



Trust repair in business process outsourcing: A multi-case study in China



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ABSTRACT

In this paper, a multiple-case study is conducted on trust repair of business process outsourcing (BPO). Based on the trust theory, the attribution theory and the dynamic bilateral theory, we established an organizational bilateral trust repair model, to elaborate the trust repair mechanism from the bilateral perspective of the trustor and the trustee. Through these case studies, we verify that from the perspective of the trustor, the trust violation and repair process comprises four stages: the trust balance stage, the trustor's responsive stage, bilateral interaction, and final settlement. Meanwhile, the trust repair process, in the perspective of the trustee, follows four stages, which are successively the trust violation state, the attribution state, the state repair, and the state restoration. We propose our strategy by integrating cognition repair and affect repair. We also systemized an assortment of tactics for trust repair in BPO.

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1. Introduction

The global market of business process outsourcing (BPO), as an emerging market, has shown rapid growth with the annual output value exceeding 700 billion dollars in 2010. In China, BPO began in the 1990s, and the annual output value has exceeded 50 billion dollars in 2010 with a five-year average compound growth rate of 34.8%. However, there are still only a handful of orders directly sent to China (especially those from Europe and the USA). One of the reasons is the lack of trust from overseas clients when they transfer part of their business processes to the Chinese service providers. Even though some Chinese enterprises are aware of the importance of developing and maintaining trust with their outsourcers, they still know little about how trust can be repaired when trust violation happens, which has made it harder to restore trust after a trust violation.

In this paper, we will enrich the trust repair theory through a more comprehensive illustration of the trust repair process from the perspective of the trustor and the trustee. We establish a bilateral process model in trust repair on the basis of the trust development stage theory (Lewicki & Bunker, 1996), the attribution model theory (Tomlinson & Mayer, 2009), the dynamic bilateral theory (Kim, Dirks, & Cooper, 2009), and organizational trust repair theory (Gillespie & Dietz, 2009). Then we analyze the differences and commonness of trust repair strategies at different trust levels. In practice, we propose feasible suggestions on the approaches and steps to repair trust with outsourcers for BPO enterprises in China, so as to maintain a high level of trust between outsourcers and outsourcees to achieve long-term and win-win cooperation.

2. Literature review

2.1. Trust repair

Researchers have proposed a great range of definitions of trust (Mayer, Davis, & Schoorman, 1995; Barber, 1983). We deem that trust is the trustor's positive expectation of the trustee while accepting the possibility of risks. Nakayachi and Watabe (2005)

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hold that trust repair is the process of restoring and improving the perception of trustworthiness of the trustee from the three aspects of competence, integrity and benevolence after the occurrence of a trust violation (based on the interpersonal trustworthiness perspective, Mayer et al., 1995). Meanwhile, Kim, Ferrin, Cooper, and Dirks (2004) believe that the context of trust repair is composed of both trusting beliefs and trusting intentions; Schweitzer, Hershey, and Bradlow (2006), and Tomlinson, Dineen, and Lewicki (2004) define trust repair as the repair process with a willingness to partially or totally expose one's vulnerability to another party. However, trust repair is not only a matter of cognition repair as shown in the aforementioned definitions, but also a process of affect repair of the victim. Tomlinson and Mayer (2009) propose that in the process of trust repair, we can make the victim hopeful of future cooperation and promote trust repair by mitigating such negative emotions as anger or fear while instead developing positive emotions.

Studies have investigated an assortment of tactics that can be used following a trust violation, including apologies (Kim et al., 2004; Tomlinson et al., 2004), denials (Ferrin, Kim, Cooper, & Dirks, 2007; Kim et al., 2004), excuses (Tomlinson et al., 2004), promises (Schweitzer et al., 2006), reparations (Bottom, Gibson, Daniels, & Murnighan, 2002), legalistic remedies (Josang, Ismail, & Boyd, 2007), and hostage posting (Nakayachi & Watabe, 2005), etc. The repair tactics mentioned above can be classified into verbal responses and practical actions, and it will be more efficient to repair trust if both types of tactics are used (Bottom et al., 2002). Once a violation occurs, trust can also be repaired through punishing the violator or establishing new regulations (Dirks, Kim, Cooper, & Ferrin, 2005). On the one hand, an organization can promote its members' trustworthy behaviors by establishing new regulations or modifying existing regulations as well as by upgrading the contract; such mandatory approaches focus more on how to reduce risks on trust. On the other hand, voluntary supervision and sanctions will also help repair trust (Nakayachi & Watabe, 2005).

The attribution theory argues that the trustor will automatically determine the cause of a violation after the trustworthiness perceived by the trustor is damaged. Tomlinson and Mayer (2009) proposed an attribution model for trust repair and an assortment of trust repair tactics based on the emotion and motivation attribution theory of Weiner (1985). From the dynamic bilateral perspective, Kim et al. (2009) built a dynamic bilateral model for trust repair, and stressed that trust repair is not a simple one-way process and both the trustor and the trustee are involved with equally critical roles to play. From the organizational perspective, Gillespie and Dietz (2009) proposed a four-stage trust repair model in the organizational context.

2.2. Trust in BPO

Since Prahalad and Hamel (1990) proposed the concept of business outsourcing, many scholars have come up with various BPO definitions from different perspectives. However, all these definitions reach a consensus that outsourcing is a kind of management model which is employed by companies to reduce costs, improve efficiency, develop core competitiveness, and enhance their adaptability to environmental changes by making full use of more specialized resources externally.

Business process outsourcing is a classification under service outsourcing, and the trust between outsourcer and outsourcee in service outsourcing has the following characteristics: the differentiation in levels of trust, the asymmetry of trust, the indispensability of trust, and the empirical characteristic of trust, etc. (Liu & Hui, 2008). As to the dynamic change of trust relationship in service outsourcing, there are two stages of trust building in offshore software outsourcing, namely the acquisition of trust in the initial phase and the maintenance of trust in later phases (Oza, Hall, Rainer, & Grey, 2005).

Oza et al. (2005) conducted an open interview of several Indian software and BPO providers from the perspective of the outsourcee, and found the key factors that affect the outsourcing relationship itself, the management of the outsourcing relationship, as well as the building and the violation of trust. However, there are not so much empirical researches on the trust crisis faced by the overseas clients in China's BPO enterprises. Xu (2006) made some qualitative suggestions regarding trust building with outsourcing clients. Zhang and Yang (2010), based on Lee's trust model, has constructed a relationship model in the success of outsourcing and indicated that trust has a positive influence on knowledge sharing among enterprises; meanwhile, knowledge sharing and mutual trust in turn have a positive impact on the success of outsourcing projects.

2.3. Literature comment

After reviewing relevant literature, we find that, first, many researchers, for their own research purposes, have produced many valuable results on trust repair. The research results are not consistent because of the differences in the individual fields. In addition, there is no such research in trust repair that has the specific scenario of BPO. Therefore, this study focuses on specific incidents of trust violation through case study and conducts a more in-depth analysis of the dynamic trust repair process. Second, most of the existing studies are based on the unilateral view of the trust violator. However, trust repair – similar to trust building – is an interactive bilateral process. The victims' reaction, attitude, repair willingness, and degree of effort will directly affect the efficiency and effectiveness of trust repair. This research, while focusing on the repair behaviors of the violator, also explores the factors on the victim's side, which also affects the repair result. We analyze the trust repair process based on this bilateral interaction to enrich the research on the mechanism of trust repair. Third, although there are many researches regarding the tactics of trust repair, each study simply focuses on a simple or a couple of specific tactics; a powerful framework integrating the existing research results is urgently needed so that the relation among different tactics and the condition for each tactic to play its role can also be further studied. Based on existing theories, this paper builds an integrated model and analyzes the trust repair tactics in a more comprehensive and profound way.

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