**Trust-Based Relationships and Becoming the Customer of Choice**

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Over the last 30 years large North American and European multinational corporations have enjoyed one of the strongest periods of prosperity in modern economic history ([Dobbs](https://hbr.org/search?term=richard+dobbs), Koller, and [Ramaswamy](https://hbr.org/search?term=sree+ramaswamy), 2015). From 1980 to 2013 after-tax operating profits for larger firms grew 30% faster than global GDP and corporate net income grew 50% faster than global GDP. Furthermore, large North American and Western European companies captured more than half of all global profits.

While the last 30 years has been a remarkable era, it is also an era that appears to be ending. New rivals, including technology disruptors and non-governmental firms in emerging markets are putting established incumbents on notice ([Dobbs](https://hbr.org/search?term=richard+dobbs), Koller, and [Ramaswamy](https://hbr.org/search?term=sree+ramaswamy), 2015). These new entrants often play by different rules and demonstrate an agility and aggressiveness that many larger Western companies will struggle to match. At a minimum they represent a new and troubling source of competition.

As companies search for ways to grow they cannot ignore what is largely an untapped opportunity: the receipt of preferential treatment from suppliers. Oftentimes, this treatment is specific and not available to other firms, particularly competitors. Make no mistake, preferential treatment is earned rather than given. How an industrial customer engages with its suppliers can mean the difference between receiving game-changing advantages and watching from the sidelines as others prosper.

Underlying the strength of all relationships is trust, which in itself is not surprising. What is surprising is the way that trust relates to and enables successful supplier-buyer relationships. It is hard to imagine buyers and sellers sharing proprietary information or financial risk, for example, when the parties lack trust. Based on primary research involving almost 250 suppliers, this article identifies a set of findings that relate specifically to supplier-buyer trust, including how higher trust correlates with preferential treatment from suppliers. The article also reviews the trust literature and provides an action plan for developing trust-based relationships.

**UNDERSTANDING TRUST**

A major factor affecting the strength of any relationship is the presence of trust, which is a deceptively simple sounding term. Studies involving trust have been conducted in at least four major areas: game theory, negotiation, interpersonal work relationships, and inter-organizational relationships (Ferrin, Bligh, and Kohles, 2017). Disciplines where trust-based research occurs include management, marketing, philosophy, psychology, sociology, and economics (Schoorman, Mayer, and Davis, 2007). Not surprisingly, as a result of this diversity the trust literature is not well integrated and lacks coherence (McEvily and Tortoriello, 2010).

General perspectives on trust usually describe the concept in terms of the reliability, honesty, and ability of a person or thing. In terms of trust with an individual, a popular perspective argues that trust is a [feeling](http://www.macmillandictionary.com/us/dictionary/american/feeling_1) of [confidence](http://www.macmillandictionary.com/us/dictionary/american/confidence) in that individual. One source reiterates this when he says that “simply put, trust means confidence in others” (Covey, 2008). Schoorman, Mayer, and Davis (2007) define trust in a somewhat different way when they say trust involves a willingness to be vulnerable to another party. Others characterize the concept of trust as *perceived trustworthiness* (Ferrin, Bligh, and Kohles, 2007). With this perspective a person who aligns his or her words and actions with their behavior has the best chance of being perceived as trustworthy.

An important conclusion regarding trust is that three critical elements underlie various trust perspectives—the potential for betrayal, the temporal aspects of trust, and confident expectations of performance. With this perspective trust exists only when the potential for betrayal is present; trusting someone therefore creates a sense of vulnerability (Miranda and Klement, 1999). Second, trust develops as individuals have the opportunity over time to demonstrate their trustworthiness. This relates to the temporal or longitudinal aspect of trust. Third, trust almost always involves a belief in the performance capabilities of the other party(s).

In a widely cited perspective of trust, Mayer, Davis, and Schoorman (1995) define a set of essential elements that form the foundation of trust-based relationships: the demonstration of ability, benevolence, and integrity. Applied to supplier-buyer relationships, *ability* represents the supplier or buyer’s likeliness to perform; *benevolence* represents a supplier or buyer’s unwillingness to behave opportunistically toward the other party, particularly when the opportunity to do so presents itself; and *integrity* relates to a commitment to fairness, justice, and ethical behavior.

A stream of research has focused on trust among members of organizational work teams. This is critical as suppliers increasingly participate on new product development teams with customers. Empirical research shows that trust among team members indirectly increases team performance by motivating members to share information and work together. Trust among members also helps remove any emotional and interpersonal obstacles to effective team functioning (de Jong, Van der Vegt, and Molleman, 2007). Trust allows team members the freedom to devote a greater proportion of their time toward team tasks.

Researchers have also investigated the effect of team size on trust. One overarching conclusion is that as size increases, the probability that distrust between members will increase becomes higher. One study revealed that just over 35% of members of larger teams (eight or more members) are in agreement that distrust between members exists on their team while only 5% of members of smaller teams (three or four members) perceive that distrust exists (Trent, 2016). Larger teams usually feature cross-functional members where trust issues may already be present, as well as greater opportunities for mistrust simply due to larger numbers of members. Managers need to consider the relationship between size and trust when forming organizational work teams.

One authority on trust has concluded that trust is hard, real, and quantifiable and affects both the speed and cost of a relationship (Covey, 2008). When trust is present the cost to manage a relationship decreases while the speed or rate at which things are accomplished through the relationship accelerates. He maintains further that trust is a function of both character and competence; that it can be created as well as destroyed; that it can be effectively taught and learned; and that it can be leveraged to gain strategic advantage. And, when trust is lost it can be reestablished, albeit at a significant cost.

A lack of trust also carries a tax, which is an economic burden that must be borne by parties as they discount and often must verify what they receive from another party (Covey, 2008). This tax is real, measureable, and often extremely high. Conversely is the notion of a trust dividend. This dividend leads to improved communication and collaboration; better and faster execution of decisions; enhanced innovation and strategy development; and stronger engagement with the other party(s). Preferential treatment from suppliers is an important part of the trust dividend.

***Trust between Suppliers and Buyers*.** Most industrial firms recognize that achieving the next generation of performance advantages will increasingly require collaborative relationships with select suppliers. The most intense of all supplier-buyer relationships, collaborative relationships feature the sharing of risks, resources, and rewards between parties. They also feature the sharing of confidential or proprietary information. Not surprisingly, trust is a major component supporting these sought-after but relatively rare relationships. Trust form the basis upon which competitive advantage is built, driven by a collaborative culture that supports teamwork, open and honest communication, and innovation between companies (Keith, Vitasek, Manrodt, and Kling, 2016).

Companies with the most trusting supplier relations should have the most financially rewarding relationships (Henke, Stalkamp, and Yeniyurt, 2014). This supports two important conclusions. First, building trusting relationships with suppliers is a financially responsible activity that every company should undertake. Second, by working to create trust-based relationships with suppliers, the opportunity to achieve meaningful supplier-provided benefits that are not necessarily available to other companies is maximized (Keith, Vitasek, Manrodt, and Kling, 2016).

The level of trust that one party has with another likely affects important processes and outcomes, which should lead directly to tangible benefits (Mayer and Davis, 1999). Although a significant amount of research examines trust as a construct, much less attention is given to examining ways that trust translates into tangible benefits, particularly between buyers and sellers (Dirks and Ferrin, 2001). One exception involves a project that calculated the value lost by a major automotive company over a ten-year period because of the company’s deteriorating relationships and loss of trust from suppliers (Hencke, Stallkamp, and Yeniyurt, 2014). The key conclusion from that research is that trust equals profits, and lower trust means profits foregone.

Almost all researchers conclude that trust forms the foundation of successful business relationships. And, most individuals have an intuitive belief about the importance of trust. Part of why we have this belief has been gained through experience and even hard-wired through evolution. A review of the literature makes it clear that trust is the foundation upon which personal and professional relationships are built. What is lacking is research that considers how trust links with the attainment of preferential treatment from suppliers. This research addresses this shortcoming.

**SUPPLIER SATISFACTION RESEARCH**

The findings presented here are the result of primary data collected using an instrument called the *Supplier Satisfaction Survey.* This survey is a reverse scorecard where suppliers evaluate an industrial customer rather than a customer evaluating and rating a supplier, which is traditionally the case in supplier-buyer relationships. Executive managers at several leading companies reviewed the survey in detail with their staffs to ensure clarity and relevance. Table 1 identifies the topical areas that comprise the *Supplier Satisfaction Survey*.

**Table 1: Supplier Satisfaction Survey Content Areas**

Suppliers assess their customer within the following areas:

* Importance of the customer to the supplier
* Comparison against an ideal customer across 25 performance areas
* Supplier assessment of the importance of each of the 25 performance areas
* Customer’s ability to provide performance feedback
* Ethical and business conduct of the customer and its personnel
* Knowledge and skills of the customer’s personnel
* Customer’s responsiveness to supplier concerns or questions
* Customer’s quality and delivery performance requirements
* Supplier’s perception of its current and future business-to-business relationship with the customer
* Customer’s quotation, negotiation, and contracting practices
* Potential for future business opportunities with the customer
* Customer’s information sharing and transaction efficiency

The data for this analysis includes responses from suppliers identified by two major industrial companies as their most important suppliers. Company A, a wholly-owned subsidiary of a European company based in the U.S., is a producer of transportation equipment. Of the 131 suppliers invited to participate in the study, 113 completed the survey, yielding a response rate of over 86%. Just over 75% of Company A’s responding suppliers are headquartered in the U.S, 13% are headquartered in Western Europe, and the remaining suppliers are primarily Canadian and Mexican.

The second customer, also headquartered in the U.S., has operations and suppliers located throughout the world. Company B’s products include various raw materials that are required by many industries. Of the 180 suppliers invited to participate at Company B, 131 completed the survey, yielding a response rate of 73%. Almost 60% of Company B’s participating suppliers are headquartered in the U.S., 23% are headquartered in Europe, and 12% are headquartered in China. The remaining suppliers are from countries such as Canada and South Korea.

After receiving the names of suppliers, researchers worked with executives at each supplier to identify the individuals best positioned to respond to the survey. Suppliers provided data during a six-week data collection period. During this period, researchers maintained total control over the data collection process. Strict control and confidentiality provided suppliers with the assurance they could answer questions without fear of reprisal, particularly if they provided less than favorable ratings or comments. The researchers controlled all communications with suppliers throughout the study.

Several sections of the survey address the trust that a supplier perceives exists between itself and its customer. Data analysis identifies a set of powerful linkages between these trust-related items and other parts of the survey. These linkages form the conclusions presented here.

**TRUST-RELATED RESEARCH FINDINGS**

Strong statistical relationships exist between trust and different aspects of the supplier-buyer relationship. While the *Supplier Satisfaction Survey* contains hundreds of items and data points, except for the first and last findings presented here, only those items that show the strongest correlation with trust, generally a correlation of .6 or higher, are featured. Knowing what relates most strongly to trust supports a better understand regarding how to develop and manage trust-based relationships.

**Finding 1:** The trust that a supplier has with a customer does not relate statistically to any demographic variable studied.

This “non-finding” is one of the most important in the study because instead of identifying what trust relates to, it reveals that trust does not relate to certain variables that may counter some commonly held beliefs. No statistical relationship exists between supplier size in terms of revenue and the trust the supplier has in the buying customer. In other words, trust with the customer is no higher or lower for smaller suppliers compared with larger suppliers. Furthermore, no relationship exists between trust and the customer’s business relative to the supplier’s total sales. Many companies offer progressively larger volumes to suppliers with the expectation that larger volumes will lead to better supplier relationships and preferential treatment. While that may happen to some degree, the level of trust perceived by a supplier shows no statistical relationship with the size of the buyer’s contract. Finally, the length of the supplier-buyer relationship in years shows no statistical relationship with the perceived trust that characterizes the supplier-buyer relationship. As will be discussed, the level of trust that a supplier has with its customer relates strongly to the customer’s behavior rather than demographic variables. The good news is that customers can control their behavior.

**Finding 2**: Supplier trust relates directly to the level of satisfaction the supplier has in that customer. Furthermore, suppliers that have higher satisfaction with their customer are more likely to say that the customer is preferred.

A strong correlation (.68) exists between the trust that a supplier perceives defines the supplier-buyer relationship and the level of overall satisfaction level the supplier has with that customer. Extending these findings, becoming a preferred customer will likely not occur if a supplier is dissatisfied with its customer. While this research was not longitudinal (i.e., over time), a logical sequence likely exists where satisfaction with a customer leads to higher trust in that customer, which then leads to a belief that the customer is preferred. And, a linkage exists between a customer’s preferred status and a supplier’s willingness to provide preferential treatment to that customer, a finding that is discussed later. The statistical linkages between trust, supplier satisfaction with a customer, preferred customer status, and preferential treatment create a compelling story.

**Finding 3:** Supplier trust relates directly to specific areas of customer performance.

 A key part of the *Supplier Satisfaction Survey* asks suppliers to compare their customer’s performance in 25 areas against an ideal customer. These areas were identified through focus groups with suppliers, previous research, and experience. These performance areas relate to the *ability* and *integrity* dimensions of trust as defined by Mayer, Davis, and Schoorman (1995). The performance areas that correlate with higher trust are revealing in terms of where suppliers say their customer performs best. Items that correlate the highest with trust include the customer’s ability to:

* Exhibit ethical and respectful behavior (correlation of .73)
* Develop effective supplier-buyer relationships (.69)
* Pursue efficient negotiating and contracting practices (.67)
* Provide tangible support if problems arise (.64)
* Provide clear channels of communication (.63)
* Be receptive to the supplier’s improvement ideas (.62)
* Be knowledgeable about the supplier’s business and industry (.62)
* Offer longer-term business opportunities to the supplier (.61)
* Commit to continuously improving the supplier-buyer relationship (.60)
* Respond to supplier inquiries in a timely manner (.60)

One explanation for the strength of these findings is that customers that perform well across these areas are tapping into the behaviors that affect a supplier’s trust perception. Others have argued persuasively that it makes sense to link behavior (i.e., customer performance) with trust (Keith, Vitasek, Manrodt, and Kling, 2016). An industrial customer’s behavior in these areas likely affects the level of trust the supplier has in that customer.

Ethical behavior, open and frequent communication, tangible support when problems arise, continuous relationship improvement, and offering longer–term relationship opportunities conveys an appreciation by the customer of a supplier’s business needs. It is easy to conclude that if a customer performs well across these areas, higher trust should result.

**Finding 4:** A belief that the customer will protect confidential information relates directly to the supplier’s trust in that customer.

Unusually strong correlations exist between trust and the confidence the supplier has that the customer will protect proprietary or confidential information, which relates to the *integrity* dimension of trust (Mayer, Davis, and Schoorman, 1995). This includes protecting the integrity of the supplier’s information and data submitted in quotations and/or proposals; internal cost data; product and process improvement ideas; current product designs; future product development plans; and supply chain improvement ideas. A belief in the customer’s ability to protect the integrity of each of these items correlates with trust at a .70 level or higher.

Recall that a popular perspective of trust involves a party’s willingness to accept vulnerability based upon positive expectations of the intention or behavior of the other party (Miranda and Klement, 1999). Here, the presence of trust allows a supplier to reduce its vulnerability in an area where many suppliers normally perceive risk—the misuse, misappropriation, and sometimes even theft of intellectual property and confidential information.

A number of years ago a major automotive OEM asked suppliers to submit design ideas, without compensation, related to the development of a new vehicle. The OEM subsequently shared these ideas with Chinese suppliers, a clear ethical lapse on the part of the OEM. The OEM then informed its Western suppliers they had to match or beat “China pricing” if they hoped to win new business. Suppliers have rated this company lower on all kinds of key measures, including trustworthiness, communication skills, and protection of intellectual property.

**Finding 5:** Trust relates strongly to the perception that the personnel the supplier deals with at the customer are knowledgeable and qualified.

This finding highlights the important role that individuals play within the supplier-buyer relationship. It taps into the human aspect of the *ability* dimension of trust as defined by Mayer, Davis, and Schoorman (1995). A solid correlation (.65) exists between supplier trust and the belief that the personnel at the customer are knowledgeable about the supplier’s business. It is logical to conclude that qualified personnel have a powerful effect on a supplier’s perception of customer trust and performance. Each of these items demonstrates a strong correlation with trust:

* the purchase contract
* economic changes and trends, including emerging technology, affecting the supplier’s industry
* the supplier’s cost and operating structure
* the supplier’s production processes, delivery processes, quality management systems, and capacity constraints and limitations

This research finding raises some interesting questions related to how a firm manages its human talent. It is not unusual for supply and supply chain personnel to rotate frequently between positions, sometimes every 12 to 18 months. When this is the case the risk is present that the relationship “learning curve” regresses as newly assigned individuals must work to rebuild the supplier-buyer relationship. Several suppliers in this research complained about frequent personnel turnover at their customer that affected the quality of the relationship. The importance of individuals within trust-based relationships should never be minimized.

**Finding 6:** A strong relationship exists between the trust that a supplier has with its customer and the quality of communication that takes place.

 This finding, along with the previous finding, highlights the important role that individuals play within the supplier-buyer relationship. It is hard to envision a trust-based relationship that does not feature direct communication between the individuals within the relationship.

This research examined communication from multiple perspectives: the timeliness of responses when the supplier contacted the customer with concerns or questions; the accuracy of those responses; the completeness of responses; and the courteousness of personnel when contacted with concerns or questions. The ability of the customer to perform positively on each of these items correlates highly with the suppliers’ perception of trust.

Higher levels of trust also relate to a supplier’s belief that personnel at the customer take the suppliers’ business concerns and questions seriously (correlation of .67). Trust also correlates strongly to a supplier’s belief that personnel at the customer are willing to work with the supplier to resolve any performance issues or misunderstandings. Finally, suppliers that indicate a higher level of trust are also much more likely to say they are confident their customer will not be punitive or seek retribution if presented with less than desirable news. This relates to the *benevolence* dimension of trust. Personnel at the customer who are able to communicate effectively with suppliers are an integral part of the trust equation.

**Finding 7:** Higher trust correlates directly with views the supplier has about negotiating with the customer.

 Few would argue against the notion that negotiation is a process of communication. And, as revealed by the previous finding, few would disagree that communication is an essential element of any trust-based relationship. Progressive companies view the negotiating process as an opportunity to enhance a relationship and to search for new opportunities jointly rather than as a means to punish or coerce another party (Keith, Vitasek, Manrodt, and Kling, 2016). Positive communication put forth during the negotiating process should enhance the strength of a relationship as well as the trust that underlies it.

A variety of indicators involving negotiation correlates highly with trust. As supplier trust with a customer increases, the supplier is more likely to say (1) the customer uses the contract negotiation process as an opportunity to strengthen the business relationship (a .63 correlation between trust and this item); (2) negotiations with the customer focus on how to create new value from the business relationship (.60); and (3) negotiating with the customer is a positive experience (.61). Conversely, as with all correlations, relationships that are characterized by lower trust reveal the reverse to be true. Negotiation is a specialized part of the communication process that can enhance the trust that underlies a relationship.

**Finding 8:** Trust relates strongly to the kind of relationship the supplier perceives it has with the customer.

Figure 1 presents a continuum of relationships, a version of which respondents used to evaluate their current and expected relationship with the customer. Suppliers that say they have a higher degree of trust with their customer are much more likely to say they have a cooperative or even collaborative relationship with that customer. The correlation between trust and a continuum of relationships ranging from counter-productive to collaborative is unusually high (a correlation of .76 where a higher value indicates a relationship that is closer to collaborative on the continuum in Figure 1).

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The relationship between trust and the kind of relationship the supplier perceives it has with its customer is one of the stronger findings in this research. In all likelihood the presence of trust has enabled the parties to evolve to a level that features the open sharing of information, resources, risk, and rewards, all of which characterize relationships that are toward the right side of the relationship continuum.

**Finding 9:** Trust correlates directly to a greater willingness by the supplier to provide preferential treatment to the customer.

This is perhaps the most important finding because it is the only one that links trust with a supplier’s willingness to provide preferential treatment to the customer. A primary objective of trust-based relationships should be the receipt of benefits that are not readily available from relationships that feature lower trust.

Why are these outcomes so important? Earlier cited research by Hencke (2014) demonstrated that a supplier’s willingness to provide benefits, some of which are mandated coercively by the customer, ebbs and flows with the level of trust a supplier has with its customer. And, as Henke’s research concluded, supplier-provided non-price benefits almost always outweigh, sometimes dramatically, the dollar value received from mandated supplier piece-price concessions. The challenge is to create an environment where suppliers willingly provide non-price benefits that are not necessarily available to other customers, some of whom may be the customer’s direct competitors.

What types of favorable treatment might a customer receive when a supplier has a high level of trust with its customer of choice? Table 2 provides a listing of supplier-provided benefits segmented into three categories—supplier-provided direct investment, favorable treatment, and product and process innovation. This table identifies the benefits evaluated by suppliers during this research.

**Table 2: Examples of Supplier Provided Preferential Treatment**

|  |  |  |
| --- | --- | --- |
| **Supplier-Provided Favorable Treatment** | * Shorter quoted lead times
* Preferential scheduling of orders
* Early insight into future technology plans
* More favorable payment terms
* Performance improvement ideas
* More frequent deliveries
 | * Access to the supplier’s executive level personnel
* Access to market information that the supplier may possess
* Better pricing
* First allocation of output if supplier capacity is constrained
* Early warning to potential supply problems
 |
| **Supplier-Provided Direct Investment** | * Personnel to work directly at the customer’s facilities
* Capacity dedicated to the customer
* Engineers to support customer’s product development needs
* Investment in new equipment that benefits only the customer
 | * Exclusive use of new technology developed by the supplier
* Inventory held to support the customer’s needs
* Direct financial support if needed
* Information technology systems unique to business with the customer
 |
| **Supplier-Provided Innovation** | * Product innovation
* Production process innovation
* Process innovation involving non-production processes
 |  |

This research revealed that as trust and therefore satisfaction with a customer increases, suppliers are increasingly willing to provide their customer with

* first allocation of output when the supplier’s capacity is constrained (.38 correlation between trust and the supplier’s willingness to provide that item);
* better pricing (.38); preferential scheduling of orders (.37);
* early insight into future product technology plans (.34);
* more favorable payment terms (.31);
* access to executive personnel at the supplier (.31);
* access to supply market information that the supplier possesses (.31);
* shorter quoted lead times compared with other customers (.30)

Why are these correlations lower than those presented in the previous research findings? First, these items almost always require the supplier to provide something of value. Not all suppliers are willing to do this regardless of how they feel about their customer. Second, some suppliers may simply not think about or understand how to segment customers based on their satisfaction with them. They may not be accustomed to providing preferential treatment to customers. Whatever the reason, a clear linkage exists between trust, customer satisfaction, and the willingness of suppliers to provide preferential treatment to a customer.

Preferential treatment should represent the most sought-after outcome from trust-based relationships. The sidebar “Preferential Treatment at the Highest Level” illustrates how the receipt of preferential treatment has affected the competitive landscape of an entire industry.

**AN ACTION PLAN FOR PROMOTING TRUST-BASED RELATIONSHIPS**

The findings presented here reveal a compelling story about the powerful linkages between trust and important elements of the supplier-buyer relationship. They support an understanding regarding how to construct and manage trust-based relationships, an understanding that must continue to grow as firms fight to succeed in increasingly competitive markets. The presence of trust between suppliers and buyers, however, does not occur by happenstance. It is the result of a long and concerted effort that features the development of trust-based relationships as a strategic goal. The following presents a set of recommendations that support the development of trust-based relationships.

**Create a Culture that Stresses the Importance of Relationships**

Corporate culture refers to the philosophy, values, and behavior that constitute the unique style and policies of a company. Culture is often implied rather than expressly defined, and it is something that develops gradually over time from the cumulative traits of executive leaders as well as the people that a company hires. Corporate culture is a reflection of an organization’s personality.

Executive leadership has the opportunity to create an environment that stresses the importance of trust-based relationships or they can create an environment that seeks to extract every concession possible from suppliers. Enlightened leadership at the customer will appreciate the linkage between trust-based relationships and preferential supplier treatment and convey the importance of this linkage throughout the organization. Making trust a central part of a corporate culture reflects a conscious decision, just as taking an adversarial approach with suppliers represents a conscious decision.

The pursuit of supplier-buyer trust must be systemic rather than idiosyncratic. It must permeate an entire organization rather than being unique to a particular group, individual, or relationship. A belief regarding the importance of trust-based relationships must become an embedded part of an organization’s culture, and as a result of this embedded belief employees will act accordingly.

**Don’t Discount the Importance of Individuals**

The important role that individuals play within trust-based relationships should be evident from the findings presented here. The ability of a customer’s personnel to protect proprietary information, demonstrate competency, act ethically in all dealings, and engage in constructive communication each contribute to a supplier’s perception of trust and trustworthiness. The bottom line is that hiring intelligent, ethical individuals to interact with suppliers, supported by the right corporate culture, will go a long way toward promoting trust-based relationships.

**Engage in Trust-Building Activities**

Many ways exist that should result in greater trust between parties, including co-locating personnel to encourage direct and frequent contact; following through on promises and commitments; acting on the behalf of the relationship rather than narrow self-interests; publicizing success stories and personal narratives, particularly those that enhance the standing of the other party; and protecting the confidentiality of information gathered within the relationship. Acting legally and ethically in all dealings and practicing frequent and open communication, two powerful ways to promote trust, are discussed shortly. These tactics, each of which requires relatively few resources, should affect the trust that exists between parties.

**Demonstrate Ethical Behavior at all Levels**

The statistical relationship between ethical behavior and a supplier’s perception of trust with a customer is the strongest of any presented here. Ethics deal with questions related to the fairness, justness, rightness, or wrongness of an action and include the moral principles or values that guide behavior. Ethical behavior is a primary antecedent of trust and trust-based relationships. One certainty is that the risks of unethical behavior can be devastating to supplier-buyer relationships (not to mention possible legal ramifications). Ethical behavior contributes to greater trust; trust does not cause ethical behavior, which Mayer, Davis, and Schoorman (1995) maintained when they identified *integrity* as a primary dimension of trust.

**Say What You Will Do, Do What You Say**

A basic principle that underlies trust and trustworthiness is that actions speak louder than words. Nothing builds trustworthiness better and faster than when words align with behavior (Keith, Vitasek, Manrodt, and Kling, 2016). Building trust is not about telling another party what they want to hear. Rather, it is about being open and honest in a manner that demonstrates confidence, consistency, and predictability. Suppliers that perceive a customer is not following through on commitments should have an efficient way to communicate any concerns.

**Understand what is Important to Suppliers—and then Perform**

Industrial customers will find it useful to have an objective third-party assess the many aspects of their supplier-buyer relationships, including the supplier’s perception of customer performance and the level of trust that exists between the parties. This assessment will help the industrial customer understand what a supplier values most from a relationship. This understanding is what the *Supplier Satisfaction Survey* attempts to capture.

Gaining insight into what is most important to suppliers increases the likelihood that a customer can direct behavior in ways that will provide the greatest return. While certain behaviors are obvious (i.e., treating the supplier ethically or paying in a reasonable time) other behaviors, depending on the setting, may be more nuanced. Those customers that put forth the effort to understand the needs of their suppliers and then address those needs should be better off because of that effort. The challenge becomes one of replacing anecdotal or subjective analysis with an objective understanding of supplier needs and wants.

**Communicate, Communicate, Communicate**

Various studies have concluded that open and frequent communication between parties correlates directly with trust (Mirand and Klement, 2009). Frequent interaction increases knowledge and understanding of the other party, which strengthens the bonds of trust. Frequency of communication, assuming the communication is positive, has the potential to affect directly the trust that exists between parties. This highlights the important role that negotiation plays within supplier-buyer relationships.

A group of suppliers participating in the *Supplier Satisfaction Survey* complained when their customer replaced face-to-face meetings with electronic communication. While there is a time and place for virtual communication, these suppliers stated they missed the new ideas and understanding that resulted from direct interaction. After seeing the depth of the sentiments regarding this issue, the customer reinstituted face-to-face reviews and planning sessions. Parties should welcome opportunities to communicate within a relationship, and when they do, the communication should be open, accurate, timely, and complete.

While not exhaustive, these guidelines are designed to strengthen the trust that exists between suppliers and buyers. The pursuit of higher trust with suppliers will help transform an aspiration (i.e., the desire for trust-based relationships), into an accomplishment, (i.e., preferential treatment that can create competitive advantages). The pursuit of trust-based relationships with suppliers, with trust as the foundation, must become a corporate imperative.

**CONCLUDING THOUGHTS**

The value of preferential treatment from suppliers is not something that appears on a financial statement or as an accounting line item. This does not mean that industrial customers should discount the importance of preferential treatment nor should they ignore the risk they face when others receive supplier-provided benefits at their expense. As the findings here reveal, what a buyer receives preferentially from a seller often links directly to the trust that exists between parties. When all is said and done, it is somewhat ironic that something as intangible as trust affects so many things that are in fact quite tangible.

**SIDEBAR: PREFERENTIAL TREATMENT AT THE HIGHEST LEVEL**

In the early 2000’s Boeing decided to develop a long range (LR) and extended-range (ER) version of its highly successful twin-engine 777. Not only did General Electric commit its own resources to develop a radically new engine exclusively for Boeing, the company also provided Boeing with substantial financial support to develop the new plane. In exchange, Boeing designated GE as the sole engine provider for the new 777, something that was not typical in the aerospace industry (airlines usually have a choice of engine providers). The new plane was so well received that Boeing’s primary competitor, the four-engine Airbus 340, ceased production due to a lack of orders. The new 777LR and ER, mainly due to the performance improvements attributed to GE’s engines, radically changed the economics and behavior of an entire industry.

Several years later Airbus publicly accused GE of favoring Boeing during the development of engine technology for a new generation of commercial aircraft, a market estimated to be worth several hundred billion dollars. An Airbus executive complained, “The problem we have with GE is they go to Boeing and say ‘What kind of engine should we design for your airframe?’ Then they come to Airbus and say ‘Here is the kind of airframe you need to build to fit our engine.’” Complicating matters is the fact that the largest version of Airbus’ next generation of planes (the A350 XWB) competes directly with the largest version of the Boeing 777 where GE is the sole engine supplier. GE officials commented they will not build a new engine for an Airbus plane that will compete against a Boeing plane where GE is the sole supplier. And, Boeing has now designated GE as the sole engine provider for the next generation Boeing 777X, which currently is in development. As these examples illustrate, receiving preferential treatment from suppliers can be a real game changer.

Source: D. Michaels and K. Kranhold, “Engine Spat Could Slow Airbus,” *The Wall Street Journal*, July 10, 2007, sec. A, p. 10.

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