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Trust and forms of capital in business-to-business activities and relationships

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ABSTRACT

The IMP group's ARA model, with its emphasis on interaction, captures social and economic dimensions of exchanges. We draw on it to compare three cases and assess how actors act in skilful and nuanced ways in mobilizing resources, given the very different norms of social and economic capital. We prioritize action ahead of structure and, given the inherent uncertainties that actors encounter in connection with resources, argue that trust is a cognitive and heuristic dimension of action, distinct from resources, actor-bonds and social capital. We conclude that for business practice, managers should be mindful that in order to trust others, they need to act in the distinct realms of social and economic capital, tempting though it is to interpret and measure the costs of actions economically.

1. Introduction

In this paper, we follow a path that IMP researchers (Araujo & Easton, 1999; Bowey & Easton, 2007; Batt, 2008) have established in investigating the intersections and synergies between the actor-resource-activity (ARA) model (Håkansson & Johanson, 1992; Håkansson & Snehota, 1995; Harrison & Prenkert, 2009; Lenney & Easton, 2009) and the concept of social capital (Bourdieu, 1986; Nahapiet & Ghoshal, 1998; Adler & Kwon, 2002). Our contribution is to propose that the intersection of ARA and social capital, characterized by actors mobilizing resources, is through their activities intensified by developing trust, which we understand to be both cognitive and heuristic (Ford, et al., 2010).

We address three questions, of how actors: (1) acquire resources in and from radically different settings, in pursuing business activities; (2) develop and draw upon trust in connection with their attempts to mobilize – especially intangible – resources; and (3) change the social and economic capitals associated with their business contexts, for instance as an extension or intensification of actors' bonds, as they go about trusting others and assessing the trustworthiness of others. IMP researchers have long established that actors depend on one another for a significant proportion of the resources required for their business activities and that resources are inherently uncertain and complex entities to exchange, often revealing their qualities in use (Håkansson & Waluszewski, 2002; Gadde et al., 2003; Harrison & Waluszewski, 2008; Baraldi & Strömsten, 2009). As such, exchanges of resources are typically interactive and relational rather than transactional (Håkansson & Ford, 2002; Harrison, 2004; Ford & Håkansson, 2006).

We present and analyse three contrasting cases drawn from a project on 'doing business networking', in which actors have recognized that trust is important as they seek to mobilize resources in settings that have complex social and economic features. In Section 2 we examine the similarities and differences between the ARA model, social capital and trust, all understood from the perspective of action and interaction, ahead of but not to the exclusion of a structural perspective. We explain our research design in Section 3 and present our three cases in Section 4. In Section 5, we compare and contrast our cases, showing how, from a perspective of action, actors experience vulnerability and trust as they seek to mobilize resources. Section 6 concludes.

2. Literature review

Despite their apparent consistency, the three concepts or constructs of the ARA model, social capital and trust do not coalesce, at least given a perspective on action. Rather, it is by emphasising and developing their distinctiveness that we propose our contribution. Adler and Kwon (2002, p. 23) define social capital as goodwill residing in actors' social relations and contrast analyses of social capital that focus on the 'formal structure of the ties that make up the social network' with those that focus on 'the content of those ties'. A focus on the content of social ties fits well with the IMP group's ARA model, a dimension of which is actors' interaction among their social bonds. Indeed, Håkansson (1987, pp. 12–13) highlights technical and social content as dimensions of exchanging resources within relationships,

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with social content including ‘friendship, mutual trust and confidence’. Furthermore, research into trust has taken a distinctly heuristic turn (Uzzi, 1997; McEvily et al., 2003), by which actors develop ‘rules of thumb’ based on simple criteria as to whether they should trust another, whether another is trustworthy, and whether additional actions need to be taken in fostering and assessing trust. These questions of trust are triggered by actors' abilities to represent a context as one in which they consider themselves to be vulnerable but cannot easily draw on formal contracts to make exchanges and interactions run smoothly, nor calculate the risks, costs and benefits for how episodes of interaction and exchange will turn out (McEvily, et al., 2003, p. 99).

2.1. Drawing out social capital in relation to the ARA model

The ARA model captures in strategic and thematic terms the IMP arguments that businesses exchange resources interactively, relationally and in business contexts that have a network form (Håkansson & Snehota, 1989, 1995; Araujo et al., 2003). The model is socio-economic and can be adapted to different scales of empirical focus. Hence, actors develop durable socio-economic bonds, have to combine resources, crossing and blurring organizational boundaries as they go, and link their activities, with all three dimensions being interactive and having different time frames (Medlin, 2004; Halinen & Törnroos, 2005). The scales of analysis, for managers and academic research, can be within an organization, in a dyadic or triadic relationship, in a net (understood as a smaller multiple of actors), or in a larger network. Actors are usually understood to be business units (Håkansson & Waluszewski, 2002).

It is somewhat artificial to focus on one dimension of the ARA model. For instance, actors choose to exchange – that is acquire, mobilize and apply – resources because they envisage and plan for a business activity, and encounter their durable socio-economic bonds with other actors in so doing (Baraldi et al., 2007, p. 892). However, the dimension of actor-bonds is redolent with other constructs in economic sociology, for instance as embeddedness (Granovetter, 1985; Uzzi, 1997) and social capital (Bourdieu, 1986). Furthermore, Ford et al. (2010) point out that it is in the dimension of actor-bonds that we uncover particularly ‘human aspects’, notably, how actors go about trusting one another and establishing one another's trustworthiness. While embeddedness is, given our perspective on action in this paper, a passive or structural construct, we can pursue the question of how actors encounter the uncertainties and complexities inherent in exchanging resources in more detail with recourse to social capital.

We are drawn to social capital, and to Bourdieu's (1986) argument that there are forms of capital, for instance, as social, economic, cultural and symbolic forms (Huppatz, 2009). ‘Forms of capital’ allows for a development of the ARA model in two steps: actor-bonds can complement or stand in for social capital, indicating that social capital can be a type of resource ready for application, or type of resource helpful in mobilizing other resources. If so, social capital carries with it norms, which actors can with skilful action translate into other forms, such as economic capital (which has its own norms). Blois (2002) and Håkansson and Waluszewski (2002) provide different accounts of how relationships can be considered as resources of and for business activities.

2.2. Social capital, action and resources

The advantage of taking into account social capital, especially in relation to other forms of capital and given a focus on action, is that it provides a conceptual basis for untangling the social and economic dimensions that are otherwise combined so effectively in the ARA model (Westerlund & Svahn, 2008). The ARA model includes actors' activities in translating, as resources, social capital into economic capital and, to lesser extent, economic capital into social capital.

Research into social capital in business settings has tended to focus on structures, for instance as networks, or the processes by which actors develop it (Nahapiet & Ghoshal, 1998; Arregle et al., 2007), rather than focussing on how actors make transformations between social and economic capitals. The dominant problematic has been of the relationship between organizations having social capital, or having the capacity to accumulate social capital, and that organization's relative economic performance (Mathwick et al., 2008; Méndez-Durón & Garciá, 2009). Researchers have cited Bourdieu's (1986, p. 51) definition of social capital (ibid., p. 51):

> The aggregate of the actual or potential resources which are linked to possession of a durable network of more or less institutionalized relationships of mutual acquaintance and recognition – … to membership in a group – which provides its members with the backing of collectively-owned capital, a ‘credential’ which entitles them to credit, in the various sense of the word.

Rarely have researchers examined Bourdieu's argument, which foresees actors acquiring and deploying practices in the accumulation and maintenance of the forms of capital, to include social capital, and in affecting transformations between forms of capital.

Following Bourdieu (1986), social capital resides in networks of connections or obligations, which are not given in a social setting, not natural and not ensured by an initial commitment, but rather requires of actors ‘an endless effort at institution’ so is ‘endlessly reproduced in and through exchange’. Actors' social exchanges allow them to develop mutual affectations of ‘gratitude, respect and friendship’ materially and symbolically. The symbolism is particularly important as it implies that members of the group become skilled in its communicative, rhetorical and persuasive practices. Hence, Bourdieu argues that actors who are committed to the joint endeavour of maintaining and accumulating social capital are undertaking work, ‘the work of sociability’, expending time and energy to include, for instance, transforming what might otherwise be economic capital skilfully and in nuanced ways. Social capital's goodwill can be found in its particular norms of and for a community, whereas the ARA model's dimension of actor-bonds cover sets of relationships.

We can characterize economic capital as an entity, which actors bring into being in a particular form and with reference to a particular period of time through their practices of calculation (Kjellberg & Helgesson, 2006; Azimont & Araujo, 2007). Actors pursuing their business activities immerse themselves in webs of overlapping practices of calculation, which may include cash-flow projections or sophisticated probabilistic models and predictions of flows of costs and benefits over a project's anticipated duration. A project can be represented in project planning software, which provides a means of making actors' hours of work part of the calculus (Hodgson, 2002; Tansley & Newell, 2007; Janowicz-Panjaitan & Noorderhaven, 2009). The calculating practices involve time as a practice of planning and representing activities as projects (Orlikowski & Yates, 2002; Orlikowski, 2007). Normal financial calculus such as net present value is indexed only at one point in time by using discount rates as effective exchange rates between cash flows that actors predict will occur at different moments in time. Actors can make cash flows at ‘t plus five’ money equivalent to ‘t zero’ money (MacKenzie, 2009). Practices such as project management seek to fix the timings of work and the associated predicted expenditures and receipts in order to realize those calculations by which actors had previously established a project's viability.

Actors can bring social capital into being by different practices, characterized by their unwillingness or inability to perform calculations as guides and justifications for their actions and interactions.