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Trust dynamics within buyer-supplier relationships

Case of small logistics provider & large customer

Master's thesis within International
Logistics and Supply Chain Management

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Master's Thesis in International Logistics and Supply Chain Management

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Abstract

Introduction: Social exchange elements influence business relationships strongly. They are regarded as ones of the most important attributes for any buyer-seller relationships durability. Trust has obtained a leading position here.

Problem: Bearing in mind the positive effect of relational or social factors on business why it so that companies quite often fail to present successful relationships, cannot develop customer loyalty, suffer from domination of the buyer. Finally they do not achieve what they planned to, and split up their relationships spending more time and money for these processes. One of the reasons to these effects may be a lack of trust. Thus, it is necessary to identify what leads to trust, and why its level can be increased or decreased. Besides, there is a knowledge gap upon this issue in the special context: relationships between small logistics provider and large customer.

Purpose: The purpose of this paper is to gain better understanding whether there is a gap in perception of trust between small logistics provider and big customer; what is the dynamics of trust between small and big companies.

Method: A case study strategy has been chosen. The choice of the method is qualitative with an inductive approach; conducting interviews with key persons are the main way to gather information.

Conclusions: Both companies supported theoretical findings that trust is crucially important for business relationships. Although partners consider a high level of trust between them, the gap between small provider and big customer perception of trust was found where small provider has personal-based trust, whereas system trust was recognized at big customer side. Nevertheless, trust is not constant. It can be increased and decreased. Power of the big partner is assumed as one of the antecedents to trust and as one of the aspects which maintain a high level of trust in customer. Thus, non-coercive power is regarded in the case. However, there is a risk of coercive power in relationships which is harmful for trust and win-win business. Although trust usually suffers under the influence of conflict it is not happening in case investigated since they turn their conflicts into functional which even increase trust between partners. Enhanced effectiveness in companies' cooperation increased customer's trust level in small provider. This has brought a new level of SC collaboration between partnering companies.

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1 Introduction

This Chapter of the thesis is built in the following order: background, which gives an insight into the paper and topic discussed; problem formulation is the next section, aiming to narrow down the topic, knowledge gap was identified in order to formulate purpose of the paper. Logically, the next section is purpose which followed by the research questions formulated. Moreover, limitations of the paper are discussed.

1.1 Background

As business relationships become more complex and demanding in its nature organizations approach different ways to appear and remain competitive and successful in its industry. Whereas no company, organization, firm or any other entity is an island, it cannot exist in isolation (Håkansson & Snehota, 1989; Turnbull, Ford & Cunningham, 1996). Thus, businesses are acting in different environments represented by other companies. Moreover, working together companies acquire a particular dependence on each other based on the resource exchange (Turnbull et al., 1996; Skjoett-Larsen, 2000). Consequently, the relationships' effective cooperation may lead to successful company's performance and partnership (Morris & Carter, 2005; Ansari & Modarress, 2010).

Literature sources in the field of logistics and Supply Chain Management acknowledged the significant attention paid to the factors contributing to the relationships success (Morgan & Hunt, 1994; Moore & Cunningham, 1999; Kwon & Suh, 2004; Hofer, Knemeyer, & Dresner, 2009). At this arena social exchange elements obtain a leading position. Among them are trust and commitment (Moore & Cunningham, 1999). These elements influence business relationships strongly. Levels of resource exchange, information and risk sharing are highly relied on the degree of trust. Trust phenomenon has been studied for ages in the business arena. It is regarded as one of the most important elements of any buyer-seller relationships as a foundation for durability (Morgan & Hunt, 1994). The deeper level of trust between both parties, the more solid their relationships are. However, some researches enable a conflict as one which may positively influence relationships in case if it is "functional" (Morris & Carter, 2005).

Even though Trust phenomenon is discussed widely by different researches it still does not possess a commonly acceptable definition (Hosmer, 1995; Mcknight & Chervany, 2001). It is possible to find 'Trust' in different contexts according to the field an author inspected. Moorman, Zaltman, & Deshpande (1992, p.315) defined trust as a "*willingness to rely on an exchange partner in whom one has confidence*". Jones, Fawcett, & Wallin (2010), similarly, point out the importance of being confident in other party that he is doing fairly and with respect. However, Morgan & Hunt (1994) do not view willingness as a part of trust definition, but rather as an outcome of trust. The latter researches consider this phenomenon as a '*belief that another*

company will perform actions that will result in positive outcomes for the firm as well as not take unexpected actions that result in negative outcomes' (Morgan & Hunt, 1994).

The increased interest to these relational factors came into play with the businesses shifting from arm-length or transaction-type relationships to more complex and integrated perceiving mutual goals and benefits (Stuart & McCutcheon, 1995; Sanders, Locke, Moore & Autry, 2007).

Authors of this paper focused their research on the relationships where buyer and supplier are represented as big and small logistics companies respectively. The interest of the authors is to obtain an image of trust phenomenon in specific context: big customer outsourcing to small logistics provider.

1.2 Problem Formulation

Although, there is no commonly applicable definition of trust its unequivocal importance is supported in literature (Hosmer, 1995; Mcknight & Chervany, 2001). Why it is so important to obtain trust and sustain it? Doing the review of related literature it became possible to find dozens of facts in favor of trust. Ganesan (1994) considers trust value in its ability to reduce perception of risk associated with partner's opportunistic behavior, to increase confidence in partner's actions, and reduce transaction costs. As it was mentioned in Ganesan's (1994, p.1) work "*trust is necessary for the perception of a fair division of the pie of resources in the future*". Thus, the presence of trust is crucial in business relationships aimed to long-term relationships. Similar idea is also expressed by Morgan & Hunt (1994). The latter researches stated that "*commitment and trust [...] produce outcomes that promote efficiency, productivity and effectiveness*" (Morgan & Hunt, 1994, p.22). Other researches stipulate that "*trust is important in an exchange relationship because it leads to constructive dialogue and cooperative problem-solving*" (Schurr & Ozanne, 1985, p.940). Moreover, trust is important factor for the stability of relationships (Wagner, Coley, & Lindemann, 2011).

Thus, findings made by numerous academics in the field of social exchange factors reflecting their actual significance. Then, bearing in mind the positive effect of relational factors on business why it so that companies quite often fail to present successful relationships, cannot develop customer loyalty, suffer from domination of the buyer. Finally they do not achieve what they planned to, and split up their relationships spending more time and money on these processes. One of the reasons to these effects may be a lack of trust.

If consider small companies (SMEs), they are characterized as those which have limited resources, financial limitations. Large companies are powerful and small partners may exist in certain dependence on them (Gelinis & Bigras, 2004). In this kind of relationships where power exists it is difficult to obtain trust between partners. As Jones et al (2010) noticed "*trust is diminished as asymmetrical power is cultivated and exercised*" (Jones et al, 2010 p. 706). Ireland and Webb (2006) state that in relationships with powerful partner there is always a risk that the partner may act opportunistically. This may finally shake trust presence in the relationships (Ireland & Webb, 2006). Then, how parties of such unbalanced relationships perceive trust and how it changes over time is of interest.

Review of the literature showed that trust-related issues were studied widely; however trust in the context of the relationships: small logistics provider - large customer is not covered. Authors' intention is to cover this knowledge gap and have a particular contribution in logistics literature. Thus, the purpose of this study is given in the next section.

1.3 Purpose

The purpose of this paper is to gain better understanding whether there is a gap in perception of trust between small and big company; what is the dynamics of trust between small logistics provider and big customer companies?

1.4 Research questions

In order to better fulfill our purpose we have formulated two research questions. They are as following:

RQ 1: How do small supplier and big customer perceive trust?

RQ 2: How trust has changed between companies and why?

1.5 Limitations

This research is limited to the fact that no other companies were investigated here except for Swedish organizations. Furthermore, the study was conducted in the context of small and big companies, that's why it is not necessary applicable for other contexts. Moreover, companies which were participating in the study are logistics companies, which mean other industries were not regarded.

2 Frame of references

The main framework for the literature review includes the following issues: features of small companies; relationships between small and big companies highlighted by the authors. Trust description was given in the follow-up section, trust image; trust dynamics section highlighted how trust might be changed depending on different conditions.

2.1 Overview

The study is focused on the relationships among supply chain partners: large customer of logistics services outsourcing to small logistics provider. For the purpose to receive an insight into theoretical background of the similar relationships, the relevant literature sources were reviewed. Thus, academic contribution in supply chain management, logistics, outsourcing and some marketing was regarded.

2.2 Features of SMEs

First of all, it seems logic to specify which companies are considered to be as SMEs. Thus, this abbreviation incorporates both small and medium-sized enterprises. According to the EU law the main factors determining whether a company refers to SME are the number of employees and turnover or balance sheets (*EU recommendation 2003/361*):

1. Number of employees (Micro < 10, Small < 50, Medium sized < 250)
2. Either turnover or balance sheet total (Micro ≤ € 2 m, Medium ≤ € 10 m, Medium sized ≤ € 50 m). While analyzing SMEs, researchers often talk about the features of SMEs. For example, Nicolescu (2009) proposed a model of the general features of SMEs' organization system:

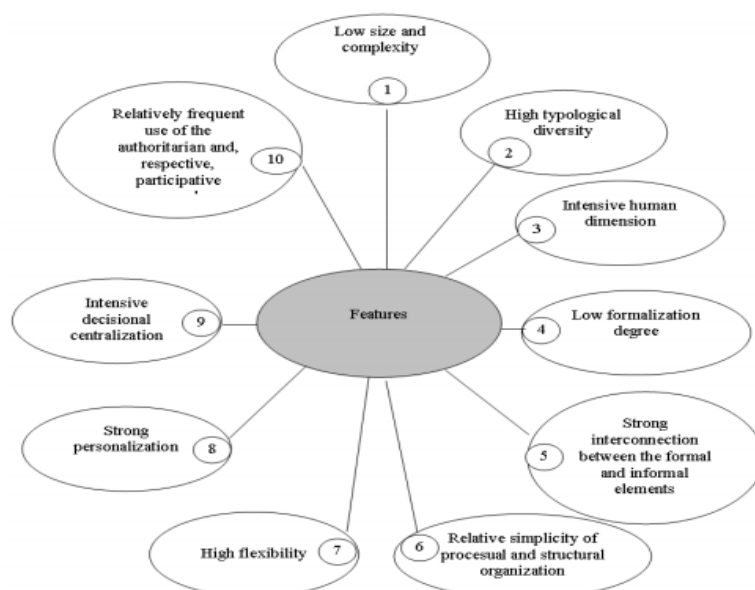


Figure 2.1 General features of the SMEs organization system.

Source: *Ovidiu Nocolescu, Main Features of SMEs Organization System (2009).*

The size of small enterprise is directly reflected in the small size of their organization systems which can be expressed by indicators such as limited number of positions and employees, low hierarchy associated with a low complexity. Each type of the organizational system could present a certain constructive and functional features that reflect the specificity of the type of a company.

High typological diversity means a certain type of organizational system is corresponding to each type of SMEs. They can differ from micro to small, medium; industrial, commercial, service, and agricultural, among others (Nocolescu, 2009).

The intensive of human dimension in SMEs is comparatively higher than in large companies, some employees even responsible for several departments. On one hand, small number of involved persons leads to a direct and frequent relationship between them. On the other hand, close relationship between them and the entrepreneur also exist. This explains the intensity of the human dimension.

As for the organization systems formalization, it is amplified with the enterprise's size. Usually, bigger companies have more intensive formalization. This phenomenon is reflected in the fact that there are less organizational and operational handbook and function descriptions at the small enterprise level. Nocolescu (2009) argued that it is important for SMEs to keep in mind that the formalization of the system should not be approached as an objective, but as a method of increasing the company's performances.

Strong interconnection between formal and informal elements is a result of both strong human dimension of SMEs and low degree of their formalization. In SMEs, the content of company's spirit, the way of developing the SMEs is usually starting with person or very few numbers of persons, and it is why the elements of the informal organization are intensely mixed with the formal ones.

Small size of company means that it has smaller volume of labor force and less labor processes involved. For this reason, small size and complexity of the enterprise present relatively low procedural organization which leads to a simple structural system.

High flexibility of SMEs is generated mainly from small quantity of resources and small volume of activities with low complexity as well as the entrepreneur dominant company structure. It is possible and logic to assert that a small company at its starting point becomes a result of entrepreneur's efforts and capability. Since entrepreneur is the unique or main owner of the company strong personalization and intensive decisional centralization exist in SMEs as well as a relatively frequent use of the authoritarian and participative approach (Nocolescu, 2009).

2.3 Large companies vs SMEs

Large companies often find themselves positioned against smaller companies in the markets and the size is not always a advantage in today's competitive business due to that small companies are more flexible and specialize in one or a few markets with a limited number of technologies.

Many large companies are seeking to restore some characteristics of small company to their own companies in order to keep competitive advantages. These companies would like to have more focus associated with the small company, while maintaining the advantages of resources in a large company (Calvin, 1995).

Generally, the capabilities or features of large and small companies are quite different. For example, large companies have the financial strength needed to fund troubled department with earnings from other profitable departments in order to conduct the whole company's performance and establish leadership position. Large companies have specialized expertise in support of its core capabilities and functions. These include R&D, government affairs, environment issues, market analyzing etc. Small companies, on the other hand, are prominent for their business focus, as they often involved only in a few markets or supply chains. Due to the employees in small companies have a better understanding of the key role a customer plays in business performance, small companies are viewed as being more customer-oriented. A small company often has in-depth professional knowledge in its specific area of focus. It could provide a more clear relationship between individual efforts and company success (Calvin, 1995). Besides, as one of the most important attributes, a business strategy of big firm also differs from the small ones. Usually, large firms have their own core attributes and their own decision-making processes that often differ significantly from those of small firms. SMEs and large firms address the business opportunities and threats they perceive in their business environments in their own ways. Thus, the strategic orientation the large firm has, as determined by the way in which they change their products, service, and markets, logically differs from those the small firms have (Kumar, Boesso, Favotto & Menini, 1994).

In Kumar's research, he proposed that firms can be divided into two groups based on the firm's business attitude toward customers. These two types are "prospector" orientation, "defender" or "reactor" orientation. He found that large firms normally conducting business with a "prospector" orientation while the most of the SMEs had a "defender" or "reactor" orientation (Kumar, 2010).

According to Miles & Snow's (1978) typology, "prospectors" are enterprises highly concentrate on products, services and market innovation so that can maximize new business opportunities and pioneer innovations to meet market demands. On the other hand, "defenders", by contrast, have more narrowed product market domain, less new products development, avoid unnecessary risks and only focus on operational efficiency. "Reactors" is not a stable type of strategy because companies are not able to respond to environment changing effectively, making adaptations only when forced to do so by the external pressures (Miles & Snow 1978). In Kumar's research, results also showed that, in general, SMEs had adopted a defensive posture, introducing products that involve low novelty of innovation, a small number of SMEs were able to innovate successfully in all product categories (Kumar, 2010).

2.4 Trust Image

2.4.1 Trust Antecedents

Trust antecedents and outcomes are widely considered by academics. The most often mentioned factor which leads to trust in the partner (supplier) is *reputation*. Reputation factor was highlighted by Ganesan (1994), Doney & Cannon (1997), Kwon & Suh (2004), Jones et al (2010), and followed up by Wagner et al. (2011). This factor plays crucial role on the initial stage when the new SC relationships commence and effects the customer's perception of supplier positively or negatively. As Doney & Cannon (1997, p.37) defined reputation it is the "*extent to which firms and people in the industry believe a supplier is honest and concerned about its customers*". Thus, a company's successful relationships with other firms (other customers) are a signal to potential clients about its trustworthy and reliable future relationships.

However, reputation is not the only factor influencing the customers "belief" in the provider. The latter authors also claim that *size* of the supplier company plays important role to be considered trustworthy. Size of the company encompasses the overall firm's size and its market share (Doney & Cannon, 1997). In short, large companies are likely to be regarded as more trustworthy, than small ones. These firms work at the wide arena having business with large amount of partners. It creates a certain degree of trust in this company since it could build relationships with numerous firms. Moreover, from the clients' vision of large partners they may lose more in case of opportunistic behavior (Doney & Cannon, 1997). That's why they will hardly perform this attitude towards their customers.

Besides, Doney & Cannon (1997) mentioned *satisfaction* and *experience* as the factors which may lead to trust in relationships. Curtis, Abrat, Rhoades, & Dion (2011) linked satisfaction with customer loyalty which may cause re-purchasing behavior. It means that customer's satisfaction in the quality of service performed by provider leads to desire working together in order to obtain the same level of service. Experience of cooperation with the same partners gives deeper knowledge about their needs and, thus, let meet them better.

Antecedents to trust mentioned in this section play an important role in an attempt to build trust. From the characteristics given to these factors it is possible to understand that they take their place in different stages of relationships. Thus, reputation (which can be positive or negative) and size of the company are more likely to be regarded when the customer on the stage of selecting the partner. Satisfaction is appearing after one and more transactions fulfilled successfully. Experience always requires time. Thus, this factor may lead to trust in partner if they have had business together for a long time.

2.4.2 Types of trust

There are many classifications of trust given in the academic literature. For example, Jarvenpaa & Tiller (2001) differentiated institution-based trust and interpersonal trust. From the interaction between trust and conflict perspective Lewicki & Wiethoff (2000) divided trust into two types which are professional relationships based and interpersonal relationships based when looking at the relationship between trust and conflict. Since relationships are strongly relied on different levels of trust, if it breaks down, conflict may arise among different parties and layers of whole

supply chain, from supplier to customer. Lewicki & Wiethoff (2000) claimed that professional relationships are normally task-oriented and focus on achieving objectives, while personal relationships deal more in the social or emotional realm and focus on the relationship itself.

Similar to the latter researches, Lindgreen (2003) gave the typology of trust when perceiving buyer-seller relationships. He illustrated generalised trust, system trust, process-based trust, and personality-based trust. Later some of these trust types found their support in the article by Breite & Immonen (2011). They described personal trust and system-based trust which became similar to system trust and personality-based trust mentioned by Lindgreen (2003).

The authors of this paper found the classification of both articles interesting because it has captured a significant degree of academics attention. However, not all the types were applied by the researches of this paper. Only three types of trust have been chosen by authors for the thesis: system trust, personality-based trust, and process-based trust. Authors believe that the following types may give a better understanding of trust perception by each case company. The description of trust types chosen are given below:

System trust takes place when people base their trust on the written regulations and, as it mentioned previously, contracts (Lindgreen, 2003). System based trust is embedded in predictable performance processes, contracts and institutional organizational behavior (Breite & Immonen, 2011).

Personality-based trust is associated with the individual's personality and depends on the one's willingness to trust the partner. As the author is saying it is crucially significant at the initial stage of the relationships (Lindgreen, 2003). Personal trust is a base for intentional commitment. However, it is vulnerable and dependent on individual actors (Breite & Immonen, 2011).

Process-based trust. Repeated interactions between two partners affect this type of trust. This type of trust is developing over time and depends on the behavior of each partner and the history of interactions among the partners. "*Process-based trust moves from being fragile to being resilient*" (Lindgreen, 2003, p.314).

2.4.3 Variables of trust

The fact that trust does not have a common definition leads to numerous trust-related variables. Among the variables associated with trust are fairness, goodness, ability, benevolence, honesty and predictability (Mcknight & Chervany, 2001). Ganesan (1994) supplement trust image with credibility. However, Mayer, Davis & Schoorman,(1995) sort out only ability, benevolence and one more element – integrity, as the most important construct. Such terms as cooperation, confidence, and predictability named by Mayer et al (1995) as wrongly applied synonymous to trust.

Svensson (2006), in his turn, focused the research on the importance of trust and sort out trust "dimensions" gathered from different sources (Svensson, 2006, p. 137). Thus, it became obvious, that academics payed significant attention to trust-related elements, variables, dimensions, whatever they were called. The authors of this thesis decided to chose the most appropriate variables for this study from those offered by the Svensson (2006). However, this researcher didn't give definitions of the dimensions. That's why the authors of this paper realized

that it is reasonable to complete the list of dimensions or, so to say, variables with their definitions. Relevant literature was reviewed for this purpose. Finally, the list of variables chosen by authors and their definitions are specified in the Table 2.1

Table 2.1 Variables of trust and their definitions

Variable	Definition & source
<i>Competence</i>	Ibrahim & Ribbers (2009) explain competence in several ways. First, competence is identified as the ability to interpret information correctly. Moreover, under the competence certain skills and knowledge are understood. Also, it is associated with an ability to perceive patterns more effectively.
<i>Confidence</i>	Confidence can be defined as: "[...] <i>the belief, based on experience and evidence that certain future events will occur as expected</i> " (Lymperopoulos, Chaniotakis, & Rigopoulou (2010), p.723).
<i>Expertness</i>	This variable is addressed by Delli & Vera (2003) to the issue of competence.
<i>Integrity</i>	It is identified as " <i>the consistency of an acting entity's words and actions</i> " (Palanski, Kahai, & Yammarino, 2011, p.203).
<i>Benevolence</i>	It is " <i>based on the extend that the customer believes that provider has intentions and motives beneficial to the customer when new conditions arise; conditions to which a commitment has not yet been made</i> " (Hofer et al, 2009, p. 145).
<i>Fairness</i>	Refers to the perception by the individual that a particular activity in which they are a participant is conducted fairly (Culnan, & Armstrong (1999).
<i>Congruence</i>	It perceives a certain degree of matching between some parts. For example, Lundin (2007) sorted out 'goal congruence' focusing on the similarity of companies' goals.
<i>Loyalty</i>	It was mentioned by Chow & Holden (1997) as referring to the issues of building and sustaining a relationship with customers. However, repurchase is not sufficient evidence of buyer's loyalty. As the authors said it should be a result of an intentional strategy (Chow & Holden, 1997).
<i>Predictability</i>	The prediction process of developing trust relies on one party's ability to forecast another party's behavior (Doney & Cannon, 1997).
<i>Ability</i>	It is " <i>group of skills, competencies, and characteristics that enable a party to have influence within some specific domain</i> " (Mayer et al, 1995, p.717)
<i>Liking</i>	The author thinks that the feeling of liking has been always considered as the motivation for the relationships and their development (Nicholson et al, 2001). Authors define liking as " <i>...emotional connection that one feels for another that can be viewed as fondness or affection – the feeling that goes beyond the mere acceptance of a competent business partner</i> " (Nicholson, Compeau & Sethi, 2001, p.5)
<i>Respect</i>	Dillon (2010) identifies that respect always can be found in relation of subject to object where subject is always a person, but object is not necessarily. As the author is saying " <i>respect, that is, involves certain beliefs, perceptions, and judgments, certain emotions, feelings, and ways of experiencing things, and for some forms of respect, certain modes of valuing and certain dispositions to behave, in connection with the object.</i> " (Dillon, 2010, p.18)
<i>Intentions</i>	From the perspective of social psychology " <i>Intentions have been defined as both abstract end-states (i.e., goals) and behavioral means of reaching those end-states (i.e., plans)</i> " by von Suchodoletz & Ahtziger (2011, p.87). When this element was searched within the trust-related context it refers to customers and their "purchase intentions" and "behavior intentions" (Harris & Goode, 2010).
<i>Altruism</i>	It is defined by researches as " <i>self-destructive behavior performed for the benefit of others</i> " Piliavin, & Hong-Wen (1990, p.29).
<i>Faith</i>	It is defined as state of mind consisting in (1) honesty of belief or purpose, (2) faithfulness to one's duty or obligation, (3) observance of reasonable commercial standards of fair dealing in a given trade or business, or (4) absence of intent to defraud or to seek unconscionable advantage (Furlow, 2009, p.1062)
<i>Acceptance</i>	Refers to the conscious decision to abandon one's agenda to have a different experience and an active process of 'allowing' current thoughts, feelings and sensations (Hayes, Strosahl & Willson, 1999, p. 36)
<i>Openness</i>	A strong belief in visibility and directness, the need for, and the belief in control and regulation (Isabel, 2004, p.67)
<i>Consistency</i>	It is the requirement that a series of measurements of the same task carried out by different raters using the same method should generate the similar results (Mong et al, 2006)

2.5 Trust dynamics

2.5.1 Trust & SC collaboration

Trust in supply chains is not a new topic. As one of the most critical factors in a committed and collaborative relationship between supply chains partners, trust has been discussed all the time. However, it continues to draw a huge share of attention from supply practitioners and academicians. This is definitely not coincidental. Since all supply chain theories and practices are predicated on better understanding all types of relationships in supply chain, trust is always taking a very prominent position and significant role in the ongoing quest to comprehend the depth and breadth of variables governing buyer-supplier interactions (Fawcett & William, 2004). If a good atmosphere of trust existing among supply chain participants, there is a great chances to achieve a successful supply chain relationship and improve supply chain performance continuously. But if not, transaction costs can rise through poor performance. Organizations need trust in order to be flexible and agile.

In the recent time it became evident that closer collaboration between partners has positive outcomes in their relationships. In work of Whipple & Russell (2007, p.175) collaboration is defined as "*two or more independent companies work jointly to plan and execute supply chain operations with greater success than when acting in isolation*". Thus, companies wish to work closer perceiving higher level of performance for each partner. Specifically in logistics, Sanders & Premus (2005) state that more intensive collaboration between partners leads to more effective coordination of operational functions and logistics processes between organizations.

Since collaboration requires the intensive sharing of data between partners it means that simple transaction (arm-length) relationships are not the area where collaboration may exist. As long as collaborative relationships rely on closer work, joint planning and shared benefits they more directed on the long-run business rather than on short-term transactions. This type of relationship views high degree of commitment and trust between partners (Ferrer, Santa, Hyland, & Bretherton, (2010).

Researches named different types of buyer-supplier relationships moving from single transactions to more complex relationships. Among them are: single transactions, repeated transactions, partnership agreement, third party agreement, and integrated logistics service agreement (Skjoett-Larsen, 2000). In their turn, Sanders et al (2007) sorted out nonstrategic transactions, contractual relationships, partnership, and alliance. However, partnership and alliance are studied as two of the most collaborative type of SC relationships. Skjoett-Larsen (2000, p. 114) said that in *partnerships* partners try to collaborate establishing more efficient procedures and systems although a customer prefers to leave the management over the functions but "externalize the logistics functions" to provider. "*Partnership is used to connote strong and enduring trust between client and supplier [...]*" (Sanders et al, 2007, p. 8). Moore & Cunningham (1999) have formulated a scope of logistics *alliance* characteristics: long-term orientation, cooperative behavior between parties, coordinated actions, have mutual goals and benefits. Moreover, alliance give considerable advantages for the participants like access to new resources, markets, improve the competitiveness. Thus, more complex relationships are more

collaborative and require trust development between parties. As Ferrer et al. (2010) state presence or lack of trust drives the success or failure (respectively) of a SC alliance.

2.5.2 Trust & Outsourcing

Definition of outsourcing mentioned by Borgström and Hertz (2009, p. 3) says that "*it refers to the purchasing from an external supplier of a function previously done within the company*". Outsourcing the core business of your firm's supply chain to a third party logistics provider has now become the norm across the international business world. However, it is extremely important to identify the right provider, who can fulfill your particular requirements and maintain an enduring and good relationship. Trust could be one of the most effective tool of binding both outsource provider and customer (Berry, 2004).

When it comes to outsourcing trust is also gain significant attention among academics and practitioners. Thus, Millar (1997) emphasized the significance of trust in outsourcing solutions by following words: "*Trust is the new business trend, once you begin outsourcing core activities, there's not enough money in the world to save if trust isn't a major part of the offering.*" (Millar, 1997, p. 67).

In order to obtain a picture of possible outsourcing arrangements and trust changes the theory of Sanders, Locke, Moore, & Autry (2007) was used in this thesis. In general, outsourcing agreements in order to be successful, requiring a particular level of trust between the customer and an outsourcing provider. However, as it is given by Sanders et al. (2007), outsourcing may take different forms distinguished in scope of provider's responsibility given by the client. Thus, researches gave four outsourcing arrangements starting from simple moving to more complex. Researches gave a description of the following outsourcing arrangements (Sanders et al., 2007):

Out-tasking. It is the simplest form of outsourcing. Supplier performs a relatively small or one part out of the whole function.

Co-managed services exist when a client and a provider have shared responsibilities over some operations and parties act collaboratively. However, the functions performed by the provider do not have a high degree of strategic significance.

Managed Services are to be performed by the provider. It means that the scope of the tasks is increasing and requires higher responsibility from the provider. Now party is responsible for the whole parts of the process, from design to implementation.

When *Full Outsourcing* is assigned between parties supplier has to take care not only of the operational steps of the process but rather of the management and strategic issues. Services performed here are customized.

It is common that these forms directly correspond to the criticality of tasks. For example, first form, out-tasking, may perform some tactical tasks, whereas full outsourcing is associated with strategic or critical responsibility (Sanders et al., 2007). Thus, tasks performing by the provider increase in their complexity and relationships become more relational than contractual in its nature. And, consequently, as it was already mentioned that this kind of relationship perceives higher levels of trust in comparison with out-tasking.

2.5.3 Trust & SC relationships' effectiveness

Commonly effectiveness is understood as the ability to gain desired outcome. From the client or shipper perspective effectiveness is used for identifying how satisfied, productive, and worthwhile are logistics relationships with provider (Moore & Cunningham, 1999). Similar opinion is expressed by Moore (1998).

Generally, trust has direct link with relationships effectiveness. Companies, creating partnerships, alliances aim particular benefits due to their cooperation. Having gained these objectives relationships are to be considered as effective and vice versa (Moore, 1998). Effective relationships create customer loyalty and let perceive the other party as trustworthy thus increasing trust between partners. However, researcher specified, that the relationships effectiveness is even more affected by the negative relational factor as conflict than trust. Moore & Cunningham (1999) proved in their research that shippers in effective logistics relationships perceive higher levels of trust than in less-effective.

2.5.4 Effective organization. What does it mean?

An effective organization can be defined *as thinking differently, doing the right things in the right time and getting to the future first for less* (Guerra, 2009, p.124).

To achieve an effective organization, it requires the high co-ordination and close integration between departments internally, and contributions of individuals within the company. This implies that any failed role performing from whether an individual or a department of the company should considerably reduce the company's effectiveness. (Guerra, 2009).

Organizational effectiveness can be defined as being effective, efficient, satisfying, adaptive and developing, and ultimately surviving. To be effective, today's organizations need to strike a generally acceptable balance between organizational and societal goals. Determining effective criteria requires frequent review and updating (Kreitner, 2005). More specifically, the effectiveness of any company or organization can be considered from the following aspects. (Guerra, 2009).

- Delighting customers
- Advancing toward your vision
- Fulfilling your aspirations
- Developing your employees and their aspirations
- Making a positive impact on your community

According to the analysis of Chien's research data, he proposed that there are seven factors that may have influence organizational effectiveness (Chien, 2010):

- Personal characteristics
- Leadership styles
- Organizational culture
- Working environment

- Model of organizational operation
- Flexibility
- Organizational commitment

In effective organization, personal characteristics can have direct impact on business performance especially for managers. Managers with good personal characteristics usually have more flexible personal management skills that are the building blocks for good morale. If an employer willing to succeed in the market, there is no doubt that employees must be motivated. They must possess the ability to set and meet reasonable business goals. It is necessary to plan out work in advance, setting work performance expectations and goals for both groups and individual so that they can adjust themselves toward achieving organization's objectives. To make employees involved in the business planning process will help employee understand the goals and expectations of the organization, what needs to be achieved, in which way it needs to be done, and how well it should be done (Chien, 2010).

2.5.5 Conflicts & Trust

Among factors which have negative sight towards trust building, there are conflict and uncertainty (Moore 1998; Kwon & Suh, 2004). Conflict, under Moore (1998, p.29) *“is the overall disagreement in a relationship that can be characterized by mutual interference or blocking behavior”*. Moreover, this factor is inherent and present in relationships between companies. As the author stated when the conflict is increasing level of trust and effectiveness in relationships decreasing. Thus, it influence negatively on the relationships. However, Morris and Carter divide the phenomenon ‘conflict’ into two stances: functional conflict and dysfunctional conflict, where first one is able to help with problem solving in relationships (Morris & Carter, 2005). Uncertainty, or as Kwon and Suh (2004) defined it behavior uncertainty, makes it difficult to evaluate a partner performance. Consequently, it may be costly for a company to evaluate the performance of the firm in unclear conditions. Thus, it leads to lower trust level in other company. Reduced uncertainty or by other words better information exchange, collaborative planning leads to increase levels of trust between SC partners (Kwon and Suh, 2004).

Customer trust is the core value and the essence of quality service because it communicates one-half of a partnership reaching out to the other half. Customers are normally loyal and trust to providers who trust them and they abandon those who treat them with suspicion which usually generate conflicts of trust (Bell, 1993). It has been recognition among organizational theorists that suspicion and distrust are common problems within many organizations (Kramer, 1999).

In customer-supplier relationship, the conflict of trust is generated from specific questions of the core business, such as do customers trust its supplier to do what is right for them? Do they generally believe that what the supplier said is true? Are customers willing to risk their business on whether provider will deliver the products as promised with right amount in right time and right place? To deal with all the suspicion and distrust questions mentioned above, honesty and transparency of both parties are needed (Stein, 2006).

If consider the relationships between customer and supplier a gap may exist between the level of performance that customers need and what actually they are receiving from suppliers. This gap

manifests itself in a number of unproductive ways: customers become reluctant to tell their providers the facts of their budgets, their decision-making processes, and their future plans. These gaps need to be filled in order for suppliers to sell more products and services at better margins with more predictability. And at the same time, customers are fulfilled with products and services that they received (Stein, 2006).

As for Stein (2006) he proposed some suggestions how to fill in these gaps. They are the following: understand precisely how your corporate values are connected with your products, services, benefits, and capabilities which are presented and offered to your customers. Besides, clearly indentify and publish what are the acceptable behaviors and what aren't. In some cases supplier needs to provide training for the employees to manage and fulfill customer objects and needs (Stein, 2006).

Bell (2006) expressed other opinion how to help suppliers to demonstrate trust to customers. For the first, he suggested considering a service guarantee. It is important to make sure the guarantee is easy to explain, simple to administer, and easy for the customer to understand. For the second, review the organization's credit policy. Does the policy make customers prove they are not crooks before being trusted? Rewrite them with an eye demonstrating trust. For the third, keep in mind that trusting customers start with trusting employees.

The strength of trust is that it is able beget trust in return. If you show enough trust to customers, they will trust you back. Such trust shapes their perception of you as a service provider. *“They will perceive you as much ‘easier to do business with’ than other providers. They will be more tolerant, more patient, and more forgiving when mistakes occur, even defending you to other customers”* (Bell, 2006, p.58).

2.5.6 Power & Trust

A general definition of supplier and customer satisfaction in the supply chain context can be described as a feeling of equity with the supply chain relationship no matter what power imbalances exists between the buyer–seller dyad. When formulating the supply chain strategy and processes, it is important for a firm to have a comprehensive understand of its chain partner in all respects, sources, power imbalances, and consequences of power, so that the power can be used in a most beneficial way that directed to achieve effective supply chain performance and player’s satisfaction. The exploration of the impacts of power issue on trust of both supplier and customers will provide the key to understanding the power-satisfaction link in a supply chain relationships, thus, the power factor must be taken into account in any examination of supply chain partnerships (Bentona & Maloni, 2005). And similarly, Ireland & Webb (2006) proposed that when power and trust are simultaneously and equally managed among participants in strategic supply chains, firms will be more fully committed to supply chain efficiency and effectiveness.

The concept of power is often discussed in many academic research papers, and some useful definitions have emerged in the literature. Weber (1947, p.152) defines power as *“the probability that one actor within a social relationship will be in a position to carry out his own will despite resistance”*. And similarly, Hart & Saunders’ (1997, p.26) viewed power as a firm's *“capacity to*

influence change in another firm” .The power in the relationships is balanced when two people or companies are equally dependent on each other. But in some particular situations when there are the relationships between large customer and small provider, pronounced power is imbalanced between actors (Perronsa, 2009). These kinds of imbalance can derive from unequal value in the resources that two companies control for each other (Molm, 1997).

For most of large company, they are very interested in logistics integration in order to enhance their competitive advantages and this interest has impacts on SMEs to some extent. It results in the logistics integration becomes one of the most significant challenges for many small and medium-sized enterprises (SMEs) in nowadays business. However, for many SMEs, logistics chain integration quite often is started by pressure from customers. Actually, large firms, for several reasons but in particular because of the need to adopt a pull approach where the market pulls production rather than the traditional push approach, tend to have an increasingly global vision of their logistics chain (De Toni, Nassimbeni, & Tonchia, 1995, p.243). There is a growing trend that lots of SMEs are under the pressure from large companies to change their traditional management styles, both operationally and organizationally (Rene & Yvon, 2004). For instance, large firms always are able to appropriate valuable technologies from a smaller company and then discontinue the relationship before the smaller firm is able to extract an appropriate portion of resources in reciprocity (Alvarez & Barney, 2001, p.140).

Similar to trust, power can be viewed as a multi-dimensional constructs. It can be commonly categorized as coercive power or non-coercive power. Coercive power refers to actors’ control of negative outcomes with the intention of gaining rewards or compensation from a partner through punishment sanctions. It involves influence strategies that the buyer specifically conducting to the buyer and it represents the competitive and negative uses of power. Non-coercive power which is more relational and positive in orientation, is an ability to provide rewards in promoting desired behaviors. And the reward form of power may serve as a more effective substitute for trust than coercive power does. (Lane & Bachmann, 1997 & Molm, 1997). And numerous researchers argued that power sources tend to use the non-coercive to influence strategies, which has been supported by the idea that use of coercion may risk the power advantage while non-coercive techniques can increase the power advantage (Boyle & Dwyer, 1995, Maloni & Benton, 2005).

Trust and power are complementary each other, but at the same time they are opposing components of social behavior. Firms can strategically adjust social relations to get desired results by understanding the dynamics of trust and power. In some cases, some disadvantages of trust and power could appear, and most of them stemmed from the high levels of trust. As one firm has increasing amounts of trust in its partner, the firm actually magnifies the extent to which its partner can highly acting opportunistically. And in the other way around, power may be easily misperceived as untrustworthy, partner’s benefits from specific behaviors that facilitate transparency in and favorable attitudes toward the relationships (Ireland & Webb 2006).

3. Methodology

This chapter is due to highlight the methodology addressing to the purpose of this master thesis. The chapter incorporates six subdivisions to cover the researches' choices of study approach, strategy, and tools of collecting data. Moreover, rest sections cover issues of validity, reliability and issues of ethics.

3.1 Research approach: Deductive or Inductive

There are commonly used approaches in science field to conduct research. They are deductive and inductive approaches. The approach chosen for study correlates with the purpose of the thesis. The main difference between these two ways is whether researcher intends to start from the general to particular or vice versa. Thus, Saunders, Lewis, & Thornhil (2009, p.124) distinguish deductive approach as one where “*you develop a theory and hypothesis (or hypothesis) and design a research strategy to test the hypotheses*” moving from general to particular. Then the author continues with Inductive approach which is opposite to deductive. Using this approach a researcher collects data and works out a theory which becomes a result of qualitative research. Merriam (2009), supporting this idea, states that researches working inductively gather data in order to build concepts, hypotheses, and theories.

Nevertheless, there are other differences between deductive and inductive studies. Saunders et al (2009) differentiates inductive approach by its better flexibility in contrast to deductive. Both ways involve collecting of data, however, deductive way emphasizes collection of quantitative data, and inductive way – collecting of qualitative data. Moreover, in the process of data gathering the researcher plays significant role and becomes a part of the research process in inductive approach. In case of deductive study researches stands independently from what is being researched. By the way, deductive study goes through the causal relationships between variables; inductive approach devotes a significant attention to context in which the phenomenon takes place.

In this thesis we use inductive approach in order to end up with the concept which gives the understanding how trust influences business relationships between small logistic provider and large company. For this purpose the authors of the thesis conducted interviews. This is discussed in next sections. Inductive approach let researches receive a deep insight into the context where the phenomenon exist and see how and why something is happening.

3.2 Research strategy-Case study

Besides our choice of Case study as the research strategy for this thesis there is a considerable amount of options to choose by the researcher. Saunders et al. (2009) sort out the following strategies: experiment, survey, case study, action research, grounded theory, ethnography, and archival research. Purpose of the thesis and its research questions settled by the authors became

the driving force for the research strategy choice. Research strategies differ by the role of the researcher in the study, the way of obtaining empirical data, among others. And it is the researcher responsibility to choose appropriate strategy for study.

Yin (2003) gave several suggestions of what to consider when one is on the stage to make the choice of strategy. Thus, there are three conditions to bear in mind:

- a) Type of research question posed
- b) The extent of control the researcher has over the actual events during investigation
- c) The degree of focus on contemporary events vs historical

In this thesis case study strategy is used by the authors. Saunders et al. (2009, p.145) gives the definition to the case study. Thus, case study is “*a strategy for doing research which involves the empirical investigation of a particular contemporary phenomenon within its real life context using multiple sources of evidence*”.

To meet the purpose of the paper authors intend to answer the research questions of type *how* and *why*, mentioned by Yin (2003), and in some situations *what* which more related to case study, rather than *who*, *where*, *how much*, *how many* which are to be used in survey. Thus, the intention to figure out what are the trust-related variables from the participants’ perspectives, how trust influence relationships need to be explored with the case study framework. Moreover, the context within which trust is to be studied, smaller provider – large customer, is of authors’ paramount interest because it hasn’t been covered by the previous researches and requires deeper insight. Nevertheless, the paper does not require the overall control during the empirical part of the research. Merriam (2009) think that the case study is likely to be used when the investigator has less control “over a contemporary set of events”. Authors want to understand the phenomenon, describe and interpret events due to the collection of necessary data.

In this thesis, authors intend to see possible changes of trust. Thus, if some changes have appeared they might happen over some period of time. It means that the investigation is intend to be longitudinal answering the question: *Has there been any change over a period of time?* (Saunders et al., 2009, p.156). It is emphasized by the author that time horizons aspect is rather independent from the researcher’s choice of the method approach or strategy (Saunders, 2009) that’s why it is possible to go over time within case study.

As it was mentioned before the idea is to consider the relationships between small provider and large customer. First, Högländs Logistics Center AB (HLC) Company was selected as a small logistics provider. Then, Schenker Dedicated Services AB (SDS) was chosen among other HLC’ partners as the most appropriate party for this case, which considered as a large powerful company outsourcing to the smaller provider. Moreover, these parties have quite serious perspectives on their future relationships. Finally, topic was introduced to both companies: personally – to HLC; by e-mail – to SDS. Managers of both companies became interested in the study and agreed to participate.

3.3 Exploratory, Descriptive or Explanatory

Yin (2003), cited by Saunders et al., (2009) claims that exploratory, descriptive, and explanatory research can be applied within any research strategy has been chosen. Although this study is exploratory and explanatory, it is necessary to give a description of possible characteristics. Each of these three characteristics has its own specifics.

Thus, when investigator chooses *exploratory* study it means that h/she intends to clarify the understanding of the problem (Saunders, 2009). Moreover, as the author defines here, exploratory study is rather flexible and may change its direction within the process of investigation if new data appear. Explorative research is not precisely determined in the beginning and getting narrower within the flow of study. *Descriptive* research portrays an ‘*accurate profile of persons, events or situations*’ (Robson, 2002, cited by Saunders et al., 2009, p.140). In contrast to explorative, within descriptive study it is necessary to obtain the considerable amount of information upon the problem prior the data gathering. This kind of study is widely used in practice and often combined with explanatory. Thus, it may result in discripto-explanatory study. *Explanatory* research is characterized by its intention to illuminate the causal relationships between variables (Saunders et al., 2009). It may be considered as a next step or continuation of the descriptive method. The research of this kind describes how and why the phenomenon is happening in particular context. This approach requires planned and structured design. In some sources of literature this type of research is known as Causal Research and used to obtain ‘cause-and-effect’ relationships (Malhota & Birks, 2006).

This thesis is exploratory and explanatory in its nature. Trust phenomenon is widely explored by numerous of authors, however not in the particular environment. Thus, the authors want to explore trust phenomenon in specific context and see cause-and-effect dependence.

3.4 Qualitative or Quantitative Research

According to Jha (2008), any discussion and analysis of research method is dichotomized and presented in either a quantitative or a qualitative category due to the two paradigms have been assumed to be polar opposites and, among some, even separate and distinct scientific absolutes.

Quantitative research is normally referred to research that using hypothesis testing approach. As Qualitative researchers attempt to make sense of, interpret phenomena in terms of the meanings people bring to them by studying things in their natural setting. Qualitative research involves the use and collection of a variety of empirical materials and data, case study, personal experience, questionnaire, introspective, life story, interview, observational, interactions, and visual texts - the described routine and problematic moments and meanings in one’s individual lives (Jha, 2008).

The main difference between a quantitative and a qualitative research is the research process, emphasis and the purpose of the research (Saunders et al., 2003). If the research objective is try to describe or illustrate a situation or phenomenon and the information is gathered by using variables measured in a qualitative measurement context and are further analyzed in the situation by establishing the variation in it without quantifying it, then the study can be defined as

qualitative. And on the other hand, if the information is gathered about variation in a situation or in a phenomenon by using quantitative variables, then the study should be defined as quantitative (Kumar, 1999).

For the purpose to meet the objective of the paper and gain interpretation of the phenomenon by respondents' the authors of the paper decided to do it in a qualitative analyzing structure which is co-related with interviews. Therefore, the research is highly relying on empirical material, namely case companies' experience and interviews with the employees.

3.5 Collection of data

As discussed above, we are using a qualitative research strategy which result in the qualitative data need. *Data refers to a collection of natural phenomena descriptors, including the result of experience, observation, test or experiment, or a set of premises. This may consist of numbers, symbols, words, or images, particularly as measurements or observations of a set of variables. There are two sources data which are primary Source data and secondary Source data.* (Sachdeva, 2009)

3.5.1 Primary data – Interview

Primary source is used to collect initial material in the research process. Primary data is the data that the researcher collects by himself/herself by using methods such as surveys, direct observations, interview, as well as logs (objective data sources).

According to Trochim (2001) there are some of the major categories or types of collecting it: direct observation, written documents, in-depth Interviews. The authors of this paper conducted in-depth interviews with the employees of the companies. The main purpose of interviewing people was to gain their ideas, opinions, and experiences on the topic presented.

In-Depth Interviews may include both individual interviews as well as "group" interviews (including focus groups) and can be conducted by a wide variety of approaches, face to face, phone, etc. However, interviews within current study were arranged individually with selected personnel. They took place in the offices of each company by face-to-face contact. As it is suggested, data can be recorded in many ways, such as audio recording, video recording, written notes, photos or drawings. Authors of this study were allowed to make an audio record using their mobile phones.

According to Merriam (2009), there are three following types of interview: highly structured, semi-structured, and unstructured. And the way of deciding which type of interview to use is by determining the amount of structure desired.

By the authors of this thesis semi-structured interviews were hold. Semi-structured interview includes a mix of more and less structured questions, all questions used flexibly, largest part of interview guided by list of questions or issues to be explored (Merriam, 2009). Semi-structured interview allowed authors to paraphrase some questions, ask some follow-up questions if it was necessary for better participants' understanding.

Besides, the rest types of interview are opposite in their structure. Thus, highly structured interview is defined by predetermined order of questions; interview is oral form of a written survey; in qualitative studies and usually used to obtain data. In contrast, unstructured interview has open-ended questions, flexible, exploratory, more like a conversation. Merriam (2009) argued that the problem of using a highly structured interview is that predetermined questions may not allow to access participants' understanding of the reality. Unstructured type is normally used when researcher does not know enough about a phenomenon to ask relevant questions. Moreover, latter type of interview is usually recommended for professionals. Since the authors of this thesis decided to do a qualitative research the opinion of interviewees became very important for them. That's why the decision to conduct semi-structured interview was made.

In order to obtain necessary information accordingly to the thesis's purpose the authors conducted interviews with chosen personnel who have a direct contact with the partner company. Interview participants from both companies are given in the Table below. Employees working with other customers/providers (not with case companies) were not involved in the research.

Table 3.1 Interview participants

Interviews at Höglands Logistics Center

Number of interviews	Date	Name of employee	Position	Duration of interview
1	2012-04-04	Mia	Customer service	56 min
2	2012-04-04	Ewa	Customer service	65 min
3	2012-04-04	Mike	Supervising manager	64 min
4	2012-04-05	Arnold Svensson	Logistics manager	90 min
5	2012-04-05	Henrik Almström	Owner of the company	50 min
6	2012-04-12	Lars Melhager	Market manager	57 min

Interviews at Schenker DS

7	2012-05-10	Kent Jönsson	General manager	37 min
8	2012-05-10	Urs Keller	Traffic manager	40 min
9	2012-05-10	Sofia Hallberg	Logistics developer	40 min
10	2012-05-10	Beatrix Siklosi	Traffic coordinator	42 min

The interview questions prepared for HLC and SDS differ in some of the questions (Appendix 1). Managers of both companies responded positively to the possibility of interviews and promised personal conversation. Thus, face-to-face interviews were conducted. The authors initiated interviews at HLC side first; then SDS Company was interviewed. At the start of each interview authors presented briefly research background, problem and purpose of the paper.

Interview questions were divided into five logic parts in order to gather all the information needed for this research. First part of interview questions included general questions about respondent's name, position, and responsibilities at the company. Furthermore, respondents also gave some description of their business concept and cover relationships with the partner. Second part of questions was about how interviewees perceive trust, what are the antecedents to trust. Moreover, questions about possible changes of trust level were asked. Third part of the interview questions was focused on changes in relationships between case companies. Besides, the interconnection of trust and effectiveness was investigated. Fourth part was concentrated on the power and the respondents understanding of this issue, how it influences the relationship and trust. The power phenomenon was covered towards big company. Conflict questions were asked in order to highlight their origin and figure out how it can change trust level. Last section was devoted to future relationship and business development between HLC and SDS.

3.5.2 Secondary data

While the primary data is associated with collecting new data about a specific phenomenon, secondary data is commonly known as second-hand analysis. It is simply the analysis of pre-existing data in a different way or to answer different questions than originally intended. Secondary data analysis utilizes the data that was collected by someone else in order to further a study or topic that you are interested in completing (Trochim, 2006). When using secondary data it is very important and necessary to take a critical approach when reviewing different sources. Besides, secondary data should be relevant, available and accurate in the sense that it corresponds with the research purpose and problems.

By the authors of this paper some secondary sources were used in order to obtain necessary information. For example, the web-site of both companies, brochures which give general information about firm were used. These secondary data were useful for the thesis because they allow creating a clear picture of firms using material prepared for other purposes and, thus, save time of authors and interviewees.

In favor of secondary data Trochim (2006) emphasized some of their benefits: it is saving costs and time; can be a valuable source of new ideas that can be explored later through primary research; can provide enough information and approaches to resolve the problem being investigated.

3.6 Analysis of the empirical material

In this thesis, a qualitative data analysis is made consisting of both primary and secondary data analyzing. Primary data were collected from interviews with employees of chosen case companies. A summary of the empirical findings and data analyzes are presented in the fourth chapter and fifth chapter respectively. In order to analyze data, authors have connected the theory from the frame of references with the research findings stated in the empirical chapter.

According to Saunders et al. (2000) there is no standardized approach to analyze qualitative data. There are lots of different research approaches and a variety of different strategies to process the collected data. Among all the approaches, transcript notes from the conducted interviews are one

of strategy that commonly used. This way was used by the authors of the paper as the first step after the each interview by writing interview questions and answers on paper. Then, main points and ideas of respondents corresponding to the questions and topic investigated were sort out and written into interview transcription. It became easier for authors to perceive each interview, compare responses, and analyze them.

Furthermore, categorization is an approach used to re-arrange collected data into labels. The categorization involves classifying data into different meaningful categories. These categories are identified can be based on the purpose and the research questions (Saunders et al., 2000).

For the analysis of data obtained in current study authors used the following steps suggested by Jacobsen (2002):

1. *Description*. The researchers should get a deep and detailed description of the data riched in details, nuances and variations as far as possible.
2. *Systematization and categorization*. It involves tailoring the collected data in order to make it suitable for analysis and to group the material into corresponded themes. It is necessary to make a reduction of the material to get an outline and refining the collected data in order to achieve a deeply analysis.
3. *Combination*. When the material has been reduced and restructured, it is time to interpret the data and search for meanings, causes and descriptions in different context. This is where the researcher can go beyond what has been said or done to analyze the underlying meaning and maybe to most interesting relationships.

3.7 Issues of Ethics

Special attention to the issues of ethics may emerge while conducting the investigation. When people are to be interviewed, events observed, documents reviewed it is likely to come across with the situations when an investigator may reach the sensitive zone. Then people may feel that their private area was invaded or they may be embarrassed by certain questions (Merriam, 2009).

Saunders et al. (2009, p.184) gives the definition for *Research Ethics* which “*relates to the questions about how we formulate and clarify our research topic, design our research and gain access, collect data, process and store our data, analyze data and write up our research findings in a moral and responsible way*”.

Our choice of case study as a research strategy let us “work” with the people and documents while obtaining data. That’s why the ethic-related questions need to be regarded. In this purpose all the details of the investigation, its design need to be discussed with the participants in advance. Thus, interview sessions, their time and duration were agreed preliminary. Moreover, personnel engaged into the investigation were fully informed about the purpose to gain an access to particular data, methods of the study, approaches and intentions. Nevertheless, the questions of confidentiality were discussed. And it is always organization’s or (and) participants’ decision to stay confidential.

Besides, it is crucial to obtain cognitive access except for physical access which might be given by the managers of the organization. It is more formal (Saunders et al., 2009). Cognitive access

relates to the peoples, so to say, willingness to let you gain the data you need and those they obtain. As it is suggested by Saunders et al. (2009) '*pre-survey contact*' was established. This gives people time to get to know researchers, accept them and their presence in the company. In short, people conducting the research need to become trustworthy.

3.8 Validity & Reliability

Questions of validity and reliability appear when the researcher's intention is to bring up a new insight of a problem as the one which may exist and to be considered as trustworthy for readers, other researchers, and practitioners. In this case the outcome of the research must '*ring true*' to others (Merriam, 2009). The most important role here plays approaches which were used to gather necessary data, analyze them and interpret. Thus, it depends on how much researcher is experienced in the study, how well the study is thought over and planned.

Validity is concerned with whether the findings are really about what they appear to be about' (Saunders et al, 2009). Merriam (2009) in her new edition to Qualitative Research, sort out Internal Validity and External Validity or in another words Credibility and Transferability respectively.

Internal validity (credibility) shows how research results are congruent with reality. The author poses the following questions: a) Do the findings capture what is really there? b) Are investigators observing or measuring what they think they are measuring? Ratcliffe (1983) cited by Merriam (2009) states that reality cannot be 'single-faceted'. There is always an interpreter of the events going on. Thus, the reality is assessed through observations by individual in its unique way.

External Validity or Transferability concerns the extent to which the findings of one study can be applied to other situations (Merriam, 2009). It linked to the *generalizability* of the study results: 'that is whether findings may be equally applicable to other research settings' (Saunders et al 2009).

Saunders et al (2009) identify *Reliability* as the 'extent to which your data collection techniques and analysis procedures will yield consistent findings'. Merriam (2009) names *Reliability* (or Consistency in other words) as which deals with the 'extent to which research findings can be replicated' (Merriam, 2009). In short: Will it {repeated study} yield the same results? As it is stated by the author results of qualitative study cannot be the same because human's behavior is always changing.

Nevertheless, there are several approaches to be used for achieving the study credibility. Among them triangulation, respondent validity, adequate engagement in data collection, reflexivity, and peer review (Merriam, 2009).

The most well-known one is called *Triangulation* which incorporates four types: multiple methods, multiple sources of data, multiple investigators, or multiple theories to confirm emerging findings (Merriam, 2009). By working in pairs within the research authors used the approach of *multiple investigators*. This way allows seeing the picture as a whole and comparing

interpretations from both authors of the same data to gain true. The methods listed above can be used in order to prove reliability of the study.

Besides triangulation *Respondent Validation* is used by the authors. This is another approach of internal validation. The aim of this approach is to receive a feedback from the interviewee upon the interpretation of his or her words by the interviewer.

Saunders et al. (2009) and Merriam (2009) both claim that the issue of generalization can become complex or even impossible in case study. When researcher choose case study as the research strategy it means h/she wants to gain an in-depth picture of one particular phenomenon, problem, e.g. organization. The purpose of this study is ‘not to find out what is generally true’ for different situations. That’s why, as Saunders et al. (2009) suggests, it is reasonable simply do not claim generalizability for the findings unless it can be achieved.

4 Empirical findings

This Chapter is devoted to the results obtained by the authors during the data collection sessions. In order to align the information received with the theoretical findings on the topic this chapter was divided into main following parts: antecedents to trust in the relationships, trust perception by the companies' employees, and dynamics of relationships and trust. Besides, companies participating in the research, their relationships have been described in the beginning of this chapter.

4.1 Overview of the case companies

The following section described companies participating in the study: Höglands Logistics Center AB and Schenker Dedicated services AB. It provides an overview of the companies' foundation, size, location, and main operations. Moreover, most significant facts about the relationship establishment of case companies are given.

Information about the participants was gained mostly from the conversation with the employees (interviewees), organizations' websites, and brochures.

4.1.1 Höglands Logistics Center AB

Höglands Logistics Center AB (HLC) became an independent company but very linked to Höglands Logistics AB in 2010. Companies have divided their responsibilities in transporting and warehousing in purpose to work in more efficient manner. However they work today very close complementing each other. So it is difficult to identify borders between them. Thus, the Company overall has 25 employees. The company's location gives an advantage of proximity to main roads, train stations and airports. It creates great possibilities for shipment handling, transportation and reloading and benefits from its location in the center demographical hub. The company was awarded twice with local Year Price in Logistics (HLC, 2012).

Since the beginning company has extended its business significantly. It became known among various clients, big and small, Scandinavian and international. In purpose to meet their customers' needs provider is able to offer them a wide range of services from basic haulage services to complex logistics solutions. Totally, HLC offers 10 000 m² of warehouse space. However, besides the pure storing of goods the company may offer other value-added services as packing and labeling the goods. It offers cross docking and sorting of goods, transshipment and terminal operations. Additionally provider is expertise in processing the orders. Moreover, HLC can cover deliveries to the end customers due to the established network and close cooperation with forwarding companies. Turnover of HLC today is 10 MEUR (A.Svensson, personal conversation, 2012-04-05).

By offering services mentioned above company works mainly with Scandinavian customers. The company's vision is to *remain flexible logistics provider managing three or four big clients and stay open for smaller customers* (A.Svensson, personal conversation, 2012-04-05).

4.1.2 Schenker Dedicated Services (SDS)

Schenker Dedicated Services AB (SDS) is an independent company that founded in 1996 within the DB Schenker organization. Acting as a 4PL and organize services outside the DB Schenker Group, SDS has a turnover of 136 MEUR in the year of 2011. It is located in Gothenburg and Malmö, Sweden, providing customized transport network solutions and logistics services with a wide range of sectors for its customers who have different demands of transport. All the transports orders, bookings are controlled in the SDS offices in Sweden, but most of transports performed in other countries of Europe in terms of land transport as well as sea transport (SDS, 2012).

The main purpose of Schenker Dedicated Services AB (SDS) is to customize the most competitive logistics services and solution for its customers by setting up a Control Tower for each customer. Control Tower can be viewed as an outsourced logistics center that conducting and managing all the operations and administration activities for each customer, from booking, to communicating, and handling with full responsibilities (SDS, 2009).



Figure 4.1 SDS Control Tower (SDS, 2009)

By using a Control Tower, more efficient logistics operations and services are offered to SDS' customers. Besides, it also can improve the financial control, since there are no any fixed costs tied up in infrastructure, systems or personnel. The following are just some of the services offered by the Control Tower (SDS, 2009): purchase of transport, planning, monitoring processes, responsibility for transport, responsibility for capacity, evaluation, payment intermediary, and correcting deviations (SDS, 2009).

Each Control Tower takes care of services including transport ordering, traffic planning, controlling, administration, and advisory services to both their suppliers and customers. One of the superiority of using the control tower is that the customers only need to contact the local control tower during the whole logistics activities chain. Besides, the administration can be kept to a minimum but efficient level, and information can be gathered and proceed faster and adequate (SDS, 2009).

4.2 Supply Chain Collaboration between HLC & SDS

This sub-section is describing some facts of the relationships' establishment between HLC and SDS, their integration, driving forces to settle up the bundle.

The authors of the thesis focused on the relationships established between HLC and SDS, where the latter firm is a customer of HLC's services in this case. However, there are other players of the same supply chain who play their unique role and influence these relationships. The following graph helps to observe the supply chain that companies involved in.

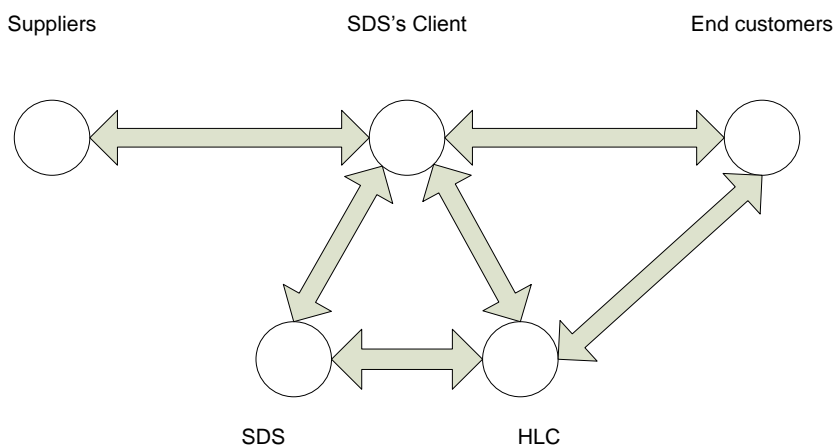


Figure 4.2 Supply Chain of the client

Illustration above represented supply chain of one of the SDS's clients. As it is illustrated on the figure due to the goods produced by the client can be delivered to the end-customer side relationships with SDS and then with HLC were established. Using the Control Tower strategy SDS outsource logistics functions to HLC in purpose to provide client with necessary service. All three companies form partnership in purpose to fulfill their obligations in more effective way.

4.2.1 Historical facts

Thus, SDS and HLC in this case became a part of the supply chain of one of the SDS clients. Scandinavian region became very attractive for the producer due to its vast market and demand. However, producer perceived the most effective way to extend business to Scandinavia referring to mature 4PL provider with developed network. SDS has this reputation. In the year 2010 parties have signed contract specifying particular services to be performed. In his turn, SDS didn't see all the range of services to be performed as his core functions. As a result, the decision was made to outsource to another provider who has expertise in field of logistics and able to deliver the equal level of service quality to important client. Thus, HLC came into play in the

beginning of 2011. The company became an ideal partner for SDS due to its location and main competences. The contract has been concluded between partners in order to provide client with necessary logistics services.

4.2.2 Partnership establishment

Thus, HLC became a Platform or Consolidation Point for producer's goods. Logistics provider has to process the orders from Scandinavian customers. Thus, goods from the producer's suppliers are to be received, consolidated at the Platform in Näsjö Having the responsibility to cover deliveries to the consumer HLC has to arrange transportation and provide with in-time delivery to the end-customer side. Moreover, when the goods are to be sent to end-customer HLC provides with all the necessary administrative support issuing way-bills, preparing invoices, among others. When goods are to be transported to Norway provider accomplishes goods with documentation for Customs and ensures Export clearance.

Companies, HLC and SDS are directed on the long-term relationships with the aim to satisfy customer needs and demands. In this purpose partners have a clear direction of their cooperation.

As the HLC's manager emphasized *customer has its business all over the world and works successfully under its special concept. That's why he knows exactly what he wants* (A.Svensson, personal conversation, 2012-05-04). Thus, partners start their cooperation with the detailed plan. This plan included the steps of transmitting the business from former platform to HLC, nominating of dedicated personnel in both parties for closer and more effective cooperation, educating of employees working in provided ICT, preparing of the detailed instructions for handling and storing customer's goods, ensure necessary resources at the provider site. All these measures let the partners have a good start up which enabled further development.

Reasons for establishing the partnership

Today partners, HLC and SDS work close to each other. Logistics provider has obtained a significant degree of responsibilities to be performed in order to satisfy customer needs. The company now operates a considerable amount of functions and tasks. Moreover, working together partners perceive the goal to extend their market, get an access to other customers and networks. Besides, SDS focuses on his core activities and HLC obtained the opportunity to develop new skills and obtain knowledge working in the partnership (L.Melhager, personal conversation, 2012-04-12).

Additionally, logistics manager and market manager of HLC ended up with a few factors that small provider attracting SDS in general (A.Svensson, personal conversation, 2012-04-05; L.Melhager, personal conversation, 2012-04-12):

- Scope of services
- Capacity of warehouse, indoors & outdoors storage
- Good geographical location
- Attractive price for services
- Size
- Good reputation

- Flexibility
- Ability to accept their needs & demands
- Able to listen and point all what customers are saying
- Responsiveness

4.3 Trust in HLC and SDS

HLC and SDS has over one year partnership so far. SDS outsourced to HLC part of their logistics work which are mainly platform functions with possible warehousing. SDS and HLC had a smooth business development where trust plays a significant role. In order to have a more deep insight how trust influences their partnership, the following part describes the perception of trust by companies, antecedents to it and show importance of trust; moreover, some interconnection of trust with power, conflicts, and relationships effectiveness is discussed.

4.3.1. Perception of trust

After the interview with the companies' personnel it became possible to understand how the companies perceive trust and how important it is for their relationships.

Höglands Logistics Center trust perception

CEO of the company thinks that trust is very important in the relationships and it should be mutual, equal from both sides. From his perspective trust is when there is no lie between each other; when one is saying truth, and when one can feel that others are doing best for them (H.Almström, personal conversation, 2012-04-05). Besides, when the other manager was talking about his trust he has it when he feels the atmosphere of understanding, comfort in communicating and friendly attitude (A.Svensson, personal conversation, 2012-04-05).

Trust can keep the good relationships. In case of problems we can talk about problems openly (Mike, personal conversation, 2012-04-04).

Are there some disadvantages of trust? Most of the respondents at the company couldn't specify any dark-sides of trust. People think that it is important and necessary rather than able to bring any negatives into the relationships. However, still there are some examples which can be addressed to trust disadvantages which were experienced by the employees. Market manager thinks that it may be risky for small company to trust strongly in their bigger partners.

In the case of HLC, the fully trust sometimes may result in lots of extra work and financial problems. One of the operational personnel exemplified:

When I think I have the control of the project and the goods are to be delivered in a fixed date to customer side the partner changes the delivery date without telling me. It generates much work to check the new date every time (Mia, personal conversation, 2012-04-04).

As it is possible to see from the interview questions respondents were offered trust variables to choose from in order to figure out their trust in bigger partner. Thus, the most important variables which describe trust in HLC's partner are the following:

- Acceptance
- Benevolence
- Competence
- Consistency
- Intention
- Liking
- Openness
- Predictability
- Respect

Furthermore, participants were asked to specify when they trust more, whether in the conditions with settled rules, instructions, and written contract, or they mostly rely on the people from the partner's company, or, indeed, they take into account the time and experience they have been working together. The outcome from this question was different. For example, Mike trusts when all the conditions exist.

He said: *It is a combination of all of three, because what is written in the contract is something you must follow; during the time you know how to work with people; experience gives me a feeling of safe* (Mike, personal conversation, 2012-04-04).

This opinion was shared by the logistics manager of the company. On the other hand, the CEO of the company demonstrated another position towards this question. He thinks that personal contact is the most important in the relationships. *It doesn't matter what is written in the paper. Even if you follow the agreement it doesn't mean that you have good relationships* (H.Almström, personal conversation, 2012-04-05). In contrast other employee is sure that it is necessary to check every time that everything is done right. Then, it is possible to feel secure (Mia, personal conversation, 2012-04-04). When the market manager was asked this question, at once, he mentioned the significance of documents and that it is crucially important to have everything discussed with the partner and then written down. However, the importance of people cannot be eliminated (L.Melhager, personal conversation, 2012-04-12).

Schenker Dedicated Services trust perception

Respondents in this company were very precise with their understanding of trust phenomenon. When interviewees were asked about their view of this issue general manager of SDS declared that *trust is one of the foundations in the relationships*. Moreover, it is very important for good and long-lasting relationships (K.Jönsson, personal conversation, 2012-05-10). Additionally, respondents from the bigger company mentioned that trust is significant in any relationships disregarding the size or/and type of a company.

Employees which are mostly engaged in a daily operations were more specific and said that trust can exist to the partner or namely, provider, *when they can really do what they say they can*

(B.Siklosi, personal conversation, 2012-05-10). Later on, she pointed out that she does not have any doubts when she trusts. Furthermore, the importance of contract was emphasized when trust was described by the respondents. Thus, general manager of the company said that contractual terms are the most important to be able to trust (K.Jönsson, personal conversation, 2012-05-10). However, when the conversation was continuing manager added that people, of course, are important as well, but in the beginning of the relationships, it is necessary to be aware of the contractual terms (K.Jönsson, personal conversation, 2012-05-10). In turn, logistics developer rely more on the experience she has with the partner, and also their adherence of the contract (S.Hallberg, personal conversation, 2012-05-10). In contrast, other respondent mentioned personal relationships saying that meeting people is very important to obtain more trustful relationships and this helps them achieve more effective work (U.Keller, personal conversation, 2012-05-10).

When the respondents of the company were offered the trust-related variables to chose the most important from their point of view became the following:

- Respect
- Competence
- Integrity
- Faith
- Consistency
- Openness

Moreover, 'Respect' was chosen by the majority of interview participants. The rest of the variables were not mentioned at all.

4.3.2 Antecedents to Trust

Interview with the personnel of both companies has shown that each side has some factors which make them trust each other. Among those factors or, as the authors of the paper distinguished, antecedents, the following are exist: resources a company possesses, capacity, reputation, experience the companies have already obtained working together and experience in a particular field of each single company. However, trustworthy people, personal relationships are widely mentioned by the HLC's respondents as one of the main antecedents to trust in partnering firm. In the paragraphs below the perspectives of both companies are described in details.

Höglands logistics Center perspective

When HLC employees covered the question about antecedents to trust their answers contained not only the reasons which make them trust in their partner but also view of why HLC is trustful for other company.

When choosing a right partner, it must have something in order to obtain our trust such as the partner has rich business experience, good reputation, or my personal feeling that this partner is trustworthy (H.Almström, personal conversation 2012-04-05).

Continuing this discussion, logistics manager emphasized that their trust in bigger partner is based on the following reasons: SDS know what they want; they are responsive, helpful,

supporting, have skillful personnel, give necessary information, and they are open for communication (in formal and informal ways) (H.Almström, personal conversation 2012-04-05).

From the operational personnel point of view, keeping promises is the main antecedent to trustful relationships (Mike, personal conversation, 2012-04-04). Moreover, the large size of the SDS was emphasized by the latter respondent as the antecedent to trust. Ewa and Mia rely more on people of partnering company and feeling that they are trustful (Ewa and Mia, personal conversation, 2012-04-04).

Discussion with the market manager showed that he has more pragmatic view of this aspect.

I will trust on the partner when we may obtain mutual benefits. For example, if the customer wants payment terms different from those in the contract, we would reach deal. In this case the partner is supposed to 'give' me something in exchange so that we can fulfill each other (L.Melhager, personal conversation, 2012-04-12).

Furthermore, personnel at HLC also expressed their own ideas on why they are trustworthy for the SDS. All the respondents named company's good reputation today, flexibility due to their size, and the ability to be responsive to their customer. For example, Mike, Ewa and Mia think that trust developing is even more important for small companies (than big ones), because they need to create a good reputation first approving that firm can handle particular business (Mike, personal conversation, 2012-04-04). It helps to build trust. Nevertheless, every employee has his/her opinion about the approaches of building trustful relationships. Thus, for building trust Ewa proposed to do things right, communicate with customers, propose ways to make things better, and acting proactive (Ewa, personal conversation, 2012-04-04). Market manager would provide a customer with relevant references, show business performance and the firm's capacity to prove that HLC has the ability to manage business (L.Melhager, personal conversation, 2012-04-12). Providing the customer with references, sufficient and timely information, solving conflicts, stay open, delimit borders between partners, and providing high service quality are the main steps to undertake for HLC (A.Svensson, personal conversation, 2012-04-05).

Schenker Dedicated Services perspective

When SDS employees were asked about the antecedents to trust, some factors that are important for SDS has been taken into account. Schenker's employees are quite formal in this sense. They evaluate their current and potential partners according to their performance, their financial rise; they consider the partners' capacity to make sure they are "health" as partners (K.Jönsson, personal conversation, 2012-05-10). Regarding factors mentioned above SDS may decide whether to trust or not. However, there was notices that some derogation possible here.

As General Manager of SDS highlighted the initiation of relationships with HLC is partially dependent on one of their main customers.

Our customer recommended us to work with HLC because they located in a good place. It is convenient to work with them providing Swedish and Norwegian market.

HLC is a quite young company, they existing not for so long time, but they are so keen doing more business (K.Jönsson, personal conversation, 2012-05-10).

Furthermore, SDS paid lots of attention on the provider's performance. Thus, to be able to change inappropriate supplier with whom they were not satisfied they do not conclude a long period contract. They check if the firm is really able to perform what promised (K.Jönsson, S.Hallberg, personal conversation, 2012-05-10).

In the process of building trust SDS respondents think that the essential point here is not to give promises to the partner that they cannot perform. Since the company is highly customer-oriented they care seriously about the quality of their services they offer to clients. Because of this fact, they quite often started reflecting possible behavior towards their customers but not the provider while discussing the question. They perceive that to be completely dedicated to the business it is important to create a feeling that each client is a single one. As the general manager noticed that it is a challenge for the company due to a large amount of customers they have. SDS made new strategy towards this barrier and even the organizational structure is adjusted in order to have better each customer oriented services which is the 'control tower' function. (K.Jönsson, personal conversation, 2012-05-10). But in order to perform everything that company perceives or what their customers need they rely significantly on their providers. And in this sense trustful relationships with them are very important.

4.4 Dynamics in relationships and trust

4.4.3 Supply chain collaboration

Partnership

As it was stated by the logistics manager of HLC before the partnership has been established, SDS used HLC as provider for a short time. However, with the flow of time they made a decision to work together for longer period.

I think SDS wants us to have more responsibilities and to be a part of their business. They wish us to have an impact on the relationships (A.Svensson, personal conversation, 2012-04-05).

Small provider is responsible for a number of tasks working with the aim to bring necessary service quality to the customer's customer. On the base that HLC and SDS cooperate close to each other good smooth relationships were established between HLC and customer's client, one of the main projects the provider works on. Functions, performed for the client are in its main part tactical. Companies have regular meetings, phone conversations, and visits to discuss important issues, possible improvements, among others. Thus, they work all together and form partnership.

Accomplishing this idea the general manager of SDS stated that all the parts are important in process.

HLC is small company but is a one part of strategic partnership. I do not think that each party is less strategic because it is in the chain of operations. We need all puzzles be functioning well (K.Jönsson, personal conversation, 2012-05-10).

Level of Outsourcing

The activities that SDS is outsourcing to HLC are mainly platform functions. However, a small part of warehousing activities can be included when the clients cannot receive the goods as planned but this is not an intention of the collaboration.

We outsource to get services required to create solutions for the customers. This is the best solution and we are totally relying on our suppliers (K.Jönsson, personal conversation, 2012-05-10).

SDS's tactic let HLC work with Schenker's customer directly, and will turn to SDS when it is billing issues or special complicated situations. Performing services for their customer HLC works closely and cooperatively with the one of the main SDS's clients. Small provider and client have established good and smooth communicating channels and ensure information exchange in order to facilitate service performance and ensure sufficient level of operational work. Nevertheless, HLC has to keep his bigger partner updated in sense of information to let them successfully manage the business.

We work directly to SDS's customer keeping the partnership with SDS. In this case, it is a co-managed or managed service since SDS still has some control over the outsourcing, and we provide them information of what is going on (Mike, personal conversation, 2012-04-04).

Acting as the Control Tower SDS has to outsource all the time. As General manager of big partner said: *We outsource to get services required in order to create solutions for the customer* (K.Jönsson, personal conversation, 2012-05-10). However, SDS can not just leave tasks to providers although they rely strongly on them. As the manager emphasized, *we will monitor it from our side... we need to make sure that everything is done properly or as required by customers* (K.Jönsson, personal conversation, 2012-05-10).

4.4.4 Relationships effectiveness

As the CEO of the company H.Almström has an overall picture of the business he said:

We do not have any client that we have not grown up to the goal; it has been always more than it was expected (H.Almström, personal conversation, 2012-04-05).

On the question which relationships could be defined as effective parties have given the following answers. Thus, effective relationships should be regarded from the perspective of several elements, like quality, time, responsibility of personnel, and human resources availability (L.Melhager, personal conversation, 2012-04-12) as well as enough facilities and good information flow (Mike, personal conversation, 2012-04-04).

From the perspective of another company, SDS, effectiveness of relationships are to be regarded via communication, understanding between partners, ability to have a discussion together, establishment of routines, and common understanding of the business (K.Jönsson, personal conversation, 2012-05-10).

Both companies think that their relationships are effective; however there is still a room for improvements (A.Svensson, personal conversation, 2012-04-05).

Furthermore, respondents think that the relationships became more effective since the beginning of the business because the routines were established and personnel became more skillful. Market manager thinks also that relationships became more effective, because *people from both sides now talking at the same level* (L.Melhager, personal conversation, 2012-04-12). Quality of service has been improved. Besides, now provider and customer know each other better and what the customer wants (H.Almström, personal conversation, 2012-04-05).

Trust & relationships effectiveness

When the employees were asked if they have any changes in trust level since first deal with the partner, most of them said that trust level was not changed, neither increased nor decreased. As it is proved by the logistics manager of HLC they have a good level of trust from the beginning because manager knew some people from contracting company before. Customer service personnel think that now she trusts more in company's partner. She explained it in the way that now she knows some people from other company, she got a face-to-face contact with them and this made her trust them more (Mia, personal conversation, 2012-04-04). Furthermore, it helps her to work more effectively, as now the relationships have grown up to the level when the problems can be discussed openly with the partner. But if about SDS's trust in HLC, small provider thinks that big partner now trust them more than in the beginning because customer knows today the provider's performance (L.Melhager, personal conversation, 2012-04-12).

Continuing, CEO said that trust is influencing on the effectiveness of the relationships: *you cannot work if you do not trust*. The other opinion but supporting the previous one: *if you trust people you can do a better work* (Mia, personal conversation, 2012-04-04). Mike thinks that it is easier to solve problems or decide upon something if there is a trust in relationships, otherwise it is necessary *to go around* and this takes time, which is not effective (Mike, personal conversation, 2012-04-04).

Interdependence between trust and effectiveness of the relationships was also proved by the bigger company. If they didn't get a desired result (were not satisfied) working with the particular provider they would not sign a long-term contract with them:

Originally we trust supplier too much. But the performance will show if there is what was promised. We do not sign contract with suppliers for long time. So we have the flexibility to see the performance ...and if we were not satisfied we would chose another supplier (K.Jönsson, personal conversation, 2012-05-10).

Direct or precise answer about the changes of trust level towards SDS's small partner was not obtained from the SDS's respondents. However, it became clear from the position of SDS that

they are strongly focused on the opinion of their client. Thus, it is possible to assume, that the level of client's trust in smaller provider might influence the SDS's trust in that company.

4.4.5. Trust vs Conflict and Power

Conflict & Trust

The company employees didn't name any serious (as the respondents think) conflict. Mostly, when they were asked to describe conflict situation, some daily routines were pointed out, like failure to perform all the routines processes in a right way, late deliveries, missing shipped goods. Moreover, HLC employees consider themselves mostly as ones who haven't always been acting in a right way (A.Svensson, personal conversation, 2012-04-05); however the customer is also doing mistakes and breaking their obligations (Mike, personal conversation, 2012-04-04).

From the HLC perspective, the level of trust can 'jump' up and down. The market manager thinks *if they {partner} do something wrong trust will go down* (L.Melhager, personal conversation, 2012-04-12). Keeping promises is very important for the employees at HLC, otherwise *I might distrust them* (Eva, personal conversation, 2012-04-04). This opinion is supported by the other employees in the company. Moreover, some other partner's behavior can lead to distrust in the relationships and create conflict. For example, the exchange of relevant information should be between companies. When the partner does not provide HLC with sufficient data it may create problems for the company, and thus, lead to the conflict between them, which can decrease trust (A.Svensson, personal conversation, 2012-04-05). He exemplified the possible situations decreasing trust:

...If they take decision and make changes that have impact on the business without involving us. If we feel that they are not treating us, our company and person well (A.Svensson, personal conversation, 2012-04-05).

When people at SDS were asked about relations between trust and conflicts towards smaller provider, the authors of this paper have obtained similar answers from smaller company. This concerns also the providing of timely and sufficient information by the provider and keeping the promises (B.Siklosi, personal conversation, 2012-05-10).

If the provider start rising prices for their services after six month who we have been working together, it will lead to distrust because it was agreed in the contract for one or two years, – sais general manager of SDS (K.Jönsson, personal conversation, 2012-05-10).

Furthermore, both companies are congruent in their opinions of solving the conflicts. They think it is a very significant element of the relationships because *we all do mistakes* (K.Jönsson, personal conversation, 2012-05-10). Whether the trust will be remained in the relationships or decreased depends on how the conflicts will be handled. All the respondents from both companies mentioned, anyhow, that discussion is one of the ways to solve the conflict. Market manager of HLC would negotiate with the partner, chose compensation if necessary (L.Melhager, personal conversation, 2012-04-12). Another person at HLC thinks the following:

It is necessary to focus on facts and reasons of conflict. Even if our customer is wrong, it is not a good way to be aggressive towards the customer and simply push problems to their side. It is necessary to find a solution together; otherwise, it destroys trust (A.Svensson, personal conversation, 2012-05-10).

If the conflict is handled in a proper way, it can even increase trust between partners - thinks manager at SDS (K.Jönsson, personal conversation, 2012-05-10).

Power & Trust

To be able to understand how power and trust can 'get along well' employees at the companies were asked to explain how they perceive power first. People at different positions working at HLC give different identification of power. Supervising manager thinks that the power of larger partner simply in that they are customer and they are important for HLC. He also considers their power in their size, established routines that *we have to follow as well* (Mike, personal conversation, 2012-04-04). Employees, doing operational work, used words 'pressure' and 'requirements' to describe partner's power. They are also convinced in customer's ability to select another provider if they want or they were not satisfied with provider's work (Eva, Mia, customer service, personal conversation, 2012-04-04). However, most of the people here argued that power of their provider is in their experience, competence of the personnel, size of organization, market share, turnover, and knowledge. Supporting this, Mike said that they trust SDS because they are big company (Mike, personal conversation, 2012-04-04). It is like logistics manager said:

Their power is not something we should be afraid of. Alternatively, we may have more development in our company working with them (A.Svensson, personal conversation, 2012-04-05).

As Market manager thinks, it is very important when customers know what they want. He perceived their power in that. But if the customer had less experience their power would be lower and trust in them would be decreasing as well (L.Melhager, personal conversation, 2012-04-12).

However, to obtain a better picture of the SDS's power, authors of the paper asked them to describe their power and its positive or/and negative sides. Approving the opinion of employees at HLC respondents at bigger company consider their power in their experience and their reputation as well. They think that since they are perceived as a part of DB Schenker who 'plays' globally it gives a guarantee to their partners that they will stay in the market for a long time *Furthermore, we are flexible in the sense, that we are able to choose another provider if we are not satisfied* (K.Jönsson, personal conversation, 2012-05-10).

5 Analysis

This Chapter connects theoretical framework (given in literature review) and empirical findings interpreted in previous chapter. The intention of this chapter to analyze whether theory and reality (case) match each other or not; what are the similarities and differences. Thus, the following sections are represented here: perception of trust, antecedents to trust, and finally dynamics of relationships and trust.

5.1 Trust image

5.1.1. Perception of trust

In this section, first of all, the authors of the paper summarise how companies perceive trust phenomenon. In second term, the perception of small provider and big custome were compared in order to find out the difference in their opinions.

Höglands Logistics Center & Schenker Dedicated Services

At HLC some people stated that they trust only when everything is discussed and written, so to say established; however the majority of respondents mentioned personal relationships anyhow. Some respondents think that combination of all aspects is important but, still, including relationships between people. But no one said that he/she relies on the history of the partners' interactions solely. Thus, it is obvious that their position towards trust can be associated with the trust types mentioned above: personality-based trust, system trust, process-based trust. In sum, personality-based trust is the most important type for HLC today.

Having analyzed the replies given by the SDS's employees we can say that their answers differ a little bit in terms of perceiving trust. Most of the people at this company wait real actions from their partner to see if the company is able to perform what was promised; moreover, the history of their relationships, specifically, how well the partner was in following the contractual terms. Even if the personal relationships with the partnering company are important for them, they are coming later. Generally, 'first place' is given to instructions, contractual term, thus system trust type. However, other types of the trust are also important in both companies.

Accordingly to the theory reviewed in previous chapter the authors of this thesis found out that trust definition varies significantly and contains numerous variables, whereas it has different types. Consequently, since trust has its types it must be that each type could be correlated with variables. Thus, taking into account definitions of trust variables and types of trust authors of the paper decided to link them. The idea was to found out which type of trust will obtain most of the variables chosen. For this purpose variables which were called by the respondents were linked with three types of trust for each company. Finally, the following combination was obtained.

Table 5.1. Perception of trust for HLC and SDS

HLC	SDS
<p><i>Personality-based trust:</i> benevolence, respect, liking, intention</p> <p><i>System trust:</i> acceptance, consistency, openness.</p> <p><i>Process-based trust:</i> predictability, competence.</p>	<p><i>Personality-based trust:</i> respect.</p> <p><i>System trust:</i> consistency, openness, integrity faith.</p> <p><i>Process-based trust:</i> competence.</p>

As it is possible to see from the Table 5.1. each type of trust has obtained its particular amount of trust related variables. Thus, personality-based trust at Höglands LC has got the majority of variable chosen by HLC’s respondents; whereas, at SDS it became system trust. This outcome can be used to approve each company perception of trust mentioned earlier in the section. However, process-based trust has received only one variable in case of SDS.

Thus, the authors of the paper found out that companies have some differences in their perception of trust phenomenon. Smaller company associate their trust with good reliable personal relationships considering it as the main and most important attribute for stable relationships, whereas bigger company relies on the written conditions and how performed services meet their interests. Therefore small provider relies more on personality-based trust, but big customer – on system trust.

Theory and Reality

When it concerns the perception of trust by the companies it is possible to say that opinions of the employees of both companies did not give a single definition of this phenomenon. Every person has his own opinion upon this issue. This is similar to the situation which exists in the literature. As Hosmer (1995), Mcknight & Chervany (2001) proved there is no a single definition for trust, however both sides regard trust as one of the most important components of the business relationships. Schenker’s opinion that trust is necessary for long-run business is supported by Ferrer, Santa, Hyland, & Bretherton (2010).

Nevertheless, if regard trust through its typology given by different researches before it is possible to find a support that trust types can be really distinguished by the companies. However, if compare the idea of Lindgreen (2003, p.319): “*when one type of trust is not available, it is necessary and possible to draw on other types*” with the SDS position towards this phenomenon they stated that specially in the beginning of the relationships they need to consider carefully the mutual obligations, decide what is to be signed and agreed. It means that when the relationships are on the stage to be started system trust cannot be replaced by any other type of trust. Perhaps, in the future personal and process-based trust will be obtained. HLC, similarly to SDS, prefer

one type of trust in the beginning, trust in people they will work with, just accepting some formalities with the contract.

5.1.2. Antecedents to trust

When the data referring to the antecedents of trust were analyzed it became possible to see that partners have some similarities and differences in their points. Furthermore, in the real context in which trust phenomenon was studied there were found some matches with the theoretical background covered in this paper.

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When the HLC company was talking about the factors which may lead to trust in their partner they also mentioned some elements, they think they possess, that make their partner SDS trust them, HLC.

On one hand, for the small company the main antecedents to trust in their bigger partner were the following antecedents: their business experience, reputation, competent personnel, size of the company, open communication, and support from the partner. Besides, good personal relationships were called as ones which determine trust. Ability of current and potential partner to realize what was promised is also influencing on their trust in other company. SDS named the company's performance, financial rise, company's capacity, and its "health" are to be evaluated. In these conditions the importance of personal contact was not so widely highlighted by the respondents of SDS. Similar to HLC, it is important for large company to have promises fulfilled or not to promise what cannot be fulfilled.

On the other hand, HLC was convinced that the main factor, which leads to trust in their company is their flexibility. Here company's personnel qualify flexibility as the ability of the provider to adapt to specific environment in order to meet customer's needs. This is possible due to the small size of the provider. Moreover, they emphasized company's good reputation and their ability to be responsive as the other antecedents to become trustful. Since trust is crucially important for small company to build good reputation here is the main factor.

As SDS partner is seriously customer oriented one of the main antecedents to trust provider is the opinion of their clients. It was supported by the fact that HLC was recommended by SDS's client. Thus, a good reputation of smaller provider was proven by other side, which obtained, perhaps, a good experience and personal contact knowing smaller company before. Thus, HLC was right thinking that their reputation builds trust in their company.

Theory & Reality

Reputation was mentioned as one of the main antecedents to trust in the real context of small and big company studied in this paper. This found its support in the works of numerous researchers. Reputation plays crucial role on the initial stage of the new SC relationships and a company's successful relationships with other firms (Ganesan, 1994; Doney and Cannon, 1997; Know and Suh, 2004; Jones et al. 2010). Thus, good reputation or successful relationships with other

companies create a positive picture about company and make it attractive for others to collaborate with. Therefore the opinion of the third party played key role for SDS and HLC to start relationships.

Besides, some other antecedents such as size of the supplier company plays important role to be considered trustworthy. Size of the company as antecedent to trust in other company was named by smaller provider. Size of the company encompasses the overall firm's size and its market share. Large companies are likely to be regarded as more trustworthy, than small (Doney and Cannon, 1997). In contrast, HLC employees consider small size of their company as an advantage, because it gives them a particular flexibility which is the antecedent to trust from their perspective. From the customer perspective size of a company was not mentioned whether as antecedent to trust or distrust. Instead, they have to check the company's performance, how well they are doing their business. And this is can be "measured" by the satisfaction of the customer. As it is contributed by Curtis, Abrat, Rhoades, and Dion (2011) if the customer was satisfied in the quality of service performed by provider it would lead to desire continue to work together in order to obtain the same level of service. Thus, SDS needs to be satisfied in order to be willing to re-purchase services from the same provider. Moreover, SDS being a customer dedicated company would strive to satisfy its client. Besides, big company considers the "health" of the company in order to understand if a supplier is trustworthy. For example, McHugh, Humphreys, & McIvor (2003) explained organizational health as one which is connected with organizational performance. Healthy organization may incorporate measures of employee stress and well-being, employee satisfaction and commitment, the perceived quality of management decision-making, the appropriateness of structural arrangements, and financial indicators (McHugh, Humphreys, & McIvor, 2003). Thus, an organization might be "financially healthy," "strategically healthy," "structurally healthy," "culturally healthy," and/or "behaviorally healthy", as the authors stated. However, it was not regarded in the context of antecedents to trust, but rather trust became the one of the leading elements to healthy organization.

Experience was also mentioned by the respondents from both companies supporting previous academic findings. However, partners used this term in different meanings. Thus, for HLC experience of the bigger company is an antecedent to trust. They understood here partner's competence, their presence at the market and in logistics field. Whereas SDS used experience in order to emphasize the period being working together, which make possible to know partner better. This opinion matches the definition given in the beginning of the paper (Curtis, Abrat, Rhoades, and Dion (2011).

5.2. Dynamics of relationships & trust

5.2.1 Trust & SC collaboration

In this section the relation between trust and the overall collaboration of case companies are covered. The authors of the paper decided to analyze this field in purpose to understand whether

trust is changing over time and how; what changes have happened within the business relationships and is there a connection with trust changes.

Höglands Logistics Center & Schenker Dedicated Services. Theory & Reality

As it became evident from empirical data small and big company have been working together for not so long time however they got a significant amount of time to be able to create an image about each other. Moreover, as they proved, companies trust each other today and their trust is on a very good level. In case of small company trust was of high level from the beginning of relationships, even when they were considered as simple transactions. However, trust level of bigger company has increased by today due to experience they got working with their partner and quality of service. Whatever the case, companies have reached the level of relationships where strong and close cooperation is necessary in order to succeed, meet customer demand. Today companies work in partnership. It is well-known that partnership type is qualified as one of the most collaborative type of SC relationships. This is supported by numerous academics as Skjoett-Larsen (2000), Sanders et al. (2007), among others. Furthermore, this type of relationships views a high level of trust. This is exactly what the case companies' relationships face today. Partners are targeting long-lasting relationships and joint planning. Although the customer, SDS, externalize the performance of logistics functions, he leaves managing tasks to it's company. And this organization of business is also characterized as partnership in the literature.

When the picture was drawn about the functions outsourcing to the external provider, HLC it became possible to say that customer has delegated a significant scope of responsibilities to its partner to perform. As the academics stated there are several types of outsourcing arrangements. After the relationships between companies were analysed and compared with the outsourcing types given in the literature the authors of the paper concluded that partners have features of both co-managed outsourcing and managed services outsourcing arrangement. It was difficult to find a strict line between those two in real conditions because companies have features of both. In co-managed services client and provider shared some operational responsibilities and act collaboratively (Sanders et al., 2007) and this matches the features the real business has. Provider here is not supposed to perform functions of high degree of strategic significance. However, as it was found out that small provider is a part of strategic partnership performing significant tasks for its customer and creating a good access to Scandinavian market. In its turn managed outsourcing requires higher responsibility from the supplier over the process (Sanders et al., 2007). This is true in the case since provider is working very close to the client to achieve better results; however smaller company does not have control over the whole process. What is more, customer leaves management steps and strategic issues to their company which means that full outsourcing does not exist in the investigated context (Sanders et al., 2007). In sum, outsourcing arrangements established between companies are not simple transactions but rather require frequent cooperation. The functions performed are distinguished by the degree of particular complexity and therefore require good level of trust. As the respondents noticed, they trust each other and the relationships wouldn't be possible if they didn't trust. It makes sense to remind an old but very meaningful phrase by Millar (1997): "Trust is the new business trend, once you

begin outsourcing core activities, there's not enough money in the world to save if trust isn't a major part of the offering."

The authors of the paper think that there is a particular dependence between trust level and companies collaboration. In significant degree trust level has created conditions for companies to enhance their cooperation. Customer, being satisfied with the provider's work expressed a re-purchased behavior and prefer to work on more close base, partnership, delegating a significant part of obligations to provider. But this fact that companies do not work on full outsourcing fundament only frames the strategy the customer uses working with the client. Thus, even if the trust level of customer will increase with the flow of time it is more likely they still would monitor and manage strategic issues of a project.

5.2.2 Trust & Relationships effectiveness

Höglunds Logistics Center & Schenker Dedicated Services. Theory & Reality

First of all it is necessary to emphasize that partners perceive the effectiveness in similar way. They think that relationships are more effective when people commonly perceive business aims, when it is a good information exchange and communication established. Thus, it is possible to say that it is a lot that based on the humans and personnel. Thus, the effectiveness of relationships is dependent on the effective work of each company where it is necessary to make employees involved in the business planning process in order to understand the goals and expectations of the organization, what needs to be achieved, in which way it needs to be done, and how well it should be done (Chien, 2010).

Nevertheless, small provider thinks about the proper way of fulfilling its obligations in a timely manner just as the customer wants, thus talking about quality of the services to be performed. In its turn, customer evaluates supplier's performance by the satisfaction of its client. Similar view on this issue means that partners quite clear understand each other. Furthermore, it means that understanding of the effectiveness presented by the companies is congruent what the researches are saying. Thus, Moore (1998) explained that from the client perspective effectiveness is used for identifying how satisfied, productive, and worthwhile are logistics relationships with provider.

The relations between trust and effectiveness have been proved by the respondents from both companies. They all think that trust influence the effectiveness of relationships, thinking that without trust they couldn't work effectively. However, their answers also shown that the more relationships effective, the more trustful they are. This is also supported by the literature reviewed where Moore and Cunningham (1999) proved that customers or clients in effective logistics relationships perceive higher levels of trust than in less-effective. Effective relationships create customer loyalty and let perceive the other party as trustworthy thus increasing trust between partners (Moore and Cunningham, 1999). It is evident from the customer's answers. When they start relationships, they do not conclude long-term contracts with the suppliers because they do not know how they work. And in order not to be tight with the company who cannot perform a sufficient level of service they prefer short-term agreements. In this sense they can stay flexible being able to change provider once they were not satisfied. That's what

companies experience in their cooperation. As it was noticed previously, small provider stated that bigger company trusts them more now than in the beginning. Moreover, they proved that they began work more effectively than before, the quality of the services, information exchange was improved and better planning experienced. And then, as it became evident, companies changed their relationships from short-term to long-term forming the partnership. Thus, more effective work ensured the customer satisfaction with the provider what has built trustworthy relationships and loyalty of the customer. This fact let the companies start-up long-lasting relationships which are characterized by the high degree of trust (Ferrer, Santa, Hyland, & Bretherton, 2010).

Thus, it is possible to sum-up here, that trust and relationships effectiveness exist in constant dependence between each other. Trust help companies build effective relationships, let the partners communicate more openly, perceive common results, plan jointly, whereas effectiveness influencing the trust level as well. This let partner perceive other company as trustworthy and as one which is possible to work with.

5.2.3 Trust vs Power and Conflict

Trust & Conflict

Stein (2006) stated that conflict between customer and provider arises when provider's performance was not of the level that customers expected. Finally, this may lead to suspicion and distrust in partner. It is supported by the empirical studies when employees state that the partner company has to do what they promised. This point was also supported by McHugh et al. (2003) who stated earlier that distrust is a result of many years of broken promises. Specifically, one point was emphasized by the respondents of the bigger company is the provider's adherence of the contractual terms. Thus, the breach of the contract leads to distrust and conflict. This idea was agreed by some employees at HLC as well. Moreover, the certain degree of uncertainty may destroy trust between partners (Morris & Carter, 2005). That's why employees of small provider consider so important to provide customer with real-time information in order to keep them updated all the time. This attitude is similar at both organizations.

Review of the theory provides the information where conflict may positively influence the relationships. Thus, Morris & Carter (2005, p. 35) distinguished two possible situations when in case of conflict it can become "functional" and "dysfunctional". *Functional conflict provides a medium through which problems can be aired and solutions arrived at* while *dysfunctional conflict occurs when conflict is not resolved or is not likely to be resolved*". In the real case of companies investigated in this paper it is possible to say that they can face conflicts time to time but in their turn it is functional. It is proved by both sides. No one wants to destroy their relationships and prefer to find a solution of the problem. Moreover, additionally to the theoretical findings the idea that conflict can increase trust was figure out from the empirical studies. The respondents from the companies try to look for solutions, solve the conflict which in their case even increases level of trust.

Trust & Power

Power in the business relationships is balanced when two companies are equally dependent on each other, but in some particular situations such as relationships between large customer and small provider, pronounced power is imbalanced between actors (Perronsa, 2009). The imbalance can derive from unequal value in the resources that two companies control for each other (Molm, 1997). This theory goes in accordance with the relationship between SDS and HLC. As a small logistics provider, HLC can feel the strong power from SDS in their daily work, meetings, and negotiations. Respondents in HLC pointed out that the power of SDS came from the size, market share, and competence of employee of SDS which are the unequal value in the resources of two companies. From SDS' perspective, they also know that they are powerful company in their customers' eyes simply because Schenker company is a global logistics player.

Moreover, when the small provider was talking about the factors which made them trust their bigger partner he noticed partner's supportive behavior, information providing, responsiveness, and openness for communication. Thus, it is possible to link this real experience with the theoretical findings where non-coercive power is regarded as relational and positive type in its orientation. This type of power stimulates desired behavior. Thus, due to the customer's supportive and helpful behavior towards provider the power of customer can be classified as non-coercive. That's why it positively influence the current relationships. As it is specified in the literature this type of power can even substitute trust between companies (Lane & Bachmann, 1997; Molm, 1997). However, there were some respondents at the small provider company who perceive power of the partner associating it with pressure and ability to require. Perhaps, this is a small evidence of coercive power, which may influence negatively and may risk the power advantage (Boyle and Dwyer, 1995, Maloni and Benton, 2000). The possible reason that not all the people at HLC perceive the power of partner similarly can be their daily cooperation with different personnel from the partnering company. They may behave in different ways which leads to different attitude of personnel at HLC. However, in SDS and HLC case, all the respondents view power as a positive driver for business development.

5.3 Discussion and managerial implications

The study overall have obtained rich information from case companies' respondents. In spite of each person at the company has its own perception upon the investigated phenomenon it became possible for the authors of the paper to create a general picture each company has about it. Consequently, the comparison was made and gap figured out. Moreover, due to the empirical findings and analysis conducted authors found out that there is a particular relation between trust and level of collaboration between partners.

Thus, small logistics provider in its business development rely mostly on personal contacts thus perceiving personal-based trust as one of the main types to be exist. This position towards the importance of people and personal contact can be correlated with the nature of small organizations mentioned earlier where the high intensity of human dimension exist (Nocolescu, 2009). However, other types of trust shouldn't be ignored. In its turn, bigger company prefer settled rules and contract terms negotiated to trust, choosing system-based trust as the main in business relationships. Besides, other types were also mentioned as necessary. There are some similarities and differences in the antecedents to trust for both companies. Thus, provider and

customer would rely on performance and reputation. However, size is considered by small company as an antecedent to trust, whereas big company yet argues for expected performance and satisfaction as factors leading to trust, but not the size. Experience of joint work is widely emphasized by customer as the antecedent. Thus, the knowledge about differences and similarities between small and big companies perception of trust phenomenon may give an interested side important information for the starting business with other company, specially of different size.

Changes in the level of trust were noticed between companies and aligned with some dynamics in their relationships. Relationships between companies studied experienced particular changes within their development. They have grown from arm-length transactions to partnership, where the features of co-managed and managed outsourcing arrangement present. At the same time the level of trust between small provider and big customer has increased, however only at the customer side. It can be explained by the fact that small company got a high level of trust from the beginning since size of the company, their reputation and competence built trust in customer company. Moreover, some personal contact was established before with the partner. In case of bigger partner, they got enhanced degree of trust with the flow of time after they obtained a particular experience working with the provider. The performance became more effective and brought more satisfaction to customer. Increased trust let companies start-up partnership collaboration. Thus, it is possible to sum-up that by trust level manipulation it is possible to reach a desired outcome and win-win relationships. By trust creation managers could obtain a better company image, attract more customers (partners), and improve current relationships. Thus, in case of small provider, it can be possible to get closer to managed outsourcing arrangement and receive responsibilities over the whole logistics processes rather than share them with the customer. But full outsourcing is seems hardly available here, since managing and monitoring the business being control tower is a part of the customer company strategy when they work with their clients.

Expressing their attitude to the power of the bigger partner, small provider mentioned their size, experience, competence of the personnel, market share, turnover, and their knowledge. This also has been mentioned for the antecedents to trust by this firm. Thus, it is possible to assume that the power of the partner is considered as an antecedent itself. However, if the power of the partner was used by the customer as coercive it would decrease trust level of provider in customer company. Furthermore, big powerful companies may be characterized by excessive demands to their partners within limited time using pressure towards other company (McHugh et al., 2003). This is harmful for the provider's organizational health. Thus, bigger partner has its own strategy, operations and routines settled, and management approach which were set up for the purpose to deliver logistics solutions to the clients. It is very hard to change something inside of SDS when special situations happen. In that case, small companies could be more flexible than large ones. Then, small provider is ready to adopt their routines to the customer requirements since they are very dedicated to the project working with the customer client. Even more, it was evidence that if provider lost this business it would affect them a lot. However, as it is advised by other researches it is harmful for the company to be strongly dependant from one customer since it delimits provider's ability to influence the environment and leads to "ill health"

of organization (McHugh et al, 2003). In similar situations provider should think about the well being of its business and ways how to build win-win relationships.

Trust dynamics was also noticed in the context of conflicts. It can jump down when something goes wrong, mistake appeared, or partner was overpromised. However, the main outcome in studied context is that trust can be increased if the conflict situation has been solved successfully. Researches called this way as “functional conflict”. Thus, conflicts itself decrease trust, however, right approach to overcome it leads to even higher level of trust in the relationships. As it noticed from the companies perspective, they acknowledge with this way of acting and strive to maintain trustful relationships. In spite of this positive outcome, it makes sense to predict conflict points in cooperation by acting proactive. This is called by Kumar (2010) as being a “defender” instead of “prospector”.

Usually, large firms conducting business with a “prospector” orientation while the most of the small companies or SMEs had a “defender” orientation (Kumar, 2010). For example, HLC is considered flexible company able to adjust some processes internally if necessary. However, it mostly happens when their customers asks them to do so, thus acting as defender. Nevertheless, the relationships established between partners are not ultimate and still have a room to be developed. Partners have been working more than one year and it seems evident from their cooperation history that changes are possible. Due to the experience working together provider could act more as a prospector striving more effective work and customer satisfaction. This may create the possibility for the company to obtain more authority over the processes of strategic importance.

6 Conclusion

The following chapter includes the conclusions from our study. Conclusions are our main findings from analyzing our gathered empirical material by connecting with frame of reference. The aim of this chapter is to answer our research purpose and research questions.

The purpose of this paper is to gain better understanding whether there is a gap in perception of trust between small and big companies; what is the dynamics of trust between small and big companies? To meet the purpose the following questions have been answered:

How do small supplier and big customer perceive trust?

It became evident that both sides considered trust as one of the fundamental elements in the relationships. Furthermore, case investigated proved that there are different types of trust in real business context. It has been found that for small provider personal-based trust obtains a leading position since small company is strongly relying on personal contacts, liking, and good personal relationships with partner. Large company perceive crucial importance of contracts and established rules specifically in the beginning of relationships. This argument let to identify system trust as one which obtain the main position for this company. Besides, the presence of all trust types is crucial for companies. Both companies perceive good reputation as antecedent to trust. From the perspective of small logistics provider size of the bigger company is considered as a reason to be trustful. Whereas, small size of provider's company is regarded as an advantage because it gives a particular flexibility to the company. So, it can be regarded as the antecedent as well. Satisfaction is highly emphasized by the bigger company. If provider is able to perform an expected service satisfying customer he would be trustful. Finally, the experience of joint work create a picture about partner. Thus, if it is positive, relationships would become trustworthy. Additionally, a healthy provider's company is worthy to work with for big customer.

How trust has changed between companies and why?

Within its not so long cooperation companies faced particular changes. Thus, big and small partners have established partnership. They perceive long-lasting relationships, close and effective business. By the way, small provider has obtained more responsibilities and more strong position in the partnership. Work became more effective and beneficial for all participants, however there is a room for further improvements and development. Within these changes the trust level has changed but from customer side. It explained by the fact that trust in bigger customer was formed earlier due to the company's experience, size, competence, and ofcourse personal relations. In its turn, trust in small company increased during the period of cooperation. It happens due to provider's more effective performance and customer satisfaction. This let change trust level in to small provider and establish more collaborative relationships. Moreover, power and conflicts influence trust significantly. Being non-coercive customer's power positively influences trust and can increase its level. However, there is a risk of coercive power which can distroy provider's trust in customer. Conflicts make trust go down, however if iconflict was functional it would create a higher degree of trust between companies.

7 Future Research

In this chapter we propose ideas for future research based on our observations during the carrying out this study.

This thesis provides an interesting aspect of trust, combining different elements such as trust perceiving, trust dynamics, effectiveness, power and conflicts together in the context of small provider and large customer. Yet due to the limited time and resources, this research was carried out in a single dyadic relationship which is small logistics provider and large customer. This context was not covered previously.

Our study was mainly done concerning a logistics provider and its customer operating in Sweden. However, companies located in other countries might be interesting to study for the purpose to acquire a more comprehensive understanding about generalisation possibilities of the results received in this study.

Our study is based on qualitative data, however, conducting quantitative study in a multiple case concerning trust phenomenon, its perception and dynamic could be also an interesting perspective for further research in order to get a deep insight into the issue and facilitate its deeper understanding. Moreover, trust types could be regarded through the different positions of personnel.

Since the context of small logistics provider and big powerful customer is covered in this paper it would be valuable to analyse this phenomenon in the opposite way taking the following context in account: large logistics provider and small customer. Furthermore, a case of large powerful provider could be of the focus for the follow-up investigation.

Furthermore, during the research process, the following issues were found to be very important: the way of perceiving power and conflicts. In this case companies perceive power and trust in a positive way and believed showing that there is a positive link between power and trust. However, the negative impact of power and conflicts are still worth for further attention.

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Appendix 1. Interview Questions

I

What is your position?

What are your responsibilities?

How long you working in the company, with this customer?

How many years you have business with this partner?

What services you provide with your client?

II

There are different types of outsourcing, which types is it in your company with Schenker?

What kind of relationship do you have with the customer?

What makes your company attractive for your customer?

Do you think Trust is important in relationships? Why?

Do you think Trust is more important when the company is small? Why?

Do you think there are some disadvantages of trust?

Do you trust your partner?

What variables you would use to describe trust? (variables are to be called for respondent)

When you trust, you rely more on the contractual terms settled with the partner, established rules, or people working at the other company, previous experience?

What your partner has to have that you may trust him?

Do you trust your partner more now than in the beginning of the relationships? Why; what has changed?

How do you build trust with your partner?

III

Has it been any progress in the relationships since you have first deal?

Do you face another type of relationships if compare with the early beginning of the relationships?

How you may define effective relationships?

Do you think your relationships more effective now than in the beginning? Why?

Do you think Trust is influence the effectiveness of relationships? How?

IV

What can lead to distrust in your partner?

Did you have any conflicts with your partner?

How did you solve them?

Your partner is large. Do you think your partner is powerful?

How do you perceive power?

Did you feel power of your partner on you? How?

Can you see any development with your partner in the future?

Extra questions for SDS:

Do you think to build Trust is more important when the company is big? Why?

There is different level of outsourcing. What functions do you outsource, of what criticality?

Do you try to control all the functions or just leave it to the providers?

Your company is big. Do you think you are powerful?