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The Fundamentals of Trust in Business Relationships

Houcine Akrout, PhD and Mbaye Fall Diallo, PhD

When you think of a business transaction, what comes to mind? You might envision exchanging cash for groceries or swiping a credit card for new car brakes. You probably think about the basic elements of a business transaction—a monetary exchange for some good or service. But many of us probably do not think beyond the simple exchange. We would not think of the intangible aspects of a business transaction, such as trust. Nevertheless, trust is one of the most crucial elements of any business exchange, because it allows the buyers to exchange money with sellers in good faith that they will provide the agreed-upon goods and services.

If there is a lack of trust in business transactions, there can be negative results, such as lower profitability and customer attrition. However, if trust is present in a business relationship, it improves performance, lowers transaction costs, and acts as a buffer against negative outcomes. Trust is crucial in all business relationships, but because of the magnitude, scope, and complexity of business-to-business transactions (B2B), trust is especially critical for success in these relationships. So, if you are in commercial real estate, trust is especially important for you to foster with your clients. How can you ensure trust is prevalent in your real estate operation? In this article we discuss the three stages of trust, the three forms of trust, and how they affect a client’s behavior so that you can successfully and effectively build trust with your clients.

Three Stages of Trust

Trust is a process, evolving and developing over time. From this perspective, trust is solidified over the course of the relationship, progressing from delicate to resilient. Trust can also be viewed as a set of stages through which relationships progress. This is typically the view that we apply to understand trust in B2B relationships. The stages that we focus on are exploration, expansion, and maintenance. In the exploration stage, buyers examine the reputation of sellers to determine whether they are worthy of trust. Once this initial trustworthiness has been somewhat established, the next stage is expansion. As two businesses develop a working relationship, trustworthiness grows as conflicts are resolved, communication is improved, and sympathy develops between parties. As promises are consistently being fulfilled, an interdependency develops. Each business no longer needs to rely so heavily on investigating the other’s
trustworthiness as they did in the exploration stage, because a record of trust is being established. Finally, when there is a history of promises kept and expectations met, the businesses can enter a maintenance stage, where they are simply focused on continuing their relationship.

**Three Forms of Trust**

In addition to the three stages of trust, we also find three different forms of trust in B2B relationships. These three forms of trust are calculative, cognitive, and affective and have been found to coincide with the three stages of trust development, respectively. People typically progress through these forms of trust sequentially, much like they do through the three stages of trust. First, is calculative trust. In the exploration stage, individuals are assessing the other entity with respect to reputation. Buyers will calculate the risks they might take and seek to understand the chance that the other partner will meet or exceed their expectations based on what is generally known concerning the seller. In order words, buyers are essentially calculating the risks associated with trusting this seller. Reputation acts as an indicator of trustworthiness when clients do not yet have a personal history with a business.

The second form of trust is cognitive trust. Like the name suggests, this form of trust is based on knowledge. A small history of interactions allows the buyer to have an idea of whether their partner can fulfill promises. With the cognitive form of trust, the buyer makes assessments and calculations based on the relationship’s history. There are three aspects of a relationship that can affect cognitive trust: communication, sympathy, and conflict resolution. Communication helps to foster trust by allowing each partner to receive information that acts as feedback regarding expectations and their partner’s ability to meet these expectations. Sympathy fosters more positive emotions and likeability between the two partners, increasing the trust between them. Lastly, if conflicts are resolved in a satisfying way, the buyer will feel more comfortable disagreeing with the seller, which increases honesty and trust.

Finally, the most advanced form of trust is affective trust. Expectations that have been met and promises that have been fulfilled lead to positive emotions, a sense of bonding or devotion between the two partners. These warm feelings are an external representation of the trust that has been built over the life of the relationship.

These three forms of trust can be integrated with the three stages of trust that we discussed earlier. The first stage, exploration, is characterized by calculative trust. The focus is on the fact that at the beginning of a relationship, each partner will be assessing the trustworthiness of the other. Next is the expansion stage, associated with cognitive trust. Finally, the maintenance stage is paired with affective trust.

The stages and forms of trust discussed thus far represent a sort of lens for the understanding of the trust process. Behavioral trust, as a direct outcome, describes the actions that buyers take...
when specifically, affective trust, has been established. When buyers acquire affective trust in a business relationship, they are comfortable sharing confidential information and investing resources into that partnership. These resources can be financial or physical, human resources, time or even attention. Our decision to share confidential information or to make an investment reflects the trust that we have placed in our partner.

Our Study

Our study examines the transformation of trust in B2B partnerships, considering the different stages and forms of trust. More than 600 respondents were asked to categorize their relationships with other businesses according to our definitions of the stages and forms of trust. We found that in the exploration stage, reputation does in fact have a positive effect on calculative trust. Additionally, we found that calculative trust influences cognitive trust. In the expansion stage, conflict resolution, communication, and sympathy all have positive effects on cognitive trust. We learned that cognitive trust drives affective trust and that cognitive trust also indirectly affects both relationship investments and confidential communication. Finally, we learned that affective trust directly influences investments in the relationship and confidential communication.

Application to Real Estate

In real estate, fostering trust is essential for success with your clients. Since affective trust is a platform for behavioral trust, you will want to strive to achieve this stage of trust in your relationships. Trust must be cultivated as it progresses through each stage and form. Specifically, three types of expectations that need to be met for trust to be fully developed; these are technical expectations (competence), relational expectations (communication, sympathy, and conflict resolution), and moral expectations (honesty and benevolence). In order to meet these expectations and foster trust among your clients, you should:

- **Create a strong brand and a solid reputation**: Realize that this reputation will act as a substitute for history in the beginning stages of a relationship with a client. Be proactive about both building and communicating an exceptional reputation. Encourage previous clients to write reviews that you can share on your website or social network sites, or to recommend you to other businesses.

- **Highlight your experience**: Demonstrate your experience and success to build your credibility, your reputation, and meet your client’s technical expectations.
Foster communication: Address any concerns your client may have about your credibility, focusing on honesty, transparency, and expertise.

Allow clients to disagree with you: Ensure they feel comfortable expressing their concerns, and work to find a mutually satisfying resolution.

Focus on positive emotions: Emotional connections are what people remember so make sure the memories are positive.

Fostering trust with your clients means your clients will be more likely to invest in the relationship. This will enable you to be more successful in meeting needs of your current and future clients.

Recommended Reading

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Pr. Mbaye Fall Diallo (PhD – University of Lille, LSMRC Lab) is Professor of Marketing working on retail branding, sustainability and innovation management. He mainly uses quantitative data analysis (structural equation modeling and econometrics of panel data) in his work, which has been published in journals such as Industrial Marketing Management, International Marketing Review, Journal of Business Ethics, Journal of Business Research, and Psychology & Marketing. He is the author/co-author of three books and ten book chapters on management. He has been a visiting professor at Georgia State University, University of Stirling, and University of Brasilia.