed by the owner of SME2 who worked with N1 who reported that, before interacting with N1, his company had not been fully aware of certain issues in calculating productions of some equipment. For example, SME2 had no prior experience of major projects such as highway construction and consequently, was unable to make realistic estimates regarding the timescale of such projects. He asserted that trust in N1 had been raised due to the tolerance his company had been shown by N1:

> *'I had to knock the door of the engineer of [N1] every time asking for assistance and guidance. I have received constant support which I have never felt with any other large companies. I must acknowledge that I started with little experience. I learned lots when I interacted with [N1]'.*

However, tolerance was not only shown by large companies towards the mistakes of their small counterparts but, occasionally, tolerance of SMEs of the mistakes made by large partners was also influential in the development of trust. The tolerance of the owner of SME2 was the starting point for the development of trust between S2 and SME2. The owner of SME2 reported an incident when the government representatives came to the site and raised an enquiry about the delay of the project. The site engineer of S2 responded to the enquiry and placed the blame on SME2 in order to protect the image of S2 in the eyes of the government representatives. The owner of SME2 reported his reaction in the following terms:

> *'I will tell you how trust began to rise after this incident. The government representatives had to call both of us. The client asked me first about the reason behind the delay, I replied "such delays always happen and I promise you to finish the work within the time frame". I had to reply in a way that did not disturb our relationships'.*

Thus, the owner of SME2 was prepared to cover up for the inaccurate report of the SE of S2. One reason for this was the fact that, if the delay was attributed to S2, the outcome would have had dire consequences for future government contracts for S2. This could also harm SME2 in the long run as S2 might not be in a position to subcontract SME2 in mandated business interactions. This explains why the representatives of S2 apologised and praised the tolerant action of the owner of SME2 which protected S2 in the eyes of the government representatives. This also led S2 to trust the owner of SME2 and pay specific attention to developing further business relationships based on trust. These examples show how a high level of trust can develop between partners when either partner is prepared to tolerate the mistakes of the other.

5.2.2.5 Transparency

Transparency is perceived by informants of both companies as an open and verbal discussion between business partners of challenges that may hinder them both in attaining productive business relationship leading to completion of projects. Transparency implies that there should be no hidden agendas between business partners. Transparency between SMEs and large companies implies openness between the partners rather than involving the government in resolving the challenges that they face.

Several cases provide evidence of how transparency during the interaction resulted in high trust levels. An example from the perspective of large companies can be clearly seen in the expression of the PM of S1:

> *'As I said, those owners of SMEs were not transparent. They were only picky. Because of the involvement of the government representatives, they were raising every problem related to our business interaction and this was wrong.'*

The PM of N1 had also indicated several experiences in which he always had preference to work with specific SMEs due to their transparency:

> *'I like the SME owned by (X) because of his transparency, whenever he says yes I can handle this job and within this period of time, he commits himself, when he says no, he means it, he tells why'.*

The owner of SME3 considered transparency to be a safety net in which his company and N1 developed trusted business relationship:

> *'I was transparent with the project manager, and from the beginning. I told him I will start the work, but if I face any difficulty or feel that I can't continue I will leave the work and go. The project manager was transparent with me, he said he would not leave me alone and this is what happened'.*

He continued by stating that, even during the first business interaction, he had reported the weakness of his company to the PM of N1. The PM of N1 eventually thanked him for his transparency and worked with him side by side until his company was able to work independently.

Thus, within mandated business interactions, transparency was found to be an important trust factor.

5.3 The institutional based trust factors

Institutional based trust in mandated business interactions emerged from the data analysis as an important type of trust factor. Institutional based trust factors, in this study, are related to social institutions such as tribal norms and as well as to the government intervention which existed in the form of inspection and supervision practices.

5.3.1 Social institution

5.3.1.1 The tribal norms

Tribal norms emerged as a new sub-factor. They were perceived by the informants of the study as a living law of the community which was binding and even took precedence over legal dictates. Tribal norms are usually unwritten customs, tradition, and laws which influence and control the behaviour of its members. They extend from customs and rituals covering table manners and shared meals to regulations and human institutions of birth, marriage and death. These tribal norms are to some extent present in all societies but tend to be much more powerful in traditional and developing countries such as Oman. Tribal norms cover all important aspects of communal life and this includes business transactions.

A clear example of tribal norms can be seen in the incident revealed by the owner of SME3 who worked with N1. Trust in the case of the owner of SME3 was caused by the perception that the other party would behave honourably because they belonged to a particular tribe. The incident began when the PM agreed to assign SME1 one of the promising business opportunities. While the owner of SME3 waiting for the promised work order to be issued by N1, the PM of N1 went on sick leave for aperiod of time. The PM was replaced by another person on a temporary basis during his absence. The replacement PM’s background was such that he was unfamiliar with local traditions and tribal norms. The business opportunity, which had been promised verbally by the PM who was on sick leave, now arose and the replacement PM began to advertise for tender. The owner of SME3 drew the attention of the temporary PM to the verbal agreement he had with the sick PM and then left the final decision to the replacement PM without getting involved in negotiation or disputes.

The owner of SME3 narrated how the replacement PM had been in touch with the PM on sick leave by telephone updating him on various matters and discussed the opportunity which the owner of SME3 had mentioned to him. The PM on sick leave immediately instructed him to award the opportunity to the owner of SME3 as he was honour-bound by a verbal promise. The owner of SME3 commented on the incident:

> *'The representative immediately called me and I got the job. I had a strong belief that the PM on sick leave would not let this matter go and I had no doubt that he values the words of his mouth'.*

He expressed that it was not the personal relationship between him and the PM which had led to honouring the agreement, nor was it due to his being bound by the mandated nature of business interaction. Rather it was the force of the tribal norm governing the expected behaviour following a verbal agreement among the people in the tribe to which he belonged that determined his decision to honour his word. Moreover, the verbal agreement had been confirmed ritually by shaking of hands. Within the tribal culture, the ritual hand shake has even more force than written legal documents, as a person's status within that society would be adversely affected by failing to honour such an agreement.

Tribal norms have also arisen as an influential factor from the perspectives of representatives of large companies. An example of this leading to high level of trust was seen in the expression of the PM of S1:

> *'It was important to know their tribal background. Those who came from well-known family backgrounds tended to be more reliable and trustworthy, because they feared that failing to honour agreements with larger companies would bring insult to their families'.*

Although fear of bringing dishonour to their families was the overriding motivation for fulfilling their contracts, it often resulted in the development of trusting relationships. The PM of S1 understood tribal norms of owners of SMEs and the force of these norms in terms of fulfilling agreements and on this basis, mutual trust existed between them.

What the PM of S1 revealed about the significance of tribal norms was confirmed by the owner of SME2 who reported how the PM of S1 became confident and assigned works to him without any hesitation, particularly when the PM came to know that he came from a traditional family:

> *'Dear brother (the interviewer), we are brought up in a conservative society and the project manager has been in Oman for many years. He understood that our tribal customs were influential over our behaviour and that failure to fulfil agreements would bring dishonour not only on us personally but also on the whole tribe'.*

He attributed this to the honesty and to the moral values binding the people living in villages based on their tribal norms. These were not unknown to the PM of S1 who had been in Oman for many years. He also narrated an experience in which S1 was about to take legal action against an owner of a SME who was supposed to return some equipment to S1. The owner of SME2 requested the PM to wait and to delay taking legal matters further. He asked him to give him a chance to see if he could resolve the dispute between S1 and the owner of SME through reliance on tribal norms. The owner of SME2 also expressed how resolving disputes through legal actions in the case of mandated business interactions would create a bad impression for both parties with the government representatives, while there were tribal customs which were more effective in resolving disputes. The owner of SME2 described the effectiveness of tribal norms in the following terms in which the PM of S1 eventually thanked him for his initiative:

> *'I went to the house of the owner of the SME who refused to return the equipment until S1 had paid his bill, I explained to him that as the owner of a new small company and the fact that he is from a good family, I told him besides thinking of his name in the market he is supposed to think of the dignity of his family and tribe'.*

The owner of SME2 succeeded in resolving the dispute between S1 and the other owner of the SME. The significance of entering the house of a person is understood as an act of reconciliation in which past disputes are considered to be resolved and completed. Thus, the tribal norm factor was one of the important influential factors which led to a high level of trust between business partners.

With regards to public institutional factors, two forms of government practices were found to be influential in trust development. These were the inspection and supervision practices which are presented in the following sections.

5.3.1.2 Public institutions

5.3.1.2.1 The inspection practice

The inspection is an action often taken by specific teams from the Ministry of Manpower (MOM). One of the responsibilities of this team is to pay field visits to sites of companies engaged in public projects. This is to ensure their implementation of laws and ministerial decisions regarding the legal status of employees as well as ensuring their full compliance with health and safety in the workplace. These types of visits were often unannounced.

Interviewees of large companies were found to be very careful in abiding by government regulations since the source of most of their business was the government. Most of them tended to avoid any liability by not engaging SMEs with improper records.

Evidence from the perspective of large companies can be seen in the experience of the site engineer of S1 who expressed how disappointed he and his company were when the inspection team had caught labourers of some SMEs in whom they had previously placed their trust. The inspection practice has also limited the choice of some SMEs to engage their own employees instead of hiring unskilled labourers through unofficial channels. Thus, meeting the standards required by government inspection teams was an important factor for the development of trust between SMEs and large companies.

Inspections were also necessary from the government's perspectives in order to ensure that its mandated business policy was being correctly implemented.

From the perspectives of SMEs, the owner of SME1 working with N1 reported an incident which showed how the inspection visits facilitated the development of trust between his company and N1. This happened during an unannounced inspection visit when some labourers were caught without ID. The owner of

SME1 emphasised that the visit made by the inspection team was what actually led N1 to recognise SMEs which complied with the government rules particularly SME1 which continued to work with N1:

> *'I really encourage the inspection team represented by the Ministry of Manpower to keep up their inspections and do it on a regular basis. The inspection was what led my company and [N1] to develop trusting business relationship'.*

The owner of SME1 had ensured that N1 would not be exposed to any liability or risk and taking such care resulted in a high level of trust being placed in his company by N1. Similarly, the owner of SME2 working with JV2 was able to state that the inspection made by the team from MOM cleaned the market of the undesirable practice of engaging SMEs who did comply with government rules and regulations. The inspection practice helped those SMEs who complied with government policies to be the choice for large companies. Illegal practices were considered as constraints to the growth and development of SMEs who were law abiding. The owner of SME2 working with JV2 expressed the outcome of the inspection in these terms:

> *'Imagine, representatives from head office calling you to quote for the jobs. I used to put reasonable prices and sometimes high, I don't remember any of my quotations being rejected. This is because they had to deal with registered and official SMEs fearing that if they engaged with SMEs who disobeyed regulations they would be caught'.*

5.3.1.2.2 The government supervision practices

Government supervision is different from inspection practices. Supervision is the responsibility of committees formed by the Ministry of Transport and Communication (MTC) with the purpose of regulating and monitoring the interactions between SMEs and large companies. The regular visits made by the committees were intended to check upon opportunities that could be utilised efficiently by large companies and SMEs as well as to discuss obstacles that might hinder business partners from developing productive business relationship based on trust. These committees attempted to fulfil the needs of SMEs from human and financial resources, clarified enquires of significant issues such as release of payments, attempted to help both companies in fastening their needs of license and permissions from other government authorities and operated as arbitrators when any misunderstanding occurred between large companies and SMEs. Such practice has encouraged business partners to work with confidence and in an efficient manner.

From the perspectives of large companies, the PM of S1 asserted that the role played by the committee which supervised the work commenced by S1 and subcontracted SMEs facilitated the development of trust between S1 and SMEs:

> *'I shouldn't ignore the role played by the supervision committee and the group of government representatives who actually helped SMEs in obtaining required resources, they have also clarified, you know, payment and issues that were not clear.'*

The supervision practice and its influence in development of trust was acknowledged by the owner of SME1 who worked with the above company (S1). The owner of SME1 experienced several constraints which had led him to develop a bad impression of S1. To highlight the mediating role played by the government which eventually led to the development of trust between SME1 and S1, he reported two incidents. The first of these incidents occurred when S1 rejected a delivery of certain materials made by SME1.

The government representative instructed that the material should be checked by an independent laboratory and the material was approved. The second incident happened when S1 instructed the owner of SME1 to commence some work in a nonsensical manner. The owner of SME1 was not convinced and accordingly asked the SE to give him the instruction in written form. This was for no other reason than to protect the interest and image of his company.

Again, the government representative was more inclined to side with the opinion of the owner of SME1 and the PM of S1 instructed the site engineer of S1 to respect the judgement of the owner of SME1 whose previous assessments had been accurate. In both cases, government representatives were the mediators who brought about a fairer way for large and small companies to cooperate.

5.4 Factors which led to low state of trust

Low level of trust was found in six embedded cases. These are presented in Table 10 which provides an overview of the factors and sub-factors.

Table 10 Factors leading to low levels of trust

No	The factors influencing trust	Perception of	Cases in which the factor appeared					
Factors related to characteristic of partner			N2-SMEs			S2-SME1	JV1-SME2	JV2-SME1
			1	2	3			
1	*Discrimination based on nationality/ethnicity*	Both companies	√	√	√	√		
Process based trust factors								
2	Unfavourable reputation of a potential partner	Owners of SMEs	√	√		√		
3	*The manipulation of the mandated business strategy by large companies*	Both companies	√	√	√			√
4	Exploitation of a partner - Focusing on self-interest	Both companies	√	√	√	√	√	
	- Asking for a bribe	Owners of SME			√			
	- Violation of contract	Large company						
Factors related to institutions								
5	Lack of Government supervision	Both companies		√				√
6	*Inequality of treatment by the government*	Both companies			√			
7	*Low quality of works allotted to SMEs*	Owners of SMEs	√	√	√	√		√
8	*Inadequate government database*	*Both companies*	√	√	√	√		
9	*Unfavourable conditions of labour market and labour laws*	Owners of SME	√					

Note: the factors that emerged from the data which led to low trust are underlined and presented in Italics in the table above and factors identified in the literature are presented in a plain text format. Occurrences of each factor in particular cases are indicated by the (√). Each factor is presented in detail in the following sections.

5.4.1 Factors related to characteristics of a partner

5.4.1.1 Discrimination on the basis of ethnicity

Discrimination on the basis of ethnicity within mandated business interactions emerged from the analysis of the interview data as a factor which led to low levels of trust. It refers to a situation where top management of large companies dealt differently with SMEs on the basis of ethnicity. Most large companies operating in the construction industry in Oman are managed by non-nationals. Such management of large companies was found to contract in an unfair manner by dealing less favourably with SMEs managed and operated by Omanis. This led to a low level of trust between Omani owners of SMEs and these large partners operated by non-nationals. One of the clearer quotations was by the owner of SME1 who worked with N2:

> *'Most large companies in the construction industry are operated by expatriates and I found them loyal to individuals from their own origins. [N2] engaged SMEs managed and operated by Indians. I am talking from experiences, the representatives of [N2] stood for SMEs managed by Indians, and they were avoiding us because they feared that if Omani SMEs continued to grow they might represent a threat to their positions in time. How do you expect me to trust them?'*

Most owners of SMEs who experienced low trust with large partner, reported discrimination on the basis of ethnicity as one of the main reasons for them to quit business interactions with large companies.

The PM of N2, who was an expatriate, explained his preference for SMEs managed by other expatriates of similar ethnicity rather than SMEs which were Omani managed:

> *'Unfortunately I experienced SMEs managed by Omani not to be efficient and requiring detailed explanation, why is this why is that?'.*

In all the transcripts of owners of SMEs who worked with N2 and S2, it was clear that the low level of trust between them and certain large partners was due to the preferential way of dealing based on ethnicity which worked against SMEs managed by indigenous Omanis. They perceived that the discrimination was appearing in terms of deliberately delaying inspections of work in order to delay payments to SMEs managed and operated by indigenous individuals while no such delays were experienced by SMEs who were managed by people of the same ethnicity. Consequently, Omani owners of SMEs working with such companies had a low level of trust in them and often quit the relationships. For example, the owner of SME1 working with N2 asserted that:

> *'Until Omani persons were appointed on managerial posts of large companies such as (N2), I decided not to engage in any relationships'.*

Another example can be seen in the experience of the owner of SME1 working with S2. To overcome the unfair discrimination, the owner of SME1 appointed a manager from the same ethnic origin as the representatives of S2 in the belief that this would appease them. This resulted in a more favourable approach to SME1 by S2. However, this situation underlines unfair practices which generally led to low levels of trust between SMEs managed by nationals and larger companies managed by non-nationals. Furthermore, it frustrated the aims and objectives of the government's mandated business policy. Owners of SMEs had no choice but to get into the business of large companies which were owned and operated by national teams where they felt that they would be dealt with in a fair manner. This can be clearly seen in the experience of owner of SME2 working with N2.

Unexpectedly, the owner of SME2 who worked with N2 stated that his brother who was an employee in N2 could not tolerate the discriminatory practice of the top management of N2:

> *'My brother left this company because he found the situation intolerable. He could not tolerate the preferences the top management had towards Indians'.*

These examples show how the preferential behaviour of certain managers worked against Omani-led SMEs and resulted in a low level of trust between these SMEs and their large counterparts.

5.4.2 Process based trust factors

Process based trust factors are of two types, one is based on suspicion arising from perceptions of the reputation of a potential partner which works against the initiation of mandated business interactions. The second type is based on the actual negative experience that one partner has of another with whom they have previously entered into business interactions.

Both types of process based trust factors were found in the analysis of the data to be related to low levels of trust. Findings related to these factors are presented in the following sections.

5.4.2.1 Unfavourable reputation of a potential partner

This factor is related to perceptions rather than direct experience and was largely perceived by owners of SMEs who perceived the reputation of the large partner to be based on unfairness, expected return from the business, process of payment release, their power over government etc. The findings of the interview data show a great reluctance on the part of SMEs to enter into business relationships with large companies based on such reputations. For example, the owner of SME2 working with N2 said:

> *'I knew [N2], and it is not only me but everyone in the market knows what [N2] has and how it works. In fact, I had no choice either to accept or to shut down my business venture. I had no work for my employees. I accepted the deal because I had to pay my employees and pay for other expenses'.*

The influence of such a bad reputation was perceived by most owners of SMEs who worked with N2. Many of them stated that if they had had any alternatives they would not have entered into business interaction with N2.

Therefore, the reputation of the potential large business partner led owners of SMEs to have suspicions about the possibility of developing business relationships based on trust.

5.4.2.2 Factors based on direct experience

These process type factors are not so much related to the reputation but to the direct experience of working with a partner. A number of factors were found and these are presented in the following sub-sections.

5.4.2.2.1 The manipulation of the mandated business strategy by large companies

The manipulation factor emerged from the data and refers to a situation where the small partner experienced that their large partners used their power and influence over the government to the detriment of SMEs. Government policy regarding the award of public projects to large companies had a twofold condition. The first was the mandated business interactions with SMEs whereby the large company would be awarded projects by the government provided that they subcontracted a minimum of 10% of the work to SMEs. The second condition was that a minimum of 30% of the workforce must be indigenous Omanis. The twofold nature of these conditions allowed some large companies to fulfil one of the conditions and to use this to threaten the government against imposing the second condition. For example, a large company could employ Omani workers in excess of 30% of the total workforce and then use this as leverage to force the government to avoid enforcing the 10% mandated rule. Thus, the large company could fulfil one side of government legislation and then use this to manipulate the government. For example, the workforce of N2 included over 30% of Omani workers. N2 used this to obtain more projects from the government, but when it came to subcontracting with SMEs in mandated forms of business interaction, N2 threatened to make the Omani employees redundant. This can be clearly seen in the expression of the PM of N2:

> *'Our company is a commercial organization. We are asked to employ job seekers; it is simple... If we don't get projects from the government, we will not have jobs for them. We do not want SMEs. We rarely depend on anybody else, and we are sure that most SMEs do not have the capacity to execute any given work'.*

Consequently, owners of SMEs had very negative experiences with such companies. Most of the owners of SMEs who worked with N2 did not see any hope of developing trusting relationships with N2 as N2 had a strong position which could hardly be influenced by the government. The manipulative technique which is clearly revealed by the PM of N2 can be confirmed by the experiences of SME1 and SME2 working with N2. The owner of SME1 stated:

> *'I heard. (N2) threatened the government, if the government decided to limit their scope in public projects. (N2) will release the Omani employees working in (N2)'.*

Owners of SMEs working with N2 reported different incidents to describe how N2 had different manipulative techniques to deal with them in the mandated business interactions. The owner of SME1 reported such manipulative practice on the part of N2 who set up SME1 to fail. N2 initially asked him to increase the number of workforce during the commencement of the work. N2 was quite cunning in doing so as he realised that SME1 would be compelled to employ foreign labourers as he would not be able afford the higher rates of pay demanded by Omani workers. When SME1's applications for visas to employ foreign labourers were rejected by the Ministry of Manpower (MOM) due to the requirement that 30% of the workforce should be Omanis, SME1 was left with no choice but to employ retired Omani workforce and the poor quality of the work delivered by these employees weakened his position in the project. Subsequently, N2 used this as an excuse to employ its own specialised workforce in commencing the remaining tasks.

The owner of SME3 reported another tactic that N2 used to show the failure of mandated business interactions. He reported that N2 forced subcontracted SMEs to work beyond their maximum capacities and when their equipment and machines were out of order because of over-usage, N2 attempted to convince the government that SMEs had limited capacities proven by their poorly maintained equipment which was unsuitable for the work and that they should only use N2's own resources instead.

The manipulative practise of N2 over the relationship and over the government can also be seen in the incident reported by the owner of SME2 who stated that while his company was waiting for an inspection by N2 which was necessary before continuing the work, N2 delayed the inspection which meant that SME2 had no work or income during this delay. When a representative of the Ministry visited the site, instead of insisting that N2 should carry out the inspection in order that SME2 could continue their work, the representative actually suggested to the owner of SME2 that he could move his employees to another site. This showed the weakness of the government representative who, rather than confronting N2, acted unfavourably towards SME2. The government representative yielded to the power and influence of N2 and failed to protect the interest of the smaller company. The exercise of manipulation by large companies led the owners of SME2 and SME1 to leave N2 with no hope of developing business relationships based on trust. Thus, these large companies were actually subverting government policy through manipulative tactics.

5.4.2.2.2 Exploitation of partner

Three sub-factors related to exploitation of partner were perceived by representatives of large companies and owners of SMEs to be the reasons behind failing in developing business relationship based on trust: focusing on self-interest by exploiting advantageous character of a partner, asking for a bribe in order to release payments, and thirdly, violation of contract for the purpose of saving some money.

The following illustrate each of the three sub-factors:

Focusing on self-interest

Focus on self-interest factor is based on perception of the interviewees and refers to the situation where a partner gets into the relationship with another partner with the sole intention of furthering their own self-interest without caring for the interest of the other partner. Some representatives of large companies unintentionally expressed the self-interest of partnering certain owners of SMEs in some unguarded comments in which they let slip their motives and intentions to take advantage of the SME. An example of this can be seen in the transcript of the PM of JV1:

> *'One of them (an owner of SME) always provides exceptional services to us. it reaches to a point that I rely on him for many things, he is aware*

of most of the procedures that our company would need such as licences, permissions, etc'.

A first view of the comments of the PM of JV1 does not seem to suggest ulterior motives. It is only when these comments are compared with the expressions of some of his subcontracted SMEs that his ulterior motives are laid bare:

'I had a feeling about the motive of the main contractor, their project manager attempted to make use of me when he came to know that I previously worked for (X) company. I also noticed a totally different deal when the project manager came to know that I was fully aware of the procedures followed in the Tender Board and the deal became much better when he realized that I had a network in the Ministry of Transports and communications' (laughed).

It was clear from the laughter at the end of the comments of the owner of SME1 that he had seen through the self-interest of the PM of JV1 and that this PM could easily terminate his relationship when another more advantageous one came along. Clearly, the SME did not trust JV1.

Another example of focus on self-interest and how it led to low level of trust can be seen in the case of SME1 working with JV2. JV2 initially assigned to SME1 the construction of a hydraulic bridge for the one of the national ferry companies which was targeted to become a contributor to the maritime transport infrastructure and development in the country. JV2 initially exposed itself to some considerable risk when JV2 gave the green light to owner of SME1 to arrange all essential materials he had not considered while submitting quotations without referring or seeking prior approval from JV2. However, JV2, in return, presented the creativity of the core work of the SME1 in the social media as though it had been the work of JV2.

The owner of SME1 asserted that he had suspicions about the intention of JV2 particularly when he was given the green light to arrange all that he needed to commence the work without even the need for approval from JV2. He expressed that the reason behind the bad motive and intention of JV2 was the attempts to keep the information about the real cost of the assigned work by the government hidden from him. This was in addition to presenting the creativity of the core work of SME1 in the social media as though it was the work of JV2. This resulted in the breakdown of trust between them.

However, ulterior motives and intentions were also found to be attributed to some SMEs and this resulted in a low level of trust between them and large partners. For example, the project manager (PM) of JV2 mentioned:

> *'I experienced many owners of SMEs come to our business chain with the intention of hit and run, unfortunately, they only think to grab quick a job and try to get it done as quickly as possible and get the money and go'.*

Asking for bribes

Bribery in IORs is based on perceptions of the interviewee who experienced unacceptable and immoral practices by one employee in a partnering company or by the entire company and such practices impacted on the level of trust in the exchange. A clear example of bribery was reported by the owner of SME3 working with N2. The offer by an employee of N2 to release payments quickly to the owner of SME3 in return for the payment of a bribe had the effect of destroying any trust that might have existed between them. His refusal to pay the bribe led to lengthy and unnecessary transaction delays by N2 which necessitated the owner of SME3 appealing to an acquaintance in the Ministry of Transport and Communication (MTC):

> *'I said I will never do this, as you know this is prohibited, big shame. I had to call the person in MTC and my payment was released. Their practice changed once I involved an individual from the government'.*

Thus, the action of one employee in N2 in seeking a bribe in return for preferential treatment damaged the relationship between the SME and the larger company and there was never any trust placed in N2 by the owner of SME3.

Violation of contract

This sub-factor is based in perception of representative of large companies and related to the violation of the contract of the subcontracted SMEs. It was noted by most of large companies who experienced low level of trust with SMEs. For example, the PM of S2 reported that his site engineer caught some SMEs using less of a specific material than they were supposed to use for the sake of saving some money. The PM stated that he told owners of these SMEs not to return to the business chain of S2 after completing their assigned works. Dishonest behaviour had resulted in the complete breakdown of any trust between them.

The PM of N2 reported another experience in which the site engineer of N2 caught some SMEs using materials supplied by N2. These SMEs, instead of using the materials in the work allotted by N2, utilised the material to commence work belonging to another large contracting company. According to the PM of N2, these SMES had taken this action in order to get their payments released with other contracting companies. However, he stated that his company could understand the purpose of utilising resources of N2 if they had been open and honest about their need to borrow the materials until they had received payment. This unethical behaviour created some ambiguity which diminished the level of trust between N2 and subcontracted SMEs.

Owners of SMEs related actions of some appointed SMEs to the low value of works assigned to them which they tried to cover by reducing the quantity of materials they were supposed to use. Nevertheless, the majority of representatives of large companies and owners of SMEs attributed such behaviour to the unintended consequences of the terms of the government policy of mandated business interactions. These factors are reported in the following section.

5.4.3 Institutional based trust factors

The institutional based trust factors were based on perceptions of both interacting companies and refer to a situation where the role of a third and independent party influences the actions of interacting companies. The third party often represent the government institutions which legitimise the rules and regulations which business partners have to consider.

Most of the factors emerging from the data which led to low level of trust were related to the government's shortcomings in managing the mandated interactions between SMEs and large companies. These factors include: lack of government supervision, inequality of treatment by the government, low quality of work allotted to SMEs, lack of adequate government database and finally unfavourable conditions of labour market and labour laws. The following sections present these factors.

5.4.3.1 Lack of government supervision

Government supervision factor refers to the action taken by committees which had been formed by the Ministry of Transport and Communication (MTC) for the purpose of regulating and monitoring the interactions between SMEs and large companies. However, due to the many public projects which were also at different locations, these committees had limited visits to the sites, and as a consequence, many disputes were not easily resolved which led to low levels of trust between partners. Some cases experienced a low level of trust despite the innovativeness of the SME which had initially attracted the attention of the large partner. Such attraction and potential interest is what the government wished to see as an outcome of mandated business policy but, due to the limited visits to sites, such expected innovativeness often passed unnoticed. This was true in the case of SME1 working with JV2 which was responsible for the innovative construction of a hydraulic bridge for which the SME received no recognition. As a consequence of this lack of due recognition, the level of trust between SME1 and JV2 was low.

In contrast, another case within the same large company, SME2 working with JV2, which had received frequent visits from government committee, experienced a high level of trust. In the second case the companies were located close to the ministry and this enabled frequent visits to be made.

5.4.3.2 Inequality of treatment by the Government

Inequality of treatment by the government refers to a situation where representatives of some large companies did not see any hope in developing productive business relationships with SMEs based on trust because the government did not treat both parties equally. This practice was found to cause frustration to some large companies. The PM of N2 clearly stressed that forcing the release of payments to SMEs in 28 days while the government delayed payments to N2 for more than a year had always been an irritating issue for N2:

> *'When the relationship with the government failed, the relationship with our subcontractors also failed'.*

Owners of SMEs working with N2 always experienced N2 attributing the delay of payment to the government and not to themselves. Repeated enquiries caused suspicions with SME owners about their larger partners. The owner of SME3, workings with N2, asserted that once he lost his temper and shouted at the PM of N2:

> *'I could not tolerate this. I told the project manager if I don't get my payment I will raise this issue to the Tender Board of Oman and the government. I threatened him'.*

He was irritated when N2 even attempted to use him to put pressure on the government representatives to release the payments of N2. Yet, when the owner of SME3 working with N2 followed up the payment issue with the government, he was told that the large partner had submitted bills in excess of the completed work and he was told by the government representatives that he should receive the payment from N2 as per law in 28 days. Thus, the owners of SMEs were in a hopeless position. The delay of payments caused the owners of SME2 and SME3 to use their savings, and the case was even worse with SME2 when N2 intentionally delayed his payments and he had to lose some of his employees because he was not in position to pay their salaries on a regular basis.

Thus, inequality of treatment by the government caused the larger partner to be in a stronger position and the slow pace of releasing payments to large companies which, in turn, resulted in delayed payments to SMEs, resulted in the diminution of trust between SMEs and their larger counterparts. Thus, the unequal treatment of the government in expecting the larger partner to wait for payments for long periods while insisting that the large partner should pay SMEs in 28 days led to a low trust between the two companies.

5.4.3.3 Lack of an adequate government database

The third factor was the absence of an accurate government database with information about SMEs. The database was supposed to include detailed information of each SME such as ownership, SMEs human and financial resources, and history and business experiences of SMEs. As a consequence, both SMEs and large companies remained suspicious about each other. Large companies were unable to contract with SMEs with any degree of confidence due to the lack of details on the government databases. Owners of SMEs were not confident about their large partners as large companies were still inclined to subcontract with SMEs offering lower prices and these SMEs were often working in illegally. The owner of SME2 working with JV2 said:

> *'As you know large companies always look for the cheapest cost offered to them by SMEs and such cheap prices are offered by those who have no commercial registrations and work in any kind of job'.*

The absence of accurate records had also given an opportunity to large companies to portray SMEs as inefficient. The PM of N2 said:

> *'Without knowledge of their history and performance we can only employ them while remaining cautious about their ability'.*

The lack of an adequate government database of SMEs gave an opportunity to large companies including N2 to force SMEs to reduce their prices otherwise N2 would not offer them contracts but would use other SMEs who were keeping inaccurate records and that the government would not easily detect this.

The owners of SMEs, on the other hand, had been passing messages to the Ministry of Manpower to send the inspection team to the sites to check the legality of SMEs subcontracted by their large partners. The owner of SME2 working with JV2 illustrated one of these experiences:

‘I immediately called the inspection team from Ministry of Manpower and almost 40 workers were caught illegally working on that site’.

Such threats did not allow for the development of trust between large companies and owners of SMEs.

5.4.3.4 Low quality of the work allocated to SMEs in mandated business interactions

The quality of work reserved for SMEs in the mandated business interactions was the fourth sub-factor which emerged under government shortcoming factor. The low level of trust in this factor related to a situation where most large companies assigned difficult tasks to SMEs which had little potential to return a fair profit. Some large companies intentionally reserved works which were difficult for SMEs for the purpose of persuading the government that the mandated business policy was ineefective. Consequently, these SMEs either had to quit the business at an early stage as in the case of S2, or else they delivered poor quality works as was reported by the PM of S1. SMEs had to violate the contract by using minimum quantity of materials in order to obtain something out of their business interactions with large partners, and this resulted in large companies being suspicious about their small counterparts.

Most of the owners of SMEs related the failure in developing productive business relationships based on trust to the poor and discouraging quality of works assigned by their large partners. They pleaded that it was the government which should determine the quality and nature of the work reserved for them and not their large partners as expressed by the owner of SME1 who worked with N2:

‘The government needs to determine the quality and nature of assigned work and not [N2].

5.4.3.5 Unfavourable conditions of labour market and labour laws

Unfavourable conditions of labour market and labour laws were largely perceived by owners of SMEs and emerged from the data as a shortcoming of the government policy in considering the capabilities of SMEs in meeting the regulations of employing nationals. The labour market condition and labour laws in Oman have been greatly influenced by certain government policies.

One of these is the policy of Omanisation by which all companies, large and SMEs, were obliged to employ a minimum of 30% Omani workers prior to being considered for public projects. This government policy was well-intentioned as it was aimed at tackling unemployment among indigenous job seekers. However, most of the SME owners complained that they could not employ Omani nationals due to their expectations of high salaries which were unaffordable. In cases where Omani citizens joined SMEs, their turnover was rapid as they tended to soon leave in search of better paid jobs elsewhere.

In practice, the Omanisation policy was found to have had some unintended consequences. For instance, most SMEs attempted to employ low-waged unskilled and retired citizens to meet the 30% rule and these workers tended to produce low quality work. This left a bad impression on large partners about the efficiency and productivity of SMEs and eventually led to low levels of trust between business partners as expressed by the owner of SME1 working with N2:

> *'When your ministry (Ministry of Manpower) rejected my application, this is to prevent me from receiving visas to employ expatriates until I have achieved 30% of Omani workforce in my company, I had no choice but to employ retired people'.*

Thus, the unintended consequences of government employment policy created problems for SMEs and weakened the possibility of developing trusting business relationships between SMEs and large companies.

5.5 Summary of the chapter

The first part of this chapter presented the factors which led to high levels of trust. The second part of the chapter presented the factors that led to low levels of trust. To list the factors in a systematic way, they were presented in accordance to the dominant types of trust: characteristic based, process based, and institutional based trust.

The following derived theoretical model summarises the factors that influenced high and low levels of trust between SMEs and large companies in mandated business interactions.

Figure 5 the derived model out of the findings of the current study

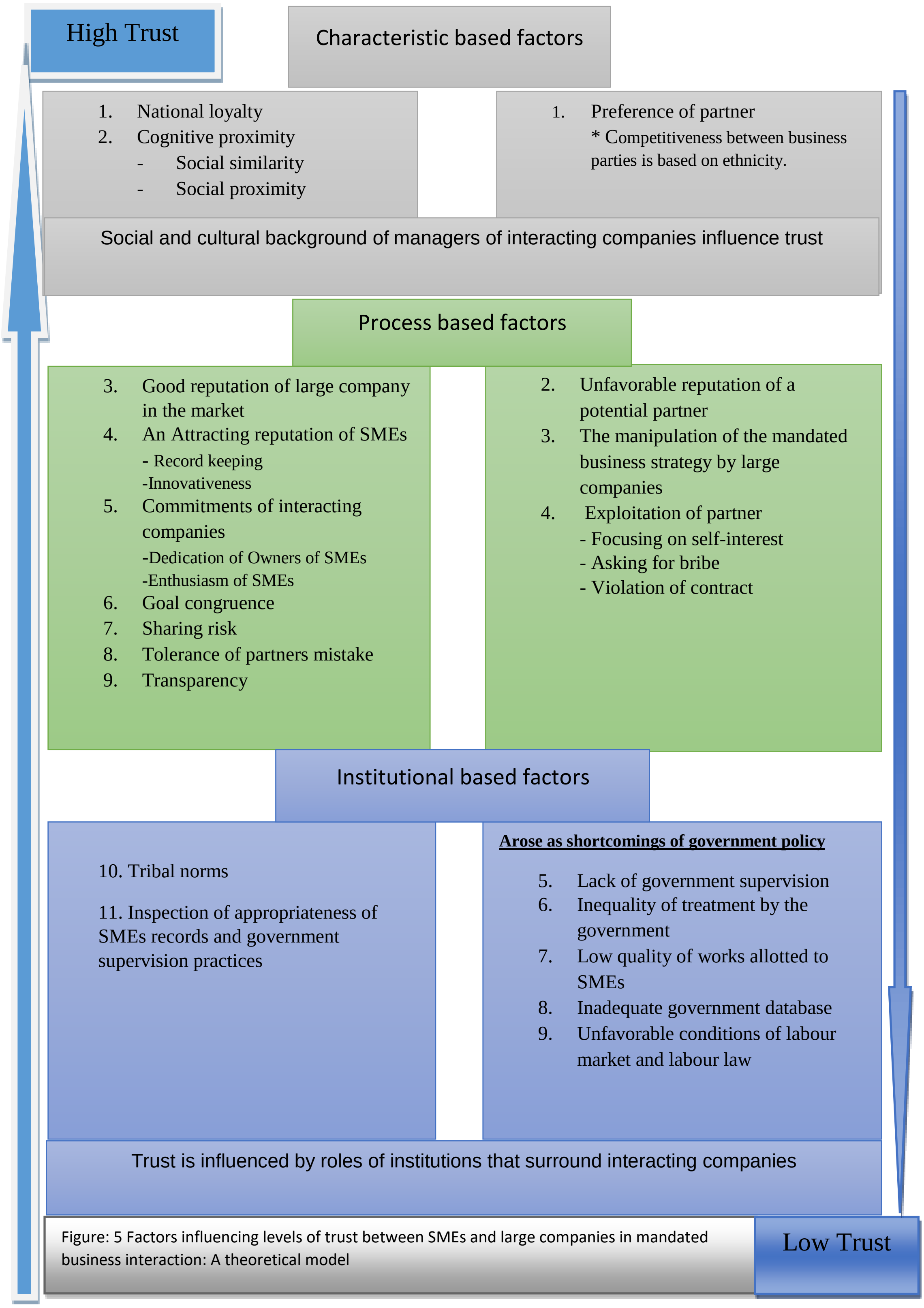


Figure: 5 Factors influencing levels of trust between SMEs and large companies in mandated business interaction: A theoretical model

Chapter Six – The Discussion

6.1 Introduction

The aim of this study was to explore the concept of trust and its presence between SMEs and large companies in the specific context of mandated business interactions between SMEs and large companies. This was accomplished by utilising certain indicators of trust, derived from the literature, to assess the levels of trust within the relationships and exploring how various factors influenced levels of trust in mandated business interactions.

The findings of this study contribute to understanding relatively neglected issues of trust in mandated business interactions. The first issue is related to conceptualisation of trust in mandated business interactions. The second issue is related to the assessment of trust and the identification of factors influencing high and low levels of trust between SMEs and large companies. This study found that levels of trust in mandated business interactions required a modified group of indicators. Additionally, some critical new factors influencing levels of trust were identified.

This chapter is designed as follows: the first part of the chapter 6.2 presents a new contextual concept of trust which emerged from the findings and the analysis. The next section 6.3 discusses four trust indicators used in this study and presents the modification made to these indicators in which levels of trust between large companies and SMEs in mandated business interactions can be assessed more appropriately. Section 6.4 discusses and critiques a schema of inter-organisational trust relationships which was prominent in the literature as a trust indicator. Section 6.5 presents and explains the model derived from the current study. Sections 6.6, 6.7 and 6.8 present and discuss characteristics based trust factors, process based trust factors and institutional based trust factors respectively. The final section 6.8 is the summary of the chapter.

6.2 Conceptualisation of trust

Most previous studies conceptualised trust in IOR as the confidence that one party had that the other party would perform as expected and would not act opportunistically (Nguyen et al. 2005; Cerri 2012; Viitaharju and Lähdesmäki 2012; Jones et al. 2014). This common definition stresses two key elements of trust, firstly, the willingness of a party to be vulnerable, and secondly, the expectation of one party of favourable treatment by another party. Thus, the willingness of partners to engage is based on expectation (McEvily and Tortoriello 2011). These definitions emphasised trust as largely dependent on the goodwill of both partners and especially avoiding opportunistic behaviour in the relationship.

However, in this study, trust was found to be contextually different. The main point of difference arose from the mandated nature of the business interaction; unlike the relationships of choice, mandated business interactions involved three agencies. In addition to the two partners, the integral role played by the government in the relationship was found to have changed the dynamic of the business relationship and, consequently, the nature of trust in the relationship. Therefore, the following definition of trust within the context of mandated business interaction is proposed as a new definition of trust:

Trust in mandated business interactions is a psychological state which is characterised by a willingness of both partners to collaborate with each other confident that the relationship can work as the element of risk has been satisfactorily mitigated by the agency of a third party.

In those cases, where the mandated business interactions were characterised by high trust, the findings of this study showed that trust between large companies and SMEs was enhanced by the agencies of the government within those relationships. One company was more disposed to place trust in the other company based on the knowledge that the other company was bound by the government's regulations and criteria. For example, a large company such as N1 was willing to engage with SMEs on the basis of the knowledge that the SME was in compliance with the government regulations such as record keeping and employments law. Thus, the element of risk was minimised in a way that was not possible in relationships of choice. On the other hand, the SME was more confident about engaging with a large company as the risk involved was minimised by the knowledge that the large company was bound by certain conditions laid down by the government. Far from restricting the development of trust in the relationships, the presence of the government in mandated business interactions was found to be the basis and foundation of the high state of trust between the partners.

In the cases where low level of trust was found, this was often due to opportunism on the part of one party or their power to manipulate the mandated business policy as in the cases of N2 and its subcontracted SMEs. However, such failures were not intrinsic to the mandated nature of the interaction but rather a failure of the government to fully enact its stewardship of the relationship. This was found in the case of JV2 and SME1 where the government inspection and supervision were either ineffective or limited due to the distance of these projects from the capital city. If such failure or limitation to the government's role of inspection and supervision could be addressed, then it was clear that the development of trust between the partners would have been more likely to have been established. Thus, in principle, the tripartite nature of the relationship created a new dynamic in which the large company encouraged the innovativeness of the SME, thereby fulfilling one of the aims of the government in establishing mandated business interactions as in the case of S2 and SME2. Additionally, the innovative SME tended to work hard to meet the expectation of the large partner and at the same time to impress the government so that this particular relationship would be noted by the government for its success and would be attractive to the government for the award of future projects.

6.3 Modification of trust indicators

The literature revealed the challenging nature of the assessment of trust between business organisations (Rus and Igli 2005) and the inadequacy of relying on a single indicator to signal trust (Jena et al. 2011). Consequently, most studies use a number of indicators. It was preferable, therefore, in this study, to rely on a number of trust indicators in the interest of reaching a more balanced and in-depth assessment. This supports the position of many researchers (e.g. Laeequddin et al. 2010; Ayadi et al. 2013) that levels of trust could be more adequately assessed by using several indicators.

In the literature review (see section 2.8), a justification was presented for the selection, from a broad range of possible indicators, of four key trust indictors that were found to be particularly useful in the context of mandated business interactions. These were: recurrence of business interaction, degree of formality, level of interdependency and reciprocity of information exchange. However, in this study, these four indicators required some modification in order to be more appropriate in the context of mandated business interactions.

Additionally, this study confirmed the views of some researchers (e.g. Svensson 2006; Schoorman et al. 2007) who noted that trust could be assessed more appropriately when opinions and perceptions of both partners involved in the interactions were taken into account as the perception of one party might be contradicted by the perceptions of the other partner (Svensson 2002). Thus, it is not a matter of a naive reliance on certain indicators to signify the presence of trust. Rather, it is the meaning that those indicators hold for both partners which is important. For that reason, this study explored not only the presence of these indicators in a relationship, but how both partners interpreted trust based on those indicators.

Table 11 shows the limitations of indicators derived from the literature to assess levels of trust in the context of mandated business interactions. The amendments to these indicators which should be considered by researchers to appropriately assess levels of trust are also included.

Table 11 Summary of the limitations and amendments made to the indicators

Trust indicators	Scope of the indicators in the literature	Amendments made to the indicators
Recurrence of business interaction	In the absence of trust, companies often have no intention to have continuing business interactions with other partner (Sung and Kang 2012b). Business parties engage in repeated interactions due to their confidence resulting from familiarity in term of planning and operations (Cerri 2012).	It is not simply the recurrence of business interactions per se, but the meanings attached to such recurrence by both partners which signals trust. Due to the tripartite nature of mandated business interactions, recurrence could simply be for the sake of preserving future projects and might not signal trust. Only by ascertaining recurrence through the perceptions of both partners can level of trust be assessed.
Degree of formality	Based on less formalised control in which business parties rely on trust rather than detailed contractual arrangements (Aalbers 2010; Hamida et al. 2011). The existence of less formalised contracts is presented as an indicator of high trust.	A naive reliance on degree of formality as a trust indicator could be problematic. The findings revealed situations where low formality did not signal high trust but opened a door for opportunistic behaviour. Thus, levels of trust can more appropriately be assessed by looking at what has been perceived by either of the partners in degree of formality compared with the outcome and consequences of those limited formalities.
Level of interdependency	Efforts and resources that one partner invest in other business partner (Sako and Helper 1998). High trust is indicated when partners rely on each other for mutual benefits. Low trust is indicated when the relationships are based solely on the self-interest of one party. Based on the goodwill of the larger partner in not taking unfair advantage of the SME.	In addition to the goodwill of the larger partner, the tripartite nature of the mandated business interactions implies that the interdependency between both partners is such that fulfils the interest of the government by encouraging the growth of SMEs. High trust level was indicated when both partners collaborated to impress the government to ensure its approval for cost-effective sourcing of quality material to be used in the work.
Reciprocity of information exchange	Business partners openly share information and exchange knowledge and experience and sometimes exchange experiences of good reputation of a partner with a third party (Sung and Kang 2012). High trust is indicated when two-way flow of information and experiences which are deemed to be valuable. Low trust is indicated when the information exchanged is intentionally not valuable or useful.	It is not merely the reciprocity of information exchanged which is the signal of trust in mandated business interactions, but the meaning that such information sharing holds for both partners. Within the tripartite nature of the mandated interaction, the dynamic of trust is altered so that even the exchange of information known to be inaccurate by both partners can signify high trust because it is the significance of the sharing which counts.

6.3.1 Recurrence of business interactions

Many researchers associated high trust level with recurrence and length of business interaction (e.g. 2005; Cerri 2012; Sung and Kang 2012), and the association between the two was based on the view that business partners became familiar with each other's culture, work method and goals (Blomqvist et al. 2005). The recurrence of business interactions as an indicator of high trust can be as a result of technical competency, functional competency, or task reliability (Connelly and Miller 2012). Thus, the positive nature of the relationship between partners is facilitated by the expectations of both that such business interactions would continue into the future and this expectation was an indicator of trust (Poppo et al. 2008).

Although this study reported some cases which confirmed this association, recurrence of business interaction was not always found to signal a high trust. This is because large companies were found to have engaged SMEs in repeated business interactions for the sole purpose of convincing the government that they were fulfilling their role in mandated business interactions. For example, the owner of SME1 recounted how on one occasion he had been present when a representative of JV1 informed the government that JV1 had succeeded in partnering with an Omani SME (i.e. SME1). From the perspective of the owner of SME1, such reporting was lacking in sincerity and was only done to ingratiate his company (JV1) with the government official. This supports the findings of the empirical study by Auko et al. (2011) which concluded that when the primary driver of such repeated contractual arrangements with SMEs was due to the desire to maintain a good reputation with the government, SMEs tended to remain suspicious about the motives of their large partners. Thus, recurrence of business interaction does not necessarily signify high trust.

Another motive which emerged from the findings of this study was that recurrence of business interactions were often due to limited choices rather than trust. In other words, either partner did not really have any alternative except to engage with the other. In some instances, the larger partner only engaged with a smaller partner while his resources were unavailable. Therefore, recurrence of business interaction did not signify trust but rather the exploitation of the SME by the large company as in the case of SME1 working with N2. This supports the view of Dyer and Wujin (2011) who asserted that when the behaviour of a partner changed in ways that disadvantaged the other partner, that company was more likely to be considered untrustworthy. However, when recurrence of business interactions was not the result merely of self-interest, Lewicki et al. (2006) noted that high trust could be indicated.

To conclude, in this study, a more nuanced conceptualisation of the recurrence of business interactions as a trust indicator emerged. A high trust level between large companies and SMEs was found in different circumstances. Firstly, when the recurrence of interactions with the same partner was found to continue despite the availability of alternative business opportunities as in the case of N1-SME3, this frequently indicated high trust. Secondly, when the recurrence of interactions took place even after having several trials with other available business organisations in which trust had failed to develop as in the case of S1-SME2 and N1-SME2. Thirdly, the level of trust was high when the recurrence of interactions between partners took place whether the project was easy or complicated, indicating that the relationship was not based on opportunism as in the case of N1-SME2.

A low level of trust was indicated when one partner refused to have further business interaction with the other partner even when there were no other business opportunities available as in the case of N1-SME3. Thus, it was the perceptions of the meaning that recurrence held for both partners which signified trust rather than simply the presence of the indicator itself.

6.3.2 Degree of formality

McEvily et al. (2003) have pointed out that formal agreements and full control mechanisms were often found in the literature to signal attitudes of suspicion, ill-will and scepticism which indicated a low level of trust. Where trust existed there was less need for high degree of formalities (Gausdal and Hildrum 2012). Connelly and Miller (2012) asserted that mangers of interacting companies often minimised their insistence on high degree of contractual formality when the trust level was high.

However, this study found that a less formalised deal was not always a sign of trust; rather it often signified the limited involvement of external institutions which allowed the larger partner to exploit the smaller partner. Hence, assessing the level of trust using this indicator could be problematic. A clear example from this study can be seen in the case of JV2-SME1. JV2 initially had had less formalised arrangements with SME1 but actually became exposed to considerable risk by the PM of JV2 giving the owner of SME1 carte blanche to arrange all essential materials without prior approval from JV2. The hidden agenda of JV2 was its duplicity in appearing to be magnanimous in awarding such a valuable contract to a smaller company when in fact, the real value allocated by the government was considerably greater. One could argue that this is how business works but this was a public project where greater transparency was expected by the government. Furthermore, JV2 in the media, claimed the credit for exceptional and creative works which in reality should have been attributed to SME1. Welter et al. (2012) has drawn attention to the two-edged-sword nature of trust which can influence entrepreneurial activities positively or negatively.

Empirical studies in IORs confirm that some parties tend to use less formal contracts to attain certain objectives; these studies have shown that up to 50% of interacting companies were completely selfish (Woolthuis et al. 2005). Jones et al. (2014) emphasised that trust frequently failed to emerge because even well-intended partners could be exploitative when the opportunity arose.

Incomplete contracts are more open to interpretation and can lead to risk as they contain fewer clauses or because the clauses are not clearly stated (Yang et al. 2011). Because of the resource constraints of the majority of SMEs, power imbalances and limited management knowledge, SMEs are at greater risk in less formalised contracts (Jones et al. 2014). This seemed to be a fundamental problem in large companies and SMEs business relationships. It is surprising that there are few, if any, studies that explicitly investigated this mechanism which could preserve either of the companys from the consequences of opportunistic behaviour. In fact, Jap and Anderson (2003) have defined less formalised contracts as post-opportunism which often arose out of self-interest by which one partner intended to act opportunistically through low levels of formality in order to cheat, lie, steal or by misrepresenting information in the contract. However, the main thrust of the literature in this regard only goes as far as stating that such opportunistic behaviour is difficult to anticipate (Krishnan et al. 2006).

The risk inherent in low level of formalised control, as revealed in this study, had substantial consequences for SMEs and entrepreneurial activities which could not be anticipated at an early stage of business interaction. The exposure to risk presented by trust in less formalised contracts was found by Connelly and Miller (2012) to be constrained by the context in which that trust had been developed. Thus, even though many studies regard less formalised contracts as indicators of trust in IORs, in the specific context of the mandated business interactions, this was not always borne out and it was found that a low degree of contractual formality sometimes resulted in opportunistic behaviour. A more subtle understanding has been found in this research. Trust can appropriately be assessed by looking at what has been perceived by either of the partners in term of degree of formality compared with the outcome and consequences of those limited formalities.

6.3.3 Level of interdependency

Interdependency refers to a situation where business partners make a mutual commitment to a relationship for their mutual benefit. The minimal level of interdependency between large companies and SMEs, noted in the literature, refers to situations where the SME is expected to commit to a specific market segment which often represented a niche for them and in which the large companies were inefficient because the market size was too small for them. This eventually created interdependency between the two companies (Paleari and Giudici 2000). The niche market situation adopted by the smaller partner is valuable for the larger partner and is mutually beneficial. There are many other types of interdependency but this is seen as the minimal level in the literature. In such a situation, the market for the larger companies' products is the small-scale goods and service sector (Subrahmanya 2008) and most large companies try to cut down their expenses by subcontracting with SMEs (Okatch et al. 2011). High trust can be indicated when SMEs and large companies are ready to invest cost and efforts and accept any potential risk such as the failure in producing goods or services that meet expectations of a partner (Wicks et al. 1999).

Two types of interdependency trust indicators were identified in previous studies. Firstly, is the workflow interdependency in which one party is found to provide specialised activity that is essential for the achievement of mutual goals (Capaldo and Giannoccaro 2015). Secondly, there is resources interdependency in which business partners depend on and use each other's resources, be it human or financial, to attain mutual benefit (Capaldo and Giannoccaro 2015). In both cases the interdependency is viewed in terms of ability and integrity, and assessing level of trust from these aspects is well accepted (Schoorman et al. 2007). However, these studies were mainly concerned with relationship of choices.

Interdependency in mandated business interactions is not based only on the interest of a business partner but also on the interest of the government who actually established the mandated business interaction in the first place. Trust was indicated in these relationships evidenced by partners collaborating throughout the projects in order to impress the government to ensure its approval for cost-effective sourcing of quality material. This happened when the owner of SME2 had discovered a cost-effective source of quality material required for the commencement of a mandated project with S2. The project manager of S2 was highly impressed by the initiative of the owner of SME2 which highlighted their interdependency and high level of trust. Both the owner of SME2 and the project manager of S2 brought this important source of material to the attention of the government ministry who approved of it for the project and was also highly impressed by how both companies were working together interdependently. In fact, the owner of SME2, commenting on the level of trust based on this interdependency, reported that S2 provided financial resources so that SME2 could develop this source of material and actually became a customer of SME2. S2 did not take unfair advantage of SME2 by arranging for the material directly from the source which SME2 had found but instead permitted SME2 to retain its resource advantage.

Although this finding supports the view of Pretorius et al. (2008) who asserted that the relationships could only become effective when SMEs provided unique competencies to large companies, in the context of mandated business interactions, the interdependency enhanced the growth of both companies due to the favourable impression created with the government which saw its main objectives being achieved. The finding of this study, related to this trust indicator, resonates with some previous studies such as that of Ireland and Webb (2007) who concluded that to understand the level of trust that existed between business partners, it was necessary to understand the significance of the coordination which had taken place between them.

To conclude, interdependency is a useful trust indicator in both relationships of choice and in mandated business interactions. Interdependency implies goodwill on the part of the larger partner. However, in mandated business interactions, as well as signalling trust between partners, interdependency often coincided with the governments' goal of enhancing the growth of SMEs.

6.3.4 Reciprocity of information exchange

Reciprocity of information exchange refers to a situation where business partners willingly share information with each other such as business opportunities, experiences and strategies. The quality of the information exchanged was assessed by openness and transparency (Sako and Helper 1998), timeliness, adequacy, accuracy, and credibility of information exchanged between business partners (Li and Lin 2006).

This study revealed several types of exchange between large companies and SMEs which were associated with high trust. Firstly, is the readiness of a partner to freely disclose to the other partner details of local suppliers, which it was willing to risk sharing with the other partner. This was done without fear that the other party would take unfair advantage of the disclosure of such information. For example, the owner of SME1 working with N1, willingly disclosed details of local suppliers and favourable market conditions which would not have been readily accessible to N1. Both SME1 and N1 perceived this level information exchange as signalling high trust between them. Such trust, based on exchange of information, actually concurs with the note made by Ming and Song-zheng (2008) who found a positive correlation between trust and information sharing. McEvily et al. (2003) also noted that when partners formed high trusting business relationships, the tendency for partners to screen for accuracy of the information to decrease. Thus, the tendency to accept the information exchanged without question signalled a high level of trust between the partners. The finding regarding this type of exchange resonate with the note made by some researchers (e.g. Bianchi and Saleh 2010; Payan et al. 2010) who asserted that high level of trust facilitated the exchange between business partners and enhanced performance and satisfaction of both companies.

The remaining types of exchange which this study found included: exchange of experiences, exchange of information about potential business opportunities, exchange of resources and lastly, passing favourable information of one party about the other business partner to a well-esteemed large company. These points have been highlighted by Jones et al. (2014). In the case of SME2 working with S2, the owner of SME2 reported that S2 had presented his company in a very positive and favourable light to a well-esteemed large company which resulted in additional work for SME2 based on that positive report. This signalled a very high level of trust between SME2 and S2. S2 in presenting SME2 in a positive light to a third party was confident that the smaller company would not let S2 down in the sight of the third large company. This demonstrated the level of trust that existed between them. Hence, the findings of this study resonate with the note made by several researchers (e.g. Barreto 2010; Cao et al. 2010) who emphasised that high levels of trust between partners in business interactions could be indicated when new ideas, utilisation of resource, business opportunity were openly exchanged.

However, in the same relationship (S2-SME2) there was an earlier incident in which the site engineer of S2 presented SME2 in a very unfavourable light to the government representative. In this situation, a low level of trust between the two companies would be expected to result. S2, to protect its own interests, laid the blame on SME2 for delays that were really the responsibility of S2. However, the owner of SME2 realised that if S2 lost the contract, this would also result in losses for SME2. The owner of SME2 acted as the scapegoat and this action meant that the mandated business interaction was protected. Far from signalling low trust, this sacrifice on the part of SME2 signalled high trust, as its owner could understand that the entire contract was at risk.

Thus, a more subtle understanding of assessing level of trust based on the reciprocity of information exchanged indicator has emerged from the findings of this study. Due to the tripartite nature of mandated business interactions, the information exchanged can be inaccurate but still can indicate high trust level. When S2 laid the blame on SME2 to government officials for the delay on the project, the end result was not low trust but high trust between the two companies. Both companies understood that it was expeditious for the smaller company to be the scapegoat as a damage limitation exercise. A superficial view of this incident might view it as signalling low trust but when the perceptions of the actors involved are understood by the researcher, a completely different picture emerges.

To conclude, taking reciprocity of information exchange as a trust indicator needs a more nuanced approach. In this study, it was not the reciprocity of information exchange, per se, but the motivations and intentions of both actors in the exchange which was the trust indicator.

6.3.5 Summary of the trust indicators

Assessing levels of trust between SMEs and large companies in mandated business interaction was a critical task. Although the four selected indicators were helpful in assessing the level of trust, a more subtle understanding of how these indicators operated in practice was a major finding of this study.

Before leaving the subject of trust indicators, by way of addendum, this study critiqued a schema which was prominent in IOR literature as a trust indicator. This schema was applied in this study as an additional means of identifying trust levels but did not prove to be useful in the context of this study. This schema is discussed and critiqued in the following section.

6.4 Schema of assessing trust based on interpersonal and inter-organisational aspects

In the literature, a number of authors (e.g. Mouzas et al. 2007; Nguyen and Liem 2013) proposed that assessing the trust level that existed between business partners could be indicated by the level at which the agreement was being expedited in the organisations. Three scenarios were seen as possible: organisation to organisation, person to organisation or person to person. These are referred to by Nguyen and Liem (2013) as upper, middle and lower levels. These authors agreed that, at the high level (organisation to organisation), trust was high and therefore, that inter relationships which were based on organisation to organisation would signal a high level of trust. Conversely, agreements based on person to person were proposed as signalling low trust level. At the middle level, based on person to organisation or between departments or groups of one organisation and the other entire partner organisation were proposed as exhibiting a medium level of trust.

The use of this schema as an additional indicator of trust is refuted by the findings of this study in the context of the mandated business interactions. In fact, trust was found to be elastic in nature (Seppänen et al. 2007), and the level of trust was difficult to determine based on the schema of level of interactions. In particular, the assertion of Mouzas et al. (2007) that the level of trust between organisation was high when existing at inter-organisational level and low when existing at interpersonal level is contradicted in the context of mandated business interactions in the current study. The reason why this schema is unreliable as a trust indicator is that management changes within organisations can change the nature of the interactions between the organisations. This can be clearly seen in the case of N1-SME3. The owner of SME3 had always formed a high trust level with N1, yet he had stronger trust in the PM of N1 who had gone on sick leave, and this PM had previously promised him a potential business opportunity. This clearly showed the difficulties inherent in relationships based on the level schema simply because changes of personnel can affect the level of the interaction. Indeed, Abosag and Lee (2013) have pointed out that relationships between business partners developed for many different reasons and that trust became dynamic as those relationships changed. Furthermore, the findings of the current study is supported by those of Huang and Wilkinson (2013) who found that trust changed from inter-organisational level to interpersonal level depending on the experience and outcomes of incidents that had taken place between business partners over time. Additionally, Lewicki et al. (2006) argued that trust was grounded in the choice of an actor involved in the interaction, a view re-echoed by Schoorman et al. (2007) who viewed trust as an aspect of relationships which varied and fluctuated between individuals and across relationships. Ming and Song-zheng (2008) further asserted the dynamic nature of trust and how it took on a different character at different stage of the relationship and could move from inter-organisational level (professional) to interpersonal level (personal).

Thus, the findings of this study support the view of Jiang et al. (2013) who asserted that characteristics and attitudes of groups of people who were representing organisations often inspired confidence between companies involved in the interaction to trust each other. In other words, the dynamic of trust is often more subtle than can be encompassed by the threefold levels of interrelationships. Hence, it is inappropriate to report levels of trust as high when it exists at inter-organisational levels and low when it exists at interpersonal level.

After discussing the findings related to the indicators used to ascertain levels of trust between SMEs and large companies, the following section discusses the findings related to the factors influencing the levels of trust, beginning with a presentation of the derived model of trust factors which emerged from this study.

6.5 The derived model and categorisation of trust factors

The derived model which was presented as a summary of chapter five is presented in this section again for the purpose of the discussion of the factors which were found to influence trust in mandated business interactions.

Figure 6 Categorisation of the trust factors

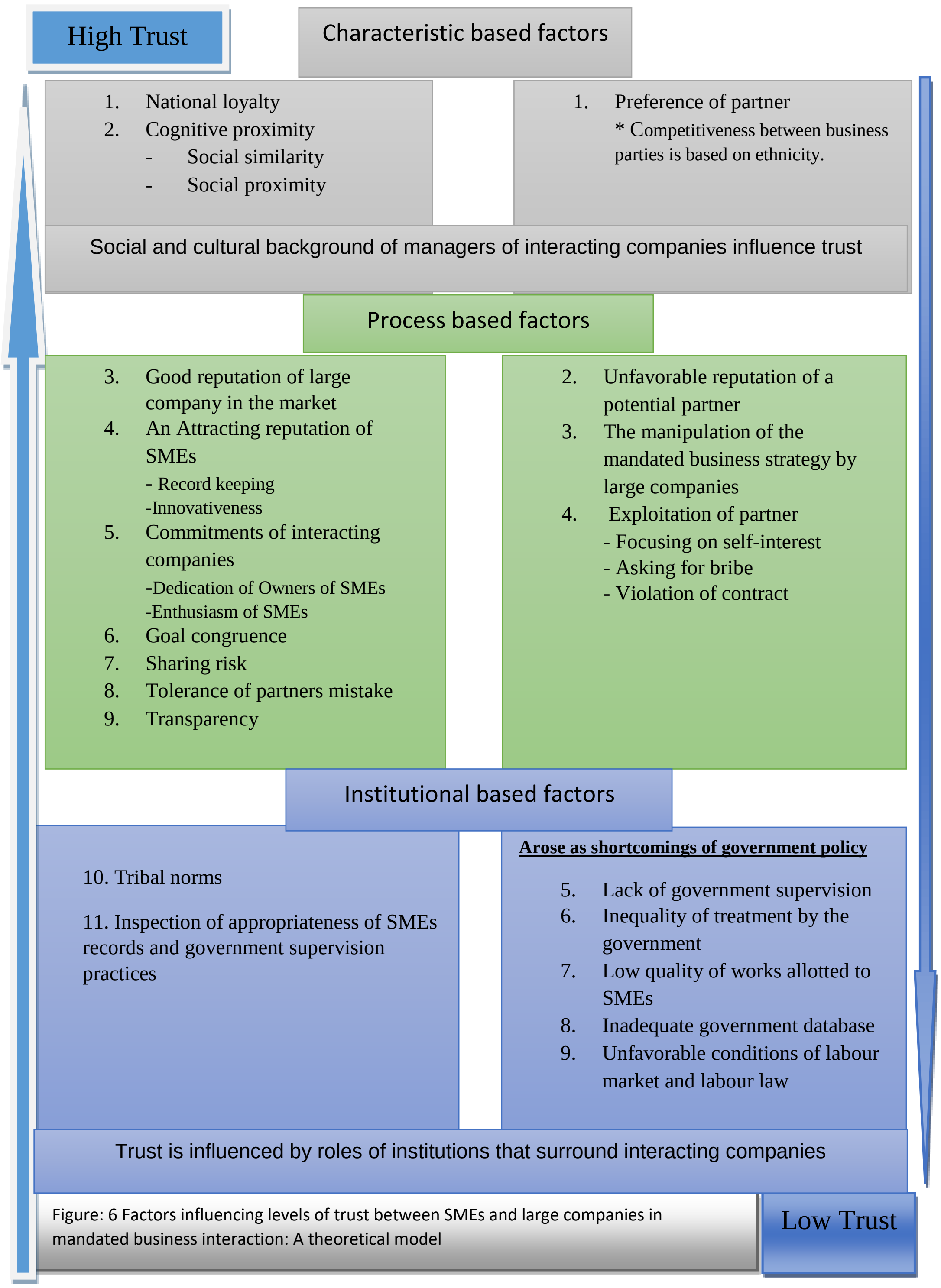


Figure: 6 Factors influencing levels of trust between SMEs and large companies in mandated business interaction: A theoretical model

Figure 6 highlights the influential trust factors in mandated business interactions. The left column of the model shows the factors which led to high trust levels. The right column of the model presents the factors which led to low trust level.

Factors influencing levels of trust between SMEs and large companies in mandated business interactions

In presenting the various factors influencing levels of trust, Zucker (1986) has been followed in categorising the factors into three main sources of trust namely, characteristics based, process based and institutional based trust. The most critical findings were:

- The exploration of the influence of national loyalty as a factor which appeared in relation to the propensity to trust (which is discussed in this section under 6.5.1).
- The distinction made between social similarity and social proximity in relation to trust.
- Discussing the extension, contradiction, and confirmation to factors revealed in the literature and found to be relevant in the current study.
- Discussion of tribal norms as a new distinctive dimension of social institutional based trust factor.
- A new understanding of the mediating role played by the government as institutional based trust.

Under each category, positive and negative influential factors are presented and discussed together rather than presenting them separately. The following sections discuss the various influential factors pertaining to each of the three trust categories.

6.6 Characteristic based trust factors

The characteristics based trust category refers to the confidence which the trustor has in the trustee based on known cultural similarities (Schilke et al. 2016). Most previous studies related characteristic based trust factors to certain similarities of partners which were perceived to be the basis for collaboration. These included cultural and social similarities (Gausdal and Hildrum 2012). However, in the case of mandated business interaction, three distinctive characteristics of a partner were revealed to be critical in influencing the development of a high trust between SMEs and large companies: national loyalty, social similarity and social proximity.

The following sections discuss these factors and their influence on levels of trust in mandated business interactions.

6.6.1 National loyalty

National loyalty emerged as a new factor from the findings of this study. It is a new and distinctive influential dimension of characteristic based trust. National loyalty is related to propensity type of trust in which one party (trustor) tends to accept the vulnerability and trust of the trustee based on positive behavioural expectations (i.e. national loyalty).

The concept of national loyalty appeared in this study as an antecedent of trust. It emerged as the feeling that one party had to the country rather than to the business partner. The attractiveness of national loyalty as a characteristic was based on the hope and belief that the other partner would act honourably in the business relationship out of a sense of loyalty to their country. Because the business relationship was mandated by the government, a sense of national loyalty was frequently found to be an antecedent of trust in this study.

Some informants of large companies and SMEs reported that national loyalty was an inspiring characteristic which helped both companies to confidently work together as they both expected that each would fulfil their roles in the contracts out of a sense of loyalty to the country. This finding contrasts with the views of some researchers including Colquitt et al. (2007) who asserted that the ability of a partner to fulfil their role in the contract was alone sufficient for fostering trust. Ability usually captures what a business partner can do which is considered as a component of trustworthiness. In other words, ability describes whether the partner has the skills to meet what is expected of them. In this study, however, national loyalty emerged from the data as an important antecedent factor which often led to high levels of trust between partners. Because the mandated business interactions were understood as a government initiative to help SMEs and encourage entrepreneurship, the trustor often felt confident about engaging the services of the trustee to use their skills and abilities based on their sense of loyalty to the country. Some researchers, e.g. Azmat and Ha (2013), have claimed that national loyalty could not be considered as a trust factor in business environments that were characterised by either corruption or domination of large companies over the market. This view is contradicted by the findings of the current research. National loyalty by either of the parties was found to be an influential propensity trust factor.

It was interesting to find that, even when the large company and their representatives were non-national, their perceptions that the partnering company was loyal to their own government initiatives was still a driving force from the very beginning of the business interaction. For example, the owner of SME2 working with the non-national S1 company, understood that the confidence placed in him by that non-national company was based on the latter's perceptions of his national loyalty. Some support for the importance of national loyalty as a trust factor was found Subrahmanya (2008) in the context of SMEs working with large companies in Japan. Subrahmanya, did not identify national loyalty as a trust factor, but did emphasise care for the national economy and for the greater success of Japanese manufacturing industry as an important dimension of trust development between SMEs and large companies.

In contrast, the cases which experienced low trust levels often attributed their failure to the absence of a sense of feeling for the country which was substituted for by discrimination in the deal on the basis of ethnicity. Many of the relationships with N2 failed, not because of a lack of national loyalty on the part of the SME, but on the disregard for this factor on the part of N2 which was a company led by non-nationals who had partisan motivations.

Thus, a key finding of this study, particularly in the context of mandated business interactions, is that perceptions of national loyalty on the part of either or both partners is an important factor leading to high levels of trust in the relationship.

6.6.2 Cognitive proximity

The second factor which was found to influence trust was cognitive proximity. Cognition in relation to characteristics based trust factors tended to be the driver of trust between business partners. Cognitive proximity is related to common characteristics that make business partners confidently coordinate their actions in order to improve their economic outcomes (Boschma 2005). Cognition in general, is based on shared perceptions, interpretations and evaluations of the world, and this occurs where business partners share their world views through communications as people draw on the same knowledge base in their interactions.

Cognitive proximity can be divided into two types: social similarity and social proximity. It is worth noting that some studies (e.g. Ben Letaifa and Rabeau 2013) referred to social proximity as being inclusive of social similarity. Indeed, both terms are sometimes used interchangeably. However, this study was able to differentiate between the two due to the engagement of national, joint ventures and subsidiaries in the mandated business interactions which involved people of many different ethnicities. This study follows Molina-Morales et al. (2014) in its call for a reconsideration of the concept of proximity. Boschma (2005) noted that trust in business relationships changed in different socio-economic contexts. The following two sub-sections discuss the difference between social similarity and social proximity.

Social similarity

Social similarity is a strong driver of characteristic based trust and it implies the sharing of identical convergent social background, beliefs and values of parties involved in the interaction (Schilke et al. 2016). Both representatives of SMEs and large companies found it easier to discuss any challenges or progress with people from the same origin. Some owners of SMEs who experienced high trust levels expressed that they were approaching the Omani site engineer in a less formal manner. Therefore, based on social similarity, interactions were easier and common understandings and world views facilitated the development of trust.

The influences of social similarity found in this study strengthens the note made by Cerri (2012) who asserted that social similarity did not only enhance the notion of trust but actually created an informal environment where close interpersonal relationships between business partners were developed and a better understanding of mutual needs was expressed and quickly achieved. This supports the point made by Bönte (2008) who concluded that it was often more convenient for managers of interacting companies to handle the relationships with partners of the same social similarity than with those with greater social differences. Similarly, Nguyen et al. (2005) noted that when trust in IORs was based on social similarity, both the horizontal as well as vertical integrations between interacting companies became faster and easier.

In summary, sharing of beliefs and values were the distinctive dimensions of social similarities. Nevertheless, the findings of this study supports the point made by Glaeser et al. (2000) who noted that when individuals were closer socially, both trust and trustworthiness increased. However, it contradicts Glaeser et al. (2000) in their view that trustworthiness is only possible where there is social similarity and that it is difficult to bring about individuals from different race and nationalities which implies social proximity.

The following section discusses social proximity and its influence in development of trust in greater detail.

Social Proximity

Social proximity is distinguished in this study from social similarity in that it refers to the sharing of some social and cultural background but does not imply a complete shared world view or identity as is the case with social similarity. Between business partners, social proximity implies perhaps knowledge of each other's language and ways of thinking and this facilitates understanding.

To explain this distinction, N1 working with each of the three SMEs (SME1, SME2, SME3) displayed social similarity as all parties were Omani. On the other hand, SME2 working with S2, although the former was Omani and the latter was Indian, the Omani owner of the SME2 was a descendant of Indians who had migrated and settled in Oman. This meant that his ethnicity was traceable to Indian origin but there was sufficient cultural and social proximity which allowed the relationship to work to their mutual benefit. This distinction between social similarity and social proximity is strengthened by the study conducted by Altinay et al. (2014) who investigated how sharing language and similarity of ways of thinking helped franchisees and franchisors to express their intentions, recognise needs and exchange experiences. Altinay found a strong correlation between sharing language and ways of thinking and the development of trust. The same can be clearly seen in the case of S2-SME2. The owner of SME2 expressed the advantage of the similarity of language and cultural background he shared with representatives of S2 in which trust was a result of clarity of understanding and ways of thinking. This point has been made by Welter et al. (2012) who commented on how the building of trust between communities was often facilitated by a shared history, shared norms and or other shared experiences. This implies that the success of the relationship is often dependent on some element of social proximity, without which, as in the case of S2-SME1, the relationship encountered many difficulties which militated against the development of trust. Where social proximity is not present in the relationship, a mediator who shares certain social proximity can bridge the gap.

6.7 Process based trust factors

In the literature, process based trust factors are of two types, one is based on perceptions of the reputation of a potential partner and the second is based on actual experience that one partner has of another with whom they have previously interacted (Ren et al. 2016).

6.7.1 Trust factors based on reputation

The discussion of reputation is divided into three subsections as follows.

6.7.1.1 Reputation of the large company

This factor is related to perceptions rather than direct experience. Reputation of large companies from the perspectives of SMEs was based on what SMEs revealed to follow owners of SMEs about their experiences with certain large companies. Large partners who were found to have diversified and multidisciplinary business were often less trusted. The perceived reputation of such large companies was that they were often less interested in forming relationships with SME in the first place. Otherwise, they were perceived as being so dominant in the market place that they were often able to steal employees from SMEs by offering them more attractive salaries and work conditions. Clearly, such a perception on the part of SMEs was hardly conducive to the development of trusting relationships as was found by Mambula (2002) who claimed that owners of SMEs were frightened to enter into relationships with large companies which dominated the procurement of government projects or which attracted employees of SMEs by offering better wages and benefits.

By contrast, the findings of the current study also support the view made by Huang and Wilkinson (2013) who asserted that SMEs often felt confident to enter into a relationship with a large partner who was perceived to be fair in the deal. Furthermore, if there was some prospect of added value to the business of smaller companies, likewise, the smaller companies were often open to entering into trusted business interactions with such larger companies. Many SMEs in IORs strongly relied on the reputation of a larger partner because the time spent on resolving disputes could destroy SMEs and shift their focus which could immediately affect their performance (Seung-Kuk et al. 2009). An unfavourable reputation could lead business partners to slow down in taking decisions or even to decline entering into any collaborative arrangements (Krishnan et al. 2006).

Actually, the current research found that owners of SMEs were selective in terms of which large company they chose to interact with. Despite the involvement of the government in regulating the interactions, SMEs were still inclined to engage only with large companies which had a proven reputation for fairness in the deal, payment release on time and also for providing opportunities for the smaller companies to expand the size of their business activities. For example, the good reputation of N1 was extensively reported by owners of SMEs who eventually witnessed for themselves what they had been told about N1 before they entered into trusting business relationships with them.

6.7.1.2 Reputation of the SME

From the perspective of large companies, SMEs with innovative reputations and record keeping found to be two influential sub-factors in development of trust.

Innovativeness

From the perspective of the large companies, the reputation of the SMEs for fulfilling their parts of the contract was equally important. Aspects of the reputation of SMEs included perceptions of their innovativeness and record keeping in compliance with the government requirements. Large companies only wish to partner with SMEs who have a reputation for being able to give and take (Thorgren et al. 2011). However, most previous studies point out the difficulty faced by SMEs in building up a good reputation due to their small size, scarcity of resources, limited managerial skills and relative anonymity in the market (Nguyen et al. 2005; Yang et al. 2014).

In this study, particularly in the mandated business interactions, certain distinctive characteristics were found to attract the attentions of some large companies while working alongside SMEs in public projects. SMEs with innovative reputations and record keeping were found to be influential sub-factors in the development of trust. Viitaharju and Lähdesmäki (2012) stressed that in order for SMEs to compensate for their size and resources constraints, a reputation for competency became the antecedent of trust. For example, the PM of S2 recounted an experience with an owner of a SME who had a reputation for being innovative. That good reputation led S2 to enter into contractual relationships with that SME. S2's trust was well-placed as the SME developed an innovative operating system for underground containers. The implication is that for SMEs to be attractive to large companies, the smaller company needs to have built up a good name in the market especially for innovative solutions. It follows that government attempts to form mandated business interactions merely for the sake of enhancing the growth of SMEs and encouraging entrepreneurship may not be so successful if the SME has no proven track record in being innovative. Hence, a government backed training scheme for SMEs in entrepreneurship might provide SMEs with the knowledge and skills which they often lack. The importance of reputation for innovativeness was an important finding of this study which supports Pretorius et al. (2008) in their assertion that large companies often aligned their strategies with SMEs known for their innovativeness. Such an alignment could result in economies of scale and scope which eventually could lead to the development of trust.

Record keeping of SME

The other important aspect of reputation which was revealed in the findings was the importance of record keeping such as employee's details and financial records. The SME is not simply accountable to the large company but both are accountable in different ways to the government. One way in which accountability was seen to operate was in terms of the SME keeping accurate records especially relating to employees' details. The government in exercising due diligence over the investment of public money had to ensure that proper record keeping was happening and that national labour laws were in force. This meant that SMEs had to maintain accurate records and abide by national labour laws. However, it also meant that larger companies should only engage with SMEs which had accurate records. The implication is that the government should first ensure that SMEs were trained in modern systems of record keeping and of basic financial bookkeeping.

With respect to financial record keeping, Kasilingam and Ramasundaram (2012) noted that solvency in IOR in general was an important performance indicator which contributed to the reputation of a company. Additionally, the findings of this study support the point made by Webster et al. (1999) who emphasised that record keeping of SMEs was a vital asset in terms of effectiveness, efficiency and competitive advantage in which records themselves worked as an informant to decision-makers about the company. Thus, the importance of record keeping was revealed in this study as an important antecedent for the development of trusting business relationships.

6.7.2 Trust factors based on direct experience

In contrast to reputation, these factors are based on direct previous experience of working with a partner. The literature provided a wide range of factors that influenced the level of trust when SMEs and large companies interacted in business relationships. However, most of the following factors relating to direct experience were commonly found in the literature: commitment of some large partners and manipulation of the mandated business strategy by others, dedication and enthusiasm of owners of SMEs, goal congruence of business partners, sharing risk, tolerance of partner's shortcomings and transparency. How these operated in the context of mandated business interactions is the subject of this section.

6.7.2.1 Commitment of some large partners and manipulation of others in mandated business strategy

Commitment on the part of large companies was noticed by owners of SMEs from decisions and actions that their large partners took and particularly in implementing the mandated policy. On the part of SMEs, commitment was not only attributed by large companies to the presence on sites and dedication of the owners of SMEs, but also to the enthusiasm of SME owners which resulted in a high level of trust.

In the perception of the SME, prior experience of the commitment of large companies resulted in the development of high trust and was not merely related to their compliance with the rules and obligations set by the government, but also to their sincerity in being committed to the success of the partnership with SMEs. It is noted in the literature that trust between partners was highly correlated with the presence of credible commitments (Kanagaretnam et al. 2010). However, among the six large companies engaged in this study, N1 seemed to be the most committed in fulfilling the mandated business interaction. Informants of N1 expressed their appreciation of the effort made by the government in terms of mandated business interactions which they believed would certainly encourage Omani youth, not only to establish their own businesses, but to think of being entrepreneurs. It was asserted by the PM of N1 that his company dedicated a section to look into the contractual procedures and to record the progress of subcontracted SMEs as well as to ensure that SMEs' profiles such as financial records and the legal status of employees met the criteria set by the government. Thus, there was concordance between the owners of SMEs and the informant of N1 regarding the importance of a previous experience of the commitment of the other partner as an important antecedent of trust.

Thus, the commitment expressed by informants of N1 was found to correspond with the expression of all the three owners of SMEs who had prior experience of interacting with N1 in a high trusting relationship. This commitment, perceived by N1 and acknowledged by the owners of SMEs which led to a high trust level, corresponded with the findings of Souiden and Choi (2012) who noted that the commitments of companies to what was expected of them acted as a facilitator for trust development.

In contrast, the remaining large companies had not shown much commitment in their engagement with SMEs; indeed, some of them even perceived the mandated business strategy as a frustrating policy. As a consequence, owners of SMEs who interacted with most of these companies experienced them as employing different tactics in order to portray the failure of this strategy. Actually, here was where the manipulation factor was found in the data which illustrated how small partners experienced their large partners using their power to circumvent the government mandated policy. It is obvious from the literature that large companies have a reputation for using their greater resources in order to dominate the market and to have a position of power over the government (Nguyen et al. 2005).

However, in this study, a new form of manipulation was found which was due to the nature of mandated business interactions. The government policy regarding the award of public projects to large companies had a twofold condition. The first was the condition that large companies would only be awarded projects if they subcontracted a minimum of 10% of the projects to SMEs. The second condition required that at least 30% of the workforce must be Omani citizens. These two conditions provided a loophole for certain large companies to implement just one of the conditions and to use the second condition as leverage against the government. For example, it was reported by the owner of SME1, working with N2, that N2 had already employed a large number of Omani workers and had used this fact to threaten the government that they would make these workers redundant if the government insisted on the requirement of the 10% portion of the contract for SMEs. The implication of this report is that the government needs to have tighter conditions and insist upon them rather than allowing themselves to be manipulated by the large company based on its power in the market. This was an unintended consequence of government policy. This confirms the note made by many researchers (e.g. Parker and Hessels 2013) who asserted that SMEs, in addition to being vulnerable to several internal barriers such as lack of management skills and time, were also adversely affected by external barriers inherent in the institutional arrangements within which they had to operate. The implication is that a single all-embracing condition carefully constructed would remove the opportunity for manipulative behaviour on the part of large companies.

6.7.2.2 Commitments of SMEs

Commitments of SMEs, from the perspective of large companies were revealed in this study in terms of the dedication and enthusiasm of the owners of the SMEs.

Dedication of owners of SMEs

One of the prominent themes in the IOR literature is that the dedication of owners of SMEs is essential for the development of trust in their partnerships. Such dedication can often be seen in the willingness of the owners to constantly work with other business partners (McGrath and O'Toole 2011). It is obvious that business partners invest resources in the interactions which could be placed at risk when one business partner is having an arm-length relationship.

Most of the representatives of large companies, made it clear that it was fundamental for owners of SMEs to be available at the sites on a constant basis for several reasons such as the need to discuss with owners of SMEs progress of the work, to observe the performance of their employees and to be available for consultation in decision making. Some researcher (e.g. Brunetto and Farr-Wharton 2007) noted that SME owners who paid considerable attention to the relationship such as attending meetings and reporting their work progress were engaged in distinctive and trusting business relationships. Thus, this observation, supported by the literature, implies that owners of SMEs need to demonstrate their commitment by actual foot work and on site presence. This was evidenced by the owner of SME2 working with S1, who drew attention to the fact that his continuous presence on site was much appreciated by the PM of S1 who attributed the high state of trust that existed between them as being the consequence of his unswerving dedication seen by his presence on site.

In contrast, the sporadic presence of owners of other SMEs led to the diminution of trust and eventually to the decision of the larger company to avoid entering into contracts with those SMEs. In the literature, the lack of presence of owners of SMEs is related to either poor reputation of other partner or else to the demanding attitude of the large company which made the relationship volatile. Another reason for the reluctance of SMEs owners to be present on site was presented by Fleming et al. (2016) as attributable to the imbalance of power between the two companies.

However, despite these reasons which often made trust difficult to develop, this study revealed that the presence of owners of SMEs was found to be essential and led to the development of high states of trust as in the case of S1-SME2. The absence of owners of SMEs led to low trust as in the case of JV1-SME2. The findings of this study support the finding of Fleming et al. (2016) who concluded that with constant presence of SMEs' owners, not only enhanced the development of trust but resulted in the development of a personal bond with representatives of other partnering company. This implies that, in mandated business interactions, trust can only arise between partners where the owner of the SME demonstrates their dedication by their very presence on site.

Enthusiasm of owners of SMEs

Previous studies revealed that characteristics of owners of SMEs such as having a high degree of self-reliance, self-confidence or a higher educational level had a positive correlation with empowerment of SMEs and development of trust in business relationships (Brunetto and Farr-Wharton 2007). However, the enthusiasm which owners of SMEs showed was another aspect which led to the development of a high level of trust between some SMEs and their large companies. Enthusiasm refers to a situation in which owners of SMEs showed an eagerness to enter into business relationships with large partners and to sustain these relationships by continued application to the projects. Jones et al. (2014) noted that when owners of SMEs revealed their potential interest and promise, their large partners trusted them with some orders, and they actually signalled to their large partners, their intention to be reliable and trustworthy partners.

In this study, the PM of N1 commented on the enthusiasm shown by some owners of SMEs. The PM of N1 reported how certain owners of SMEs were not only zealous in chasing opportunities that might arise out of the business of N1, but were also seeking for opportunities even with subcontracted SMEs which helped those SMEs and N1 to complete the project and to procure another. Findings of this study support the earlier argument made by Brunetto and Farr-Wharton (2007) who concluded that enthusiasm of owners of SMEs actually provided them with an avenue to learn about any additional potential business opportunities. Smith et al. (2009) noted that some opportunities were down to good luck but many opportunities arose as a result of the enthusiasm of either of the parties. The implication of this finding is that, for the most part, awarding of projects is rarely the result of the luck of the draw but is more often due to the enthusiastic way in which SMEs were sourcing opportunities for further contracts.

6.7.3 Goal congruence

Goal congruence between SMEs and large companies was found where the efforts of both partners were directed towards common goals. Smallbone et al. (2012) has commented on the importance of goal congruence in terms of shared understandings of the common goals and how such understandings were often a prerequisite for successful cooperation. These objectives were generally related to the successful completion of the public projects allocated in mandated business arrangements. Goal congruence was reported by the project manager and the site engineer of N1 as being one of the most critical factors for the success of N1 and the subcontracted SMEs. However, goal congruence does not mean that the objectives of both companies perfectly overlap.

Very often in the findings of this study a commonly shared goal was the expansion of business activities of both companies and improving their efficiency and competitiveness. In such situations, high levels of trust were found and, in reporting this trust, were often attributed to the similarity of the objectives of both companies. Goal congruence can lead to strategic and operational benefits which are beneficial for both partners (Samaddar et al. 2006). The findings of this study also support the note made by Yang et al. (2014) who asserted that goal congruence between SMEs and large companies not only offered SMEs reputation and legitimacy, but also provided them with opportunities to complement their shortages in the market. Consequently, it would seem desirable that in setting up mandated business arrangements that the government should try to ensure that there is a fair degree of goal congruence. In contrast, focusing on goal incongruence where parties have different objectives in entering into the partnership was not likely to lead to a high trust level (Samaddar et al. 2006). Some representatives of large companies unintentionally let slip their self-centred motives and their unwillingness to work towards common objectives but rather to take advantage of the SMEs' vulnerability. In IOR literature, self-interest refers to the situation where a partner enters into a relationship with another partner with the sole intention of furthering their own self-interest without caring for the interest of other business partner (Smith and Barclay 1997). However, self-interest is not, per se, contradictory to goal congruence. Every company acts in their own self-interest but, in goal congruence, each partner makes certain compromises in order that both companies meet common objectives. However, the findings of this study support those of Berg et al. (1995) who noted that the predominance of self-interest without any concession to the interest of the other party was doomed to result in a low state of trust. The case of JV2-SME1 in the findings in which the larger company claimed credit for what was actually the achievement of the smaller company is a clear example how unbridled self-interest was destructive of trust.

Furthermore, self-interest leading to low trust levels can also occur at the personal level where an employee attempts to exploit the vulnerability of a partner company by forcing them to pay a bribe. Although, some researchers concluded that in developing countries, bribery and fraud were perceived differently and that not everyone considered it as unethical practice (Tian 2008), nevertheless, there is a consensus that trust cannot be built in a business interaction which involves bribery (Schuttauf 2012). An example of bribery was reported by the owner of SME3 working with N2. The offer by an employee of N2 to release payments quickly to the owner of SME3 in return for the payment of a bribe had the effect of destroying any trust that might have existed between them. The comments made by owner of SME3 re-echo those of Eberl et al. (2015) who emphasised the role of governmental and organisational rules and regulations in preventing corruption and strengthening trust.

6.7.4 Sharing risk

Sharing risk in business relationships is a function of the readiness of the large partner to share the effect on the smaller partner of unpredictable situations. Often the outcomes of the risk are difficult to predict, and high trust is seen where the larger partner shares some of the risk encountered by the SME. The most outstanding example in this study was seen in the actions of N1 in dealing with SMEs who had been penalised by the government for commencing works without permissions. However, N1 intervened and offered to share the risk by compensating these SMEs by allocating additional work. Another example was the readiness of N1 to assist SME1 who was the victim of a sudden flood which destroyed much of his work. Both of these examples demonstrate magnanimity on the part of the larger partner. Such magnanimity led to a high level of trust between the large and smaller companies. The implication of this is that larger companies are better placed to absorb unpredictable setbacks which might ruin smaller companies. Clearly, it is not possible to legislate for such magnanimity but the government could have an advisory clause in the contracts reminding larger companies that the objectives of mandated business interactions was to encourage the growth of SMEs.

In the literature, trust between business partners was considered to be influenced by unpredictable situations which could bring costs and risks to the weaker party (Dyer and Chu 2011). In such unpredictable risk situations, both partners engage in significant scanning for accurate, reliable and mutually satisfactory solutions (Lopez-Perez and Rodriguez-Ariza 2013). Responding to any unpredictable risk situations by partners that demands speed and responsive decisions, not only leads to the development of trust, but makes SMEs put in their best efforts in return. This was a key finding of this study in which the willingness of the larger party to share risk incurred by the smaller partner, resulted in high trust between them. This supports Schoonjans et al. (2013) who asserted that sharing risk encouraged partners to put in their best effort and enhanced trust between them. Due to the influence and significance of sharing risk in the development of trust, some researchers such as Teece (2016) argued that researchers could indicate the levels of trust by investigating how managers of interacting companies were managing unpredictable risk situations.

6.7.5 Tolerating shortcomings

Tolerance is referred to in the literature as any scenario where one party is willing to be patient in order to give that partner the time and opportunity to prove their trustworthiness (Hamida et al. 2011). The project manager of N1 reported the importance his company attached to showing tolerance towards the shortcomings of SMEs. He was actually critical of other large companies which tended to take unfair advantage of the shortcomings of smaller partners.

In the current study, where tolerance was found, it was usually on the part of the larger companies who helped their smaller partners by advice or encouragement. By showing tolerance, it is implied that the larger partner has trust in the smaller partner and this trust is expected to be reciprocated. Schoorman et al. (2007) noted that tolerance of partners' shortcomings gave scope for the repair of trust following some disappointment in which the offended party forgives the other for their shortcomings and that this action has potential to restore trust between them. Rothkegel et al. (2006) see tolerance of shortcomings as a trust factor but the owners and managers of SMEs should respond to such tolerance by considering themselves as trust developers in response. Thus, larger partners should consider a more tolerant approach to the shortcoming of SMEs due to their lack of experiences and resources and that such tolerance was frequently seen as a trust factor as shown in the two examples in the finding of this study.

6.7.6 Transparency

This study found transparency to be a critical factor for the development of trust between SMEs and large companies. Informants from both large and small companies emphasised how important it was for both parties to openly discuss opportunities and challenges for the sake of the successful and timely completion of the project. According to Ayadi et al. (2013) being transparent with a partner by passing on accurate, credible and adequate information within the critical timeframe was an important issue influencing the development of trust. This also supports Schnackenberg and Tomlinson (2016) who found transparency to be an antecedent and essential factor for the development of trust.

This study found that when the smaller partners were not overly scrupulous with the government officials or had not tried to maximise their profit by using less material than they were supposed to, but instead transparently discussed their problems, large partners could understand their positions and compensate them. Actually, owners of SMEs acknowledged the importance of transparency for the development of trust such as reporting their challenges and weakness and strengths which enabled the larger partner to plan the work with them until their SMEs were able to work independently. This supports the recommendation of Blomqvist et al. (2005) who stated that management of SMEs as well as large companies should carefully consider what issues relevant to the business interaction had to be discussed explicitly and transparently.

6.8 Institutional based trust factors

Institutional based trust factors in IORs are grounded in the external world and refer to the influence of institutions on the behaviour of the parties involved in the interaction (Schilke et al. 2016). In most previous IOR studies, institutions were detached parties which set explicit and implicit rules and regulations by which business actors oriented their actions and behaviour (e.g. Rus and Igli 2005; Cheng and Yu 2012; Kroeger 2012; Fuglsang and Jagd 2015). However, in the current study, institutions were integral to the interactions and this changed the dynamic of trust.

In this section, institutional based trust factors are categorised into two main groups; the first is related to social institutions consisting of tribal norms and the second is related to public institutions.

6.8.1 Institutional factors leading to high trust

6.8.1.1 Tribal norms

In this study, tribal norms emerged as a distinctive new social institutional factor. Tribal norms can be referred to as unwritten customs, tradition, and laws which influence and control the behaviour of its members.

Although only a few informants reported experiences of the influence of tribal norms on the development of trust, this can be explained by the fact that tribal norms are so deeply embedded in Omani society that their influence often goes unrecognised. Nevertheless, those informants represented both large companies and SMEs. In fact, the project manager of S1 emphasised that it was important to know the tribal background of owners of SMEs as he had personally experienced that those who came from well-known family backgrounds tended to be more reliable and trustworthy because they feared that failing to honour agreements would bring insult to their families. This was confirmed by the owner of SME2 who stated that the project manager of S1 understood the influence that tribal norms held over their behaviour. He continued by discussing the dishonour that his failure to fulfil agreements would bring to the whole tribe. Despite this fear, trusting relationships often developed in these mandated business interactions.

The findings of this study also emphasised the importance of verbal agreements. Reference has already been made in the findings to the importance of the ritual hand shake which had more force among certain tribes than written legal documents.

The implications of these findings stress the importance of tribal norms especially for developing societies where such norms are deeply embedded in the prevailing culture. The findings also argue in favour of mandated business interactions being based on tribal norms. However, this is not an argument in favour of xenophobic approaches in a country which must operate in a global context. The implication is not a restrictive one nor is it arguing for the awarding of mandated business interactions only to companies which are led by nationals or by individuals who are familiar with tribal norms. Rather the implication is that in mandated business interactions that the players need to be educated in cultural anthropology especially in relation to the force of tribal norms. It could be useful to note the importance of tribal norms as factors leading to strong trusting relationships. The importance of certain protocols in interactions between people from diverse culture needs to be given greater prominence among managers and owners. For example, a non-national player in the mandated business interactions could be highly cautious of considering the role of verbal agreements supported by a hand shake, unaware that this sometimes had more force among certain Omani tribes than a written legal document.

6.8.1.2 Public institutions

Previous studies viewed institutions as arbitrators which checked on professional codes of conduct that were not legally binding, legal regulations, corporate reputation, contracts and other informal and formal behavioural norms (Bachmann and Inkpen 2011). For this reason, some researchers such as Yeung and Wang (2011) saw institutional based trust as the weakest type of trust. Indeed, they considered the existence of legal institutions and predetermined procedures as signs of a distrustful business environment. However, some authors such as Smallbone et al. (2010) have noted that institutions can also play an important role in entrepreneurship development.

This study revealed that institutions can work as mediators between trustor and trustee in IORs rather than being a detached third party simply concerned with orientation of behavioural actions of business partners. The inspection and supervision practices were the key roles of institutions in the mandated business interactions. Informants of both SMEs and large companies recognised the significance of these roles which actually led to the development of high levels of trust.

6.8.1.2.1 The inspection practice

The inspection practice took the form of unannounced field visits made by specific teams from the Ministry of Manpower (MOM) to the sites where SMEs and large companies had commenced works. Inspections were carried out to ensure that companies were implementing laws and ministerial decisions regarding the legal status of employees of interacting companies as well as ensuring their full compliance with health and safety in the workplace. The inspection practice arose as one of the bundle of rules of instructions which interacting companies had to follow. Interestingly, Kroeger (2012) actually asserted that trust could be institutionalised in the form of rules, regulations and routines which had to be enacted.

The influence of inspection practice on the development of trust was reported by informants of large companies and SMEs. For instance, the site engineer of S1 reported how disappointed he and his company were when the inspection team had caught trusted labourers of some SMEs violating the labour law. The inspection practice has limited the choice of SMEs to engage their own employees instead of hiring unskilled labourers through unofficial channels. The inspection practices cleaned the market of any unfavourable and illegal practices. This can be clearly seen in the case of JV2-SME2. The owner of SME2 asserted that the inspection practices limited the choices of large companies to engage with SMEs with appropriate records and because of the inspection practices, he experienced JV2 dealing with his company because the large partner was confidently working with SME2 for appropriateness of employees records. Inspection practices actually operated as alternative options for the inadequacy of government database of SMEs, and led both SMEs and large companies to confidently interact with those who had been confirmed eligible by the government.

Thus, inspection practices played an intermediary role, although an indirect one. The findings of this study imply the necessity of inspection practice at the site where large companies and SMEs had commenced work in public projects. The implications of these findings stress the importance of inspection practices. Their influence corresponds with Cheng and Yu (2012) who emphasised that companies needed to conform to rules and regulations set by the government if they wished to gain legitimacy within the institutions in which their businesses activities were rooted.

6.8.1.2.2 The supervision practice

Government supervision was another institutional trust factor which was different from inspection practices. The inspection was mainly concerned with the maintenance and implementing of laws and ministerial decisions by interacting companies; whereas supervision practices were concerned with regulating and monitoring the interactions between SMEs and large companies. The purpose of such supervision practices was to ensure the attainment of efficient and productive business relationships.

In relationships of choice, supervision is limited to monitoring of SMEs by large companies during the execution of subcontracting work. Such supervision was considered as a transactional process where both large companies and SMEs utilised opportunities to exchange knowledge and experience (Miller et al. 2002).

However, in mandated business interactions, supervision practice involved a third party namely the government. The regular visits made by the committees were intended to achieve certain objectives. These included checking on business opportunities, discussing obstacles that might hinder development of productive business relationships, fulfilling the needs of SMEs in terms of human and financial resources and clarifying any enquires related to payments. The supervision committees played a significant role in developing trusting business relationships between SMEs and large companies and operated as arbitrators when any misunderstanding occurred. Such practices have encouraged business partners to work with confidence and in an efficient manner. For example, from the perspectives of large companies, the project manager of S1 attributed the development of trusting business relationships with some SMEs to the supervision practices by the government. Interestingly, the role of supervision committee in development of trust was acknowledged by the owner of SME1 who worked with S1. He reported several constraints which, at the beginning of his business interaction led him to form a bad impression of S1. He reported two incidents to illustrate the role of supervision committees in the development of trust between him and S1. Once S1 rejected a delivery of certain materials made by SME1 and the second incident took place when the site engineer of S1 instructed the owner of SME1 to commence some work in a nonsensical manner in the perception of the owner of SME1. In both incidents, the owner of SME1 referred to the supervision committee which acted as an impartial mediator and resolved matters in his favour.

The implications of these findings stress the significant role that supervision practices played in the development of trust between SMEs and large companies. Large companies often viewed themselves as superior, and due to this, such business interactions with SMEs were often short-lived (Rothkegel et al. 2006). Sherry and Anton (2013) examined the innovative alliances between European SMEs and large companies although in a relationship of choice context and concluded that large companies were less likely to cooperate and coordinate than were SMEs. Additionally, some researchers, including Rus and Igli (2005), stressed the importance of institutions in protecting the interest of entrepreneurs and SMEs as they often found it difficult to form trusting business relationships with large companies.

Thus, the implications of these findings stress the importance of supervision practice to enhance the position of SMEs in the relationship. Clearly, this does not imply defending SMEs even when they are wrong, but strengthening their position when they are right and assisting them to obtain human and financial resources. The implication of the finding also stresses importance of enforcing the confidence of SMEs when they are in the right. Fuglsang and Jagd(2015) noted that the regulatory and informative role of institutions often inspired the development of trust between business partners.

6.8.2 Institutional factors leading to low trust

Despite the significant influence of inspection and supervision practices on trust development, their work was often limited in terms of site visits. This was due to the large number of projects which were also allocated at different corners of the country. In addition, the informants perceived other institutional shortcomings factors which eventually led to low levels of trust. These included: inequality of treatment by the government, lack of an adequate government database, quality of the work allocated to SMEs in mandated business interactions and finally, labour market condition and labour laws.

6.8.2.1 Inequality of treatment by the government

Most previous studies which investigated the failure of the interaction between large companies and SMEs recommended that governments should put in place appropriate policies if they wished to create productive business relationships (e.g. Mambula 2002; Okatch et al. 2011). Most of the recommended changes suggested by previous studies were mainly concerned with the policies which tended to put pressure on large companies, in indirect ways, to deal with SMEs. Such recommended changes had nothing to do with development of productive business relationships based on trust.

In contrast, this study revealed that equality of treatment by the government was perceived to be essential for the development of productive business relationships based on trust. Informants from SMEs and large companies recognised that inequality of treatment by the government led to failure in developing trusting business relationships. The government had a preferential arrangement for SMEs in term of releasing their payments whilst neglecting the delay of payments to large partners. The PM of N2 clearly stressed that forcing his company to release SMEs' payments in 28 days while the government in most public projects delayed payments to N2 for more than 12 months had always been an irritating issue for N2. As a consequence, inequality of treatment by the government led some companies to act against development of productive business relationships. Owners of SMEs experienced most large companies attributing delay of payments to the government and not to themselves. Hence, repeated enquiries caused suspicions with SME owners about their larger partners which eventually led some of them, such as the owner of SME3, working with N2, to lose his temper and shout at the PM of N2. Due to this, trust was not given an opportunity to arise between the two companies. The implications of this finding stress the importance of the government being perceived to be fair and considerate of the interests of both companies.

6.8.2.2 Lack of an adequate government database

Lack of information about SMEs such as ownership, SMEs human and financial resources and history of SMEs experiences, meant that partnering companies had little knowledge on which to base their decision to enter into a business relationship.

In this study, due to lack of an accurate government database of SMEs, informants of both SMEs and large companies remained suspicious about each other. Large companies were found to be hesitant in contracting with SMEs. It was perceived by some informants of SMEs and large companies that large companies could use other SMEs who were keeping improper records and that the government might not easily detect this. Owners of SMEs were not confident about their large partners, as large companies were found to be interested in subcontracting with SMEs offering lower prices and these SMEs were working in illegal ways. Additionally, some owners of SMEs had been passing messages to the Ministry of Manpower requesting them to send the inspection team to the sites in order to check the legality of other SMEs engaged in subcontracting arrangements by their large partners. Thus, the lack of a reliable and accurate government database was often an impediment to the development of trust.

6.8.2.3 Quality of the work allocated to SMEs

The quality of the work allocated to SMEs was perceived by owners of SMEs as one of the critical issues which led to low trust levels. Large companies often offered SMEs opportunities with little value for no reason other than to ensure that SMEs did not become competitive with large companies (Nguyen et al. 2005). In this study, most SME owners related the low level of trust to the nature of the work assigned to them by the larger partner. In most cases, the works allotted to SMEs either had little potential to return a fair profit to the SME or were difficult in nature. Consequently, these SMEs either had to quit the business at an early stage as in the case of S2, or else they delivered poor quality works as was reported by the PM of S1. Kidalov (2013) noted that in order to encourage participation of SMEs in public project and to enhance their competitiveness, the share allotted to SMEs must be determined and reserved by the government. In fact, most owners of SMEs emphasised that it was the government which was supposed to determine the quality and nature of the work and not their large partners. The implication of this finding stresses that the government, not the larger companies, should determine the work assigned to SMEs.

6.8.2.4 Labour market condition and labour laws

Labour market conditions and labour laws had some unintended consequences which hindered the development of trust. One of these unintended consequences of the Omanisation policy for example, effectively, meant “nationalisation”. This policy obliged large companies as well as SMEs to employ a minimum of 30% of Omani nationals in order to be considered by Tender Board of Oman in public projects. However, the government unintentionally did not consider the difference in capacities of large companies compared to that of SMEs. Large companies have a larger capacity in term of financial and human capital (Scheyvens and Russell 2012). On the contrary, most SME owners complained that they could not employ Omani nationals due to their expectations of high salaries which were unaffordable for most SMEs. Additionally, even when indigenous Omanis were employed by SMEs, their turnover was high as they tended to leave quickly in search of better paid jobs. Thus, large companies lacked confidence in their smaller counterpartns due to the instability of their workforce. The alternative for SMEs was to employ retired and unskilled indigenous labour. However, the attempt to employ low-waged unskilled and retired citizens to fulfil the Omanisation obligation left a bad impression on large partners about the productivity and efficiency of their smaller counterparts which eventually led to low levels of trust.

Thus, the implications of this study are that the government policies directed towards the development of SMEs had unintended consequences which impeded the growth of trust between large companies and SMEs. Auko et al. (2011) asserted that governments should revise their strategies and put applicable policies in place to enhance the competitiveness of SMEs and to encourage the development of productive business relationships between SMEs and large companies.

6.9 Summary of the chapter

In this chapter, the key findings of the study have been discussed in the light of the literature or where novel findings emerged from the study, these were critically examined as contributing to the existing corpus of literature. The chapter commenced with a new conceptualisation and definition of trust within the context of mandated business interactions. The tripartite nature of the mandated business interactions had resulted in a novel conceptualisation of trust.

This was followed by a discussion of those indicators which signified either high or low trust levels. Although these trust indicators were gleaned from the literature, they required some refinements and in some cases had to be extended in scope. These indicators included: recurrence of business interactions, degree of formality, interdependency and reciprocity of information exchange.

The next section consisted of a critique of a threefold schema for analysing levels of trust. While this schema had merit for certain types of IOR assessment of trust, it was not found to be applicable in the context of mandated business interactions.

This was followed by consideration of the factors influencing levels of trust in mandated business interactions. This study has contributed a model for identifying the various factors followings Zucker's (1986) classification. New factors which emerged from the analysis of the data included the importance of national loyalty, a more subtle distinction between social similarity and social proximity, tribal and institutional norms. An important insight of this analysis was the potential for manipulation of the mandated business interactions which needed to be safeguarded by a more prudent approach by the government.

Chapter Seven
Conclusion: Contributions, Recommendations and Limitations

7.1 Introduction

This chapter aims at providing a summary of the study highlighting its main contributions and recommendations. The chapter begins by recalling the rationale for the research in section 7.2, and then presents the significant contributions that this study makes to theory in section 7.3. The implications of theoretical contributions for practice are outlined in section 7.4. Section 7.5 presents the recommendations of the study based on the implications of its findings. The chapter then acknowledges the limitations of the study in section 7.6, and provides pointers for future research in section 7.7. The final section 7.8 summarises the conclusion chapter.

7.2 Rationale for the research

Owing to the significant contribution of the SME sector to most national economies, several countries have tried to promote their growth and to enhance entrepreneurial activities by the development of collaborative arrangements between large companies and SMEs. However, while some studies emphasise that the collaborative arrangements with large companies are vital for the survival and growth of SMEs, many collaborative arrangements between large companies and SMEs experience high failure rate. Among the many issues related to the failure of Inter-Organisational Relationships (IOR) is the lack of trust (Buchel 2003). Indeed, a number of authors, (e.g. Michalski et al. 2014), have drawn attention to the critical importance of such IORs being established on a firm foundation of trust between the business partners. Whilst much attention has been given to trust in collaborative arrangements of choice, relatively scant attention has been paid to trust in mandated business interactions. This study has addressed this research gap by investigating the state of trust between SMEs and large companies in mandated business interactions and by exploring the factors that influenced levels of trust between two companies.

To address this research gap, two research questions were investigated:

I. How can trust be conceptualised and assessed in mandated business interactions?
II. How do various factors influence trust levels between SMEs and large companies in mandated business interactions?

These research questions were addressed by means of a qualitative study. This allowed the researcher to gain a more in-depth insight into trust, based on the perceptions of the key players involved in these interactions. The data were collected by means of semi-structured interviews with 25 key managers from the large companies and from SMEs. These data were analysed using a thematic approach. The findings of this study were presented in two interrelated chapters; chapter four presented the results related to the conceptualisation of trust in the context of mandated business interactions as well as the indicators used to signal trust levels that exist between two companies and, chapter five presented the factors which were found to influence high and low levels of trust.

Based on the analysis of these findings, this research makes an important contribution, not only to the contextual concept of trust in mandated business interactions itself, but also to the means by which the presence of trust in IORs can be more appropriately detected and the identification of new factors which influence the development of trust in IORs. The following two sections present these major contributions. Section 7.3 presents the major theoretical contributions of this study, while section 7.4 outlines their practical implications.

7.3 Principal contributions to theory

This section outlines the main contributions to trust theory. Firstly, a new contextual concept of trust is presented in section 7.3.1. Secondly, indicators for assessing the presence and levels of trust are selected from the existing literature but these were greatly refined in this study in order that they would more appropriately assess levels of trust. These refinements are presented in section 7.3.2. Finally, new influential factors in the development of trust which have not been previously identified are presented and a new model is developed outlining these factors in section 7.2.3.

7.3.1 A new contextual concept of trust

The theoretical contributions this study makes are built upon relatively neglected issues related to trust in mandated business interactions. Firstly, by exploring trust in in institutional contexts, a new concept of trust emerged. Trust in mandated nature of the business interaction; unlike the relationships of choice involved three agencies. In addition to the two partners, the integral role played by the government was found to have changed the dynamic of the business relationship and, consequently, the nature of trust. Thus, the following definition of trust was proposed:

Trust in mandated business interactions is a psychological state which is characterised by a willingness of both partners to collaborate with each other confident that the relationship can work as the element of risk has been satisfactorily mitigated by the agency of a third party.

The arrival of a new contextual concept of trust in institutional context was inspired by Bachmann and Inkpen (2011) who made a plea for more research into how institutions could make a real difference to understanding the development of trust.

Previous studies conceptualised trust as based on actions and decisions of parties involved in the exchange being legitimised by rules and regulations or implicit expectations (Bachmann and Inkpen 2011). Legal regulations which operated as the guarantor in trust development processes (Bachmann and Zaheer 2008) remained external to the relationship.

In this study, a new contextual concept of trust emerged due to the tripartite nature of the interaction which changed the dynamic of trust. It is not simply a matter of two companies entering into a business relationship based on free choice, but rather a relationship in which three agents are directly involved, the large company, the SME and the government. Trust is not being primarily driven by the self-interest of each of the two companies, but by the mutual interest of both the large company and the SME which worked collaboratively in order to meet the requirements of the government.

Trust developed in mandated business interactions as either party was more disposed to trust the other, secure in the knowledge that the other partner was bound by the government's regulations. For instance, the larger partner had greater confidence in their smaller counterpart who was obliged by the government to keep proper employee records which were subject to inspection at any time. But, it was also in the interest of either party to ensure that their partner met government expectations. This arrangement encouraged SMEs to be innovative and to work hard to fulfil the expectation of their large counterpart. At the same time, both companies aimed at impressing the government in such a way as to demonstrate that the relationship was working successfully and could be relied on for the award of future projects. Indeed, it should be noted that, in this study, 8 of the 14 embedded cases were seen to be successful representing a 57% success rate compared with other types of relationships where the success rate was as low as 30% (Munyon et al. 2011). Furthermore, even in the 6 embedded cases which were deemed to have failed, this failure was not perceived to be an 'in principle' defect in the mandated business interactions but rather as the failure of the government to fully discharge its role which allowed opportunistic behaviour to occur.

7.3.2 Refinements of the indicators

Despite the importance of trust for successful business relationships (e.g. Johnson and Cullen 2000; Francis and Mukherji 2009; Abosag and Lee 2013), studies relevant to assessing the presence and levels of trust in IORs are limited, and this could be due to the elusive and complex nature of trust (Seppänen et al. 2007). McEvily and Tortoriello (2011) noted that while the state of the art of trust measurement was still developing, there was a need for further investigation into appropriate methods for assessing the levels of trust. Assessing the presence of trust between interacting companies through various trust indicators has been recently acknowledged to be a useful approach for practitioners, decision and policy makers (Ayadi et al. 2016).

The current study analysed four trust indicators which were particularly relevant to the assessment of trust in subcontracting business relationships: recurrence of business interactions, degree of formalities in contracts, level of interdependency and the level of reciprocity of information exchange. This study highlighted their strengths and weaknesses based on contrasting perceptions of informants from both the large and SMEs. Based on the evidence of the findings of this study, these indicators were refined so that they more appropriately detected authentic trust between partners. These amendments have been thoroughly discussed in chapter six (see 6.3).

With regards to recurrence of business interaction, it is not simply the recurrence per se, but the meanings attached to such recurrence by the partners which is the indicator of trust. Arising from the tripartite nature of mandated business interactions, recurrence could easily take place out of the motive of securing future projects rather than signalling trust. It is only by discovering the significance which recurrence holds for both partners that the level of trust can be appropriately assessed.

Considering the degree of formality as a trust indicator, the contribution of this study is to assert that an over-simplistic reliance on this indicator should be avoided. More important for signalling trust is the discovery of the meaning that the degree of formality holds for the partners. More precisely, levels of trust can more appropriately be assessed by looking at what has been perceived by either of the partners in terms of degree of formality compared with the outcome and consequences of those limited formalities.

Interdependency signalling high trust within the context of the tripartite nature of the mandated business interactions implies that this indicator is based on the fulfilment of the interest of the third partner, the government, in which both the large company and SMEs work collaboratively. In other words, high trust level was indicated when both partners collaborated to impress the government to ensure its approval for cost-effective sourcing of quality material to be used in the work.

Finally, in the mandated business interactions, it is not simply reciprocity of information exchanged which is the trust indicator, but because of the involvement of the government in the interaction, it is the meaning that such sharing of information holds for both partners which signifies trust. This can only be discovered by inquiry of both partners as to their perceptions of such information exchanged and how it helps to fulfil the interest of the government.

In relationship of choice, it is important that the content of the information exchanged should be adequate, accurate, timely and credible (Li and Lin 2006). Thus, sharing of inadequate information would not signal trust. In mandated business interactions, the sharing of information is still between two companies, but also has certain intentionality in terms of the third partner. In this case, the content of the information might not be as important as the reason why it is being shared in the first place and the meanings that the two companies attach to the sharing of that information.

This analysis of four trust indicators stresses the difficulties of providing a reliable quantitative measure of trust.

7.3.3 A new model of factors influencing levels of trust

The findings of this study revealed new factors which gave a more adequate account of how trust developed in mandated business interactions.

An important contribution of this study is the development of a new model of trust factors. These factors were fully discussed in sections 6.5, 6.6 and 6.7. The categorisation of Zucker (1986) was followed to present a schema of all the factors, both new and old. These are presented in figure 7

Figure 7 The derived model of trust factors

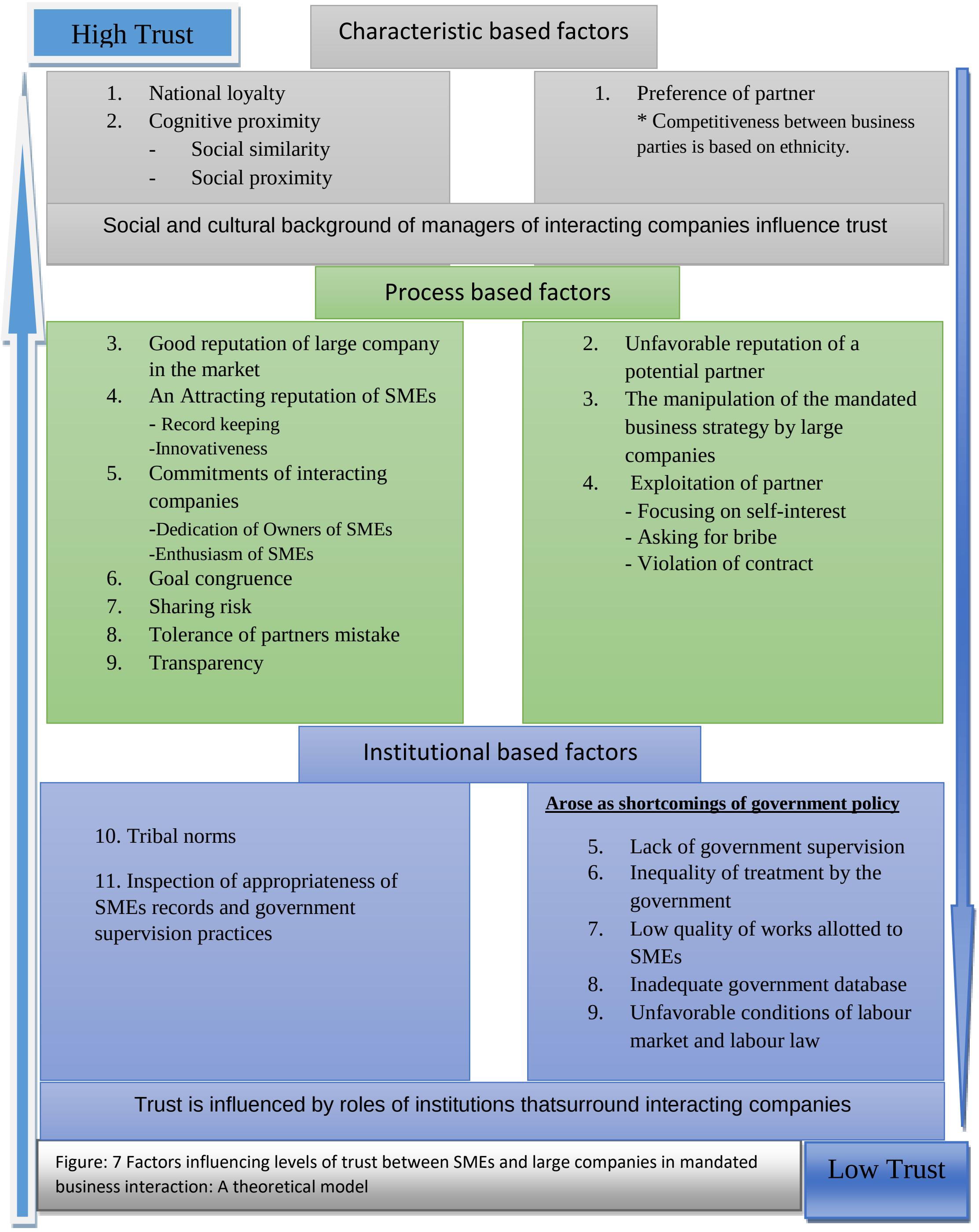


Figure: 7 Factors influencing levels of trust between SMEs and large companies in mandated business interaction: A theoretical model

The various factors are divided into characteristic based factors, process based factors and institutional based factors. The left-hand column contains the factors leading to high level of trust indicated by the upward arrow. The right-hand column contains the factors leading to low level of trust indicated by the downward arrow. The model contributes to the theory of trust by the addition of new factors not previously identified in the literature. Additionally, the model also has practical implications.

7.3.3.1 Characteristic based factors

The characteristic based factors refer to certain personal properties of people involved in the interaction which can either help or hinder the development of trusting relationships. Among the characteristic based factors which influenced high trust level were national loyalty and cognitive proximity.

National loyalty is a new emerging factor in this study. It refers to the expectations that one party had of the other partner's behaviour based on the belief that that partner would act in ways that displayed their dedication to their country. Because the other partner was believed to be a devoted citizen to their own country, trust developed as they were expected to behave in a manner consistent with that of a loyal citizen. This important influential factor has not been explored in previous studies.

Cognitive proximity is a characteristic based trust factor which focuses on cultural and social similarities of partners which includes shared beliefs and outlooks. In IOR literature, similarities and proximity between partners have received significant attention as factors influencing trust, and this was, at least partly, due to globalisation and companies operating in different parts of the world. In this research, a distinction between social similarity and social proximity is underlined as important, even though both terms are frequently used interchangeably in the literature. This distinction explains how people who do not share identical social and cultural values may yet have a level of shared understanding based on similarities of culture such as dialects of the same language. This distinction was discussed in depth in the discussion chapter (6.5.2). The importance of this distinction is not simply of academic interest but also has practical implications. The appointment of personnel to important roles in the context of mandated business interactions should take account of social proximity. Fazio and Lavecchia (2013) have made a similar distinction between “bonding social capital” which has the connotation of ties between people who are immediately close to each other for example family or friends, and “bridging social capital” which has the connotation of ties between people of similar cultural background but who are, however, not immediately close.

A negative characteristic factor in the model is based not on national loyalty but on preference for partners founded on ethnicity rather than nationality. This was found to be influential in leading to low trust level in that the deal between the large company and subcontracted SMEs gave preferential treatment to SMEs managed by individuals from certain ethnic backgrounds. This unequal treatment caused resentment among SMEs which were not managed by people from the favoured ethnic background.

7.3.3.2 Process based factors

Process based trust factors consist of perceptions which arise either from direct experience of having worked with a partner in the past or else from the reputation that a potential partner has gained based on the reports of third parties. These types of factors are well established in the literature with the exception of manipulation which was a negative based trust factor found in this study. Manipulation refers to the use of power by one partner to circumvent the government mandated policy and thereby frustrate the government’s intention in the mandated business interactions.

7.3.3.3 Institutional based factors

Another important theoretical contribution to trust factors is related to the role of institutions in trust development between business partners. The factors underlying this type of trust are related to social and political institutions that surround business partners (Zucker 1986). This study contributes to institutional based trust in two respects. The first is the contribution of tribal norms in the context of mandated business interactions. The second is related to the intermediary role played by public institutions.

Whilst previous studies emphasised the influence of cultural issues in the development of trust in the context of developing countries, this study goes further in stressing the influence of tribal norms which were often found to have even greater force than legal norms. This was because failure to fulfil an agreement affected not only the individuals directly involved but the entire tribe. Companies were found to have placed greater trust and confidence in tribes which had strong norms governing behaviour than in any sort of external set of social norms or regulations. Thus, this study underlines the influence of tribal norms in the context of IORs in developing countries.

The second contribution to institutional based trust is to emphasise the intermediary role played by the government. Previous studies, which were often based on relationships of choice, considered institutional based trust as involving a third party which was largely irrelevant to the development of trust directly. This study found that far from playing a secondary role, institutions were integral to the development of trust between business partners. The institution, in the form of government inspections and supervision, had the overall effect of lending greater transparency to the relationship and the development of trust (see discussion chapter: section 6.8.1.2). Child and Mollering (2003) have pointed out how institutional based trust was often perceived by the trustor to be less risky for the very reason that there was a given context which required no investment or increased vulnerability on the part of the trustor.

However, a number of negative institutional based factors presented in the model were commented on in the discussion chapter (see discussion chapter: section 6.8.2). Generally, these negative aspects concerned failures of institutions through inadequate supervision, inequality of treatment by the government, the assignment of low quality works to SMEs, incomplete government databases and unfavourable conditions in the labour markets.

The implications of these theoretical contributions for practice are presented in the following section.

7.4 Implications for practice

This study offers several implications for practice. These are presented in the following sub-sections.

7.4.1 Mandated business interactions as a successful strategy

The mandated business arrangements between SMEs and large companies in public projects were found to be beneficial for the growth of SMEs and the development of entrepreneurship. The formation and development of trust in mandated business interactions were found to be of crucial importance for the government, SME sectors and large companies. SMEs operated in such a manner as to signal to their large partner that they were efficient and reliable. Large companies received from SMEs some of their products and services at a cheaper cost and with faster delivery. In return, the large partners trusted the SMEs with technical and financial support and accordingly succeeded in obtaining further public projects from the government. The growth of SMEs and development of entrepreneurship are considered sources of job opportunities which improve the quality of services, encourage innovation, encourage competition and lead to economic growth (Hisrich et al. 2007).

However, since, in this study, trust was found to be critical for enhancing the productivity of SMEs and large companies, the use of the refined trust indicators in this study can enhance assessment of the presence and levels of trust and the derived model can be used to inform practitioners and policy makers of the important factors which influence the development of trust.

The following two sub-sections outline the practical implications related to the four refined indicators used in this study. The second sub-section presents the practical implications related to the factors influencing levels of trust.

7.4.2 Practical implications of the refined trust indicators

Trust level is revealed in the literature as one of the most critical aspects that should be assessed in partnership relations (McEvily and Tortoriello 2011) because the success of any business relationship requires a high degree of trust (Nguyen et al. 2005). To ensure success and productive business relationships between SMEs and large companies in mandated business interactions requires the development of an instrument for assessing the levels of trust that exist between the two partners.

This study used four trust indicators which were derived from the literature: recurrence of business interactions, degree of formalities in contracts, level of interdependency and the level of reciprocity of information exchange. These trust indicators were found to require further refinement to be applicable and more appropriate for assessing trust in the context of mandated business interactions. These refinements have been thoroughly discussed in chapter six (section 6.3). However, in practical terms, they represent key indicators which practitioners and policy makers can use to assess the presence and levels of trust between companies. This is to ensure that there is a more efficient and productive business interaction between SMEs and large companies while engaging in public projects.

7.4.3 The implication of the derived model for practitioners

The derived model contains chains of interest between policy makers and practitioners (owners or managers of interacting companies). Policy makers, by taking into consideration factors influencing both high and low levels of trust, can create conducive business environments that encourage collaborative arrangements between companies.

However, based on the findings of this study, new factors not previously commented on in the literature have been identified as important for policy makers and practitioners to consider. The model provides the actors with knowledge of certain new influential factors such as national loyalty and cognitive proximity. The contribution of this study is to identify and emphasise the importance of these factors.

A new factor emerged from the finding of this study which has been assigned the name "national loyalty" by the researcher. This new characteristic based factor generated high levels of trust due to the shared expectations that both partners would discharge their responsibilities in the contracts driven by a sense of loyalty to the country (see section 6.6.1). Consequently, a practical implication of this study is that practitioners and policy makers should be aware of the importance of this factor which can often be difficult to identify as a characteristic based trust but which can be detected in the behaviour of various actors in the relationship. For example, if within a business relationship, one of the partners displayed certain behaviours or attitudes which signified a strong sense of loyalty to their country this could also be perceived as increasing the likelihood that they were trustworthy in business interactions which were of crucial importance to the national economy. Examples of such behaviours or attitudes could include community social responsibility, positive attitudes towards government initiatives, memberships of chambers of commerce and any behaviour which signalled a commitment to the social and economic development of the country. Practically, companies which display these types of commitment to the local or national development can be expected to be trustworthy business partners also. In other words, if people or companies are seen to be loyal to their country, it is also perceived that they are likely to put in their best effort in a relationship directed towards the interests of the national economy.

In relation to the practical implications of cognitive proximity, the subtle distinction between social proximity and social similarity is that shared values and beliefs are important for the development of trust. Where two key actors in business relationships shared identical values and beliefs, it is also highly likely that a trusting relationship can develop. However, even if the values and beliefs are not identical, if they reflect similarity of values a trusting relationship can develop. The practical implication is that where social proximity exists, it is also highly likely that trustworthy business interactions can take place. Nevertheless, the absence of social proximity or similarity need not necessarily imply that trust cannot exist as an intermediary can sometimes be found who shares social proximity and can enhance the development of trust between business partners who have different values and belief.

The derived model also includes such process based factors as reputation of a partner as well as direct experience of the partner as influencing the level of trust between them. Reputation is based on second hand knowledge of a partner often based on the perceptions of that company in the market or else based on record keeping or innovativeness of that potential partner. Direct experience is based on previous working relationships with a partner and includes factors such as commitment, goal congruence, sharing risks, tolerance of partners' mistake and transparency. If the previous experience has been positive, then it is highly likely that future business relationships can also be positive. Both reputation and direct experience of a partner are influential for the development of trust. The implication for practitioners is to use the available information in decision-making regarding entering into business interactions and if necessary to make changes to government strategies of mandated business interactions.

The most significant implication of this study is based on the negative effect of the findings of manipulation of the mandated business strategy by some large companies. This impeded the development of trust between those large companies and their SME counterparts, as the SME owners viewed such manipulations with suspicion. The government should be aware that such manipulation in the past can hardly inspire confidence in the success of future business interactions involving such a partner and should exercise caution in apportioning future contracts.

The final category of trust factors in the derived model is the institutional based factors. This category includes public institutions such as legislation and social institutions such as tribal norms. Although some authors (e.g. Yeung and Wang 2011) have been critical of institutional based factors because trust, by its very nature, cannot be enforced, the findings of this study are in direct contradiction to this viewpoint. Consequently, an important practical implication of this study is that the practice of the government in implementing mandated business interactions should be continued and if possible expanded due to the high success rate that has been found with such ventures.

The practical implications of the findings of this research lead to several recommendations which are presented in the following section.

7.5 Recommendations

The following recommendations are made in the light of the implications of this study and are divided into three sections namely, recommendations for governments, recommendations for the large partner and recommendations for the SME.

7.5.1 Recommendations for governments

Firstly, in situations where the market is dominated by large companies, governments should consider mandated business interaction strategies as potential solutions for the encouragement of the development of SME sector, in view of its importance to national economies. In this research, such a government strategy was found to be effective when it encouraged the development of trust. However, this study also found that certain shortcomings of the government impeded the development of trust, and these shortcomings should be addressed in order to promote greater collaboration between large companies and SMEs. These are presented in the model 7.1 and include more effective supervision, the avoidance of inequality of treatment, the assignment of works of high and innovative quality to SMEs to encourage entrepreneurship, the maintenance of an accurate database of companies and appropriate legislation covering labour and the market.

Another important recommendation is that governments should ensure that all actors involved in the interaction fully understand the purpose of the mandated business interaction and be committed to what is expected from them.

Furthermore, governments need to pay greater attention to the contractual payments to large companies bearing in mind that delayed payments to large companies can result in misunderstandings on the part of the SME. Delays in receiving payments can be perceived as bad intention on the part of the large partner as was found in this study. Thus, the development of trust can be seriously impeded leading to a lack of willingness to engage further. It is recommended that there should be clarity concerning the release of payments and the timing of such payments. Whereas large companies may have resources to sustain them through long periods of delayed payments, SMEs can often lack such resources and may be dependent on timely payments for survival. If it is intended by the government that the larger company should be able to make regular payments to SMEs even though they are still awaiting government reimbursements, this should be explicitly stated in the policy and available to SMEs and large companies alike. The main issue is one of transparency.

Finally, governments should initiate programmes designed to give SME owners and managers the information about the mandated business interactions and to help them to acquire the requisite skills such as leadership and record keeping. Matlay et al. (2005) have drawn attention to the urgency of training programmes for smaller companies by the government or training institutes in order to enhance their efficiency and operation in the market. Such programmes should also stress the importance of the presence of SME owner/managers on site and their availability for consultation with the management of the large companies.

7.5.2 Recommendations for managements of large companies

Managers of large companies should have a greater understanding of SMEs' lack of experience and resources and should adopt a more tolerant approach to their shortcomings which are often a consequence of lack of experience and resources. Tolerance was found to be influential factor in the development of trust in this study.

Additionally, management of large companies should consider the impact of proximity in the development of trust between them and their smaller partners. People of diverse social backgrounds are frequently required to work with one another. This study found that an intermediary can play an important role in bridging the cultural divide and the development of trust between diverse partners and this is recommended to managers of large companies.

Moreover, in many regions of the world, tribal norms are still important and may be even more influential than legislation or other social norms. Thus, this study recommends that management of large companies which operate in different countries should have an appreciation of the national culture and how various cultural norms influence trust.

Another recommendation to management of large companies is to recognise of importance of timely payments and expense reimbursements to SMEs.

7.5.3 Recommendations for owners and management of SMEs

Owners of SMEs should become dedicated to their ventures especially by their availability to discuss any issue with their larger partners. SME owner absenteeism was found, in this research, to have hindered the development of trust as the owners were not available for consultation. Absenteeism created a negative impression with their larger partners a low level of trust between them.

Furthermore, owners of SMEs need to show greater enthusiasm to their larger partners to signal to them their commitment and reliability.

Finally, where large partners have shown tolerance and understanding to owners of SMEs, in return such owners and managers of SMEs should respond in a positive way by improving their performance, considering themselves as trust developers (Rothkegel et al. 2006).

7.6 Limitations of the study

This study has some limitations which provide opportunities for further studies. One limitation of this study is its geographical context which is the Omani business environment. This could have implications for the generalisability of its findings in other geographical contexts. However, many issues are similar in different geographical contexts so that the findings of this study may have implications in other economies, particularly in developing economies.

Another limitation is that this study was confined to government mandated business interaction and the generalisability of its findings to other forms of business interactions is not guaranteed. Similarly, this study was limited to the road construction industry and this sector may differ in terms of the needs of partners. However, this limitation can be overcome by future research into mandated business interactions in other sectors such as tourism and the oil and gas sector.

The context of Oman and the focus on the construction industry provided a particularly rich and interesting context for the examination of mandated business interactions. However, it led to a focus only on men as interviewees. The men were also quite close in age. Women or men from different age groups may adopt different behaviours and have alternative perspectives on trust and business interactions.

Finally, due to the qualitative nature of this research, its findings cannot be generalised to other situations. The aim of the study was to answer research questions which were exploratory in nature. Nevertheless, the study was useful in providing in-depth insights into the nature of trust resulting in a different contextual definition of trust.

7.7 Pointers for future research

This study offers several pointers for future research. First, the refined trust indicators of this study need to be empirically tested to establish their reliability.

Further research is also required into mandated business interactions in other contexts to further validate the conceptualisation of trust which emerged from the finding of this study.

Another fruitful area for future research could be to concentrate on one of the categories of Zucker's classifications of trust factors. For example, a more in-depth concentration on characteristic based factors could identify other sub-factors that influence the development of trust and which could be useful for practitioners in IORs.

The identified government shortcoming factors which appeared as antecedents hindering the development of trust are also worthy of future investigation to identify the appropriate roles and mechanisms for implementation which facilitates the development of trust.

Finally, a comparative study of mandated business interactions between SMEs and large companies in a developed and a developing economy could provide useful findings for practitioners and policy makers interested in the development of trust for the success of such ventures.

7.8 Summary of the chapter

The study aimed at exploring the phenomenon of trust between SMEs and large companies in the context of mandated business interactions. This was addressed by the formulation of two exploratory research questions which were answered by means of a qualitative method based on semi- structured interviews. An analysis of the findings led to a new contextual concept of trust.

The findings of this study necessitated the refinement of the trust indicators so that they more appropriately signalled the presence and levels of trust. This called for a focus on the meanings that the various actors in the relationship attached to the indicators rather than a naïve reliance on the indicators themselves. Such meaning can only be accessed by means of qualitative methods. This implied a refinement to the four classical trust indicators: recurrence of business interactions, degree of formality, level of interdependency and reciprocity of information exchanged.

A new model of trust factors emerged from the findings and this model which identified several trust factors not previously highlighted in the literature. The model was based on characteristic based, process based and institutional based trust factors following Zucker. Emerging from the data were several new factors which included the influence of national loyalty, a sharp distinction between social similarity and social proximity as cognitive trust factors, the influence of tribal norms and the mediating role of public institutions. Each of these factors was found to have a positive influence on the development of trust. On the other hand, manipulation and government shortcomings emerged from the findings as factors which impeded the development of trust.

The implications of these findings led to several recommendations to the government, to the large companies and to the SMEs. Recommendations to government included the need for greater transparency especially with methods and times of payments, the need to address various shortcomings such as lack of government supervision, inequality of treatment, allocation of work reserved for SMEs, setting up and maintenance of comprehensive database of companies, improving labour laws and conditions and the establishment of training programmes for personnel of SMEs to assist them to operate more efficiently (Johnson, 2005).

Recommendations for managers of large companies included greater tolerance of the lack of resources and experience of SMEs, consideration of the impact of social proximity on the development of trust, an appreciation of the influence of tribal norms and the timely release of payments to SMEs in view of their importance for the survival of SMEs.

Recommendations to SMEs included displaying greater dedication and enthusiasm for the project in hand particularly by the presence of the managers of the SMEs being available on sites. Additionally, SMEs which are shown tolerance by their larger partner should respond positively showing themselves to be creators of trust.

Limitations of the study included being bound by its geographical context, being confined to mandated types of business interactions in the road construction sector and finally, due to the qualitative methodology, the findings were limited in their generalisability.

Pointer for future research based on the findings of this study include the need for validation of its new contextual conceptualisation of trust, the empirical testing of the refined trust indicators, a more focused study confined to one of the Zucker's categories of trust factors and comparative studies of mandated business interactions in a developed and a developing economy.

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Appendices

Appendix 1: Tender Board of Oman Mandated Business Instruction

TENDER BOARD

The following to be added in the Instruction to Tenderers section of the Tender Documents:

It is **mandatory** that specific works known as "sub-work" in this section shall be sub-contracted to SMEs as per the valid registered SMEs of the Public Authority for Development of Small-Medium Enterprises (PADSME) and Tender Board as per their respective rules and procedures.

The Tenderer shall give not less than ten percent (10%) of the Total Tender Value/final Contract Value to Small and Medium Enterprises (SMEs) as a sub-contractor. If the Tenderer increases the participation of more than the expected requirements, the Tenderer will be given higher point in the specific category of Tender Evaluation.

A statement to be submitted confirming that the tenderer shall sub-contract a minimum percentage of not less than ten percent (10%) Small-Medium Enterprises (SMEs) in the project. If the percentage proposed is higher, then the Tenderer shall state the proposed percentage.

The Tenderer must identify the works/services that will be sub-contracted to SMEs. The Tender Board prescribed form "List of Particulars of Works to Small-Medium Enterprises" (as per Form No....) shall be filled-up by the Tenderer. The list of proposed works shall be evaluated and approved by the Client.

All SMEs sub-works shall be tendered by the contractor. The sub-work Tender shall be advertised (sample as per Form No....) in one daily newspapers both in Arabic and English language during government working days, and electronically in the contractor's website. Representatives of the Client and the SME bidders should be present during the opening of sub-work Tenders which shall be held at the premises of the contractor. The entire bidding process for all sub-work Tenders shall be informed to the Client.

The contractor shall take full responsibility to advertise the sub-work, coordinate, evaluate and select the SMEs approved by the Client. Adequate time in line with the delivery program to advertise the sub-work Tender before the execution of the Works shall be allowed by the contractor. The Tender Notice shall be issued to SMEs registered with the Tender Board in the same category. SMEs shall submit valid (Tender Board and PADSME) registration certificates together with the submitted proposal of the sub-work Tender.

The sub-contract between the contractor and the Small-Medium Enterprises (SMEs) shall be approved by the client. The sub-contract agreement with (SMEs) shall include a clause stating that invoices and payments shall be within (28) days from the date of the submitted invoice.

Page 1 of 1

Appendix 2 Instructions of Tender Board of Oman (TBO)

The instruction of TBO to other government authorities to supervise the interaction between large companies and SMEs and to submit reports every three months to TBO which must contain performance and satisfaction ratings of large companies and SMEs.


متابعة الجهات المعنية

Sultanate of Oman
Tender Board
Chairman's Office

تعميم رقم (١ / ٢٠١٥)

إلى كافة الجهات المعنية الخاضعة لأحكام قانون المناقصات .
السلام عليكم ورحمة الله وبركاته ... وبعد ،،

الموضوع : إيصال صور من قرارات وبيانات الإسناد للأعمال المسندة إلى المؤسسات الصغيرة والمتوسطة

Appendix 3 Consent form

Consent Statement

PhD researcher: Ali Ahmed Al-Ghenaimi

Title of the research: The collaborative arrangement and the state of trust between small and large firms in Oman in mandatory business relationships.

Thank you for your interest in this research and for sharing your experiences, perceptions, and opinions about business relationships between small and large firms. You are kindly requested to go through the following statements and confirm (please tick the relevant answer) your awareness of the processes and purpose of the research.

	Statement	Yes	No
1	I confirm that I have read and understood the information sheet provided by the above researcher on the above mentioned research topic.		
2	I was informed and assured that I can contact Ali (the researcher) to ask any question about the research and issues concerning my involvement whenever I need it.		
3	I was informed that I have the right to withdraw from the study, including the interviews, at any time without giving a reason.		
4	I understand that my participation is voluntary and I have the right to have my data withdrawn from the research at any time before the final submission of the thesis to the University of Bradford for examination without giving any reason.		
5	I understand that the data I provide will be kept in a secure place and that only Ali will have access to it.		
6	I understand that the audio-recordings and transcripts of my interviews will be destroyed once this research is completed.		
7	I understand that identifying information about me will be removed from the interview transcripts and every attempt will be made to ensure my anonymity.		
8	I understand that anonymised quotes from my interviews may be reproduced in the research thesis that may be read by others and may be published later.		
9	I agree to take part in the above study.		

Position	Name	Date	Signature
Participant			
Researcher			

Note

- Ethical approval of this study is granted by the chair of the Humanities, social and health sciences research ethics panel at the University of Bradford on 11th March 2015.
- Copy for this document must be given to participant and the original to be kept in the research file.

Appendix 4 Survey given by the large partner to SME3 which perceived to have bad intention

	SUBCONTRACTOR FEEDBACK / SURVEY FORM

Subcontractor's Name:	
Location:	
Subcontractor's Representative:	
Designation:	
Contact Number:	
Project Code & Name	

Perfomance Category	Rating			
Enquiry Stage				
• Quality / clarity of inputs provided	1	2	3	4
Comments:				
• Response to your queries (Time & clarity of reply)	1	2	3	4
Comments:				
• Communication with Representative (Through e-mail / Phone)	1	2	3	4
Comments:				
Execution Stage				
• Mobilisation time provided in the Work Order	1	2	3	4
Comments:				
• Construction Schedule - Adequacy	1	2	3	4
Comments:				
• Role of Quality & HSE department of during Execution	1	2	3	4
Comments:				
• Support of Site Focal Point	1	2	3	4
Comments:				
• Response to your queries (Time & clarity of reply)	1	2	3	4

Page 1 of 2

	SUBCONTRACTOR FEEDBACK / SURVEY FORM

Comments:

• Facilities, as agreed, provided at site	1	2	3	4
Comments:				
• Release of Payment Certificate	1	2	3	4
Comments:				
• Release of Payment	1	2	3	4
Comments:				
• Variations / Change Orders attended on time	1	2	3	4
Comments:				
• Delays from / Client / Consultant	1	2	3	4
Comments:				
• Involvement of Client / Consultant during the execution of work	1	2	3	4
Comments:				

Overall Rating	**1**	**2**	**3**	**4**

Your Suggestions for Improvement:				
Are you willing to work with in future Projects:	Yes		No	
If answer is 'No', the reason for the same:				

Rating Scale:	1: Unsatisfactory: 2: Good: 3: Very Good: 4: Excellent

Page 2 of 2

Appendix 5 Evidence of high trust between S1 and SME2

P O BOX : Muscat Postal Code : Sultanate of Oman
Telephone #: Fax #:

PURCHASE ORDER

DATE : 1

8

No.
TO :
TEL:
FAX:
ATTN:

Please supply the following and debit to our account:

ITEM	UNIT	QTY	C.CODE	DESCRIPTION	UNIT PRICE R.O.	UNIT PRICE Bz.	AMOUNT R.O.	AMOUNT Bz.
1	M3	3000.000	85.16106	11111700-001071-0004-DMIA: SAND, TYPE: DUNE	1	350	4,050	000

**** NOTHING FOLLOWS ****

SUB-TOTAL: RO	4,050.000
DISC : 0.00 %	0.000
TOTAL: RO	4,050.000
VAT : 0.00 %	0.000
NET-TOTAL: RO	4,050.000

TOTAL: Four Thousand Fifty

*ETA *DMIA PROJECT.: 30/12/11
*Requisition No.: CVL-25571
*Note :

**PAYMENT: 30 DAYS AFTER DATE OF INVOICE
*Requested By.: MR. HUSSAM ABDULLAH

Project Procurement Manager	Project Control Manager	Director	Director

IMPORTANT : Invoices are to be submitted(Original+Copy), showing the P.O.No., IMMEDIATELY upon delivery.
Material Without Certifications Shall Neither Be Received Nor Offloaded

P.O.Box: Muscat, Postal Code:
Sultanate of Oman
Tel: +
Telefax:
E-Mail:
C.R. No.:
Finance Code:

Tel : (90)
Fax : (

Our ref.:

August 22, 2013

Issued For:

X	Request your reply
	Reply to your letter
	Information and Records

P. O. Box
Postal Code
Sultanate of Oman

Fax. No.

Attention:

Subject: <u>Development of</u>
<u>Addendum No. 1 to the Sub-Contract Package for Transportation of Earthwork</u>
<u>A Project Site</u>

Dear Sir,

It has been previously described as follows:

- Considering that an initial Transport Agreement was issued to M/s as the Sub-Contractor on , to fulfill the scope of Sub-Contract Works for transportation of aggregates and rockfill material from CCC/TAV JV's crusher in Jaffnaine and Fanja to the DMIA Project Site, with an estimated value of **Rials Omani Two Hundred Sixty Thousand only (R.O 260,000/-)**

- Considering that the CCC/TAV JV requests to extend the quantity of material to be transported from Jaffnaine and Fanja to DMIA Site, resulting in an increase to the Sub-Contract value of **Rials Omani Two Hundred Fifty Thousand only (R.O. 250,000)** in accordance with this Addendum No. 1, dated 14 August 2013.

Therefore, the Parties hereby agree to a revised Sub-Contract value of **Rials Omani Five Hundred and Ten Thousand Only (R.O. 510,000/-)** (R.O. 260,000 + R.O. 250,000).

The revised Sub-Contract value is deemed to be inclusive of all costs arising and fixed for the duration of the Main Contract.

It is clearly understood between the Parties that all other terms and conditions included within the Sub-Contract Agreement, dated 21 January 2013, remain unchanged and continue in full effect, unless amended by the provisions of this addendum.

Yours faithfully

Appendix 6 Evidence of limited shared information and signal of low trust between JV2 and SME1

MUTTRAH,MUSCAT
OMAN

Purchase Order

.BOX PC
ILTANATE OF OMAN

ntact Person :
x :

PO No :
Date :
Page : 4 / 5
Your Ref :

No.	Code	Description	Details -1	Details -2	UOM	Qty	Rate (OMR)	Disc. / Exp.	Tot (OMR
		-ONE YEAR WARRANTY FOR ALL HYDRAULIC SYSTEM. -FIVE YEARS WARRANTY FOR STEEL STRUCTURE ANY KIND OF STEEL DAMAGE OR WELDING BARKING. -PAINTS WORK SHOULD BE EVERY YEAR REQUIRED TOUCH UP. -TIME OF COMPLETION 60DAYS FROM DATED LPO DATE -SUPPLIER SHOULD DELIVER THE RAMP TO MCT PORT AS PER OUR INSTRUCTION. TRANSPORTATION TO KHASAB WILL BE ARANGE BY US. -AT KHASAB INSTALLATION /TESTING/MINOR ADJUSTMENT FOR SYSTEM WILL BE UNDER SUPPLIER SCOPE OF WORK. -PENALITY FOR DELAY IN WORK DELIVERY 1.5% OF PO VALUE EVERY MONTH							

unt in Words :OMR-Fifty Six Thousand Fifty Only

Total :	59,000.000
Disc. / Exp. :	1,200.000
Grand Total :	57,800.000

ial Instructions :

::