

# Reducing buyer decision-making uncertainty in organizational purchasing: can supplier trust, commitment, and dependence help?

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## Abstract

Given its negative effects on purchase behaviors, organizational buyers' decision-making uncertainty (DMU) needs to be reduced. The marketing literature still lacks insights on how business marketers can help reduce organizational buyers' DMU, especially through relationship-building approaches. We developed a conceptual model on whether the organizational buyer's DMU can be reduced by the buyer's perceptions of supplier trust, supplier commitment, and supplier dependence. Based on data collected from a national sample, our study confirms the significant negative effect of buyers' trust in the supplier on their uncertainty in purchase decisions. Buyers' trust can be enhanced if buyers perceive suppliers to be trusting of the buyers and if buyers perceive the suppliers to be highly committed to the relationship. Buyers' perception of the supplier's dependence does not significantly increase buyers' trust, but it does have a direct effect on DMU.

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## 1. Research background and objectives

Decision-making uncertainty (DMU) in organizational buying decisions refers to the difficulty experienced by the decision maker in predicting the outcomes of a purchase decision in terms of the likely benefits and costs (Duncan, 1972; Kohli, 1989). The emerging literature on interfirm trust in both marketing and management suggests that an important relational construct, buyer's trust, deters the threat of opportunism and lowers buyers' DMU (Bradach and Eccles, 1989; Bord and O'Connor, 1990; Johnston and Lewin, 1996). Does this prediction hold true in empirical tests? Furthermore, other than building buyer trust, can the supplier help reduce buyer DMU by increasing its own relationship commitment and dependence on the buyer? Are the effects of supplier dependence and supplier commitment on buyer DMU mediated by buyer trust? Until now, published studies have examined only nonrelational means

of uncertainty reduction aimed at providing information and improving customer knowledge (e.g., Brossard, 1998; Henthorne et al., 1993; Jackson et al., 1984; Moriarty and Spekman, 1984). The business marketing literature still sheds limited light on how suppliers can use relationship-building practices (Dwyer et al., 1987) to decrease buyer DMU and make effective decisions (Gao et al., 2002).

In an effort to address the above important questions, we developed and empirically tested a conceptual model dealing with the following research question: Can suppliers reduce buyers' DMU by building mutually trusting relationships, becoming more committed to (and dependent on) the buyers. We hypothesize that organizational buyers are likely to perceive less uncertainty in their purchase decisions if their suppliers demonstrate trust, commitment, and dependence. In a national survey of organizational buyers, we asked questions about the extent to which buyers trust their suppliers, their uncertainty in their purchase decisions, and their perceptions of suppliers' trust, commitment, and dependence. We chose to study buyers' perceptions of seller-side relational variables because they reflect the buyers' interpretations of intent and performance of various relationship-building efforts by the supplier. For any relation-

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ship-building effort initiated by the supplier to be successful, it first needs to be noted and evaluated by the buyer for acceptance or rejection.

## 2. The conceptual model

### 2.1. The effect of buyers' trust on buyers' DMU

Trust is perceived reliability and integrity of an exchange partner and can be viewed in terms of competence, consistency, and benevolence (cf. Morgan and Hunt, 1994). Buyers' trust in suppliers is established when buyers believe in the suppliers' willingness to keep their promises and their ability to deliver competent and need-satisfying performance. When buyers perceive suppliers to be benevolent and consistent, they become less worried about being taken advantage of by the suppliers. When buyers perceive suppliers as being capable of delivering competent performance, the purchase outcome becomes more predictable and less uncertain. Put formally, the following hypothesis can be tested (see Fig. 1):

**H<sub>1</sub>:** Buyer's trust in a supplier has a negative effect on the buyer's DMU experienced in purchasing the supplier's offerings.

### 2.2. Determinants of buyers' trust

Given the potentially pivotal role of trust in reducing buyers' DMU, it is useful to explore different ways by which the supplier can build buyer trust. Research has shown that one party's relationship commitment has a positive influence on the other's trust. In a channel setting, Ganesan (1994) found that perceptions of a vendor's specific investments, a sign of relationship commitment, increase a retailer's trust in the vendor. In organizational buying, the supplier's willingness to place the firm at risk signals a desire to cooperate with the buyer and shows that the supplier's motives are benevolent (Doney and Cannon, 1997). Furthermore, buyers perceive committed suppliers to

be willing to adapt their products and procurement procedures to meet the product specifications of the buyer (Cannon and Perreault, 1999). An improved supplier capability to offer satisfying products or services serves to enhance buyer's confidence in the supplier. Therefore, commitment by the supplier to the relationship promotes buyer's trust in the supplier. Put formally, the following hypothesis can be tested:

**H<sub>2a</sub>:** A supplier's commitment to an organizational buyer as perceived by the buyer has a positive effect on the buyer's trust in the supplier.

The supplier's trust in the buyer is also an important antecedent to buyer's trust. Based on the principle of reciprocity in exchange theory (Blau, 1964), mutual trusting behaviors and bilateral perceptions of trustworthiness must exist for a relationship to become stable and long lasting (Anderson and Weitz, 1992; Smith and Barclay, 1997). This is because "trust entails trust" and "mistrust breeds mistrust" (cf. McDonald, 1981). While buyer's trust is built on the trustworthiness of the supplier, one source of trustworthiness might be the supplier's own trust of the buyer. To better serve the buyer's needs, the supplier may need to commit more resources, some of which may be relationship specific in that these resources may be hard to redeploy to alternative relationships. In sum, we believe that buyer's trust is not likely to grow or last long if it is not reciprocated in kind by the supplier, and once the supplier's trust is established, it helps build buyer's trust.

In order to demonstrate whether the supplier can manage the buyer uncertainty problem through its own trusting behavior, we will test the one-directional effect of buyer-perceived supplier trust on the buyer's own trust. However, there is great difficulty in establishing the direction of the relationship between buyer trust and supplier trust, given the mutual reinforcement nature of their link. With this caveat, we propose the following hypothesis:

**H<sub>2b</sub>:** A supplier's trust in a buyer as perceived by the buyer has a positive effect on the buyer's trust in the supplier.

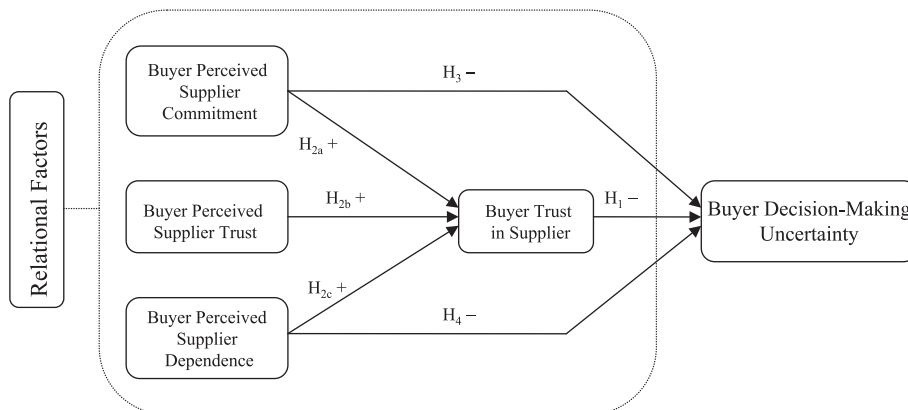


Fig. 1. A conceptual model on relational antecedents of buyer DMU in organization purchasing.

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