

# **Getting Personal: The Issue of Trust Commitments and Distrust in Small and Medium-Sized Enterprises in Nigeria**

## **ABSTRACT**

There is a pronounced paucity of empirically rigorous study that focuses on the impact of trust on small and medium-sized enterprises operating in a developing market context. This article therefore offers a fresh perspective on the simultaneous relationship between trust and distrust by exploring the complex process through which they are developed. Constructed in the assumptions of multidimensionality and the inherent tensions of relationships, the design of this study is interpretive, following an emergent iterative process, where three distinct types of trust, cognitive based trust, affect based trust and calculus-based trust were considered as critical components for successful SME relationships. Conversely, the unpredictable negative behaviour of a trade partner was critical to the development of calculus-based distrust and identification-based distrust. The results facilitate a better understanding of the distinct types of trust and distrust that underpin SME relationships in Nigeria and other developing economies, particularly in Africa. This article contributes to the ongoing debate over the two contrary yet complementary opposites, and their ability to provide explanations to economic activity.

Keywords: trust; distrust; trustworthiness; social networks; SMEs; Nigeria

## **Introduction**

The determinants and conditions of economic trade have long been contemplated. At the outset much of academic interests and policy directions maintained that economic success was dependent on investments in capital and infrastructure (Nuissl 2005; Omeihe 2019). A shift in this direction was founded on the recognition that SME linkages and alliances were pivotal to maintaining competitive advantage. Scholars who have studied the actual workings of markets know that by being responsive to rapid changes, SMEs are required to move towards network relationships which enable entrepreneurial activity to flourish (Amoako & Matlay, 2015; Stoian, Rialp & Dimitratos, 2017). Yet, as a number of related studies have observed, scholarly work dealing specifically on the strength of collaborative ties remain a limited area of research (Amoako & Matlay, 2015, Omeihe, Gustafsson, Amoako & Khan, 2018). Even while the design and direction of SME alliances have undergone quite a fundamental change, one constant element has been a higher than average rate in adversarial relationships encouraging opportunism across markets. This is not only true in advanced markets where formal institutions and enforcements are widely believed to be effective, but also in less mature markets. Particularly pertinent is the fact that SMEs operate in African markets characterised by dysfunctional institutional arrangements, incomplete markets and poor transportation infrastructure (Amoako, Akwei, and Damoah 2019; Omeihe 2020). The difficulty of SMEs to adapt in such environments accentuates their ingenuity with new emphasis on the role network relations, and particularly trusts. As a result, this presents challenges for SMEs operating within Africa

Undoubtedly, the critical role of trust-based network relationships in economic action is confirmed through its ability to capitalise on market information (Lyon and Porter 2010); and aimed at facilitating the exploitation of trade opportunities (Hanfield and Nichols 2002; Drakopoulou-Dodd 2011; Amoako and Lyon 2014). It turns out that collaborations linked to trust-based networks deliver rich, specific and timely resources to SMEs (Omeihe et al. 2019). This is wholly because trust plays a concrete function of reducing transaction costs and minimising inefficiencies

symptomatic with trade (Gambetta 1988; Mollering 2006; Welter and Smallbone 2011). Yet, we know little about how trust-based network relationships work in practice. Perhaps the best measure of this lack of knowledge is to examine it from a contextual lens. While previous studies have reported the value of examining how SMEs cope with competitiveness and uncertainties as a result of institutional void (e.g. Lyon and Porter 2009; Smallbone and Welter 2012); and the importance of network relationships for the survival of SMEs (Overa 2006; Aluko 2019; Omeihe et al. 2020); this article focuses on trust-based relationships that support entrepreneurs operating within contexts characterised by weak and dysfunctional formal institutions. The truth is that a deep understanding about the contextual cultural influence on perceptions of trustworthiness and distrustworthiness is needed.

Although the market activity within Nigeria may escape our current understanding, it does not defy explanation. As such, a valuable understanding of the potential pitfalls unique to developing market economies is very important. The Nigerian context presents a fertile and fructuous ground to engage in the potentially distinctive trust-distrust related behaviours and perceptions across SMEs. Entrepreneurs from twelve SMEs were chosen for the theoretical investigation of trust and distrust within the Nigerian context. The justification of Nigeria as our country selection offers an opportunity to probe the influence of context on the evaluation of one's trustworthiness (trust) and likely higher perceptions of distrustworthiness (distrust).

In this article, the terms trustworthiness and distrustworthiness are replaced with trust and distrust to explicitly demonstrate durable trust (set of shared positive expectations) and strong distrust (perceived expectations which signals non-benevolence). In seeking to examine how entrepreneurs evaluate and perceive both constructs within the Nigerian context, our analysis of the findings is focused around two sub-questions:

RQ1: What are the types of trust that exist in Nigerian SME relationships?

RQ2: How is distrust repaired in Nigerian SME relationships?

Our study draws on the embeddedness approach to examine 12 cases of Nigerian entrepreneurs who were founders or part owners of SMEs. The embeddedness approach offers a much broader understanding of how entrepreneurs and their firms are influenced by their contexts. The original data draws from an in-depth field work undertaken over a three month period in Nigeria. Building on prior contributions of Lewicki and Bunker (1995), the article makes a contribution to literature on trust and distrust in the contexts of less formalised institutional forms. The specific identification of key trust and distrust types, such as calculus, affect, knowledge and identity-based perceptions is another contribution of this study. This contribution implies that although these constructs are discernibly different, from a contextual perspective they build on each other as relationships evolve. As a consequence, their understanding inevitably reveal novel insights that remain unnoticed and under researched about SMEs operating in less advanced market economies. In doing so, this study provides more relevant knowledge for practioners as it considers how Nigerian entrepreneurs make sense of their relationships.

Against this background, the rest of this article is organised as follows. The article starts with the premise that trust is an important lubricant which adds efficiency to economic exchange. We proceed by reviewing evidence that supports trust and distrust in SME relationships. The methodology adopted in the empirical phase of this study is then discussed and findings presented. Finally, our discussions and conclusions follow by proposing directions for further empirical and theoretical developments.

## **Embeddedness and Trust Conceptualisations**

Contrary to the atomistic assumptions of neoclassical economic theory, proponents of the embeddedness concept allude to the notion that economic activities are embedded in networks of social relationships (Granovetter, 1985). The main assumption behind the embeddedness approach implies that economic relations are sustained by networks of various interpersonal relations. To this effect concrete personal relations are developed to enforce trust and discourage distrust. The logic predicts that individuals often exhibit a preference to deal with others based on strong interpersonal arrangement as enforcement safeguards. This includes information from past interactions. It can therefore be argued that the embeddedness approach offers a much broader understanding of how entrepreneurs are influenced by their contexts through social structure, cognition and trust in their SME activities (Omeihe, 2019).

The concept of trust has received increased attention across several different disciplines. In management sciences Rousseau et al. (1998) define trust as a psychological state which includes one's intention to accept vulnerabilities based on the positive expectation of the other party. In economics, Gambetta (1988) defines trust to be that particular level of subjective probability where an agent expects that another agent performs a particular action. In philosophy, Baier (1986) takes trust to be reliance upon the competence and good-will of others; while in sociology Zucker (1986) defines trust as a set of expectations shared by parties involved in a transaction. As can be expected, each of these scholars approach these definitions through their disciplinary lens. However as Lewicki and Bunker (1996) highlight, little effort has been made in integrating the differing perspectives of trust.

Our understanding of these definitions is enhanced if the element of suspension is recognised. For us suspension is perceived as the very essence of trust and relates closely to Möllering's (2006) definition of trust as the reason, routine and reflexivity whereby all irreducible uncertainties are suspended by maintaining a positive expectation towards another party (see also Simmel, 1990;

Möllering, 2001). The presence of suspension as a process enables partners to deal with the irreducible vulnerabilities and uncertainties likely to be encountered in a relationship. This fundamental perspective on suspension captures the essence of trust as a positive expectation which can only be reached when reason, routine and reflexivity are fused with suspension. As Simmel (1990) notes that trust needs to be more concrete than a rational proof or personal observation for social interactions to thrive.

Much of the definitions described above move beyond trust as a set of expectations to highlight the situational risks facing parties in a relationship, since future outcomes are dependent on the expected actions of one's partner (Misztal 1996; Lewicki and Bunker 1996; Omeihe 2019). Our premise towards a conceptualisation of trust in this article leaves us with more reasons to highlight the role of trust in economic action. Related perspectives have also shaped a broader invocation of trust in socio-economic relationships. A more sociological view is to regard trust as being shaped by a preponderance of cognitive and emotional trust (Lewis and Weigert 1985). Cognitive trust is motivated by 'good rational reasons' while elements of strong positive affection shapes emotional trust. The idea of emotional trust invokes an image of connectedness across primary network relationships, while that of cognitive trust is found to be more pronounced across secondary networks. An effort to describe this relationship in a socio-economic context is further illuminated by McAllister (1995) who supports the view that cognitive trust draws on a combination of cultural similarities, reliable performance and the established credentials of the partner; while emotional based trust is rooted in the likely frequency of consistent interactions. These distinct forms of trust exist because each party understands the perceived benefits or losses that may accrue from the relationship and the emotional response developed as a result of personal attachments.

Other scholars such as Shapiro, Sheppard and Cheraskin (1992) proposed deterrence-based trust, and argued that this form of trust is based on an assured consistency of behaviour, where individual do what they say due to threats of sanctions (which may entail the tall cost of loosing

relational benefits). However we rely more on Lewicki and Bunker's (1996) calculus-based trust as we agree that trust is not grounded only in the fear of sanctions but also in the rewards to be derived from preserving it. Trustworthiness in this case is perceived to be an asset due to the long term benefits and opportunities resulting from a sustained relationship. A second form of trust is the knowledge-based trust, which is grounded in the predictability of one's partner. Unlike deterrence-based trust, knowledge-based trust is grounded more on information rather than deterrence and is developed over time through a series of interactions leading to an anticipatable expectancy of another's behaviour (Rotter 1971; Lewicki and Bunker 1996). According to Shapiro, Sheppard and Cheraskin (1992), knowledge-based trust is fundamentally a process of courtship directed at relationship development towards knowledge about a possible partner.

The third type of trust is grounded on the identification of a partner's intentions and desires (Lewicki and Bunker 1996). The type of trust is the identification based trust (IBT) which exists because both parties fully understand and acknowledge each other's wants. At this level, a shared sense of mutual confidence signals an understanding in the confidence that one's interest will be protected without any form of monitoring or coercing. As identification based trust develops, one is able to predict the preferences of a partner and vice versa. A major determinant in the identification based trust is the collective identity where both parties understand what they have to do to sustain trust.

Through a careful analysis of the above the distinct trust types, it becomes apparent that trust implies a relationship between two or more people. The implication that trust is a lubricating mechanism for fructuous relationships is pronounced in instances where parties have information about the capabilities, competencies and intentions of parties involved. It also suggests that the consequences of distrustworthiness would ensure that parties will behave in a trustworthy manner (Amoako et al. 2019). We point that although trust reduces the complexity of uncertainties to

considerable proportions and remains important to the functionality of relationships, distrust may also emerge in ways which may be problematic.

### **The Process of Distrust**

The view that trust shapes social relations has been a focal theme across literature (Lewicki and McAllister 1998; Lyon & Porter 2005; Amoako & Matlay 2015), however the resultant implication of the pervasive nature of distrust requires further attention. Given that the incentives of trust in exchange relationships abounds, reasons for distrust are also existent between partners in a relationship. A significant amount of studies have investigated the negative effects of distrust in deterring cooperation (Robinson 1996; Bottom et al. 2002) and the positive relational outcomes (Croson, Boles, and Murnighan 2003; Gillespie and Dietz 2009; Omeihe 2019). However, scholarly literature on distrust over the years has led to various conceptualisations regarding the construct. While distrust has being acknowledged to be a product of trust violation, which increases based on the magnitude of the violation, Lewis and Weigert (1985) draw attention to evidence that when trust declines, the probability of terminating existing relationships become evident.

Interestingly, distrust occurs when perceived expectations signal non-benevolence which undermines the relationship between both parties. The consequence of distrust eventually leads to a reduction in trust and cooperation (Lewicki 2006; Kramer 1996). For instance, relationships decline when one party perceives a violation of contractual agreement. Lewicki and Bunker (1996) found that distrust is a simple lack of trust, as they define distrust as the confident negative expectations of another person's conduct. Put simply, distrust is the belief that a partner would not behave as hoped. Distrust definitions from other scholars include the expectation that responsible and capable behaviour would not be forthcoming from a partner (Barber 1983); and the unmet expectations concerning another's behaviour (Sitkin and Roth 1993). Typically, as trust is adjudged to foster cooperation within relationships, distrust is seen as a critical relationship-transforming event. This



implies that individuals who have chosen to distrust, are reinforced by their belief that the risk of trust may be too high to undertake (Hardin 1993; Levi 1996).

Consequently, Lewicki and Wiethoff (2000) found that distrust in interpersonal relationships occurs at two levels; calculus based distrust (CBD) and identification- based distrust (IBD). The calculus based distrust refers to the confident negative expectation of another's conduct in which the general cost of maintaining trust outweighs the overall benefit. This level of distrust is prevalent in arm's-length transactions and tends to occur in the early stages of the relationship. On the other hand, the identification based distrust, refers to the confident negative expectations of a partners' conduct which is based on the perceived incompatibility of values, dissimilar goals and negative emotional attachments (Tomlinson and Lewicki 2006). In this instance, partners have little in common, such that the relationships are characterised by intractable and irreconcilable conflicts.

On the basis of these insights, it is essential that to note that if trust is considered the 'glue' that holds relationships together (Lewicki and Bunker 1996; Lewicki and Brinsfield 2011), it is absolutely necessary that it must be maintained and sustained for relationships to thrive. Drawing from this organising thread, we believe that a qualitative empirical process is required to explain the interactions between trust and distrust constructs.

## **Methodology**

In our considerations, we established that capturing trust and distrust through a quantitative approach will be difficult task. Since the study draws on embeddedness of social actors, we were sceptical in considering quantitative methods and proceeded to employ a qualitative interpretive approach to explore interpretations of trust and distrust. At the heart of our data collection, we relied on in-depth semi structured interviews as they enabled the recognition of the obscure boundaries between context and the phenomena shaping the process of trust and distrust. Following the advice

outlined by Yin (2014), we adopted multiple case studies comprised of 12 SMEs selected from the manufacturing and agricultural sectors. In examining shared perception from a homogenous group, we followed the expert advice of Guest, Bunce, and Johnson (2006) and adopted a sample of 12 respondents (7 men and 5 women). This number proved to be sufficient as the differences in responses rendered a far-reaching set of findings. The selected cases were representative of the population, as we adopted a purposive sampling in line with the study's aims rather than a random selection (See Table 1). In fact, our sampling criterion satisfies recommendations for information-rich cases as we ensured that the interviewees were spread across age, gender, ethnicity and education levels (Patton 1990; Jenssen and Kirstiansen 2004).

The validity of the multiple cases was enhanced by a case study protocol which permitted a clear set of procedures which can easily be replicated. The adoption of the within-case and cross-case technique analysis helped demonstrate commonalities and differences across the cases. Our comparisons across the multiple cases illuminated the influence of variability in context and helped yield richer results that would have been difficult to obtain from a single case study. This encouraged a refined interpretation of key categories which were not foreseen (Eisenhardt and Bourgeois 1988; Pettigrew 1988).

Our field work was conducted in the Arin market of Nigeria and involved interviews with the entrepreneurs/owners of the selected SMEs. We were guided by two highly knowledgeable informants who provided connections to respondents across the market. The interviews lasted between 45 to 105 minutes and were recorded with the permission of the respondents. The consideration for limiting bias was minimised through ensuring a considerable amount of observing market transactions, documentary analysis and informal discussions. In particular, we developed a contextualised interpretation of the multiple cases by relying on direct observations at particular trade locations. This was critical in understanding why a set of trust decisions were taken, thereby ensuring construct validity. Through the application of critical incident technique, the entrepreneurs

were asked to recount particular instances related to trust and distrust in their trade relations. The approach was decisive in capturing the extremely important interpretations from the lens of the responses.

Further, we ensured that the interviews were transcribed effectively and subsequently compared to notes captured in the field diaries. The analysis of the data was carried out through the Nvivo 11 computer-aided qualitative data analysis package and comprised of a repeated comparison of succinct statements. This was considered appropriate as it was useful in identifying key themes within our data set and formed the basis of repeated patterns. The themes which emerged formed a broader domain of the chances of sustained cooperation perceived by the entrepreneurs and what was expected from potential partners. As a result, it revealed a high interest in the potential benefits of trust. This was critical in facilitating novel insights into the distinct forms of trust and distrust.

Nigeria was chosen for this study as its SMEs present a rich advantage for examining the dynamics between trust and distrust. Despite the fact that SME relationships play an important role in enhancing the availability of commodities in West African and international markets, Nigerian SMEs were found to operate in a world of weak dysfunctional institutions with no recourse to legal commercial trade arrangements. The responses established the often stated challenges of entrepreneurship in a developing market context, which seek to undermine the incentive of entrepreneurs to seek trade partners. We contend that little attention has been paid to these issues. With this in mind, the main findings of how entrepreneurs perceive and evaluate trust and distrust in is presented and discussed in the next section.

Insert Table 1 here

## **Findings**

### *Entrepreneurs' perception of trust in SME relationships in Nigeria*

In presenting our findings, we highlight the types of trust and distrust identified in our analysis and the remedial efforts adopted in repairing distrust. General case evidence on the trade activities of the 12 SMEs analysed in this study is presented in Table 1. All the respondents selected for the study had past experience of trusting relationships and they all acknowledged the difficulty of SMEs surviving without trust relationships. Complaints of similar negative assessments from the respondents were centred on opportunism and selfishness. A great deal of the empirical findings reflects the importance of interpersonal trust in sustaining the relationship effectiveness between parties. The majority of responses were grounded on a psychological perspective which emphasised high cognitive and affective dispositions to trustworthy partners. The respondents' narratives signalled that cognitive disposition was grounded on the firm belief that a party expects the other party to be dependable and reliable; while an affective disposition was grounded in reciprocated benevolent interactions and affection for one's partner. Elements of the cognitive-based trust were highlighted by a respondent who supplies textiles across various local markets. In her narrative, she explained that trust had been developed as a result of prior interactions which established the dependability and reliability of her partner. Her statement supports this point:

“Doing business is not easy, however based on previous interactions with my partners, I know what to expect. The choice of people I give my goods on credit to is based on evidence of good behaviour. Some of my customers were recommended by friends and other contacts, and they have vouched that they can be relied upon to perform. They have been in business for long and are dependable. Our relationship continues to grow because they show that they can be relied upon. I trust them to deliver” (Case 10).

As explained by Case 10, providing goods on credit takes place after a series of repeated positive interactions. Besides providing goods on credit, other forms of credit relations can include cash loans and capital investments. More than half of the cases stated that repayments of credit were an important indicator of trust in one's dependability and reliability. However, in view of the respondents' perception of trustworthiness, SME entrepreneurs in Nigeria were more likely to rely

on affective trust in their trade relationships. The entrepreneurs reiterate this point by highlighting that irrespective of the profits to be made from certain transactions, losses were accommodated as a result of emotional bonds and genuine care which had formed the basis for the manifestation of affective trust. All the entrepreneurs had previous experience of demonstrating affective trust, since the necessary condition for conducting trade with another party was the knowledge of a partner's workplace, home and family. This was achieved by conducting routine visits to the homes and shops of their partners as a form of safeguard. By spending a considerable amount of time meeting with the entrepreneurs, our observations served as a catalyst for well founded insights.

An observation that applied in this context revealed that the routine visits fostered a feeling of 'oneness' and reciprocity in gestures. This includes attendance to marriages, birth ceremonies and burials. As a norm, attending one of these functions was seen as a sign of utmost respect and enhanced affection within the relationships. In this context, relationships were transformed from mere customer relationships to that of family relationships. During these functions, partners are required to give gifts or white envelopes with enclosed monetary gifts. One of the entrepreneurs highlighted the affective aspects of trust development with his partner. This was established on the basis of the emotional bonds and genuine concerns which he has for his customer. As this was noted in his response:

“I do business with him because I know he has children and parents who are depending on him. He owes me some substantial amount of money, but I trust him and I know he will pay. His wife is even pregnant and would deliver soon. You know he is from my side (community) and we care for our business. He knows I am family man too so we know we have to care of our business and not disappoint each other” (Case 6).

The above excerpt typically explains the strength of emotional ties which is reflected in the extent of support for the enterprise of a trade partner. Traditionally, it is a norm for members to support the enterprise of their partners, as one's success is viewed as the success of all. The choice to trust affirms a particular leaning to sentiments and emotional ties with expectations of reciprocity as a basis for trust. The show of care and genuine interest by the respondent was critical to the

development of affect-based trust as respondents were found to offer goods on credit to their partners based on emotional ties.

Interestingly, when the respondents were further probed, we realised similar responses which established the existence of other forms of trust. All the respondents admitted that opportunities to be derived from preserving trust and likely sanctions for violating trust enhanced trustworthiness across the markets. Most of the respondents revealed that information on reputation can be damaged when one fails to act accordingly. Information about ones' reputation comes from existing trade links and other working relationships. Such information was based on the historical records of honesty, reliability and dependability of the entrepreneur.

Additionally, some of the respondents explained that besides threats to reputation damage, other sanctions exist when parties trust is violated. Such sanctions may range from shaming, to exclusion from potential trade activities. Thus, knowledge of one's reputation plays an important role before entering any form of trade relationship. Across the markets, information about ones' trustworthiness is disseminated through quick gossips. Overall, the respondents were driven by the common motivation to preserve their relationships as the potential loss of future interactions within the markets outweighed the profit potentials that comes from violating expectations.

### ***Trustworthiness in SME relationships***

Considering Nigeria's unique context, the existence of dysfunctional formal institutional structures indicated a limited usage of legally binding commercial trade contracts in SME relationships. The empirical findings revealed that all the 12 entrepreneurs relied on oral and written agreements arranged through telephone calls and market place interactions. Specifically, 7 of the interviewees stated that they relied on oral agreements, while five declared that they relied on written agreements. The written agreements are not to be confused for legally binding contracts; rather they

represented fluid arrangements between the entrepreneurs. The reliance on oral and written agreements was dependent on the perceived trustworthiness of a partner. Within the Nigerian context, the entrepreneurs were identified as trustworthy when they demonstrated high degrees of integrity and good character.

Across the cases, the responses were very instructive as nine out of the twelve respondents indicated that integrity was the most important driver of trustworthiness. Interestingly, the other three respondents suggested good character. With regards to integrity, their interpretation of integrity indicated high levels of moral nature, which the entrepreneurs expressed was based on a set of ethics and principles. They all recounted that integrity suggests that the partners adhere to the accepted norms. This includes doing the right thing. Thus in the likely event where the one fails to conform to the existing norms, then he/she would be considered to lack integrity. The choice of accepting one's integrity lies in the consistency of previous interactions. This includes information about the partner's reputation sourced from networks and also the extent to which the verbal commitments agree with actions. Our evidence revealed that an evaluation of partner's trustworthiness would require a gradual process in attaining a reasonable level of perceived integrity. For the respondents, integrity is perceived as a critical trust factor:

“In our business, we are more disposed to dealing with people we can trust. Integrity means a lot in this business and once you are found wanting on the basis of integrity, no one will deal with you”(Case 5).

Given their perception of trustworthiness, the interviewees acknowledged that character was important to evaluating ones trustworthiness. When recounting their experiences, character was interpreted as possessing good and distinct moral qualities. This suggests that partners must be individuals with good personalities and natured disposition. Generalising the respondents' narratives reveal some of the criteria for acknowledging trustworthiness was based on character recognition:



“Through the repeated transactions, one’s trusting self is revealed. Good attitude is easily identified and this is important for your business. Everywhere in this market, it is expected that you display uprightness in all your dealings; this suggests that you must not deceive people. Your character is watched and noted by all in the market” (Case 8).

The idea from the above response emphasises that character plays an important role in assessing the trustworthiness of a partner. This is particularly pertinent, as a negative character would lead to trust violation in the future. Character here connotes a unique personal orientation which is important to trustworthiness. Overall, integrity and character provide two distinct routes for fostering trust. This does not imply that the attributes are not related, since an individual may possess both attributes. Nevertheless, one is perceived to be trustworthy if he possesses any of the attributes.

Table 2.

### *Distrust*

From the entrepreneurs’ perspectives, distrust emerges directly when trust is broken or violated. This criterion reflects that once distrust is in place, it casts a powerful shadow as future trade interactions are met with utmost levels of scepticism. Across the cases, distrust was recounted to have emerged in situations where an entrepreneur failed to fulfil a promise. The findings revealed that a high number (nine out of twelve) of the interviewees had experienced situations where their partners violated trust. The nature of these findings establishes a valence between the positivity associated with trust as against the negative aspects of distrust.

Accordingly, the respondents all established that negative perceptions were formed when partners failed to honour agreements. For instance, a respondent who supplies agro-allied inputs described the relationship with one of his West African partners:

“When I supply him goods, he always fails to payback as promised. Sometimes I would call to remind him and he would promise to pay, but he would delay till I become frustrated and sad. You know this is business and we can't tie down money like this. I might not be able to give him goods on credit again” (Case 2).

The above description highlights that non-cooperative behaviour influences distrust, as parties must feel bound by reciprocity which induces cooperation. The development of distrust had given rise to suspicion and hostility, as the partner failed to fulfil their agreements, thereby violating trust. This had the effects of undermining the social identity or reputation of a violating partner. Within SME relationships, such effects can be disastrous as members will have no reason to trade with that partner in future. We thereby established the existence of calculus-based distrust which is the confident negative expectation of partner's conduct, where the overall costs of sustaining a relationship is expected to outweigh the benefits. This type of distrust was found to occur in relationships at the early stages of development and occurred as a result of specific negative transactions. One of the entrepreneurs clarified

“I was introduced to a supplier when I started doing this business. He would always deliver goods however the contents were always sealed but never complete. Most of the items were always missing and despite this, I ensured that he still received his money in full. This was not beneficial to my business and after this happened three times; I had to cut ties with the supplier. He was not to be trusted” (Case 10).

The issue of distrust with the supplier is likely to be characterised by calculus-based distrust as the respondent realised that the deliveries fell short as required. Case 10's response focuses on the fact that at the beginning of trade relationships, trust is very delicate as there had been no record of previous trade interactions. In this way, parties are seen to be careful about the degree of trade risk and would seek to protect themselves from future losses by terminating the relationship. The outcome of distrust and what was revealed of it within the Nigerian context indicate that trust is highly placed within SME relationships.

Despite the fact that the one was likely to gain opportunities from increased trade, they rather preferred severing such partnerships and sought-out trustworthy partners. Thus, when trust is broken, entrepreneurs were very prompt to terminate such relationships. This ensures that one reduces the chances of incurred loss. Furthermore, a loss of trust is usually very problematic as trust has been seen to underpin trade relationships. Its effects can be harmful as other traders will have no reason for future trade exchange with the distrusting partner.

Our data also confirms the existence of identity-based distrust which is grounded on the premise of unproductive interdependence and competing goals. There was evidence that some relationships were characterised by intractable conflicts and as such sanctions were put in place to encourage cooperation. Specifically, two of the respondents highlighted that sometimes they relied on threats of reputational damage to deter the possible violations as stated below:

“I was the former chairman of our association. So I tell my customers that as soon as you disappoint me, I would tell everybody about you and they will desist from doing business with you. You will be blacklisted and all our contacts will be made aware of the situation. So if you want us to be partners, you have to promise to behave well and act accordingly” (Case 1).

As explained by case 1, the above response establishes the desired expectations required from respective parties while ensuring that partners commit to abiding by them. Violations of trust were found to be critical to relationship-transforming events; this can be attributed to unpredictability. As such when conflicts arise, misconstrued perceptions may be a factor that fuels distrust in SME relationships. Intractable conflicts can be resolved by identifying the origin or source of the distrust. For instance, we established that a customer couldn't meet up with his payment at the stipulated date because he had lost his father. In situations like this, the customer owes it a duty to overcome this perception by communicating in order to overcome any distorted perceptions:

“My supplier was very angry that he had not heard from me for a month. He even threatened to report me to the association and planned to seize some of my belongings and then terminate our business. He was unaware of my father's death. But when he was informed, he felt very sad and even told me to pay him anytime I like. He even sent me some money for the burial.”(Case 3).

In other situations where distrust may have escalated, the respondents were found to invite third parties to resolve disputes between themselves and their customers. The responses revealed that they invited mutual friends to help diffuse existing tension. Following from the findings, a review of the cases uncovered that a number of reconciliation and rebuilding tactics were employed by the entrepreneurs in repairing trust.

### **Trust Repair**

The findings identified that the use of intermediaries was a common tactic employed by the respondents in repairing trust. This tactic was found to have been commonly employed by all the respondents. The cross case analysis uncovered that the entrepreneurs were influenced by the embeddedness of their contexts as intermediaries were drawn from market associations. One of the entrepreneurs shared insights into the role played by market associations in repairing trust:

“In situations where conflict arises, we rely on our trade associations who are always quick to resolve conflicts between us and our partners. In some cases, the association gives specific timelines where one is expected to make repayments so that the relationships can continue” (Case 12).

Furthermore, leading figures from a number of market institutions played an important role in trust repair. The social status and position held by such leaders meant that both parties were obliged to reconciling and rebuilding trust. The responses indicated that the intermediaries tended to advocate for positive outcomes as this is highly regarded to be beneficial to both parties. However, trust repair does not come free, as the parties seeking the mediation of the local leaders are expected to show their appreciation through monetary envelopes or send goats as gifts (buying of goats within Africa is seen as a sign of respect and appreciation).

Across the cases, the responses were instructive as verbal explanations and apologies were revealed to be the commonly used repair tactic. All the 12 cases indicated that they had considered verbal explanation and apologies to be the prerequisite approach for reconciliation after trust violations. The respondents all agreed that they had requested for explanations and apologies from

their defaulting partners in the process of repairing trust relationships. In this vein, the adequacy of the defaulter's explanation for deception was a determinant to repairing trust. This adequacy had a determinant impact on whether the victim would accept explanation and the willingness to rebuild trust.

Upon closer examination, apologies were more effective when both parties were sincere and assumed responsibility for initiating the violation. In this case, parties were able to convey admissions of regret and responsibility, with the desire to rebuild the damaged relationship. These were found to be important steps in repairing trust after trust violation. Additionally, apologies for which the violator accepts responsibility for his actions, are often in most cases very effective than when the violator continues to trade blames. Overall, apologies were more effective when made quickly, sincerely and responsibility fully accepted.

## **Discussion**

This article examines trust and distrust processes from an emerging market perspective. It has specifically examined evidence which establishes the role trust plays in fostering relationships and how distrust deters cooperative relationships. The study draws attention to the various types of trust useful in Nigerian SME relationships. Entrepreneurs relied on culturally embedded specific forms of personalised trust relationships, namely: cognitive, emotional trust and calculus-based trust (Research Question 1) to enhance SME relationship process. The study also demonstrates entrepreneurs' negative perception of Nigeria's weak court arrangements which is widespread across other West African markets. Perceptions on the part of the entrepreneurs implied that they relied on oral and verbal trust binding agreements rather than formal contracts in SME relationships. Given the weak dysfunctional context, entrepreneurs were found to rely on evidence from previous interactions in building trust. In particular, entrepreneurial relationships emphasised an affective disposition to trust, which was manifested through sentiments, emotional bonds and

genuine care. To an extent, our analysis of the cases proceeds with the conjecture that SME relationships are affected by elements of trust and distrust sentiments (Granovetter, 1985; Lewicki *et al.*, 1998). This perspective implies that motivations for SME relationships can either be characterised by partially divergent or partially convergent motivations. Thus, the foundations through which trust and distrust is managed represents an entrepreneurs' strategy to capitalise on future trade opportunities.

To a good extent, the findings provide deeper evidence which suggests that a favourable perception of another's reputation leads to increased cooperation and credibility. Although trust was expressed as typically grounded in positive expectations, the propensity for distrust reduces when the victim understands the reason for violation. In this setting, personalised commitments and benevolence through verbal explanations and apologies signal reconciliatory efforts. This observation is not substantially different from reconciliatory approaches adopted in advanced societies, however the case analysis uncovered that respondents were influenced by the embeddedness of their contexts as intermediaries were drawn from market associations (Research Question 2).

Drawing on contextual approaches, interventions appeared to be the solution to reducing conflicts in situations of intractable conflicts. Such strategies were found to encourage continued cooperation and more productive relational opportunities. The cases also demonstrated how different cultural approaches and values were reflected in personalised trust relationships. The hybrid approaches reveal how routine visits to a trade partners home fostered 'oneness' and reciprocity in gestures. The norm of attending functions such as marriages, birth ceremonies and burials enhanced affection within the relationships. Within this finding, there is a need to uncover the underpinning cultural specific norms which shape SME relationships. This may include examining the influence of strong ties based on culture, family/kinship and religious norms.

A primary contribution of this paper was to draw attention to managing levels of distrust. Perceptions of distrust are not uncommon in SME relationships and can be attributed to instances of negative experiences. Such perceptions create foundations for hostility and reputation damage likely to disseminate through social networks. From this vantage point, we point to the existence of sanctions as deterrents since parties are sensitive to the risks of negative reputation. Importantly, evidence in such situations reveals that negative information will be transmitted to other networks towards deterring future partners. Our analysis also points that misconstrued perceptions should be addressed with expectations made clearer. Such expectations must include an understanding of the capacity of the other party and a detailed set of objectives. Indeed, a termination of future interactions with the offender may occur when the magnitude of trust violation is very high (Lewicki and Bunker, 1996; Omeihe *et al.*, 2019). Parties may then decide to develop a mutually acceptable constructive process based on shared values. In a more positive light, mediators can be introduced to resolve the underlying conflicts as this would reveal underlying benign motives or sinister intentions. Although this may not reduce distrust completely, nevertheless it would lead to the advancement of future interactions between both parties.

Another important contribution of this research was highlighting the nature of network ties in SME relationships. Due to the paucity of formal institutions in developing economies, the role of networks takes an increasing importance. The economic benefits of networks were evident in SME relationships as they provide access to information and social status for financial support. Given the inherent limitations of formal institutional support, the practical possibilities imply that obstacles can be overcome through strong embedded networks of kinship, family and market associations which will fill the void of formal institutions. From a practitioner standpoint, this study establishes how trust and distrust may impact SME relationships. While trust serves as a lubricant to foster SME relationships, the remedial efforts adopted in repairing distrust will help partners to improve their business relationships. Our findings show that networks play a critical role for information

exchange and knowledge creation for SMEs. As a result, trust is a focal ingredient which consolidates SME relationships.

Further along these lines, the implications further reflect the importance of interpersonal trust in sustaining relationship effectiveness. From a research angle, although our analysis stems from a psychological perspective which emphasizes the cognitive and affective dispositions that exists within relationships, the suggestions may not be enough to address intractability across all conflicts. Nonetheless, the suggestions provide a foundation for further research on trust and distrust, with potentials to ensure conflict resolutions. Specific policy driven initiatives suggests that more attention should be focused on the potentials of SMEs who draw on complimentary relationships for survival. As a result of our empirical study, the relevant policy implication is underlined. Within the context of this study, good policy initiatives should facilitate complementing social relationships through the development of regional networks and access to capital. Such networks relationships can bridge dissimilarities between the home and international markets.

## **Conclusion**

This article shows that entrepreneurs drew on the embeddedness of their contexts to build trust-based relationships needed for SME activities. The embeddedness approach (Granovetter, 1985), enabled entrepreneurs to build personalised trust and perceive trust and distrust in SME relationships (Jack and Anderson, 2002; Welter and Smallbone, 2011). It can therefore be argued that the embeddedness approach offers a much broader understanding of how entrepreneurs are influenced by their contexts through social structure, cognition and trust in their SME activities (Omeihe, 2019).



As with any study, the evidence conveyed in this paper is not without its limitations. The findings of this research were based on twelve SMEs and hence the degree of generalisation may be limited. Nevertheless, although the empirical data was centred on samples of Nigerian SMEs, the results can be of interest to SMEs across other African markets. Further comparisons among the selected cases were helpful in demonstrating the influence of variability, but this may have been limited by the number of respondents. In order to overcome this limitation, future studies may attempt to provide a more exhaustive dimension by increasing the number of respondents. We believe that this will provide a richer account of the trust and distrust phenomenon while exposing more complex realities that may have been overlooked.

With respect to the focus of our analysis, it is our belief that the forms of distrust identified in this study can be repaired using the identified tactics. We thus suggest the consideration of other forms of violation and exactly how such violations can be repaired. In addition to the suggestions above, providing an in-depth understanding of trust repair and the use of reparations as compensations in situations of distrust would undoubtedly contribute to useful knowledge. The suggestions we provide in resolving distrust may not be entirely sufficient in SME relationships; we hope that future research may raise insights that can contribute to more responsive processes of managing distrust in SME relationships.

From a contextual perspective, we also note that future studies should distinguish between institutional and personal trust and how they shape African SME relationships. The lack of understanding of the Nigerian context, has led to attempts to transplant westernised assumptions rather than recognising the hybridation of trust and distrust approaches. Therefore, there is a need to understand the influence of norms and codes or the socially non-calculated values which govern trust and distrust in SME relationships. Such an approach can provide explanations of SME relationships which do not follow the assumed norms prevalent in advanced societies.

In this article, embeddedness allowed the dissemination of information about actors within the social context and this fosters strong disincentives for opportunistic behaviour (Granovetter, 1985). We addressed the core elements of trust and distrust in SME relationship and revealed that there exist different types of trust and distrust and further recommended tactics in which distrust can be resolved. We also proceeded to demonstrate how trust can be violated in SME relationships and the consequences for malfeasance or non-benevolence. Lastly, we provided ways by which distrust can be repaired and the embedded role of intermediaries in conflict resolution.

Within the remit of this study, our participants have responded to the deficiencies of institutional void by developing ties through trust relationships. In this vein, we draw attention to perceptions of trust and distrust from the lens of Nigerian traders. Accordingly, we proceed to address the two research questions shaping this study. In the first research question we make an attempt to espouse the types of trust required in SME relations; while examining the repair of distrust in these relationships. Our most salient contributions are twofold: firstly in answering these questions, we contend that SME relationships are characterised by the distinctiveness of cognitive based trust, affective trust and knowledge-based trust; while alternate degrees of calculus-based distrust and identity based distrust were found to emerge when trust was violated.

These distinct forms of trust and distrust reduced and encouraged perceptions of considerable risks affecting trust propensities. Another detailed contribution worth mentioning is the role of interventions as remedial therapeutic approaches for healing and treating SME relationships. Although we contend that trust can be repaired, distrust would create dissonance which fosters negative feelings. Simultaneously, this would lead to the subsequent decline in trust and cooperation. In particular, our findings have revealed that interventions may also serve as a deterrent to non-benevolent intentions. In sum and due to the nature of the phenomenon being studied, we believe that the findings from our analysis provide rich and valid insights into an understanding of how to develop, sustain and repair trust in SME relationships.

## Disclosure statement

No potential conflict of interest was reported by the authors.

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