A Model of Trust Governance on Partnership in Knowledge Supply Chain

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Abstract: Both the relational paradigm and the network paradigm emphasize the relationship. Namely, how to develop mutually reinforcing, long-term relationships. Under this background, trust as the means to reduce uncertainty and risk is considered to be the key factor of building and maintaining the partnership in knowledge supply chain. According to Chinese actual situation, the paper takes a theoretical exploration from the behavioral level of inter-organizational trust. The findings of theoretical analysis indicates that the five dimensions of trust: relationship investment, influence acceptance, communication openness, control reduction and forbearance from opportunism have obviously positive relationship with the partnership in knowledge supply chain; The construction of the partnership in knowledge supply chain is helpful to promote economic achievements, non-economic achievements and enterprise achievements. According to the relationship among economy variables, a conceptual model on trust governance is put forward in the end.

Keywords: Knowledge supply chain, Partnership, Inter-organizational trust, Enterprise achievements

1 Introduction

The knowledge supply chain is a network structure pattern to realize the goal of knowledge economization and profit maximization taking the market as guidance, through knowledge shift and innovation, linking up knowledge supply, innovation, dissemination and usage organically. Taking as an important organization form of knowledge cooperation, knowledge supply chain is the efficient path for enterprise knowledge growth and the value creation. In view of many problems exposed in the knowledge cooperation process and the risk existing in partnership itself, Strengthening research on the question of partnership governance in knowledge supply chain has both important theoretical value and realistic guiding sense to the enhancement of enterprise knowledge cooperation efficiency. According to question which is going to study, combining the nature of network structure pattern of knowledge supply chain, this paper attempts to build the model of partnership governance. Since both the relation paradigm and the network paradigm emphasize relationship, namely how to develop mutually reinforcing, long-term relationships. The relation paradigm emphasize intensely “loyal” process of vertical relationship and intensely “dialog” process of horizontal relationship, its main variable is trust and the social norm of behavior[1]. Because the relationship among members in knowledge supply chain is a kind of independent partnership completely, therefore, it is impossible to coordinate conflicts through the order coming from higher authority, it can be solved only through continues communication and mutual consultation by the highest administrative personnel of related entity. However, the effect of communication and consultation is mainly decided by the degree of mutual trust. The network paradigm requests high trust relationship exist among entities, it can maintain the network potency, reduce transaction costs, guard congenial behaviors, reduce the uncertainty of transaction, promote resources more reasonable flowing and using in the network. It can also maintain the network survival, the cooperative members can take into consideration their general goals, enhancing cooperation consciousness, promoting the cohesive force, the competitive power and the total achievements of the knowledge supply chain. Therefore, trust is not only the core essential factor of relational governance but also the foundation of network organization formation and operation. Trust is regarded as the means to reduce uncertainty and risk, and is considered to be the key factor for building and maintaining successful relationship in the knowledge alliance and the cooperation governance. As a
result, the breakthrough point of the research—trust is found, and the status and function of trust is established in the question of partnership governance in knowledge supply chain. The following is to take trust as an important mechanism to partnership governance and try every means to explore the function of trust to the construction of partnership in knowledge supply chain and the promotion of total achievements in turn.

The result of literature reading indicates that domestic and foreign scholars have many research results to this question, but insufficiency still exists as follows: Firstly, The overseas research does not consider the Chinese traditional culture background: “Relationship” is a kind of foundation that Chinese commercial society develops for several thousand years, “trust” is one of the five Moral rules in Confucianist culture; Secondly, The domestic researchers propose respective viewpoints to this question, but it lacks theoretical analysis and the empirical study thoroughly; Thirdly, Lacking research results from trust behavior angle. In view of this, combining the actual situation of China, the paper begins the research from trust behavior angle, takes mutual trust behavior as a method to reduce uncertainty and risk, promotes enterprise achievements through the coordination and maintenance of the partnership in the knowledge supply chain.

2 Literature Summary

The literatures relating to trust provide two fundamental types on inter-organizational trust: Confidence or predictive ability of client to group behaviour expectation; Confidence to group benevolence\[2\]. The first type relating with the dimension of credibility usually refers to the group’s predictive ability, reliability, honest, specialty and ability. This type is regarded as the expectation that group will behave in the way of forecasting as well as can rely on the fulfillment of contract responsibility. The second type usually relates with the dimension of benevolence, it means that group will act fairly and will not use the expectation of client unfairly even if it has an opportunity\[3\]. Summarizing these two types, the inter-organizational trust reflects two dimensions: Firstly, Credibility. It refers to the trust level of the buyer to the seller based on worrying about increasing opportunity costs and carrying out the transaction intention effectively. The dimension of credibility is an intention of cooperative behavior which produces by expensive or non-rational opportunism; Secondly, Benevolence. It refers to the trust level that the buyer believes the seller being beneficial to theirs intention and motive even if under new environment in which having no promised in advance. The dimension of benevolence is attributed to the expectation of trust that enterprise will not adopt the opportunism behavior. Borys and Jemison points out that benevolence is the higher trust level comparing with credibility because the cooperation behavior is not based on rationality but based on good intentions\[4\]. Further more, Mayer et al. proposes three dimensions of trust including ability, honest and good intentions. Among which credibility refers to is ability and honest, benevolence refers to good intentions\[5\]. McKnight and Chervany proposes four dimensions of trust including ability, honest, predictability, benevolence, Among which ability, honest and predictability relate with credibility\[6\].

Two dominant conceptualizations of trust are evident in the literature: trust as a cognitive expectation or affective sentiment and trust as risk-taking behavior or a willingness to engage in such behavior. These two concepts explore the meaning of trust from psychological emotion and behavior separately. Though psychological emotion affects one’s behavior, they are not identical.

Mutual trusting behaviors are actions that reflect a willingness to accept vulnerability in the face of uncertainty. Although a variety of actions may be indicative of trust, five stand out in social exchange theory and extant research as central to ongoing exchange relationships: relationship investment, influence acceptance, communication openness, control reduction and forbearance from opportunism. Relationship investment is the resource, effort and attention devoted to a relationship that does not have outside value and cannot be recovered if the relationship is terminated. Influence acceptance is the degree to which exchange partners voluntarily change their strategies or behaviors to accommodate the desires of the other. Communication openness is the formal and informal sharing of timely information.
between partners and is concerned with the mutual disclosure of plans, programs, expectations, goals, motives and evaluation criteria. Control reduction is the degree to which exchange partners withhold the use of power in their relationship. Forbearance from opportunism is acting in the spirit of cooperation, not cheating and not withholding helpful action. Mutual trusting behaviors are the extent to which both partners perceive that each engages in these behaviors.

The research on inter-organizational trust pays attention to the establishment and maintenance of trust among strategic alliance enterprise, supply chain enterprise and inter-organization relationship[7]. In the literatures, Inter-organizational trust links with satisfactory consequence, such as enterprise achievements, reduction of opportunism, satisfaction, long-term relationship and other positive economy consequences.

Through review and summary to the former studies, the author believes that the research from trust behavior angle is helpful to reveal the important influence of inter-organizational trust to the construction of the partnership in the knowledge supply chain and the promotion of enterprise achievements, because mutual trust among partners puts into effect through behavior finally. In view of this, the conception to theoretical model starts from the angle of trust behavior in the paper. At the same time, although relationship among trust and many consequences is inspected in literatures, the basic is to promote enterprise achievements unceasingly through long-term cooperation by knowledge cooperation members in essence. Partnership has the identical meaning with cooperation, long-term guidance, relational continuity, expectation of future interaction mentioned in literatures. The degree of satisfaction increases, the stability to strengthen, the mutual conflict to reduce, the risk to reduce, the cooperation consciousness to enhance and so on are indispensable elements to establish and maintain partnership. Therefore, this paper concentrates upon exploring the influence of mutual trust behavior among knowledge cooperation members to partnership and enterprise achievements.

3 Research Supposition and Conceptual Model

According to the summary of the existing literatures and the research goal of this paper, the supposition is proposed as follows:

3.1 Relationship Investment
The relational contract paradigm believes that transaction fulfill the responsibility between complementarity groups which exists mutual benefits according to history and anticipative future[8]. Based on mutual trust, mutual benefit and cooperative plan in the future, trade participants draft and respect the standardized contract to manage their long-term relationships. Relationship investment contributes to some kind of relation through diligence, attention, resources and so on. Once the relation terminates, it cannot restore. The bilateral or multilateral relationship will maintain longer through mutual relational development. It is helpful to the construction of partnership. Thus, we hypothesize:
H1: Relationship investment will have a positive and significant effect on the partnership in knowledge supply chain.

3.2 Influence Acceptance
Influence acceptance is the degree to which exchange partners voluntarily change their strategies or behaviors to accommodate the desires of the other. If mutual trust exists among knowledge cooperation members, they will be willing to accept the information coming from the partners, and they will not suspect to the truthfulness of the information[9]. The resource dependence theory based on the early research of social exchange theory regards positive cooperation as a strategic response to environment uncertainty and dependence. The main hypothesis of resource dependence theory is to establish formal or informal connection through knowledge cooperation members, construct their transaction relations consciously, seek to reduce uncertainty and management dependence. Dyer&Singh point out, if participants in the trade are willing to satisfy mutual requests, share respective crucial resources, both
sides may gain the competitive advantage in the market, it urges establishment of long-term cooperation between enterprises. Thus, we hypothesize:

H2: Influence acceptance will have a positive and significant effect on the partnership in knowledge supply chain.

3.3 Communication Openness
Effective communication openness is an important means to strengthen trust and reduce opportunism tendency among knowledge cooperation members. Anderson and Weitz point out that communication openness is the key element to maintain the continuance of transaction relationship. Through formal or informal information sharing among partners, promoting interaction among partners, being helpful to solve the conflicts and make the relationship more lasting. Thus, we hypothesize:

H3: Communication openness will have a positive and significant effect on the partnership in knowledge supply chain.

3.4 Control Reduction
Control reduction is the degree to which exchange partners withhold the use of power in their relationship. Control reduction shift from using the power unilaterally to manage bilateral relationship of trust, promoting the subjective initiative of knowledge cooperation members, it is helpful to achieve relational satisfaction mutually and maintain long-term cooperation. Many studies indicate that the usage of compulsory power can cause mutual conflict, reduce the cooperative wish. Thus, we hypothesize:

H4: Control reduction will have a positive and significant effect on the partnership in knowledge supply chain.

3.5 Forbearance from Opportunism
Forbearance from opportunism emphasizes that the knowledge cooperation members take actions with operative attitude and not cheating each other. The core question that transaction cost theory research is how to organize its activity crossing enterprise boundary to achieve the minimum cost of production and transaction. Due to being linked through the incomplete contract among the knowledge cooperation members, it is possible to result in the opportunism behavior beforehand or afterward. The opportunism behavior taking personal interest maximization as the central will increase the transaction cost and the monitoring cost without doubt, will destroy long-term knowledge cooperation, and will harm the benefit of major transaction partners finally. Through the establishment of partnership, knowledge cooperation partners will avoid the opportunism behavior for the common benefit in order to maintain the partnership. Thus, we hypothesize:

H5: Forbearance from opportunism will have a positive and significant effect on the partnership in knowledge supply chain.

3.6 Partnership in Knowledge Supply Chain
Partnership in knowledge supply chain refers to a desirable relationship that knowledge cooperation members support each other in order to achieve the specific goal, and agree to share information or take risk within certain time. The transaction cost theory claims that the partnership is built on the basis of mutual trust and cooperation, it has the characteristic of contract, therefore it can reduce the transaction cost and enhance the possibility of successful trades. Brennan and Turnbull believe that the stable partnership is helpful for enterprises to reduce the cost, improve productivity, and strengthen the supply elasticity in market, in a short time, it is also helpful for enterprises to gain the new technology or the market, and promote their achievements in the long run. Sharyn Smith believes that non-economic achievement is very important. He suggests
that may use rapid turnover time, high quality decision-making and other non-economic terminology to describe non-economic achievement\textsuperscript{[16]}. Thus, we hypothesize:

H6: Partnership in knowledge supply chain will have a positive and significant effect on enterprise achievements.

H6a: Partnership in knowledge supply chain will have a positive and significant effect on enterprise economic achievements.

H6b: Partnership in knowledge supply chain will have a positive and significant effect on enterprise non-economic achievements.

According to the theoretical analysis and the hypotheses above, we establish the conceptual model as shown in Figure 1.

\begin{figure}
  \centering
  \includegraphics[width=\textwidth]{conceptual_model.png}
  \caption{The conceptual model of the research}
\end{figure}

4 Conclusion

On the basis of theoretical analysis to the relationship between mutual trust behavior, partnership, and enterprise achievements, a conceptual model is set up on trust governance of partnership in knowledge supply chain. The research result shows that trust as a kind of relationship governance tool plays an important role in the construction and maintenance of knowledge cooperation partnership in supply chain. In brief, the research draws a meaningful conclusion through theoretical exploration. Further research is required to examine the quantitative relations between variables through empirical test.

References
