Chapter 3

Supply Chain Partner’s Perceptions of Trust and Risk: The Perspectives of UAE Printing and Packaging Industry

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ABSTRACT

Over many years, researchers from social science and management have argued that to develop sufficient trust between potential supply chain partners, a useful starting point is to develop strategies for encouraging perceptions of trustworthiness. Conversely, marketing theorists and practitioners have called for strategies by industry that aims to reduce risk perceptions for successful relationships. However, it is not clear in the literature which perception is more significant; trust or risk and from which perspective. Identification of such factors plays an important role in supply chain design and operation to decide whether the supply chain members should strive to develop trust perceptions or reduce risk perceptions in relationship. This paper has identified the common perspectives of trust and risk perception to address the issue of which perception is more significant from each perspective. Results of a survey of supply chain member’s trust and risk perceptions of the printing and packaging industry in the United Arab Emirates are presented.

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INTRODUCTION

Over the years many researchers have argued that to develop sufficient trust between potential supply chain partners, a useful starting point is to develop strategies for encouraging perceptions of trustworthiness (e.g., Ganesan, 1994; Doney & Cannon, 1998). The level of perceived trust is influenced by factors such as; dependability/reliability, honesty, competence, buyer/seller orientation, and the friendliness in dyadic business relationships (Svensson, 2004). Empirically Ganesan (1994) demonstrated that buyers trust suppliers when they perceive as having made idiosyncratic investments on their behalf. Coulter and Coulter (2002) suggest that trust in the service context revolves around perceptions of confidentiality, honesty, integrity, as well as high ethical standards. Conversely, Vanany et al. (2009) argued that it is important to understand what different people in an organization or across different organizations within a supply chain perceive about supply chain risks. Different perception about supply chain risks from marketing and from operations could pose a conflict in deciding what mitigation actions to choose in an organization. For successful relationships marketing theorists and practitioners have called for strategies by industry that aim to reduce risk perceptions (Sweeney et al., 1999) as trust has only a “moderately strong” effect on perceived risk (Viklund, 2003). There are also some arguments that the level of trust depends on the context in which it is invoked (Halliday, 2003) based on perceived risk. Thus the successful relationships are not only based on the trust perceptions but there are convincing evidences that risk perceptions plays a more vital role in manager’s ultimate decisions (March & Shapira, 1987). What is not clear in the literature is which perception is more significant; trust or risk and from which perceptive? Therefore the objective of this study is to identify the common perspectives of trust and risk perceptions in relationship and understand which perception is more significant from each perspective. Identification of such factors plays an important role in supply chain design and operation to decide whether the supply chain members should strive to develop trust perceptions or reduce risk perceptions in relationship. This paper presents the results of a survey of supply chain member’s trust and risk perceptions of printing and packaging industry in United Arab Emirates. The results indicate that in supply chain partner’s relationship, risk perception play a more significant role than trust perception. The remainder of the paper is organized as follows. The next section presents a theoretical background and research hypothesis. Further section describes research methodology, the section next to that provides research findings. Finally the paper concludes providing managerial implications and direction for further research.

THEORETICAL BACK GROUND AND RESEARCH HYPOTHESIS

When the supply chain members have access to complete mutual information about economics, capabilities, consequences, controls and if trustor is certain that there is no uncertainty or risk involved in the relationship then trust has no relevance; complete knowledge obviates the need for trust but it can be there. On the other hand when the members lack information about the trustee and the trustor is in the state of total ignorance of future outcome of the relationship there can be no reason to trust and it need not be there, as risk prevails. Thus trust cannot exist in an environment of certainty, if it did, it would be so trivially (Bhattacharya et al., 1998) and some level of uncertainty is required for trust to emerge (Dasgupta, 1998). In supply chain partner relationship some element of uncertainty and risk is always present from various perspectives therefore trust is a relatively informed attitude (a rational choice) or propensity to allow oneself and perhaps