



Trust and commitment in Vietnam: the industrial distributor's perspective

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Abstract

Purpose – Emerging economies provide a challenging backdrop for the building of trusting and committed cross-border relationships; weak legal institutions and a turbulent business environment necessitate such relationships between business partners to effectively cope with external instabilities. The purpose of this paper is to focus on foreign supplier-incumbent industrial distributor relations in the emerging economy of Vietnam.

Design/methodology/approach – The paper is an exploratory and expository study of relationship marketing incorporating personal experiences and the opinions of five incumbent industrial distributors in Vietnam.

Findings – Using Lewicki *et al.*'s multi-dimensional conceptualization of trust (which included the dimension of distrust), this exploratory study corroborated with preceding works in identifying some of these positive consequences of trust; but diverged from this research area, by also identifying the areas of distributor distrust that marked out the constraints of the relationship. Trust and commitment was found to be context-dependent, where the narrative of a “good relationship” was contextually bound by the individual distributors' various experiences in Vietnam.

Originality/value – This paper allows researchers and practitioners to gain an understanding of the business environment and to build a contextual picture of the challenges faced by distributors operating in Vietnam.

Keywords Vietnam, Distribution systems, Core beliefs, Emerging markets

Paper type Research paper

Introduction

Despite ongoing institutional and infrastructural deficiencies, emerging economies offer a variety of business opportunities that have led to a proliferation of foreign, inter-firm marketing partnerships. A central feature of emerging economies is that personal relationships and reputation-building play a crucial role in conducting and governing both public and private inter-firm transactions, at both the commercial and social levels (Cavusgil *et al.*, 2002). A good reputation and the development of personal relationships with one's business associates allows access to a wider net of resources and business opportunities as information is easily disseminated through social and commercial networks. This empirical paper draws attention to the development and maintenance of business relationships, and more specifically, “foreign supplier-incumbent industrial distributor” relationships, within one emerging economy, Vietnam. As a point of departure, the trust-commitment paradigm provides a framework for the analysis of the development and maintenance of “good relationships” in this context. Moreover, the paper examines trust and commitment from the incumbent industrial distributor's point of view; a perspective that has, until lately, been largely neglected in the literature.



Vietnam is under-going rapid economic and social reform as it steps up in its efforts to meet the criteria for World Trade Organisation membership. Nevertheless, Vietnam retains a communist ideology, and a government which maintains strong control over the country's economic affairs. The dual motivations of "market-socialism" have resulted in an uneven pace of reform across sectors, illustrated by the government's substantial efforts towards improving the private sector environment in contrast to more ponderous development in the state-owned enterprise sector (Van Arkadie and Mallon, 2003). While reforms have progressed, market mechanisms remain weak and institutional building is still underway. Despite the prevailing discriminatory treatment of private enterprise (both local and foreign), efforts have been made to address these short-comings. The economic and social reforms have led to an influx of foreign actors into the Vietnamese market, many of which have set up to meet the country's infrastructure building demands for industrial machinery and equipment. Manufacturing firms are choosing to use distribution agreements to gain quick entry and achieve market penetration with minimised cost and risk to themselves (Aulakh *et al.*, 1996). Given that success is contingent on the performance of their foreign partners, it is important for manufacturers to enhance their collaboration with distributors by building trust and commitment into the relationship.

Distribution channels are a fragmented mixture of state-owned import-export companies, state-owned and private wholesalers, independent Vietnamese distributors and agents, and retail outlets. Foreign businesses are currently restricted from general participation and are not permitted to set up their own import/export distribution companies. These activities have been the domain of local Vietnamese private and state-owned enterprises, though the rules will be relaxed in 2007 to allow US companies partial ownership of distribution service companies and full ownership in 2008. The line however, is blurred in the industrial capital goods and equipment sector, as foreign representative offices can undertake contract negotiation activities and consider themselves in-country distributors of their company's offerings.

At present, all distributors suffer from a host of impediments that increase their costs and damage their ability to function efficiently. These range from endemic bureaucratic corruption, infrastructural deficiencies and a legal system still in its nascent stage. Without the backing of strong legal institutions, the building of business relationships in Vietnam has been likened to "tight rope walking without a safety-net" (Nguyen, 2002). Instead, the use of informal stratagems and social networks to overcome common emerging economy impediments such as under-developed legal institutions, unaccommodating formal institutional constraints, and weak enforcement, is a prevalent feature of businesses operating in Vietnam (McMillan and Woodruff, 1999). As the number of foreign players increase in Vietnam, the mixture of in-country distributors, suppliers and customers has become an international melting-pot of commercial relationships in this setting. Thus, the ability to develop and maintain good supplier/distributor relationships is important to be able to take advantage of the opportunities, and to ensure the commitment of the distributor to selling the manufacturer's products.

If building trust and the resultant commitment are the essential *modus operandi* for doing business in emerging economies, it is in the foreign manufacturer's interest to know how to accomplish this. The implications of this are manifold, since the unique institutional forces and culture found in disparate settings may also condition the

cognitive behaviours of incumbents in ways that differ from those of the foreign manufacturer. A key research question arises from this viewpoint: What constitutes trust and commitment in industrial manufacturer and incumbent distributor relationships in Vietnam's transitional economy?

This paper is divided into four sections. In the first section, we discuss the trust commitment paradigm which provides a basis for the framework of analysis. The methodology is discussed in the second section. In the third section, we explore how the interplay of trust and distrust can exist in a good relationship in Vietnam and in particular how the relationship marketing paradigm can be used to frame a qualitative inquiry on incumbent distributor perceptions of a good foreign supplier relationship. In the final section, we explore implications for distributors operating in the challenging transitional market of Vietnam.

Trust (and distrust) in business relationships

Trust and commitment

The literature on trust reveals the conceptual diversity that exists in this domain within different disciplines (Bigley and Pearce, 1998; Kramer, 1999). Trust has been identified as one of the principal components of any exchange relationship, and, in the channel literature, trust has been defined as being:

[...] the firm's belief that another company will perform actions that will result in positive outcomes for the firm, as well as not take unexpected actions that would result in negative outcomes for the firm (Anderson and Narus, 1990, p. 45).

The majority of channel studies have operationalised trust using the credibility and benevolence dimensions; a partner's reliability in keeping promises and fulfilment of role obligations, and a partner's genuine interest in the welfare of the dyadic relationship (Cavusgil *et al.*, 2004; Ganesan, 1994). This conceptualisation however, has been criticised as being over-simplistic, static and uni-dimensional (Halliday, 2003) as it tends to ignore contextual cues. Such cues include an increasingly disruptive and diverse international business environment along with trustor experiences that may temper their perception of trust in their partner when considering differing levels of risk posed by different environments.

Commitment, the natural cohort of trust, has been described as a continuing desire to maintain an important relationship that may require short-term sacrifices (Anderson and Weitz, 1992; Morgan and Hunt, 1994). Trust and commitment are the key elements in enhancing business relationships, the effects of which have been well documented under three broad categorical outcomes: positive attitudes towards the relationship, the inducement of positive behaviours in partners and positive impacts on partner performance (Nguyen, 2002). Positive attitudes comprise an increase in partner's acquiescence (Morgan and Hunt, 1994), mutual satisfaction and positive attitudes and intentions towards one another (Mohr and Spekman, 1994). Positive behaviours in partners are manifested in increased cooperation, increased risk-taking, reduced propensity to leave and minimised opportunistic behaviour (Ghoshal and Moran, 1996). Lastly, trust and commitment have been linked to enhanced partner performance by reducing uncertainty, affecting exchange efficiency and positively impacting on economic performance (Anderson and Narus, 1990; Dwyer *et al.*, 1987; Morgan and Hunt, 1994). Trust and commitment are the key elements in enhancing business relationships.

Leading away from channel literature, disciplines ranging from social psychology to economics have interpreted and modelled their own versions of trust, formulating trust typology bases that are run in line with their school of thought. Organizational scientists point to the multi-dimensional character of relationships, occurring on multiple levels that encompass calculative, knowledge and affection-based trust, denoting trust as a situational and contextually contingent construct (Das and Teng, 1998; Lewicki and Bunker, 1995a, 1995b; McAllister, 1995). Additionally, organizational and social scientists are increasingly interested in “distrust”. Defined as a lack of confidence in others, and an apprehension that others will inflict harm or act in an aggressive manner (Grovier, 1994), distrust has often been identified as being the functional equivalent of trust (Luhmann, 1979). However, differences in conceptual definitions of distrust and its relation to trust abound, with some seeing them as polar opposites, while others view them as being independent but dynamically linked constructs (e.g. Lewicki *et al.*, 1998, Sitkin and Roth, 1993).

Two contrasting approaches in viewing inter-firm relationships can be found in the relationship marketing (with a focus on trust) and agency theory (with a focus on distrust) literature. The relationship marketing approach is defined by Morgan and Hunt (1994, p. 22) as, “... all marketing activities directed toward establishing, developing and maintaining successful relational exchanges”, concentrating on “committed, interactive and profitable exchanges with selected customers or partners over time” (Harker, 1999, p. 16); emphasises the central roles of trust and commitment in building the social and structural bonds that constitute stable and long-term partnerships (Rao and Perry, 2002). This is described as being a process of negotiated and interactive market exchanges between parties (Anderson and Narus, 1984; Blau, 1964), whose basic premise is the intent to adopt a “long-term orientation” as parties engage in a series of multiple exchanges, where “each transaction must be viewed in terms of its history and anticipated future” (Dwyer *et al.*, 1987, p. 12).

Agency theory, on the other hand, is an economic approach describing the relationship between principals and their agents who are contracted to undertake certain activities on the principal’s behalf (Jensen and Meckling, 1992). For economic theorists, the principal-agent problem regards all contracting relationships as being subject to the “moral hazard” that arises from the “bounded rationality” of the principal and “information asymmetries” to the agent’s favour. Such conditions allow the agent to obfuscate the principal and opportunistically pursue their own “self-interest”, even if it is to the detriment of the principal (Eisenhardt, 1989). Agency theory is, therefore, concerned with minimising the risk of partner renegeing, and opportunistic behaviours (Noteboom, 1995; Williamson, 1985), and follows on to address this problem with deterrence-based measures.

Although perspectives from relational exchange and agency theory are theoretically divergent with regards to their assumptions on human nature and behaviour, they are complementary in that they have one goal in common: to build enough confidence in the relationship to incite partner cooperation and efficiency (Das and Teng, 1998). While the former (relational exchange) harnesses the building of trust and commitment to foster enhanced functional and relational performance, the latter (agency theory) primarily approaches relationships with a distrusting disposition and imposes structures to deter malfeasant behaviours and define relationship boundaries.

Recent studies have shown that a more integrated approach using elements from both relationship and transactional marketing perspectives can explain the seemingly contradictory behaviours that are observed in actual inter-firm exchange relationships (Li and Ng, 2002). Firms continue to demonstrate both relational marketing and transactional exchange behaviours in their business dealings (Coviello *et al.*, 2002). Typecasting a single dyadic inter-firm relationship may not be as simple a process as suggested by relationship continuums that range from discrete market transactions to buyer-seller partnerships (Styles and Ambler, 2003). Furthermore, not all channel relationships will require intensive efforts of relationship marketing and may, in some cases, operate more efficiently using the more arm's-length transactional approach (Kim and Frazier, 1996).

The prospect of the simultaneous existence of trust and distrust as separate but linked constructs, promises to shed more light on the multi-faceted nature of relationships. Lewicki *et al.* (1998) argued that within an ongoing relationship, one can gain a richer knowledge of ones partners over time; to discern areas where they can be trusted and situations where they cannot be trusted. Rather than being polar opposites, trust and distrust (based on the perceived intentions and motivations of partners in different situations) are seen as moderators of actual trust, and will affect the way a person or organisation interacts with a partner in given circumstances and context. Relationships can be compartmentalised where accumulated experience and knowledge of a partner organisation will inform trust judgements and decisions. Lewicki *et al.* (1998) also distinguished distrust as being distinct from a lack of trust with the former being active as opposed to passive (lack of trust).

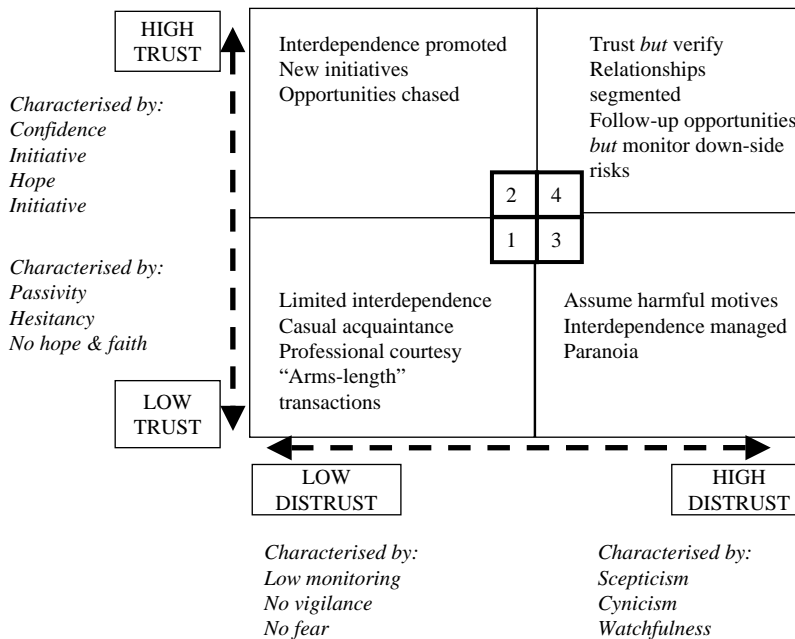
Lewicki *et al.* (1998) presented a two-dimensional framework showing trust and distrust:

- Cell 1. Low trust/low distrust;
- Cell 2. High trust/low distrust;
- Cell 3. Low trust/high distrust; and
- Cell 4. High trust/high distrust.

Cell 1, a low trust and low distrust scenario, is reflective of the least interaction between two parties; a relationship based only on professional courtesy which Kidd and Richter (2004, p. 10) state if "the alliance depends on this form of dyadic relationship alone, it will fail". Under circumstances of high trust and low distrust (cell 2), a relationship "may increasingly reflect a large number of positive experiences that have reinforced trust and few, if any, negative experiences that have enhanced distrust" (Lewicki *et al.*, 2006, p. 1005). For relationships that fall into the low trust and high distrust quadrant (cell 3), Lewicki *et al.* (1998, p. 447) postulated that this would be "an uncomfortable condition for sustained working relationships" and therefore very likely the alliance would fail. In the fourth quadrant (cell 4), Lewicki *et al.* (1998) indicated that while there are situations where trust is high, people can still feel suspicious and the need to be cautious about and monitor the other; though not to the degree whereas they cause antitrust in the relationship (Figure 1).

Antecedents of trust and commitment

Although outcomes from trust and commitment have been relatively easy to discern (Nguyen, 2002), identified antecedents are large and varied. For the purpose of this



Source: After Lewicki et al. (1998)

Figure 1.
An integrated view of
trust and distrust
dimensions

study, we have taken a parsimonious selection of antecedents that have received attention in cross-border channel literature: transition specific investments, open and effective communication, and cultural sensitivity. Transitional specific investment are the value adding tangible and intangible assets that are developed specifically for the focal trading arrangement (Heidi and John, 1988) and are difficult to deploy as they hold no salvage value in alternative exchange relationships (Kwon and Suh, 2004). They create structural barriers to exit and are indicators of a partner's long-term orientation towards the relationship. Underpinning trust and commitment, quality communication and effective information exchange are crucial linchpins in developing and maintaining effective business relationships. Defined as the "formal as well as the informal sharing of meaningful and timely information between firms" (Anderson and Narus, 1990, p. 44) good channel communication assists in coordinating and improving the interdependent activities of the channel (Mohr and Spekman, 1994). Of particular relevance to this study is the importance of cultural sensitivity and customer orientation which adopt a market-oriented approach. The intent is to address inter-organisational needs and cultural differences across country specific institutional environments reflecting an exporter's flexibility in meeting their partner's needs in an evolving competitive environment. Cultural sensitivity proponents suggest that an exporters' sensitivity towards differences in their partner's national business culture, and the endeavour to address them in a cultural appropriate manner, will aid in developing a trusting relationship (LaBahn and Harich, 1997). In a related vein, customer orientation is:

[...] the set of beliefs that put the customer's interest first, while not excluding those of all other stakeholders such owners, managers, and employees, in order to develop a long-term profitable enterprise (Moorman *et al.*, 1993, p. 27).

Partners who can create and share similar business values and closely fit operations to each other's functional needs can be more assured of the continuity of the partnership, and will accordingly be inclined to make stronger commitment to such relationships (Dwyer *et al.*, 1987).

The Vietnamese business environment

When considering cross-border, inter-organisational relationships in the Vietnamese marketplace, context may add another dimension that may see partners diverge in terms of business practices and values. Macro-level institutional influences will filter down to influence the way domestic actors behave on firm and interpersonal levels and will shape their own unique interpretation of what "trust and commitment" might constitute in a business relationship (Doney *et al.*, 1998). This includes expected behaviours and value systems that may differ to those conceptualised in the West, thus adding further complication to cross-cultural and cross-border business relationships. To illustrate, culturally diverse partners may have their own idiosyncratic ways of resolving or side-stepping altercations. Southeast Asian cultures, particularly those that follow Confucianism, have been known to avoid overt conflict episodes, preferring to maintain harmony through "face-saving" interactions between partners (Fang, 2004). This calls for an approach that views problem-solving as a social process, achieved through interpersonal persuasion and consensus, rather than "justifying through correct answers" (Cavusgil *et al.*, 2002, p. 106). Business relationships in the international context can run the risk of serious misunderstandings, especially when partners of dissimilar institutional and cultural programming engage each other through incompatible scripts. Such a dilemma suggests that a foreign manufacturer's awareness of a partner's national culture and the cultivation of customer orientation and cultural sensitivity, both antecedents of trust and commitment, may be warranted to deal with this added complexity.

Methodology

Vietnam is a relatively under-studied setting with little tradition of independent confidential inquiry (Adair, 1995), and thus an exploratory case-study approach was undertaken in order to explore how industrial distributors operate within the Vietnamese context. Using one of the authors personal contacts within the industry, two research instruments were employed to gather data. The primary instrument was a semi-structured telephone interview to participants in Vietnam utilising a variety of open and closed questions. E-mail interviews were utilised as the second research instrument to follow up telephone interviews for further clarification and/or probing. Using both instruments preserved an element of interactivity to allow for rich responses from interviewees and to ensure that the investigator's observations were correctly interpreted through respondent validation. Candidate firms had to meet three criteria. First, they had to be a private enterprise undertaking the commercial activities of distributing industrial and capital goods. Second, key informants had to be the general managers or directors of the firms who could understand and converse in English. In all cases, the key informants would exercise hands-on interaction with their suppliers.

The last criterion required the distributor firm to have had at least five years of operating in Vietnam. This paper thus offers five case studies from a theoretical sample of four industrial distribution companies (Table I). As Vietnam has not yet established a culture for independent enquiry, the relationship between one of the authors and a focal industrial distributor was a crucial access point to securing information from industrial distributors.

Participants were asked to describe and discuss at length a good relationship they had with a key foreign supplier and how trust was established. All the distributors interviewed were instigators of the “key” supplier relationship they chose to discuss. In particular, participants were asked about the antecedents of trust and commitment based upon concepts in the channel literature. The next section discusses these antecedents beginning with transaction specific investments and then goes on to discuss trust and commitment from the industrial distributor’s perspective.

Findings

Antecedents of trust and commitment

Transaction specific investments. Relationships themselves were seen as being transaction specific investments. BETA and ALPHA (2) emphasised the greater effort and time it takes to build brands in the difficult Vietnamese market, where they also have had to locate and educate potential customers. Full commitment to a supplier had its pitfalls, and was considered a sunk-investment by ALPHA (2) and BETA. ALPHA (2) stated:

[...] there is no power for the distributor [...] once you’ve built your supplier’s customer base, it’s difficult to find alternatives if they decide to terminate you [...].

In a related vein, all distributors, with the exception of GAMMA, had exclusive distributorship contracts with their suppliers that were renewed every two to three years.

Industrial distributor	Nationality of interviewee	Organisation type	Overseas operations	Specialisation	Duration of operations (years)
ALPHA (1)	Vietnamese national	Domestic distributor	Singapore	Industrial pumps and equipment for general industry and specialised oil and gas sector	15
ALPHA (2)	North American	Domestic distributor	Singapore	Industrial pumps and equipment for general industry and specialised oil and gas sector	15
BETA	Singaporean	Singaporean representative office	Malaysia, Indonesia, China and Australia	Industrial machinery and equipment	9
GAMMA	UK	Singaporean representative office	Indonesia, Brunei and Thailand	Oilfield instrumentation and equipment	15
DELTA	Vietnamese national	Domestic distributor	–	Industrial pumps and equipment	9

Table I.
Industrial distributor profiles

This was cited as an important transaction specific asset as distributors wanted to enjoy the full benefits and rewards that came from building a new brand in Vietnam. Three of the distributors referred to side benefits such as the extension of favourable credit terms as the relationship deepened, increasing the dependence on their supplier.

Open and effective communication. With the exception of GAMMA, all distributors indicated they had good communication with their suppliers, on both formal and informal levels. GAMMA mentioned there was usually “zero communication” outside the exchange of information required to complete an order. On the informal social level, repeated communications developed personal relationships with each interaction over time. All distributors, except GAMMA, regard their suppliers as friends.

Formal communications for joint planning and target setting were also cited as being important in creating role integrity and defining expectations of both parties. However, with the exception of BETA, distributors were more wary with regards to sharing confidential information with their suppliers. ALPHA (2) and DELTA displayed more reticence due to negative past experience. Both feared expropriation of information by other unsavoury individuals in the supplier’s organisation, who could use it to set up in competition. DELTA cited the past experience of representing suppliers for three years, sharing information and building their market, only to have the relationship terminated and replaced with the setting up of the supplier’s own representative office. Thus, although communication was described as being good, in terms of conducting normal operations, this stopped short of full disclosure to partners to protect their own interests.

Cultural sensitivity and customer orientation. For most of the distributors the cultural sensitivity of their suppliers was not considered to be as critical as their customer orientation towards their company. Only BETA directly referred to his supplier key contact as coming from a similar culture, which allowed them to “gel well” (they were Singaporean and Malaysian Chinese, respectively). According to their experience, western companies were usually very inflexible when it came to meeting targets, and more focused on profit and performance than their Asian counterparts. Thus, national culture similarity, rather than cultural sensitivity was of great import to BETA, as it felt there was more affinity and flexibility with its Asian suppliers. This was not to discount cultural sensitivity as being unimportant to relationship-building, but perhaps at this later stage where distributors have developed a personal and working relationship with their suppliers, cultural sensitivity became less prominent.

For the other distributors, the most important shared values commonly identified in their suppliers were honesty and fairness in their dealings. The customer orientation of suppliers appeared to make more of an impression on the other distributors, in terms of eliciting their commitment to the relationship. BETA also referred to elements of this antecedent as being an equally important feature of their relationship. All of the distributors stated a preference for operating autonomously from their supplier, keeping the integrity of their role as the expert in the Vietnamese market. Nevertheless, some distributors claimed there also needed to be a degree of recognition from the supplier that Vietnam is a difficult market in which to operate. Thus, some rudimentary knowledge and understanding of the market was appreciated, along with functional tailoring of operations on the supplier’s side to better meet the distributors’ unique needs in this emerging market. BETA mentioned:

[...] our supplier is flexible in pricing, delivery and terms of payment since the Vietnamese market is still very young and we are still very much at a brand building stage [...].

BETA further explained that its key supplier contact had previous business experience in Vietnam, and the shared understanding they had of the volatile environment helped to coordinate a closer fit of their interdependent activities. ALPHA (1) spoke of its supplier's customer orientation in terms of operational efficiency and technical support advice. However, there was no requirement for them to have any specific market knowledge, as ALPHA (1) would take care of the downstream activities. In this case, customer orientation did not extend beyond the boundaries of each party's spheres of expertise.

The nature of trust and commitment

With the exception of GAMMA, all of the distributors professed varying degrees of trust in their suppliers. Trust was built in several ways during the course of the relationship, and distributors indicated where, and why, most of their trust was directed. The reliability and capability of their suppliers to deliver on their most important promises was affirmed by most distributors as being significant in creating trust and a continued association with them. They professed a willingness to remain in the relationship as long as the benefits to them were greater than the costs. However, trust extended beyond their suppliers' basic functional capabilities. In four cases, the personal relationships with key supplier contacts such as country sales manager or regional managers played a crucial role in building trust. There was trust that their contacts had genuine intentions for the relationship; contacts became friendships as the relationships deepened and strengthened over time. There were expressions of personal liking and affinity with their contacts; for instance, ALPHA (1) described its key contact as a "gentleman who was always supportive of our needs" while DELTA spoke of forgiveness for the occasional mistake its supplier made, because they were always trying their best to improve by learning from them.

To BETA and ALPHA (2), the personal relationship they had with their suppliers' country managers was very pronounced and most of their trust in the supplier organisation was vested in the individuals they dealt with. There was no "blanket trust" on the supplier organisation. The close friendships forged with their key contacts, and the mutual understanding of each other that grew as they cooperated to build the market in Vietnam, created an emotive-based trust and a knowledge-based trust with these individuals. ALPHA (2) was the only distributor who recounted a serious conflict that nearly ended the relationship. An incident concerning their operations caused confusion between the sales and accounts departments of supplier's regional office. This situation escalated to the point where the accounts department brought the complaint to the head office in the United States, who without consultation with the other two parties involved, summarily took the line away from ALPHA. This relationship was saved by the intervention of their supplier key contact which was responsible for overseeing the Vietnam market. The success of their key contact's supplication and his demonstrated solidarity to their company greatly impressed ALPHA (2), resulting in feelings of reciprocated gratitude, trust and commitment. After this demonstration of strong support, ALPHA (2) made a concerted effort to train their staff, put more money and time into this supplier, moving what was initially a peripheral line to the position of one of the company's core products. BETA mentioned they would be very worried if their personal contact left the organisation, as:

[...] new guys usually do not understand the market nature of Vietnam [...] and it's really difficult to continue the relationship when you have to start all over again [...].

Thus, this type of trust and related commitment is conditional on their personal contact remaining in the supplier's organisation. Conversely, ALPHA (2) stated their commitment towards their supplier as being indefinite, despite the bad experience they had with the organisation.

ALPHA (1) and DELTA, described a more blanket trust, convinced that their supplier's organisational policies would continue to support the relationship, regardless of the personnel involved. As long as they maintained ALPHA (1) and their supplier, their own spheres of responsibilities both would benefit from the complementary skills the other brought to the relationship. DELTA's perception of their supplier's commitment to the Vietnamese market was stated as being a critical evaluative factor in their continuance in the relationship. However, as long as ALPHA (1) and DELTA were meeting jointly set targets, they believed the supplier's organisation would treat them fairly. Thus, a more calculative-based trust and knowledge-based trust was emphasised here, as they felt they were receiving benefits from the association, and they could predict the future actions of their supplier organisations.

The development of GAMMA's relationship with their supplier was very different to the other distributors in this study as their supplier did not set targets for them yet, they expected them to "win every sale" that came their way and moreover, their supplier is not interested in how they accomplished sales. Despite the lack of apparent relational exchange in this relationship, GAMMA claims there is no conflict because they both have an understanding of the other's expectations that are very straightforward and unhampered by messy ties. Although they had a ten-year relationship, this did not go beyond professional courtesy in their dealings with each other. To GAMMA, commitment was contingent on their performance in selling the equipment; failure to do so would result in the termination of the distributorship.

The business environment in Vietnam poses a dilemma for both suppliers and distributors, as conditions are often conducive to the occurrence of opportunistic behaviours. The supplier is suspicious, because of the opaque nature of the business environment, and the difficulty in getting verified information in Vietnam. The simultaneous existence of trust and distrust that was observed in these relationships appears to conceptually run in-line with the integrated relationship marketing and agency theory perspective on the inter-firm operational level, and has implications for the trust-commitment thesis of relationship marketing. Luhmann, who provided the theoretical base for Lewicki's trust/distrust model (Luhmann, 1979, as cited in Lewicki *et al.*, 1998), states that trust and distrust serve to reduce the uncertainty in a relationship. Given that relationships are context dependent, the trust/distrust model may partially explain the somewhat contingent-based commitment to their suppliers, professed by ALPHA (2) and BETA. According to ALPHA (2), GAMMA and BETA, distrust is easily generated in a context where commercial transgressions are commonplace, and where suppliers are generally viewed as being short-term profit oriented. Past contextual experiences of the distributors will also have some effect on the types of trust or distrust they develop in their partners. Thus, it is important that the contextual reference is carefully considered by suppliers in the management of industrial distributors.

The general precepts of the relationship marketing paradigm are applicable to four of the five cases in this study, although the three foreigners put contingencies on the type

of commitment they felt towards their supplier. It was noted that the intensity of the relational exchange, as executed by the suppliers, varied from case to case; ranging from the somewhat transactional exchange of GAMMA's supplier in the United States, to the highly relational approach of ALPHA (2)'s Singaporean supplier. Hence, the specific circumstances of each relationship appeared to influence the different types of trust and commitment that developed in each relationship, reflecting the multi-dimensionality of these elements.

Whilst not yet generalisable, we now offer a framework that can be used to explain the variance in the relational exchange activities of the suppliers. Nevertheless, using Lewicki's *et al.* (1998) and Nguyen's (2002) modelling of dyadic trust relationships, antecedent findings and other attributes, some theoretical inferences can be made to clarify how, and why, trust and commitment was built in each supplier/distributor relationship. Lewicki's *et al.* conceptualisation of trust/distrust in relationships (Figure 2) depicts the different trust/distrust dispositions of each distributor towards their supplier. The caveat is the small number of cases and the diverse mixture of foreign participants in the samples.

Modelling supplier relationships in Vietnam

Quadrant 1: low trust/low distrust. GAMMA: the most noteworthy feature of the relationship between GAMMA and their supplier, was the relative similarity of their national cultures. Although GAMMA was operating in a difficult environment, they were accepting of the performance-based aspect of the relationship, and the "Western profit-oriented" mode of business. The relationship was a straight business deal, and there was "no trust or distrust" in the relationship. GAMMA also attributed this performance-oriented directive, and impersonal business relationship, to the low priority of the Vietnamese market to their supplier. According to GAMMA, they were a minuscule fraction of their supplier's world wide sales, despite the fact that Vietnam is the third largest oil and gas supplier in Southeast Asia. Thus, the issue of their supplier's relatively low dependence on them has possibly also influenced the structure and functioning of this transactional relationship.

Quadrants 1 and 2: medium level of relational exchange: medium trust/low distrust. ALPHA (1): Building and maintaining trust with ALPHA (1) relied on two antecedents, the preservation of role integrity (i.e. the autonomy of the distributor's marketing activities) and their supplier's customer orientation in terms of offering technical support and efficient logistics. Although there had been few social interactions over the years, personal relationships had developed with each transaction, to the point where ALPHA (1) considered their key contact personnel as friends. ALPHA trusted their supplier because of several features; proven stability of the supplier's organisation, the ten-year duration of the relationship and the preservation of ALPHA's "expert role". These foundational constructs have made them secure of their position in this friendly, yet professional relationship. The supplier's customer orientation towards ALPHA, in terms of quality operational communications and technical support, was the most pertinent relational exchange activity, responsible for creating trust and commitment. Thus, ALPHA (1)'s commitment was stated to be indefinite; they expressed trust in the competency and reliability of their supplier, and low distrust because of proven performance of their supplier.

DELTA: DELTA's six-year relationship with their supplier was based on the good personal relationship they had built with their Singaporean key contact that was

Characterised by:
Confidence
Initiative
Hope
Initiative

Characterised by:
Passivity
Hesitancy
No hope & faith

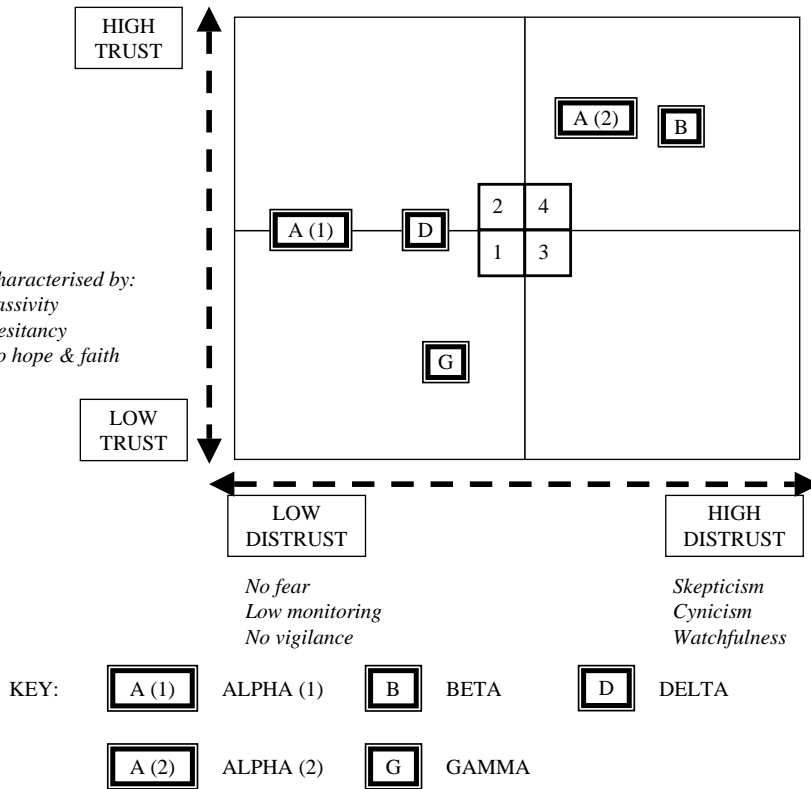


Figure 2.
Trust/distrust in
relationships

Source: After Lewicki et al. (1998)

eventually transferred to the entire organisation. As with ALPHA's case, DELTA's supplier's customer orientation is considered one of the key foundational structures of the trust and shared understanding between the two organisations; particularly, the good listening skills and attention of the supplier in the form of staff training.

Although their key contact did not have prior experience with the Vietnamese market, and often made mistakes in the beginning, there was a willingness to learn from DELTA so as to not repeat their mistakes. The learning process helped them to bond and as they came to know each other trust developed, resulting in medium to low distrust in this supplier. Despite this empathy, DELTA's past experience of suppliers who have opportunistically used their market information has made them cautious in terms of sharing confidential information, and they keep communication to the social and operational levels.

Quadrant 4: high end relational exchange: high trust/high distrust. ALPHA (2): the foundation of ALPHA (2)'s relationship was based on the close personal relationship they have with their key contact, and most of their trust is directed towards this person

in the form of psychological contracts and emotive trust. Although there was a large conflict that nearly ended their relationship with this supplier, the extraordinary support of their key personal contact saved the distributorship and transformed the event into a positive outcome. Since then, they have become more knowledgeable and adept in managing their relationships with individuals in the supplier's regional office. While ALPHA professes to indefinite commitment to this supplier, they maintain a cautious front in the event that their personal key contact leaves the organisation, and are careful about the types of information they share. Thus, there is high trust, and high distrust embedded in this relationship; high trust towards the key personal contact and high distrust towards some of the individuals in the supplier organisation.

BETA: BETA's trusting relationship with their supplier was based on a good personal relationship with their key contact and the customer-oriented focus of this contact. This is intertwined with the similar cultural background they share. Prior experience of their key contact in the Vietnamese market also gave them a degree of flexibility that has helped them establish their brand in the market. Communication with their supplier organisation is open and efficient on the operational level and on occasion, they are also willing to share confidential information such as sales contracts. Although there is a very strong relational exchange in this relationship, BETA's trust and commitment is dependent on the continued presence of their key contact in the supplier's organisation.

Conclusions and implications

Although the method of investigation was very subjective, these case studies allow us to step into the shoes of some of the distributors operating in the difficult emerging, transitional market of Vietnam; to gain an understanding of their business environment and to build a contextual picture of the challenges they face. Analyses of the case studies revealed that the development of trust and commitment was certainly context dependent; where the narrative of a "good relationship" is contextually bound by the individual distributors' various experiences in Vietnam. Halliday stated that "blanket trust rarely exists – we trust someone in a constrained context and/or for a particular purpose." ALPHA (1) trusted their supplier, not only because they were credible and benevolent, but also because the relationship was constructed in a way that mitigated a source of possible distrust; that is, the redundancy of their role as the supplier's exclusive distributor. Thus, the use of the trust/distrust model allows for the linkage of contextual reference to the distributor's perceived relationship with their supplier.

This exploratory study used a definition of trust that included the role of distrust as an additional moderator of the relationship. Unlike the uni-dimensional model of trust that is normally used in relationship marketing research, the trust/distrust model is better able to capture the rationale of why distributors trusted, and ascertain the depth of trust and commitment they felt towards their supplier. In the four cases that had elements of relational exchange, trust and distrust coexisted in different ways which then impacted on the types of commitment to the supplier professed by each distributor.

The case studies also showed that in the difficult operating environment of Vietnam, a distributor's attitudes towards its suppliers were affected by past experience, or by events that had previously occurred in the relationship. Two other implicit contextual influences that noticeably shaped distributor's attitudes as well were the weak legal system, and the commonly cited disloyalty of not only their own staff (creating your own competitors) in Vietnam, but also of staff in the supplier's company

who would expropriate sensitive information to use against them. These were factors that predisposed distributors such as ALPHA (2) and DELTA to be cautious in sharing confidential information.

While each of the distributor's underlying rationales for why they trusted were quite different, there were relational activities and attributes that featured prominently in the cases. For the four cases that displayed the trappings of relational exchange, good personal relationships with key personal contacts were considered to be one of the foremost facilitators for enhancing trust and other relationship activities. In the cases of ALPHA (2) and BETA where most of their trust was embedded in the key personal contact, there were a few implied equivocations in the commitment to the supplier organisation, in the event that their key contacts left the company thereby disrupting the relationship continuity. Much like the human resource dilemma, where most of the valuable skills are embedded in one person in an organisation, the situation of a key personal contact is cause for concern as she/he carries with her/him, the good social capital and shared knowledge with the distributor. Customer orientation of the supplier was also noted to have greatly influenced the distributor's decision to commit to the relationship. The more time the supplier was prepared to invest in them, the more the distributor was willing to reciprocate.

It is important for manufacturers, operating in a transitional economy, to enhance their collaboration with their distributors by building trust and commitment into their relationship; equally it is in both partners' interest to know how to accomplish this. In the changing business environment of Vietnam there are unique opportunities to see if/how strengthening legal institutions will make it easier for business relationships to develop in this transitional context. With the number of foreign players increasing in Vietnam, it is hoped that this, albeit small, insider's perspective on how supplier/distributor relationships operate in the volatile economy of Vietnam, and the types of relationship behaviours that work, will provide pertinent information for aspiring and/or current suppliers. When business partners are aware of each other's perspectives as to what makes a "good relationship" then such relationships can be successfully built and maintained.

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Further reading

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