DEVELOPING SOCIALLY RESPONSIBLE ENTERPRISES

Trust Development in Inter-Organizational Relations of Knowledge-Intensive Firms

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Abstract

The paper reveals the factors behind the development of trust in the inter-organizational relations of knowledge intensive firms and their implications for building trust in low trust environment. The theoretical framework is based on 5 types of factors: institutional, social, personal, professional and educational.

The empirical research was carried out in the Science Park ‘Technopolis’ and covered 14 technological firms.

The research has shown that knowledge intensive firms possessed high levels of inter-organizational trust, while at the same time placing emphasis on personal and professional characteristics of their partners, supported by clear contract obligations. They find themselves more vulnerable in their economic transactions than in the knowledge exchange. Trust in business relations of knowledge-intensive firms are primarily based on the professional competence, personal moral qualities of partners, their mutual interest in business transaction and contract obligations. Personal friendships and social concerns play a positive, but secondary role in business transactions. Respondents regard trust primarily as a moral issue, which is based on individual moral qualities. Institutional and educational factors are regarded as key to building high trust on the society level. Empirical findings show that strategies for trust development on inter-organizational and societal levels are likely to be focused on different sets of factors. Professional and personal (some legal) factors play the key role in enabling trust between the knowledge-intensive firms, whereas institutional and educational factors appear to be the key in promoting trust on society level.

Keywords: trust, low trust, trust development, trust building, knowledge intensive firms.
One should also notice that much of the academic debate is centred on the characteristics of trust than on the aspects of trust building. Empirical study with strong theoretical foundations on trust building is basically nonexistent (Nguyen and Rose, 2009). A few valuable contributions in the field of trust development could be mentioned. Koeszegi (2004) distinguishes between the risk-preventing and risk-taking strategies of trust building in inter-organizational negotiations. Nguyen and Rose (2009) combine the institutional perspective and social exchange theory to propose four trust building strategies in the low trust environment: use of formal institutions, use of social networks, establishing personal rapport, and sharing business information and practices. The authors claim the need to switch from the popular question in trust-related research ‘what contributes to trust in business partner?’ towards still underexplored research question ‘what can we do to foster trust with the business partner?’. Therefore, in organization studies we can see a gradual evolution from the sociological to management perspective of trust. Moreover, most of the existing research does not focus on managing trust in the partnerships of knowledge-intensive firms.

All these observations help us to formulate the research problem that is explored in this paper – what are the factors underlying the development of trust in the inter-organizational relations of knowledge-intensive firms?

The aim of paper is to reveal the factors behind the development of trust in the inter-organizational relations of knowledge intensive firms and their implications for building trust in low trust environment.

To address this research problem, we have conducted a pilot survey covering 14 technological firms (23 respondents) from the science and technology park ‘Technopolis’, located in Kaunas (Lithuania). In addition, many academic studies (Pucetaite, Lamsa and Novelskaite, 2010; Imbrasaitė, 2011; Bartuskaite and Zilys, 2011; Wroe, Allen and Birch, 2012) show that Lithuania can be characterised as a low-trust environment, which represents a challenge to the cooperation of knowledge-intensive firms.

In the first part of the paper we provide the theoretical rationale for the main factors underlying the development of trust in inter-organizational relations and structure for the empirical analysis.

The second part of the paper provides the theoretical framework and methodological aspects of empirical research.

The third part of the paper presents the findings of empirical survey and discusses the implications for the promotion of trust development among the knowledge-intensive firms in low trust environment.

**Typologies of trust in inter-organizational relations**

Humphrey and Schmitz (1998) note there are only two ways of dealing with risk in business transactions – sanctions and trust. Sanctions and trust can substitute for each other: the existence of cheap and effective sanctions allows firms to economise on trust, and where trust exists, firms can reduce the expense and complications of arranging sanctions. Signing legal contract represents a potential for future sanctions (in case obligations are not fulfilled). However, there are many instances in business life where contracts can hardly be enforced. It is particularly true when dealing with intangible resources, such as knowledge. As a result, trust (rather than sanctions) becomes of paramount importance in the knowledge economy.

In this paper, we rely on the definition of trust as ‘willingness of a party (trustor) to be vulnerable to the actions of another party (trustee) based on the expectation that the other will perform a particular action important to the trustor, irrespective of the ability to monitor or control that other party’ (Mayer, Davis and Schoorman, 1995).

There are various attempts to classify the types and levels of trust. Puusa and Tolvanen (2006), among many others, distinguish three levels of trust:

- **individual level**: trust is based on interpersonal interaction. At this level, positive expectations that another party will not act opportunistically arise;
- **group level**: trust is a collective phenomenon. Organizations represent collective values and identities that in inter-organizational relations help to predict partners’ future behaviour;
- **system level**: trust is institutional and based on roles, systems or reputation, from which inferences are drawn about trustworthiness of an individual/organization. Trust is tied to formal structures, depending on individual or firm-specific attributes, e.g. certification as an accountant, doctor or engineer.

Lewicki and Bunkerr (1996) introduce three stages model of inter-organizational trust by the maturity of the relationships:

- **calculus – based trust**: based on consistency of behaviour that people will do what they say they are going to do. Behavioural consistency is sustained by the threat of punishment (e.g., loss of relationship) that will occur if consistency is not maintained (i.e. people don’t do what they say they will do);
- **knowledge – based trust**: occurs when one has enough information about others to understand them and accurately predict their behaviour;
- **identification – based trust**: the highest form of trust, which relies on common values and moral obligations to develop a long-lasting relationship.

Zucker (1986) distinguishes three types of trust, characterized by the nature of relationships:

- **characteristics – based trust**: the common origin of individuals (i.e. religion, language, family) enables the emergence of trust;
- **process – based trust**: trust emerges as a result of common experience of interactions;
- **institution – based trust**: stems from the presence of formal institutions (e.g. professional associations, legal restrictions) that limit the opportunistic behaviour.
Jucevicius (2009) claims that different types of trust dominate different types of transactions. The more sophisticated and intangible the subject of transaction (e.g. valuable knowledge), the higher the form of trust should be developed for the exchange to take place. It is particularly true of the knowledge partnerships where knowledge sharing occurs outside the formal contractual obligations of the parties. In such instances, the partners need to envisage trust building strategy that would lead to lasting cooperation and mutual benefits.

Development of trust: factors and strategies

The theories of economics and organization studies, such as transaction costs theory, agency theory or the theory of social exchange claim that the parties of transaction seek to maximize their individual gains, while at the same time minimizing the risk arising from the relationships (Williamson, 1985; Eisenhardt, 1989). Organizations (partners) invoke various strategies, striving to build trust and hereby to achieve the above mentioned interests. Nguyen and Rose (2009) provide four trust development strategies based on different sets of factors: use of formal institutions (i.e. emphasis on institutional factors), use of social network (i.e. social factors), establishing personal rapport (i.e. personal factors) and sharing business information and practices (i.e. professional factors). We consider it important to complement this typology with one more group - educational factors (i.e. development of trust through the formation of a common perception/consciousness, with the help of educational instruments).

<table>
<thead>
<tr>
<th>Trust development trends/directions</th>
<th>Groups of factors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Use of formal institutions</td>
<td>Institutional factors (i.e. development of trust based on formal rules, such as banks and legal agencies)</td>
</tr>
<tr>
<td>Use of social network</td>
<td>Social factors (i.e. development of trust through the enhancement of the social/network norms; friends and family)</td>
</tr>
<tr>
<td>Establishing personal rapport</td>
<td>Personal factors (i.e. development of trust through the development of personal ties)</td>
</tr>
<tr>
<td>Sharing business information and practices</td>
<td>Professional factors (i.e. development of trust through the reinforcement of professional relationships, e.g. sharing expertise, professional knowledge)</td>
</tr>
<tr>
<td>Strengthening relations through education and training</td>
<td>Educational factors (i.e. development of trust through the formation of a common perception/consciousness, with the help of educational instruments)</td>
</tr>
</tbody>
</table>

Nguyen and Rose (2009) argue that with the use of social networks as a mechanism to build trust, partners might develop their (trustworthy) relationships more rapidly. Colleman (1988) notes that trust can be transmitted among members of the social network. Larson and Starr (1992) provides some insights and maintains the above mentioned idea, while arguing that ‘if’ two parties, new to each other, both trust a third person or friend, and their relationship is endorsed by this third person, then it is assumed that the new parties share similar sets of values resulting in a higher chance for trust with each other’. On the other hand, social networks might serve as a powerful control mechanism. So to say, the information about the agents’ trustworthiness or unreliability spreads very fast throughout the network and in case the agent violates the agreements or acts opportunistically – he/she might be excluded not only from the network but as well from the business area he/she operates in. The presence of adequate social factors (e.g. functioning social networks or established cultural values) enables the characteristics-based trust (i.e. trust stems from similarity of characteristics, such as common cultural or educational background) and maybe even identity-based trust (i.e. the highest form of trust, in which partners share common identity that often transcends their individual self-interests). Thus, the social factors encompass both the elements of social control (e.g. reputation in social
from the partner organization to learn about each other’s competences, abilities, knowledge she/he possess, the way of thinking etc. Discussions, groups work are the ‘laboratory’ where it becomes possible to test each other in various situations. This allows to see the weaknesses and strengths of the partner and to decide whether you want or not to carry out joint activities. Besides, educational sessions might also serve as the lessons teaching how to build, sustain and develop trust. With the help of these common training sessions it becomes possible to shape common values, norms, perceptions, point of view that it turn might facilitate future interactions. The educational factors are capable of influencing various types of trust: characteristics-based trust (i.e. by shaping common characteristics and approaches to trustworthy behaviour thanks to participation in similar educational programmes), knowledge- and process-based trust (i.e. by enabling the acquaintances of partners through interactions in the educational environment), competence-based trust (i.e. by shaping the expectations of each other’s competences) and even identity-based trust (i.e. by forging common identities through educational experience). Not surprisingly, in some societies educational institutions stand at the core of the social networks of professionals (e.g. the role of Oxbridge ‘old boys’ networks in the UK or les cadres from les Grandes Ecoles in France).

The above mentioned groups of factors are presented in Figure 1 as a part of larger theoretical framework. Their role is crucial for enabling the transition from low-trust to high-trust relations – both on the level of society and organizations.

On the left hand side in the scheme the characteristics of low-trust relations are presented. Low-trust society is characterised by fragmented and individualised relations, based on the assumptions of stranger mistrust. Such society is usually closed and family-centred (Fukuyama, 1995). There is a lack of spontaneous sociability of its citizens, inadequate civic participation, and insufficiently developed legal, political and economic institutions. In such societies, the values and ethical norms embedded over time sustain the vicious circle of mistrust. Low-trust organizational relations are characterised by the prevailing uncertainty over the partner’s actions and intentions, a lack of mechanisms of control over the partners, weak commitment to contract and rules, weak instruments of socialization due to the lack of intermediary institutions. Thus, low trust inter-organizational relations often owe to the prevailing low trust on the society level. On the organizational level, the climate of mistrust leads to ineffective bureaucratic governance structures and closed organizations run by groups linked by family/clan ties.

On the right hand side, the characteristics of high-trust relations are presented. High-trust society is characterised by the spontaneous sociability of citizens, initial dispositions of trust in social and economic relations, rule of law, liberal political and economic institutions, strong civil and professional organizations. As a result, the values and ethical norms emerge that sustain the culture of trust in the society. In high trust organizational relations partners are in a position to predict each other’s behaviour, respect
Figure 1. Integrated scheme of trust development factors
mutual commitment and obligations, can rely on the instruments of social or institutional control over the partner. The intermediary institutions are available as instruments for socialization. High level of trust enables the parties to reduce operational risks and transaction costs, to optimise the use of organizational resources through spontaneous and flexible forms of cooperation.

As mentioned above, trust also enables the transactions in highly valuable, yet intangible resources, such as knowledge. Innovation, which is in most cases a new combination of different pieces of knowledge, tends to happen only in the open and collaborative high trust environments. To achieve high trust, the presence of aforementioned factors is needed. However, it is not quite clear what combinations of factors are most likely at play as we look at the partnerships of knowledge-intensive firms that function in a low trust environment. The research findings presented in this paper seek to address this gap of understanding.

Research and findings

The survey was conducted in 2012 and covered 14 technological firms (23 respondents), located in the science and technology park ‘Technopoliš’ in Kaunas, Lithuania. All firms can be qualified as knowledge-intensive and involved in high technology sectors of the economy. All respondents have university diploma. Half of the respondents are managers of the surveyed firms, the other half – professionals and high level specialists in the companies. The questionnaire has a balanced gender distribution – 52 percent of the respondents are male and 48 percent female. The age of respondents is relatively young, which is not unusually given the technological profile of the firms; 52 percent are less than 30 years old, 39 percent fall between 30-39 years of age, and only 9 percent are more than 40 years old.

The questionnaire contains 21 questions (some of them are blocks and tables in Likert scale). The research findings presented in this paper seek to address this gap of understanding.

Questions representing the theoretical factors of trust

<table>
<thead>
<tr>
<th>Contract-based trust (institutional factors)</th>
<th>Characteristics-, identity-based trust (personal factors)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Explicit incorporation of mutual commitments into the contract</td>
<td>Personal characteristics of the partner (e.g. honesty, openness, integrity)</td>
</tr>
<tr>
<td>Strong intellectual property protection</td>
<td>Shared values and attitudes</td>
</tr>
<tr>
<td>Reliability of the legal environment</td>
<td>Partners’ internal predisposition to trust you and your organization</td>
</tr>
<tr>
<td>Competence-based trust (professional factors)</td>
<td>Partner regards cheating on you as immoral act</td>
</tr>
<tr>
<td>Professional knowledge and competence of the partner</td>
<td>Knowledge-, process-based trust (social factors)</td>
</tr>
<tr>
<td>Organizational skills of the partner</td>
<td>The partner is not too dominant in size</td>
</tr>
<tr>
<td>Complementary competencies of partners</td>
<td>Third-party opinions of the partner; reputation</td>
</tr>
<tr>
<td>The collaboration is likely to produce mutual benefits</td>
<td>Partner’s interest in joint activities and mutual long-term benefits</td>
</tr>
<tr>
<td>Previous positive experience of cooperation</td>
<td></td>
</tr>
<tr>
<td>Partner is able to keep professional secrets</td>
<td></td>
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</tbody>
</table>

Respondents were asked to evaluate the above mentioned aspects in the Likert scale (1 to 5) in terms of attached importance. The received findings show that the key precondition for trusting the business partner is personal characteristics of the partner, such as honesty, openness, integrity (4,7). It towers above other most important preconditions for trust: partner’s professional knowledge and competence (4,4), partner’s capability to keep professional secrets (4,4), the presence of clear contract stating mutual commitments (4,4), positive experience from previous cooperation (4,3), strong legal environment and protection of intellectual property (4,3).

In order to verify to what extent the responses matched our theoretical categories of factors (types of trust involved), we have carried out the factor analysis, which produced 5-6 independent factors (the last factor is constituted by only one question). To some extent, they replicate the theoretical classifications, however, also provide us with some interesting new combinations and groupings: F1 Personal rapport and legal framework, F2 Professional reputation, F3 Cooperativeness, F4 Legal and moral safeguards, F5 Keeping professional commitments, F6 Mutual benefit. The findings of factor analysis are presented in Table 3.
Respondents were then asked to rank three most important preconditions for trust from the extensive list of 17 characteristics. 65 percent of the respondents gave priority to 3 major preconditions for trust: 1) partner’s professional knowledge and competence (26 percent as first priority), 2) partner’s interest in joint activities and mutual long-term benefits (22 percent as first priority) and again 3) personal characteristics of the partner, such as honesty, openness, integrity (17 percent).

It is interesting to note that when asked to rank the partner’s qualities respondents produce a slightly different response by placing priority on partner’s professional characteristics. The emphasis placed on partner’s competence is not surprising given the knowledge-intensive nature of firms participating in the survey.

The same list was presented once again so that respondents could indicate the relative importance of preconditions for trust in two different types of inter-organizational relations: buyer-supplier vs. knowledge sharing. An interesting trend was observed that respondents did not draw a clear distinction between two types of transactions. In majority of cases, the same preconditions for trust were equally important both when exchanging knowledge as they were when dealing in buyer-supplier relationship. Thus, there is no clear empirical evidence to suggest that the type of trust varies from one type of transaction to another. The most important preconditions emphasised as equally important in both cases were: partner’s capability to keep professional secrets (92 percent), positive previous

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<table>
<thead>
<tr>
<th>Factor analysis</th>
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<tbody>
<tr>
<td>1</td>
</tr>
<tr>
<td>-----</td>
</tr>
<tr>
<td><strong>F1. Personal rapport and legal framework</strong></td>
</tr>
<tr>
<td>1. Personal characteristics of the partner (e.g. honesty, openness, integrity)</td>
</tr>
<tr>
<td>2. The size of the partner is not too dominant</td>
</tr>
<tr>
<td>3. Partners’ predisposition to trust you and your organization</td>
</tr>
<tr>
<td>4. Reliability of the legal environment</td>
</tr>
<tr>
<td>5. Similar values and attitudes of you and the partner</td>
</tr>
</tbody>
</table>

**F2. Professional reputation**

| 1. Third-party opinions of the partner; reputation | -0.0004 | **0.8631** | 0.1357 | 0.1019 | 0.1371 | 0.0692 |
| 2. Professional knowledge and competence of the partner | 0.2024 | **0.8231** | 0.2350 | 0.2041 | 0.1404 | 0.2576 |

**F3. Cooperativeness**

| 1. Partner’s interest in joint activities and mutual long-term benefits | 0.0816 | 0.0528 | **0.9153** | 0.0667 | 0.1343 | -0.0850 |
| 2. Previous positive experience of cooperation | 0.1168 | 0.4737 | **0.7467** | -0.0121 | -0.0462 | 0.1750 |

**F4. Legal and moral safeguards**

| 1. Strong protection of the intellectual property | 0.2532 | -0.0306 | -0.1483 | **0.7515** | 0.2737 | 0.0332 |
| 2. Partner understands that it is immoral to cheat on you | 0.0396 | 0.4560 | 0.0787 | **0.6948** | 0.1244 | 0.2381 |
| 3. Partner understands that he is better off not cheating on you | 0.0241 | 0.2902 | 0.4640 | **0.6359** | 0.0750 | 0.1471 |

**F5. Keeping professional commitments**

| 1. Partner is capable of keeping professional secrets | -0.2148 | 0.0051 | 0.2396 | 0.3035 | **0.8284** | -0.1252 |
| 2. Organizational skills of the partner | -0.0045 | 0.4608 | -0.3083 | 0.2278 | **0.6803** | -0.1091 |
| 3. Complementarity of you and your partner | **0.5799** | 0.1277 | 0.0407 | 0.0476 | **0.6766** | -0.0273 |
| 4. Explicit incorporation of mutual commitments into the contract | **0.4112** | 0.1568 | 0.2867 | -0.0414 | **0.5463** | 0.4673 |

**F6. Mutual benefit**

| 1. The collaboration provides mutual benefits | -0.0282 | 0.2623 | 0.0203 | 0.1557 | -0.1375 | **0.7970** |

_Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization._
experience of cooperation (83 percent), personal characteristics of partner, such as honesty, integrity and openness (74 percent). In certain instances, however, we can notice that some preconditions are more crucial for trust when exchanging valuable knowledge, e.g. protection of intellectual property rights (39 percent over 0 percent), professional knowledge and competence (30 percent over 9 percent), personal characteristics of partner (22 percent over 4 percent) and similar values of partners (32 percent over 18 percent). There are also instances when certain preconditions are more important for trust in buyer-supplier relations than they are for trust in knowledge exchange: partner’s organizational skills (36 percent over 17 percent), presence of clear contract with mutual commitments (26 percent over 4 percent), partner’s understanding that he is better off not cheating on you (31 percent over 4 percent), partner’s interest in joint activities and mutual long-term benefits (22 percent over 13 percent). The findings in a way support the hypothesis raised by Jucevicius (2009) that buyer-supplier relations are more dominated by calculus- or contract-based trust, whereas the knowledge partnerships call for the competence-based (i.e. similar level of knowledge) and identification-based (i.e. shared values) trust.

The respondents were then asked to compare the relative importance of risks faced in buyer-supplier relations and knowledge exchange. The question led to a somewhat surprising finding that knowledge-intensive firms find themselves more vulnerable in the economic (e.g. late payment for supplies) than in knowledge (e.g. leaking an important information) relationship with their partners (35 percent over 9 percent). Most of the respondents (57 percent), however, saw no difference in terms of their vulnerability, which supports, as later findings show, their overall high level of trust in partners.

When asked if they have partnerships with research institutions, most of the respondents replied positively (74 percent). The respondents from technological firms were then posed a question whom they trusted more – their partners from research institutions or their traditional business partners. The absolute majority (69 percent) have indicated high level of trust in both types of partners, and only a minor share indicated mistrust (9 percent) or gave preference to business or research partners (6 percent to 13 percent). Thus, we can conclude that knowledge intensive firms tend to possess generally high levels of inter-organizational trust, while at the same time placing emphasis on personal and professional characteristics of their partners, supported by clear contract obligations.

Respondents from technological firms were also asked to compare the risks that they face in the buyer-supplier relations and when exchanging important knowledge with their partners. The findings support the earlier observation that firms find themselves more vulnerable in their economic transactions than in the knowledge exchange. Somewhat surprisingly though, all types of risks were more pronounced in the buyer-supplier relations than in the knowledge sharing endeavours. Higher scores on some risks in the buyer-supplier relations are not surprising as they have more to do with daily business transactions (e.g. respecting the deadlines, timely payments, quality aspects). However, respondents were more concerned in their buyer-supplier relations even with some risks that are as relevant for the knowledge exchange, such as keeping the professional confidentiality, partner’s individual rent seeking behaviour, power abuse or short-termism. The mean scores are presented in the table below.

<table>
<thead>
<tr>
<th>Risks involved in the economic and knowledge partnerships</th>
<th>In buyer-supplier relations</th>
<th>In knowledge exchange with partners</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not respecting the deadlines</td>
<td>3.5</td>
<td>2.8</td>
</tr>
<tr>
<td>Quality problems</td>
<td>3.2</td>
<td>2.5</td>
</tr>
<tr>
<td>Not keeping the professional confidentiality</td>
<td>2.3</td>
<td>2.1</td>
</tr>
<tr>
<td>Untimely payments</td>
<td>3.6</td>
<td>2.4</td>
</tr>
<tr>
<td>Individual rent seeking by the partner</td>
<td>2.9</td>
<td>2.8</td>
</tr>
<tr>
<td>Partner abuses his greater power</td>
<td>2.5</td>
<td>2.3</td>
</tr>
<tr>
<td>Giving priority to short-term gains over long-term benefits</td>
<td>2.7</td>
<td>2.2</td>
</tr>
<tr>
<td>Cumbersome process of decision making</td>
<td>3.0</td>
<td>2.3</td>
</tr>
</tbody>
</table>

Table 4

Literature on trust abounds with discussions to what extent the personal factors play role in business relationships. There are numerous cases of organizations and cultures that reveal the different role attached to interpersonal relations in business transactions. According to Lewis (2008), Fukuyama (1995), many organizations in Western societies tend to rely on depersonalised/institutional trust in their business environment, whereas personal trust plays key role in many Asian or Southern hemisphere societies. Thus, our respondents were asked to indicate an extent to which the personal relations impact their professional relations with partners and to what extent the relations are based on reciprocity. The answers have once again revealed the firms’ propensity to trust and to rely. Respondents tend to believe that partners take into consideration the interests of another party (70 percent), they feel safe sharing the professional information (61 percent), they would feel betrayed should the partner decide to end relations only for the economic reasons (52 percent), they think it is important to maintain not only good professional, but also personal relations (52 percent).
The respondents are also positive, yet more neutral about the role of personal friendships in business relations, which indicates (combined with other previously discussed findings) that trust in business relations of knowledge-intensive firms are primarily based on the professional competence, personal moral qualities of partners, their mutual interest in business transaction and contract obligations. Personal friendships and social concerns play a positive, but secondary role in business transactions.

One of the objectives of our research was to reveal the main preconditions for strengthening and developing trust in inter-organizational relations of the knowledge intensive firms. The respondents were asked what would have the greatest positive impact on building trust in their fields of activity. The majority of respondents tend to regard trust primarily as a moral issue, which is based on personal moral qualities of the partner. Thus, 96 percent claimed that fundamentals of trust should be strengthened by emphasising the development of moral qualities in all levels of education. Thus, the educational factors, which are often disregarded by researchers when analysing the inter-organizational trust are given the top priority. Another high ranking precondition for trust development is linked with the policy of the state aimed at promoting the inter-firm collaborations (79 percent of respondents) and educational programmes about the importance of trust (66 percent). The objectivity of opinions may be somewhat limited by the respondents’ natural inclination to locate the responsibility for building trust outside the boundaries of their firm (i.e. give it over to the state or educational institutions). The respondents were also positive about the following factors in trust building: the role of strong legal institutions and independent judiciaries (57 percent), strong professional associations (52 percent) and social networks that make firms keep up with their reputation (61 percent).

However, many latecomer economies and societies (e.g., Lithuania), find it hard to rely effectively on institutions, professional associations and social networks when building the trust-based relations. The very concept of latecomer society often implies that it suffers from insufficiently developed institutions and lack of sophisticated forms of governance (e.g. industrial associations, innovation partnerships, etc.), which in the advanced economic systems are usually based on high levels of inter-actor trust. The relationship between advanced forms of governance and trust is mutually reinforcing (i.e. networks call for presence of trust and at the same time contribute to its strengthening). In a way, many developing and some latecomer societies (e.g. in Latin America) are caught in a vicious circle of low trust and weak institutions of civil society: strong institutions and professional networks of innovative firms can hardly emerge in low trust environment, while the absence of such institutions hinders the consolidation and growth of trust on the level of society and its organizations. Are there any ways out of such vicious circle and what insights can be offered by the findings of research?

Our findings have revealed some positive signals that should be taken into consideration when formulating the strategies for trust development. Despite showing some potential risks and trust-related concerns, the surveyed technological firms generally exhibit high level of trust towards their partners.

Such findings complement the results of research carried out by one of the authors of this paper (Jucevicius, 2009) on the innovation culture of modern Lithuanian firms (in a similar sample of 68 technological firms). It led to a conclusion that the managers of such firms are highly competitive and regard competition as doing more good than harm. On the other hand, the positive approach to competition did not inhibit their trust in people: 63 percent claimed that ‘most people can be trusted’, 73 percent agreed with the claim that ‘most people try to be fair’, and 66 percent agreed with the statement that ‘most people are ready to help’. On the other hand, most managers (68 percent) were ready to trust only those partners who were tested by time, which implied a limited level of trust in wider business environment.

Thus, we can observe the emerging clusters of trust-based relations in still low trust environment. It is an important management question how to promote the extension of these concentrations of trust (e.g. found in the networks of knowledge intensive firms) into wider sectors of economy and society.

Concluding remarks

Research presented in this paper was carried out in a specific narrow sample of organizations that cannot be regarded as representative of society as a whole. The technological, knowledge-intensive firms constitute the innovative core of society and differ from many traditional industry actors, especially in the latecomer economies. The growth of such firms usually faces significant constraints in a low trust environment.

Complementary results from two different surveys allow us to conclude that knowledge-intensive firms can already be regarded as the nodes of relatively high trust. Such firms are already performing in the emerging networks that are based on trust and openness rather than mistrust. The presence of such ‘oases’ of trust on the inter-organizational level may provide a platform for the development of trust on a wider scale. The emerging networks of innovative firms can play a very important part at disseminating and institutionalising the high-trust values in the economy and society.

Based on the findings of our survey, we can conclude that strategies for trust development on inter-organizational and societal levels are likely to be focused on different sets of factors. Professional and personal (some legal) factors play the key role in enabling trust between the knowledge-intensive firms, whereas institutional and educational factors appear to be the key in promoting trust on society level.

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Santrauka
