Trust As A Precursor Or Outcome
Of Relational Norm Development:
A Cross-Cultural Comparison
Of US And Hungarian Managers

Susan Forquer Gupta, Monmouth University, USA
Katalin Eibel-Spanyi, Eastern Connecticut State University, USA
Ernest R. Caddotte, University of Tennessee-Knoxville, USA
Joesph B. Mosca, Monmouth University, USA

ABSTRACT

This study proposes and tests a model delineating relational norms and their relationship with the construct Trust and compares the results across two culture groups. The norms of Solidarity, Flexibility, and Mutuality are proposed as precursors to the formation of Trust. SEM results confirm two opposing models for U.S. and Hungarian respondents. Relational Norms have a strong positive relationship with formation of Trust for the Hungarian respondents, acting as a precursor of Trust. Whereas, the relationship between trust and the relational norms is weak for the U.S. respondents, and indicates that Trust is a precursor to the formation of Relational Norms.

Keywords: Relational Norms; Trust, Solidarity; Mutuality; Flexibility

INTRODUCTION

The activities that take place between firms involved in buyer-seller transactions can be described according to the level of involvement required by the two parties. Relationship marketing concentrates on the relational aspects of exchange as opposed to purely contractual short-term profit based exchange transactions, the point of which is the realization of higher profits over the extent of the relationship.

Trust is an important element in defining the strength of relationships and is essential to sustaining long-term relationships. The interaction of two firms will occur and continue only if each perceives the relationship as an attractive one (Hallen et al. 1991). Trust and power are two mechanisms that allow firms to interact. The relationship process evolves over time as the actors mutually and sequentially demonstrate their trustworthiness (Hallen et al. 1991). Trust in equal status relationships is equivalent to subordination (Bond and Forgas, 1984). In those relationships where power cannot ascertain that behavior will be appropriate, trust is what takes its place and allows the relationship to function.

In cross-cultural relationships, the establishment of trust can be difficult.

The acts of trust may differ from culture to culture; the need for the guarantee of trustworthiness will be invariant, (Bond & Forgas 1984 p. 348).

This study proposes and tests a model delineating relational norms and their relationship with the formation of Trust and compares the results across two cultural groups. The norms of Solidarity, Flexibility and Mutuality are proposed as precursors to the formation of Trust.

THE RELATIONSHIP DEVELOPMENT PROCESS

Dwyer, Schurr, and Oh (1987) presented a framework that places exchange relationships on a continuum from discrete transactions to relational exchange. This process consists of four phases: Awareness, Exploration, Expansion, and Commitment, resulting in a set of shared values and governance structures between the two parties. Several sub-processes occur to deepen the dependence of the two parties and move the developing relationship from one phase to the next. One of the sub-processes is *norm development*.

Norm development occurs in the exploration phase of the relationship and provides guidelines and expected patterns of behavior. Norms of behavior exist within each party prior to any interaction between the two parties, and are brought into the relationship. Norms guide perceptions of social exchange and exert powerful influences on behavior. As the two parties interact; new *relational norms* are developed specific to their shared relationship.

Relational Norms

Relational norms are a higher order construct consisting of multiple dimensions. These dimensions explore the strength, or interconnectedness, of the relationship and include measures of Relational Focus, Solidarity, Restraint, Role Integrity, Conflict Resolution, Flexibility, Mutuality, And Information Exchange (Heide and John 1990, 1992; Kaufmann and Dant 1992; Dant and Schul 1992; Noordewier, John, and Nevin 1990; Dwyer, Schurr, and Oh 1987; Frazier, Spekman, and O'Neil 1988). The development of relational norms results in the building of trust between the two organizations.

PROPOSED MODEL FOR TESTING

Based upon Morgan and Hunt (1994), and Hunt, Lamb, and Wittman's (2002) conceptualization of the relationship, shared values are a precursor to trust in the relationship. Shared values according to Dwyer, Schurr, and Oh, are relational norms (shared values specific to the relationship), and will be operationalized as Relational Norms (Solidarity, Flexibility, and Mutuality) in this study.

Solidarity is the extent to which the interfirm interaction is seen as focusing on preserving an ongoing relationship (McNeil 1981; Kaufmann and Dant 1992; Dant and Schul 1992; Heidi and John 1992). *Flexibility* captures the degree to which change could occur in the contracts between parties so that they conform to changes in the environment. Change must either be envisioned and permitted within the existing relationship, (relationship exchange), or it must be possible for the outdated transactional specifications to be terminated, and new, appropriate ones created (discrete transacting) (MacNeil 1981; Kaufmann and Dant 1992; Heidi and John 1992). *Mutuality* implies the requirement of a positive incentive to exchange for both parties. Under discrete governance, the parties require positive outcomes from each discrete transaction and envision the monitoring of each transaction as if it were the last, and therefore only event capable of delivering the desired outcomes. Under relational exchange, the parties expect generalized reciprocity emanating from the ongoing and indeterminate relationships, (MacNeil 1981; Kaufmann and Dant 1992). *Trust* exists when one party has confidence in an exchange partner's reliability and integrity (Morgan and Hunt 1994; Moorman, Deshpande, and Zaltman 1993). The model to be tested is depicted in Figure 1, and focuses upon the relational norm constructs developed by Kaufman and Dant (1992) and their relationship with the construct Trust.

SAMPLE

Culture groups were chosen to represent a 'mature' and a 'transitional' economy. American managers were chosen based upon accessibility, and represent the culture of a mature economy. Hungarian managers were chosen to represent a transitional economy.

For the Hungarian respondents, the survey instrument was carefully translated into Magyari from the English version. Care was taken that a simplistic, straight translation would not result; instead, careful matching of the intended situation and its relevance to business as well as the common understanding and usage of specific

terminology was taken into consideration. This translation was then compared to the original English version by Budapest University of Economic Sciences (BUES) professors fluent in both languages and any discrepancy was handled by consensus of a team. Finally, several Hungarian business managers were interviewed using the Magyari translation in order to assess the variation of the responses from the expected norm.
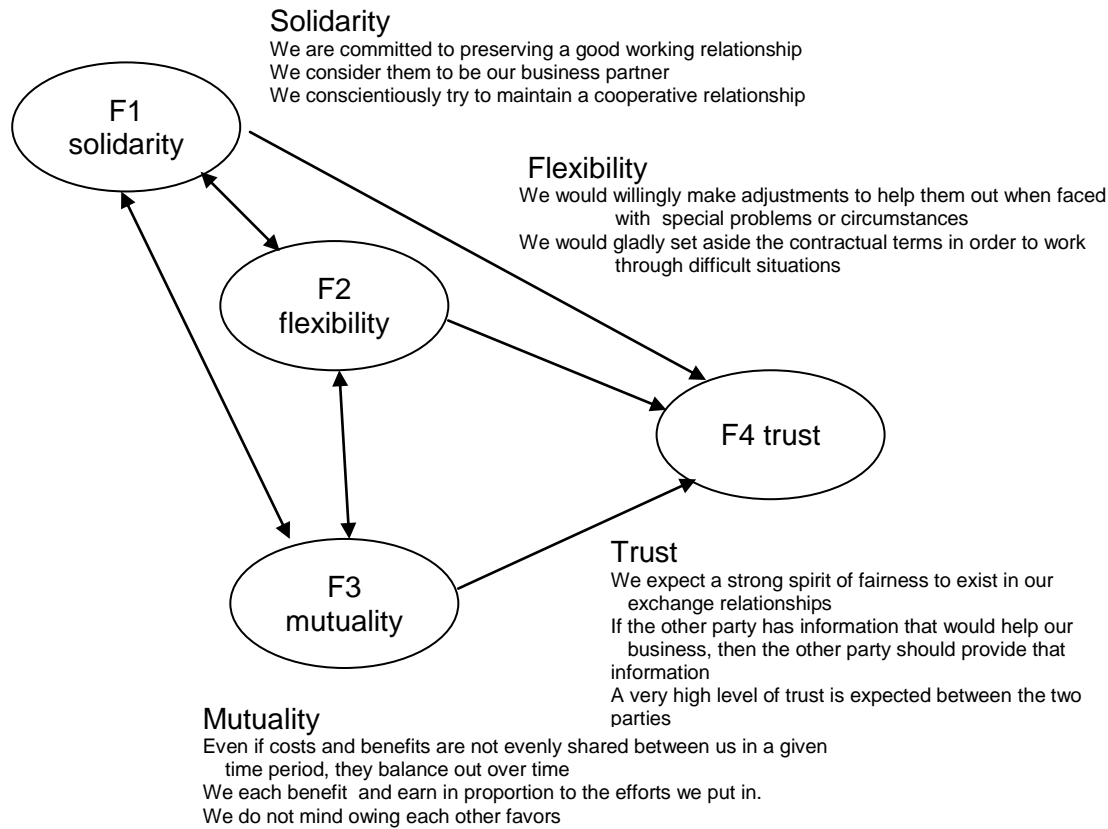
Solidarity
We are committed to preserving a good working relationship
We consider them to be our business partner
We conscientiously try to maintain a cooperative relationship

Flexibility
We would willingly make adjustments to help them out when faced
    with special problems or circumstances
We would gladly set aside the contractual terms in order to work
    through difficult situations

Trust
We expect a strong spirit of fairness to exist in our
    exchange relationships
If the other party has information that would help our
    business, then the other party should provide that
information
A very high level of trust is expected between the two
parties

Mutuality
Even if costs and benefits are not evenly shared between us in a given
    time period, they balance out over time
We each benefit and earn in proportion to the efforts we put in.
We do not mind owing each other favors

Figure 1: Relationship Model and Constructs

HUNGARIAN MANAGERS

The Szuv database was utilized for a sampling frame. The database attempts to provide a census of firms in Hungary. A sample was selected through a random process that included partitioning of the database to ensure a representative sample by industry and firm size (number of employees). Firms with 50 or more employees were selected in order to ensure that a manager could be identified in the firm that supervised a number of employees.

A total of 230 firms were contacted. Twenty-eight firms refused to participate. Two-hundred and two questionnaires were completed for an 88% response rate. Each questionnaire was checked for completion. Random phone calls were made to managers who participated in the study to confirm that they personally met with the student and completed the questionnaire, and all resulted in affirmation, authenticating the data collection. The Hungarian managers that comprise the respondent pool hold a variety of mid- and upper-managerial positions in the firm they represent.

U.S. MANAGERS

A random sample of U.S. firms with employee size greater than fifty was purchased as a database. Two-hundred ninety-seven firms were contacted, with 227 agreeing to participate in the research, 46 refusals, and an additional 24 firms never agreeing or disagreeing by never returning messages. One-hundred forty-six firms, who had agreed to participate, returned a completed survey, resulting in a 64% response rate. The two samples are similar on a variety of demographic descriptors (See Table 1).

Table 1: Hungarian and U.S. Respondents.

	Gender			**Age**			**Education Level Level**		
		No.	**%**	**Category**	**No.**	**%**	**Completed**	**No.**	**%**
Hungarian	Male	132	63.8	24 or less	3	1.5	Technical School	6	2.9
	Female	75	36.3	25-34 yrs.	44	21.4	College	30	14.5
				35-44 yrs.	57	27.7	Undergraduate	57	27.5
				45-54 yrs.	81	39.3	Graduate degree	114	55.1
				55 + yrs.	21	10.2			
U.S.	Male	116	81.7	24 or less	0	0	Less than H.S.	2	1.4
	Female	25	17.6	25-34 yrs	10	7.1	High School	11	7.8
				35-44 yrs.	42	30.0	Technical School	11	7.8
				45-54 yrs.	57	40.7	Undergraduate	69	48.9
				55 + yrs	31	22.1	Masters/MBA	45	31.9
							PhD.	3	2.1

RESULTS

The structural equation model (see Figure 1) was tested using Mplus. The Hungarian data supports the theorized model (CFI .920, RMSEA =.080). The Relational Norm (Solidarity) leads to Mutuality and Flexibility. The set of Relational Norms is a strong precursor to Trust via Flexibility (See Figure 2 for depiction of results).

The U.S. data results are in opposition to the theoretical model in regard to the direction of the relationship between the relational norm constructs and the construct Trust, (CFI=.952; RMSEA =.075). Trust in the U.S. model is a precursor to the relational norms. In addition, the relationship is weak (See Figure 3).

DISCUSSION

Historically, researchers have had weak results when attempting to empirically verify the relationship between norm constructs and trust. Relational Norm measures are relatively untested. In the model tested, the constructs were placed into the model according to their intended loadings from previous research. The data used in this study indicated alternative placement. In order to ascertain whether the U.S. data's opposing results was based upon the possible error in the factor loadings, the following adjustments were made to the model and the model was re-tested: One item was moved from solidarity to flexibility, and one item was dropped from the model.

RESULTS FOR THE ADJUSTED RELATIONAL NORMS MODEL

The results for the Hungarian data have an increased overall fit from 9.13 to 9.69, and the relational norms remain as precursors to trust, (Figure 4). The U.S. adjusted relational norms model also increased its fit from 9.52 to 9.62, but it still results in a model where trust is the precursor to relational norms (see Figure 5).
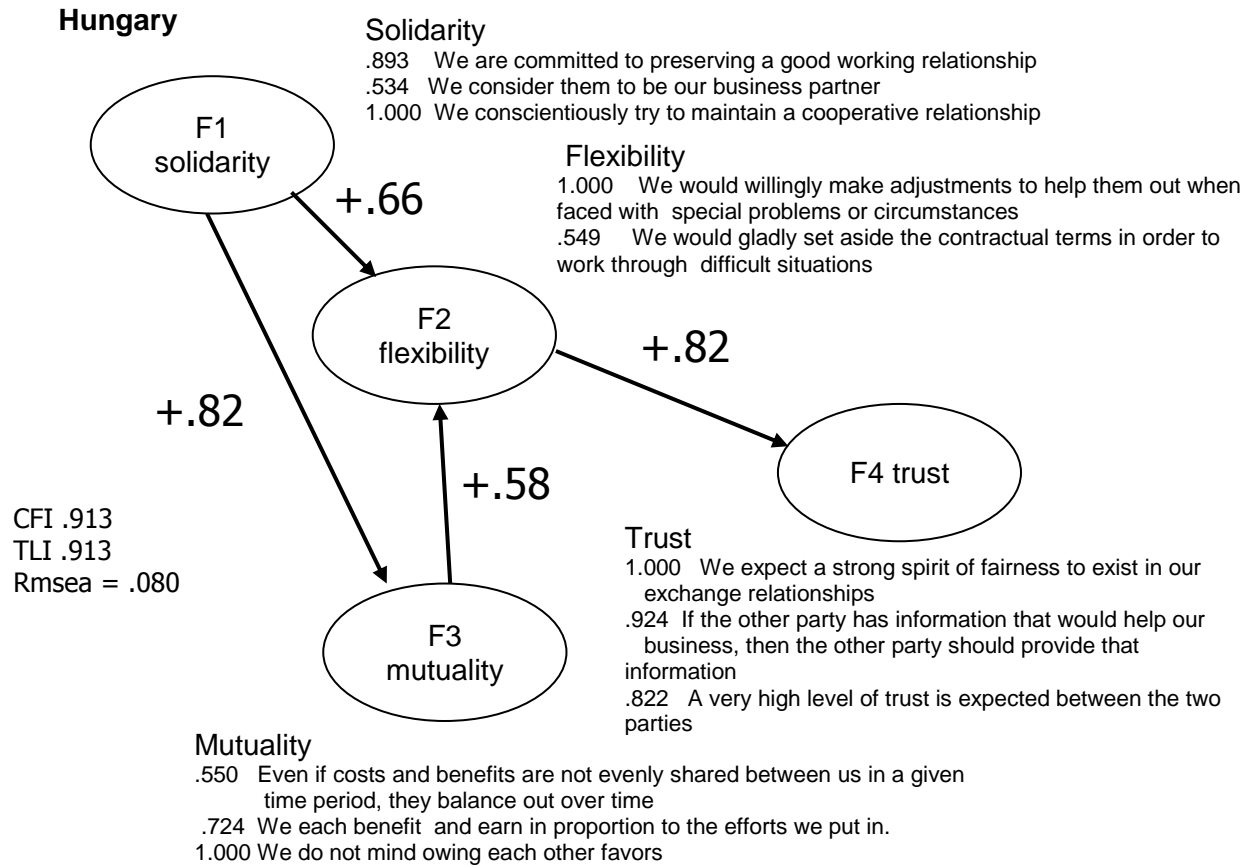
Hungary

Solidarity
.893   We are committed to preserving a good working relationship
.534   We consider them to be our business partner
1.000 We conscientiously try to maintain a cooperative relationship

Flexibility
1.000   We would willingly make adjustments to help them out when faced with special problems or circumstances
.549   We would gladly set aside the contractual terms in order to work through difficult situations

F1 solidarity

+.66

F2 flexibility

+.82

+.82

CFI .913
TLI .913
Rmsea = .080

+.58

F4 trust

Trust
1.000   We expect a strong spirit of fairness to exist in our exchange relationships
.924 If the other party has information that would help our business, then the other party should provide that information
.822   A very high level of trust is expected between the two parties

F3 mutuality

Mutuality
.550 Even if costs and benefits are not evenly shared between us in a given time period, they balance out over time
.724 We each benefit and earn in proportion to the efforts we put in.
1.000 We do not mind owing each other favors

Figure 2: Original Four Factor Relationship Model using Hungarian Data

RESULTS OF A GROUP ANALYSIS

In order to isolate the relationships between constructs, a group analysis was run. This forces the item loadings on the factors to remain fixed, while allowing path weight to vary by group.   Basic relationships between relational norms were the same for both groups (CFI = .935 for the model; RMSEA .052, See Figure 6). The strength of the paths differ for U.S. and Hungarian managers between Mutuality and Flexibility, and in one case Solidarity. Trust has a weak relationship with any relational norm construct for U.S. managers, but a very strong relationship for Hungarian managers and Solidarity. When the paths are reversed placing Trust as a precursor to the relational norms they strengthen for the U.S. sample and weaken for the Hungarian sample (see Figure 7).

DISCUSSION AND IMPLICATIONS

The model was supported by the Hungarian data. Relational Norms have a strong positive relationship with formation of Trust, and are a precursor to it.

The U.S. results do not support the hypothesized model. The relationship between trust and the relational norms is weak, and only exists as a precursor. Why would trust work as a precursor to measures of relational norms? Several potential explanations exist. There may be a small yet significant amount of trust required in order to allow even the most preliminary firm actions to lead towards forming a relationship. That is, in the awareness and early exploration stages (Dwyer, Schurr, and Oh; 1987), there has to be a certain level of trust present or the firms would not proceed to spend resources developing the relationship any further. Trust, as defined by this study, was primarily the expectation of fairness in the relationship.
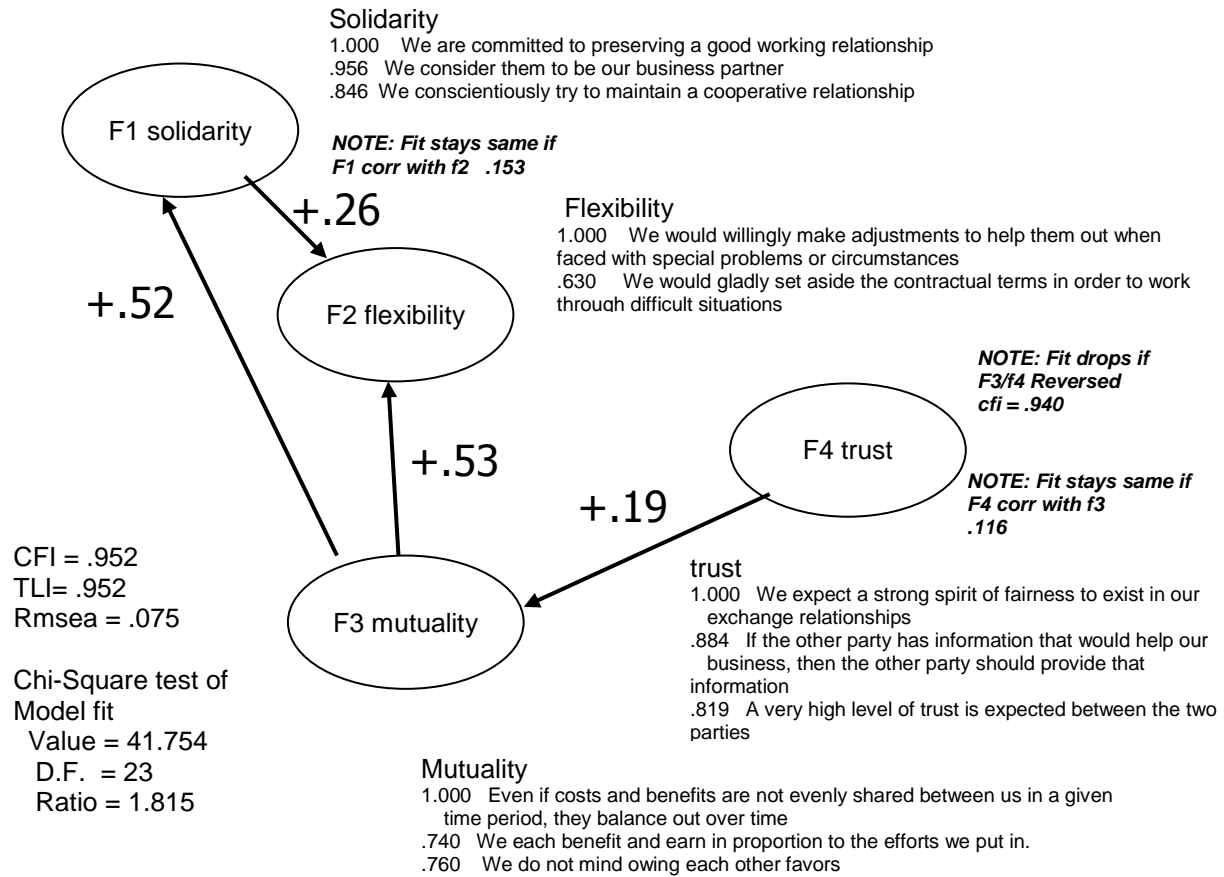
Figure 3: Original Four Factor Model with U.S. data

An alternative explanation that builds upon the view that some level of trust is brought into relationship formation takes a critical look at the relational norm constructs used in this study. Mutuality is primarily defined (Kaufmann and Dant 1992) as the belief that both parties will benefit in proportion to the efforts put in, and that over time this benefit will establish balance. This construct can be considered a relational norm as well as a relational expectation (Dwyer, Schurr, and Oh; 1987) in that the two parties develop this belief over time and that the relationship will be positive for both firms (bases upon expected/established trust).

Solidarity, on the other hand, seems to be primarily defined by the view that the other party is viewed as a true business partner committed to preserving a good working relationship with conscientious efforts to cooperate. This definition is very close to the definition used by Morgan and Hunt (1994) for their main central relationship construct of relationship commitment. This results in taking solidarity out of the role of a relational norm and places it in the central position or focus of the relationship.

Finally, the relational norm Flexibility is primarily defined as the willingness to make adjustments and set aside contractual terms in the relationship. This definition could stand to represent the outcome variable of cooperation in Morgan and Hunt (1992). This result would support Morgan and Hunt, and add to the model the relational norm of mutuality as a precursor to relationship commitment (Solidarity) and cooperation (Flexibility). None of the proposed explanations work for both the Hungarian and the U.S. models.
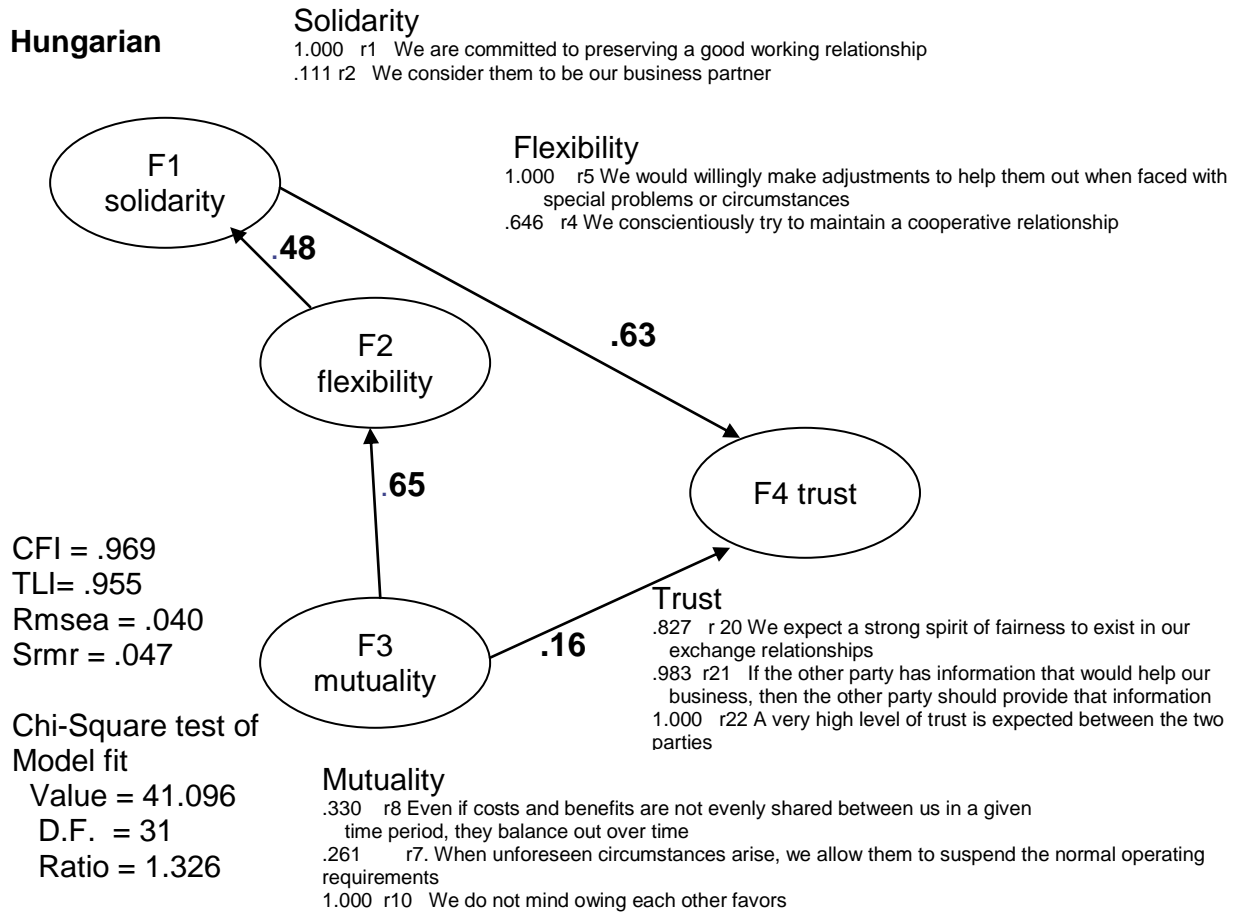
Figure 4: Adjusted Four Factor Model with Hungarian data

The final explanation surmised is that under certain conditions, trust works as a precursor to relational norm development (as there must be some level of trust in order for the relationship formation process to proceed) and also as a critical variable that must exist at a certain positive level throughout the relationship, so much so that when trust dips below acceptable levels, the relationship can no longer exist.

For example, Trust is a precursor to relational norm development for the U.S., as it must exist before expending resources on relationship development. It is a weak connection, however, because over the course of the relationship it is continuously re-tested to assure its existence and strengthened over time. Under other conditions, trust is formed over time, as it either cannot form pre-relationship, or it cannot be assumed due to lack of information.

On the other hand, the Hungarian managers are not willing to assume trust when entering a new relationship. Trust is earned through actions and therefore results from the building of relational norms throughout the relationship formation process.

LIMITATIONS AND DIRECTIONS FOR FUTURE RESEARCH

The results of this study suggests the need for further research along this stream, even though this study utilized data from only one side of the relationship dyad and from a cross-sectional point in time. It will be particularly important in the future to look at dyadic relationships over time in order to fully understand the role relational norms and trust play in the relationship.
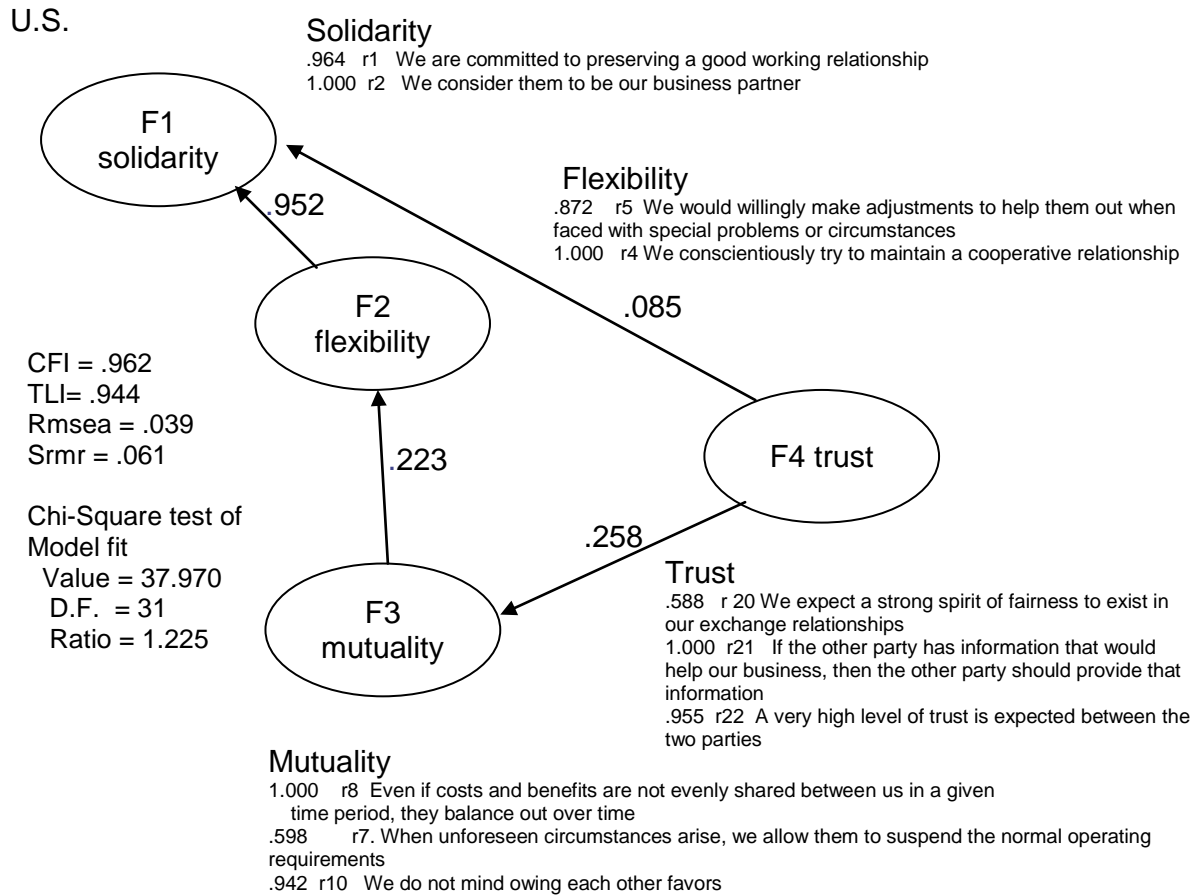
U.S.

Solidarity
.964 r1 We are committed to preserving a good working relationship
1.000 r2 We consider them to be our business partner

F1 solidarity

.952

Flexibility
.872 r5 We would willingly make adjustments to help them out when faced with special problems or circumstances
1.000 r4 We conscientiously try to maintain a cooperative relationship

F2 flexibility

.085

CFI = .962
TLI= .944
Rmsea = .039
Srmr = .061

.223

F4 trust

Chi-Square test of Model fit
  Value = 37.970
  D.F. = 31
  Ratio = 1.225

.258

F3 mutuality

Trust
.588 r 20 We expect a strong spirit of fairness to exist in our exchange relationships
1.000 r21 If the other party has information that would help our business, then the other party should provide that information
.955 r22 A very high level of trust is expected between the two parties

Mutuality
1.000 r8 Even if costs and benefits are not evenly shared between us in a given
  time period, they balance out over time
.598   r7. When unforeseen circumstances arise, we allow them to suspend the normal operating requirements
.942 r10 We do not mind owing each other favors

Figure 5: Adjusted Four Factor Model with United States data

The cultural differences indicated in the results of this research deserve further investigation.   What are the conditions for differences in the two data groups? Differences in cultural values, such as whether trust is earned or given, time orientation, or masculinity/femininity, differences in environment, what the risk associated with forming the relationship is, power in the relationship (Morgan and Hunt 1994; Hunt, Lamb, and Wittman 2002), or need for relationship.

Finally, the roles of governance and power in the relationship should play a key role in the ability to form trust. The U.S. firms are much more likely to assume trust up front in a relationship as they have reduced the risk of that trust being broken by relying upon legal obligations contracted into the relationship. Hungarian managers, while less likely to rely upon the legal contracting of obligations in the relationship, would also more often be in the weaker power role for most of their foreign relationships (U.S., German, and Japanese firms being the primary partners), and therefore would not be in a position to assume trust. In fact, they may assume just the opposite, only forming trust as the relationship proves itself over time.
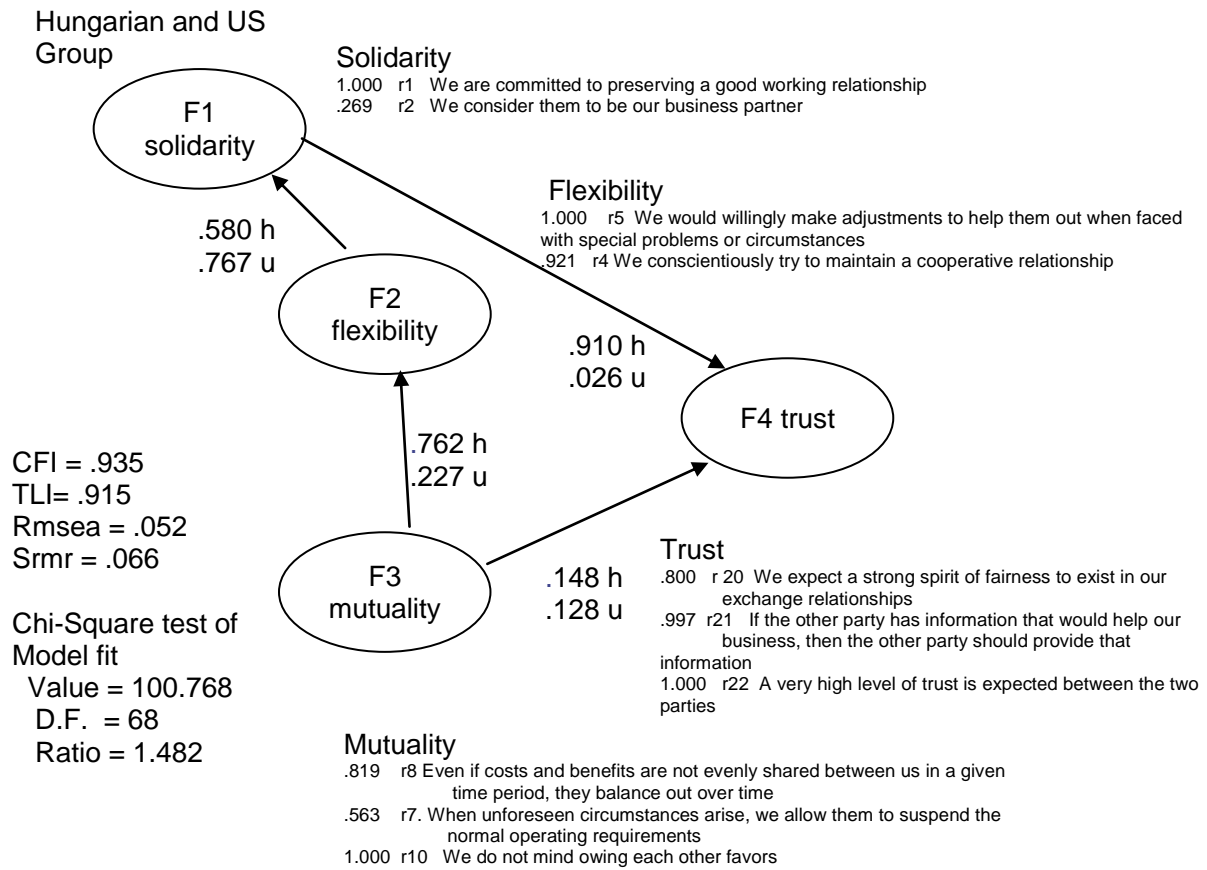
Hungarian and US
Group

Solidarity
1.000 r1 We are committed to preserving a good working relationship
.269   r2 We consider them to be our business partner

F1
solidarity

Flexibility
1.000 r5 We would willingly make adjustments to help them out when faced
with special problems or circumstances
.921 r4 We conscientiously try to maintain a cooperative relationship

.580 h
.767 u

F2
flexibility

.910 h
.026 u

F4 trust

CFI = .935
TLI= .915
Rmsea = .052
Srmr = .066

.762 h
.227 u

Chi-Square test of
Model fit
 Value = 100.768
 D.F. = 68
 Ratio = 1.482

F3
mutuality

.148 h
.128 u

Trust
.800   r 20 We expect a strong spirit of fairness to exist in our
                   exchange relationships
.997 r21 If the other party has information that would help our
                   business, then the other party should provide that
information
1.000 r22 A very high level of trust is expected between the two
parties

Mutuality
.819   r8 Even if costs and benefits are not evenly shared between us in a given
                time period, they balance out over time
.563   r7. When unforeseen circumstances arise, we allow them to suspend the
                normal operating requirements
1.000 r10   We do not mind owing each other favors

Figure 6: Relationship Model Group Analysis with Relational Norms as precursor to Trust
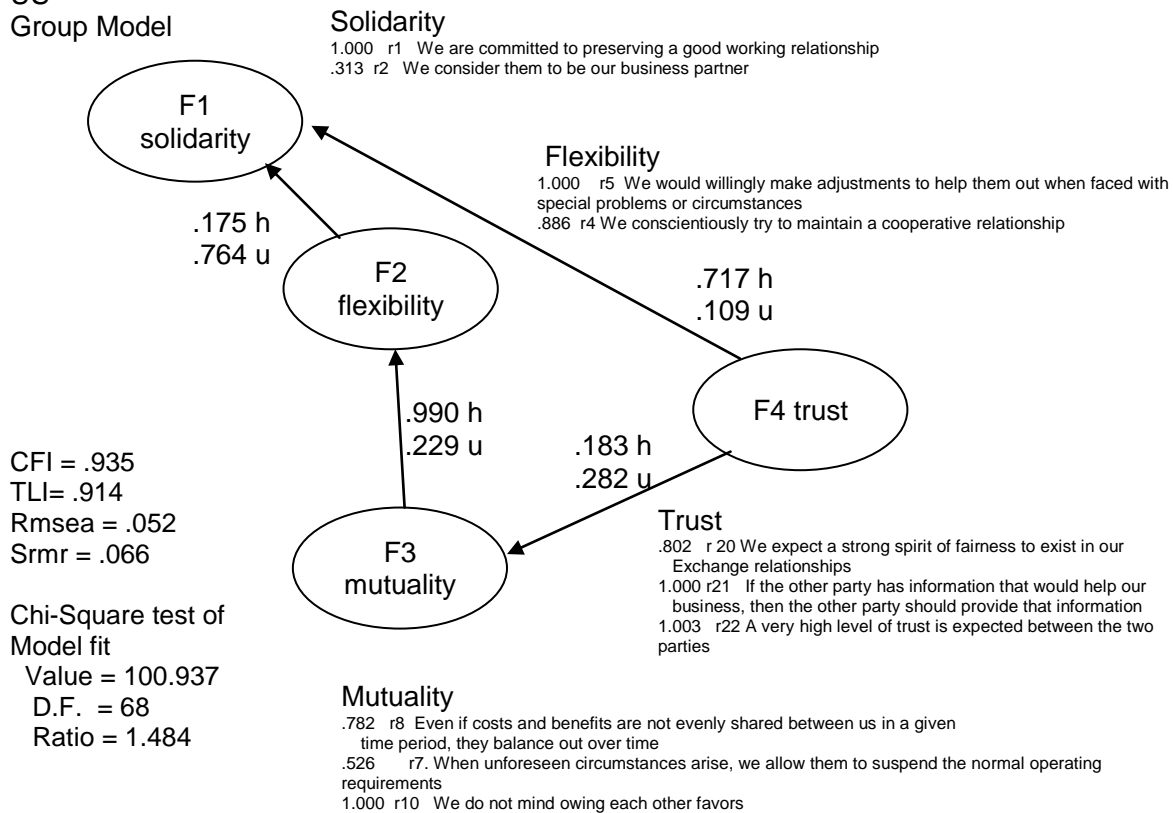
Figure 7: Group Model with Trust as precursor

AUTHOR INFORMATION

Dr. Susan Forquer Gupta, Assistant Professor of Marketing and International Business at the Leon Hess Business School, Monmouth University, earned her Ph.D. from the University of Tennessee-Knoxville, and her M.S. and B.S. from the University of Missouri-Columbia. Her research focuses on measuring and comparing culture and its effects on managerial decision making (B2B), consumer decision making, as well as cultural differences in brand meaning and branding in global markets. She has published in the *International Marketing Review* (IMR), *Journal of Business and Industrial Marketing* (JBIM), and the *Journal of Personal Selling and Sales Management.*

Dr. Katalin Eibel-Spanyi, Professor of Marketing, at Eastern Connecticut State University received her Ph.D. in Marketing, Area of Concentration: Marketing Management and Innovation, CORVINUS University of Budapest (formerly called Budapest University of Economic Sciences [BUES]), Hungary. Her research interest has focused on innovation and the marketing activities of corporations, both domestically and internationally. Future research activities will examine the relationship between organizational innovation capability and relative success in international markets. She has authored several articles and contributed chapters to a popular management handbook in Hungary.

Dr. Ernest R. Cadotte is a Professor of Marketing at The University of Tennessee - Knoxville. He earned a Ph.D. in marketing and logistics from Ohio State University, a MBA in management science from the University of Colorado and a B.S. in psychology from Michigan State University. Dr. Cadotte's research interests include customer satisfaction, market opportunity analysis and psychological measurement. He has published in a wide variety of journals including the *Journal of Marketing Research, Journal of Marketing, International Journal of Physical Distribution Management and Cornell Quarterly*. Dr. Cadotte teaches in the Executive Development Program.

Dr. Joseph B. Mosca, Associate Professor of Management in the Leon Hess Business School at Monmouth University earned his doctorate at NYU. Dr. Mosca specializes in Human Resource management, Human Relations, and active teaching methods, the recipient of seven teaching awards and three distinguished paper awards. His current research interests focus on developing hybrid courses, employee behavior, and jobs in the 21st Century.

REFERENCES

1.   Bond, Michael H., and Joseph P. Forgas (1984) "Linking Person Perception to Behavior Intention Across Cultures: The Role of Cultural Collectivism," *Journal of Cross-Cultural Psychology* 15:3 (September) 337-352.
2.   Dant, Rajiv P., and Patrick L. Schul (1992) "Conflict Resolution Processes in Contractual Channels of Distribution", *Journal of Marketing* 56:38-54
3.   Dwyer, F. Robert, Paul H. Schurr, and Sejo Oh (1987) "Developing Buyer-Seller Relationships," *Journal of Marketing* 51 :(April) 11-27.
4.   Frazier, Gary L.; Robert E. Spekman, and Charles R. O'Neal (1988) "Just-In-Time Exchange Relationships in Industrial Markets" *Journal of Marketing* October Vol 52: 52-67.
5.   Hallen, Lars, Jan Johanson, and Nazeem Seyed-Mohamed (1991) "Interfirm Adaptation in Business Relationships," *Journal of Marketing* 55 :(April) 29-37.
6.   Heide, Jan B. and George John (1992) "Do Norms Matter in Marketing Relationships?," *Journal of Marketing* 56:(April) 32-44.
7.   Hofstede, Geert (2001) *Cultures Consequences*. 2nd edition Sage.
8.   Kaufmann, Patrick J., and Rajiv P. Dant (1992) "The Dimensions of Commercial Exchange," *Marketing Letters* 3:2 171-185.
9.   McNeil, Ian R. (1980) *The New Social Contract: An Inquiry into Modern Contractual Relations*, Yale University Press: New Haven CT
10.   Morgan, Robert M. and Shelby D. Hunt (1994) "The Commitment –Trust Theory of Relationship Marketing" *Journal of Marketing* 58 (July) 20-38.
11.   Moorman, C., R. Deshpande and G. Zaltman (1993) "Factors Affecting Trust in Market Research Relationships', *Journal of Marketing* 57(1): 81-102
12.   Noordweier, T.,G. John, and J.R. Nevin (1990) "Performance outcomes of purchasing arrangements n industrial buyer-vendor relationships", *Journal of Marketing* 54(4): 80-93.
13.   Zhang, C, ST Cavusgil, and AS Roath (2003) "Manufacturer governance of foreign distributor relationships: do relational Norms enhance competitiveness in the export market? *Journal of International Business Studies* 34 550-566.

NOTES