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Trusting and Monitoring Business Partners throughout the Relationship Life Cycle

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ABSTRACT *Purpose:* The goal of this research is to understand the theoretical and empirical confluence of multi-dimensional trust with the role of monitoring as business partnerships unfold and evolve dynamically throughout the course of the relationship life cycle.

Methodology: A pilot study is run in which in-depth interviews are conducted with managers to glean their insights regarding the theoretical questions and to verify terminology for survey items. A large-scale survey study is then conducted to test hypotheses about the relationships among the focal constructs. The participants in both studies are real procurement professionals reporting on their primary supplier relationships. The qualitative study and the samples of real world managers enhance the external validity of this research.

Findings: In early stages of business relationships, monitoring and benevolence trust interact to positively impact business performance. Continued monitoring in later stages interact with benevolence trust to performance detriment. Conversely, monitoring and competence aspects of trust hurt business performance in earlier life stages.

Research Implications: Theoretical frameworks that include the constructs of multidimensional trust, monitoring, and relationship life cycle stages can build on the nuanced 3-dimensional contingencies established in this research. In particular, this research furthers the concepts of monitoring and the relationship life cycle.

Practical Implications: There is a time and a place to trust one's business partners, and a time and a place to verify their trustworthiness. As business partnerships are forged, monitoring and benevolence trust can be particularly fruitful.

Contribution: In this research, the authors build on the business marketing literature that has begun to delineate the benevolence and competence dimensions of trust in business relationships; they demonstrate the role that partner monitoring has in maintaining business commitments; and establish how these effects are modified over the stages of the relationship life cycle; i.e., from exploration, to build-up, maturity, and decline.

KEYWORDS benevolence trust, competence trust, monitoring, relationship life cycle, industrial marketing, business marketing

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Much of the current business environment is characterized by relational exchanges. These relationships can take many forms, including those between companies and their customers, companies and their employees, and companies and other companies, such as buyer–supplier, manufacturer–distributor, and wholesaler–retailer relationships (Morgan and Hunt 1994). The involved parties invest in relationships in the hopes of maximizing long-term benefits and the collaborations are believed to represent a source of competitive advantage that consequently should be managed strategically (Dwyer, Schurr, and Oh 1987). An important element of these relationships, and one central to our research, is the notion that they vary over the relationship life cycle (Dwyer et al. 1987; Jap and Ganesan 2000).

In buyer–supplier relationships, an increasing number of manufacturing firms are relying on a smaller number of suppliers, forging fewer but closer relational ties. Researchers have studied many factors that contribute to effective relational exchanges, including shared values (Morgan and Hunt 1994), commitment (Dwyer et al. 1987), cooperation (J. C. Anderson and Narus 1990), and power (J. C. Anderson and Narus 1984; Ganesan 1994). In particular, trust has assumed a central role in the success of long-term relationships in business-to-business (B2B) marketing contexts (J. C. Anderson and Narus 1990; E. Anderson and Weitz 1989; Doney and Cannon 1997; Moorman, Deshpandé, and Zaltman 1993). Trust is believed to reduce inefficiencies and opportunism associated with agency relationships. Prior research has shown that trust enhances cooperation, expectations of continuity, future purchase intentions, and customer loyalty and commitment (J. C. Anderson and Narus 1990; E. Anderson and Weitz 1989; Doney and Cannon 1997; Jap and Ganesan 2000).

There is a great deal of consensus in the marketing literature, that the construct of trust is best conceptualized as multidimensional. In particular, trust is consistently described and tested as being partitioned into facets of competence and benevolence, roughly addressing the issues of "Can my partner do as I'm trusting?," and "Will my partner do so?" (cf. Johnson and Grayson 2005).

In B2B partnerships, such as buyer–supplier relationships, it may seem logical that competence trust would dominate, because these are business relationships embedded more in economic exchanges than in pure social exchanges, yet the representatives of each partnering firm are still human, and trusting behaviors operate at a personal level, so benevolence contributes to trust judgments as well. Indeed, it may be that the benevolence component of trust grows more important as the relationship progresses, as a natural result of repeated satisfactory interactions (Johnson and Grayson 2005). When baseline expectations about the other party's reliability and competence are met, beliefs about the partner's motives, mutual support, and personal commitments to each other assume a more important role for high performance collaborations (Johnson and Grayson 2005; Grayson, Johnson, and Chen 2008). Therefore, it is important to unravel the effects of competence as well as benevolence considerations on buyer–supplier relationships.

Marketing scholars also recognize that trust need not be naïve; for example, previous research has investigated the role of various relational safeguards, such as relationship-specific investments, explicit contracts, and relational norms, in influencing relationship satisfaction (Jap and Anderson 2003; Jap and Ganesan 2000). Thus, we will also consider the mitigating role of monitoring mechanisms on trust; i.e., "trust but verify."

Finally, the premise identified early on (Dwyer et al. 1987) that business relationships evolve over time is so important and attracts such consensus as to nearly be a truism. Researchers have suggested that as relationships go through different phases of a relationship life cycle, they are characterized by distinct behaviors, orientations, and outcomes (Jap and Ganesan 2000). Yet, tracking relationships over time and identifying structural changes between the partners is a rare empirical under-taking, presumably in large part due to the extensive requirements in data collection. In this study, we will collect the necessary data to test the modification in form of relational elements. Specifically, we demonstrate that the efficacy of the combined trust–monitoring mechanism interacts with each dimension of trust (competence and benevolence) and that the results are contingent on the phase of the relationship life cycle.

The theoretical contributions we seek to build include (1) the examination of multidimensional trust—namely, competence and benevolence trust—within the tapestry of the moderators of (2) monitoring and (3) stages of the relationship life cycle. The rest of this article is organized as follows: We begin by briefly reviewing the literature on trust. Next we present a conceptual framework and derive research hypotheses. We report our findings from a pilot study in which we conduct interviews with procurement managers making real purchase decisions in the contexts of real supplier relationships. We then present a large-scale study in which we investigate and test our hypotheses. Finally, we provide our theoretical contributions, acknowledge limitations, and suggest directions for further research. We close with some implications for the practice of business marketing.

WHAT IS TRUST?

Trust is an essential component of human relationships and a fundamental building block of healthy societies. It has been the subject of extensive discussion across a variety of disciplines, including sociology, psychology, philosophy, law, economics, political science, medicine, and management (Morgan and Hunt 1994; Rousseau et al. 1998; Smith and Barclay 1997; Williamson 1993). In this research, we defer to Moorman et al.'s (1993:82) who define trust as "a willingness to rely on an exchange partner in whom one has confidence."

Dimensions of Trust

Trust has been conceptualized as multifaceted. Ganesan and Hess (1997) explicated two dimensions of trust: (1) competence and (2) benevolence. Regarding the first, competence trust is the extent to which the buyer believes that the supplier is able to do what is asked. The buyer will have competence trust in the supplier if it seems credible for the supplier to claim to have the required expertise to perform the job effectively and reliably. The competence dimension of trust reflects technical competency and is based on the other party's predictability and dependability (Johnson and Grayson 2005).

By comparison, benevolence trust is the buyer's belief that the supplier will indeed engage in the agreed upon behaviors, demonstrating genuine concern toward the mutual business partnership and will not take any actions that will harm the buyer (Doney and Cannon 1997; Ganesan et al. 2010). Benevolence trust is rooted in emotional attachment and concern about the other party's welfare. There is intrinsic value to emotional bonds that develop with frequent, longer-term interaction. As emotional connections deepen, trust may even go beyond a level that is justified by knowledge and experience (Johnson and Grayson 2005).

In short, *competence trust* reflects the sense of whether a partner can behave as hoped, exemplified by reliability and credibility (Moorman et al. 1993), and *benevolence trust* captures the sense of whether the partner will behave as hoped, manifest as caring and integrity (Clark, Ellen, and Boles 2010; Doney and Cannon 1997).

CONCEPTUAL MODEL AND HYPOTHESES

Figure 1 depicts the conceptual model guiding this research. The left-hand side of the model posits the antecedents of trust, and the right-hand side explicates the moderating influences of monitoring mechanisms and the relationship's stage in its life cycle on the outcomes of trust. The basic form of the model is reminiscent of that tested by Eggert and Ulaga (2010), in which antecedents were included (i.e., customer valuation), and trust is used as both a mediator and moderator (interacting with dependence in their study, and monitoring in ours), in its effect on performance indicators. We now define the constructs in our research and explain their hypothesized effects more

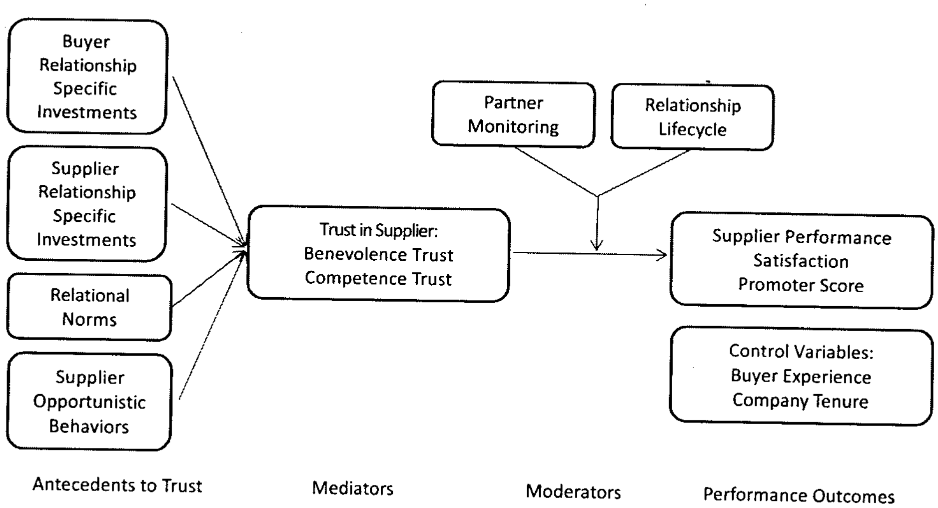

FIGURE 1 Conceptual model (color figure available online).

precisely. We then present a pilot study and a larger-scale survey study to empirically test the model.

Antecedents to Trust

The four constructs at the left in Figure 1 represent the antecedents to trust in our model. These antecedents are firmly established in the literature, thus we will be brief here.

These antecedent constructs are not the primary focus of our research. However, we included them to statistically control for their effects and to build a model that would be as robust as possible. If we built a model ignoring established effects, the model overall would seem less compelling as our attempt to provide more realistic coverage in the conceptualization. Without the antecedents, researchers in the area of relationship and business marketing might ascribe our findings to the excluded constructs.

In a sense, we include these antecedents in our model as a sound foundation on which to build our model and contribute to the literature by going beyond that which has already been established. Thus, we incorporate the following effects: buyer and supplier relationship specific investments should each enhance relational trust (E. Anderson and Weitz 1989; Crosno and Dahlstrom 2011; Ganesan 1994; Jap and Ganesan 2000; Williamson 1993), as should relational norms (Cannon, Achrol, and Gundlach 2000), whereas supplier opportunistic behavior should detract from trust (Williamson 1993).

Moderating Effects of Relationship Life Cycle and Monitoring Mechanisms

Researchers recognize the potential detriment in too much trust, referring to its dark side, and therefore recommend studying moderating factors or boundary conditions under which high levels of trust can limit the benefits of trust and produce "dysfunctional" outcomes (Grayson and Ambler 1999; Ordanini 2011; Wathne and Heide 2000). In this research, we do so by investigating monitoring mechanisms that a buyer may adopt that would moderate the influence of overall trust on performance outcomes (Kwortnik, Lynn, and Ross 2009).

Monitoring mechanisms constitute a process of regulating a partner's behaviors or their outcomes for the achievement of organizational goals; they are safeguards used to govern interorganizational exchanges (Jap and Ganesan 2000). Theoretically, monitoring helps curb opportunism in two ways. First, when partners know they are being evaluated, there is pressure to comply. Second, monitoring increases the chances of detecting opportunism by reducing information asymmetry between relational partners, thus engendering the ability to reward and sanction behavior accordingly (Heide, Wathne, and Rokkan 2007).

In general, the more trustworthy the buyer perceives the supplier to be, the less likely the buyer will be to use monitoring; conversely, the less trust the buyer has in the supplier, the more likely the buyer will be to use monitoring (Das and Teng 1998; Grayson, Johnson, and Chen 2008). Thus, note that trust is assumed to conflict with monitoring. Although trust is guided by the notion of positive expectations about another's motives, monitoring procedures regulate people's behavior by using certain procedures to verify their actions and, consequently, to make their behaviors more predictable. Extant research provides evidence of this inherent tension by demonstrating that partners often perceive monitoring as obtrusive and invasive and may respond to them with reactance (e.g., mistrust, hostility; Heide et al. 2007). Furthermore, trust is traditionally believed to reduce the amount of monitoring needed; therefore, when there is trust, the need for reactive measurement efforts should be reduced (Das and Teng 1998).

Nevertheless, some amount of monitoring may always be necessary, even when the supplier is trusted, because monitoring not only reduces the chances of duplicity but it also helps increase coordination and reduces process loss between the two parties (Heide et al. 2007; Powell 1996). The more aware the buyer is of the supplier's activities, the better the buyer can coordinate the supplier's work. Das and Teng (1998:501) suggest that monitoring activities help build mutual trust because a "track record and an objective evaluation process are more conducive for generating trust than a subjective evaluation process." In fact, while monitoring carries a largely negative connotation, it can, of course, simply consist of "touching base," manifest in regularly, even frequently scheduled communications. When partners and their behaviors are in synch, these updates may be experienced as rewarding and as reinforcing the trust that had been hopefully offered.

In sum, buyers may use monitoring to mitigate the greater hazards of opportunistic appropriations faced in relational exchanges and consequently used to leverage the benefits of trust. In the next section, we bring these concepts and contingencies of monitoring and multifaceted trust into an integrated examination of their interactive effect over the stages of the relationship life cycle.

Conceptual Model: Relationship Life Cycle

The concept of a relationship life cycle refers to the dynamic process by which exchange relationships develop over time (Dwyer et al. 1987; Jap and Ganesan 2000) and has its basis in exchange theory and bargaining and power theory. It acknowledges that business relationships are not staid entities, but rather the changing complexities enable the examination of time and context-dependent properties of various relational constructs. For example, Jap and Ganesan (2000) showed that the efficacy of different control mechanisms in influencing supplier commitment changes over the course of the relationship life cycle.

The relationship life cycle is thought to have four distinct phases: exploration, build-up, maturity, and decline. Each phase symbolizes an evolution in the exchange partners' perceptions, expectations, attitudes, and orientations toward each other. Next, we describe the life-cycle phases particularly with regard to the roles of trust and monitoring during each phase.

Exploration Phase

In the first phase, exploration, there is a period of search and trial during which a potential exchange partner weighs the likely benefits, costs, and obligations with a particular partner (Jap and Ganesan 2000). In this fragile phase, the main goal is uncertainty reduction, and both partners begin to cultivate trust with each other. Trust is one of the most important relational variables that influence buyer–supplier interactions, and it is especially critical at the onset of the relationship. It is early in the relationship when exchange partners try to determine their goal compatibility and the integrity and likely performance of the other partner (Dwyer et al. 1987). Monitoring makes the desired behavior transparent, so it is easier to detect noncompliance. Monitoring may enhance the influence of trust early in the relationship because trust signals emotional connections, cooperative intentions, and feelings of security in the buyer–supplier relationship (Heide et al. 2007; Johnson and Grayson 2005).

With regard to the specific facets of benevolence trust, we expect that benevolence trust is likely to be the stronger facet of trust, or that which is more noticeable, earlier in the relationship life cycle. Benevolence and competence trust are separable and not bipolar, so note that we are not making a prediction that benevolence trust will be high because competence trust is low. Indeed presumably a buyer considers a supplier because the supplier is expected to be or has a reputation for being competent (it would be irrational to explore a relationship with a company not expected to better one's own enterprise). Thus there may be an early granting of competence trust. At the same time, that trust is rather general, given that as yet, there would be little or no information available on the joint performance in this particular relationship. Thus, early in a working relationship, competence trust might simply be a vague sense of one partner giving the other the benefit of the doubt.

By comparison, benevolence trust may loom relatively larger, given its development is enhanced by the interpersonal perceptions of the agents working on behalf of the companies. Each party feels vulnerable initially, and each is simply hoping that the other is benevolent, caring, and behaving appropriately (Berger and Bradac 1982; Kent, Davis, and Shapiro 1981). Here too, in early phases, the data are few or soft as to whether extending benevolence trust is justified. Such concerns can be largely assuaged by verification systems, such as monitoring. Although large-scale business outcomes (e.g., annual sales) would not be revealed via short-term monitoring, it can be observed whether one's partners are engaging in the proper behaviors and processes expected to result in the desired longer-term outcomes. That is, seen through the lens of monitoring, it might be easier to verify benevolence trust is well-placed earlier in the relationship, compared to assessing competence trust until more substantial business outcomes unfold, by definition, later in the relationship. We expect to see that during the exploration stage, the conjunction of monitoring and benevolence trust should facilitate each party's perceptions of the other—each can feel good about the other, hope for the best, and have alleviated some concerns about risk. Accordingly, we pose H1 as follows:

H1: In the exploration stage of the relationship life cycle, monitoring enhances the positive impact of ***benevolence*** trust on supplier performance and satisfaction.

By comparison, the lack of a track record on business outcomes and longer-term performance should render the interactive effect of monitoring with competence trust as somewhat less important, in part because of the limited knowledge of the types of activities and outcomes that should be monitored. Norms and expectations are still being developed during this stage (Dwyer et al. 1987), so the joint effect of monitoring and competence trust will become more important later in the relationship.

Build-Up Phase

The second phase, build-up, is characterized by more elaborate information sharing, investments, and joint participation by both partners. Increased risk taking and interdependence also develop during this phase (Dwyer et al. 1987). The goal in this phase is to understand each other's motivations and intentions and build a mutually beneficial relationship that continues over the long run. In the build-up phase of the relationship, the partners establish standards of conduct and ground rules for future exchanges (Narayandas and Rangan 2004); there is more certainty and confidence in the partners and their likely behaviors. In addition, the partners erect contractual structures and undergo shared experiences, both of which should contribute toward the durability of the relationship (Dwyer et al. 1987). In such a setting, monitoring mechanisms may undermine the impact of trust on performance outcomes.

With regard to benevolence trust in the build-up stage, the role of benevolence trust and monitoring should continue as the relationship moves in a more strategic direction. As a relationship is deepening, it has also been argued that monitoring may be a positive cue, signaling a desire to cooperate more fully (Dwyer et al.1987). Consider also that a relationship that was not experiencing good monitoring results would probably not be continuing into a "build-up" phase. Rather the relationship that had been tentative may be terminated, as a trial period ends, or it may continue but be maintained in the exploration phase, until both partners are willing to deepen the connection. In sum, during the build-up phase, performance outcomes should continue to be facilitated by the conjunction of monitoring and benevolence trust.

In contrast, competence trust and monitoring may still be premature, or even somewhat disruptive. Both parties are still learning how to interact with each other and how to efficiently enact their new, mutual business activities (Dwyer et al. 1987). As they are learning, and adapting their business practices to please their new partners, errors are likely to occur. During such times of learning and practice, monitoring each other's behaviors would bring to light those errors or perhaps attitudes of reluctance to change to the new business system. Monitoring may reveal seemingly hard data of a partner's underperformance that could exacerbate concerns about that partner's abilities or willingness to cooperate at a time when mutual dependence is increasing (Dwyer et al. 1987). Monitoring may also constrain the desire to take additional risks (Jap and Ganesan 2000). Thus, although the effects of benevolence trust and monitoring may be productive in the build-up phase of the relationship life cycle, the effects of competence trust and monitoring may be counterproductive. Relative to the effects of competence trust, we posit H2:

H2: In the build-up stage of the relationship life cycle, monitoring enhances the positive impact of benevolence trust on supplier performance and satisfaction.

Maturity Phase

In the next phase, maturity, both firms are adopting a longer-term perspective toward their partner, incurring some short-term costs in favor of long-term gains. Yet both parties are past the bumpy learning phases and are beginning to reap real rewards, imbuing confidence in the partnership, the partners, and the trust placed in them. In this phase, both partners experience relative satisfaction, and each partner somewhat relaxes guards initially erected with respect to the other's intentions and motivations (Jap and Ganesan 2000).

With regards to benevolence trust, beyond a certain fulfillment point, if benevolence trust has been established, the oversight of monitoring may undermine the extent to which either partner views the other or the relationship in a benevolent light. Benevolence trust is the focus on whether one's partner will help or hurt you, and presumably the partner has proven to be trustworthy in this sense (or else, again, the partnership may well dissolve). Thus, in later life-cycle stages, we expect that benevolence trust and monitoring together lead to less functional consequences. In some sense, consistency is assumed and additional monitoring may be deemed unnecessary (cf. the "commitment" stage of Dwyer et al. 1987).

In contrast, as a partnership gains experience, both in its processes and interactions as well as the business performance indicators ensuing over time, competence trust is likely to be most effective in mature and established relationships and reinforced as such by monitoring activities. This phase is associated with a large increase in tangible and intangible inputs (and, perhaps, more coordination; Jap and Ganesan 2000). Both partners can be assured that the other is still behaving well, and the desired mutually beneficial business outcomes are still likely to be realized.

H3: In the maturity stage of the relationship life cycle, monitoring decreases the positive impact of benevolence trust on supplier performance and satisfaction, and enhances the positive impact of competence trust on performance.

Decline Phase

In the last phase, decline, the relationship begins to deteriorate, as the relationship has served its purposes and run its course, or as either or both partners begin experiencing dissatisfaction with the relationship. They begin to disengage and contemplate alternative relationships (Jap and Ganesan 2000). Moreover, both partners may return to short-term orientations, exhibited by more opportunistic behaviors. Empirical evidence on relationships in this stage is scarce; however we anticipate that monitoring escalates the dissolution of the relationship, as both benevolence and competence trust diminish.

Consequences of Trust

We consider trust a starting point for relationships because partners desire predictable and obligatory behavior on the part of their relational partners, so that they can place a relatively high degree of certainty on desirable outcomes. Buyer trust is particularly important when risk and uncertainty are inherent and the potential exists for inconsistent performance in meeting buyer expectations. When trust is shaken or betrayed, dissatisfaction arises (Agustin and Singh 2005; Johnson and Grayson 2005; Singh and Sirdeshmukh 2000). Thus, satisfaction with the supplier is one of the dependent measures we use in this research. In addition, we use measures of buyers' perceptions of their partners' performance, which are also subjective assessments.

Attitudinal measures are important (e.g., Mooi and Ghosh 2010), yet we also agree with Tuli, Bharadwaj, and Kohli (2010) that behavioral measures are highly desirable (also see Razzaque and Boon 2003). Thus, in addition to our attitude scales, we also include an assessment of the buyers' promoter scores, which measure the likelihood that the buyer will recommend the supplier to friends or colleagues (Reichheld 2003). It is our intention that the addition of the behavioral indicators should generalize the theoretical suppositions and empirically substantiate the broader nomological network. The behavioral indicator should show the same directional effects as attitudes about partner performance; i.e., more trust should lead to higher promoter scores or more favorable word of mouth.

With regard to our data, we begin with a brief description of a pilot study in which we conducted interviews with buyers in buyer-seller relationships. We undertook this qualitative research for two reasons: first, to verify that our hypotheses were not counter to managerial practice and, second, to extract jargon and vocabulary to modify the extant scales, published in the literature for other settings, to be more relevant to respondents in our buyer–supplier context (cf. Athanassopoulou 2006).

STUDY 1: PILOT

Procedure

We conducted 12 hour-long interviews with managers in procurement roles in manufacturing organizations. Of the interviewees, five were senior-level managers. Participants' tenure with their current firm varied: four participants had worked at the firm for 2–5 years, five for 6–10 years, and three for 11 years or more.

In the first part of the interview, participants described their overall relationship with their suppliers and then answered a series of probing questions that encouraged them to provide more details on various aspects of their relationship (e.g., quality of good relationships, descriptions of good and bad suppliers). In the second part, participants described in detail their relationship with a specific supplier (e.g., duration of relationship, products and services procured, trust and distrust, monitoring). The interview script and a full transcript of one interview are available from the authors.

Results

Trust Creates Vulnerability

Many participants agreed that trust is a "good thing" but that it also exposes them to opportunism and makes them vulnerable, a concern consistent with marketing literature (see E. Anderson and Jap 2005). For example, as one participant remarked:

> Trust is an occupational hazard . . . You have trust, but it can expose you, make you vulnerable. You trust a supplier, but that supplier may share information and tomorrow if that information goes to a wrong place, it can prove to be dangerous. So you need to be very strict with the kind of information that you give out to the supplier. So I guess trust is limited.

Trust Can Be Blinding

Some participants expressed that trust in partners leads to an unquestioning position toward them, such that they take their partners at their word and do not check or verify information. Thus, trust can blind them to such an extent that they run the risk of being cheated or miss out on opportunities. According to one manager:

> We had a lot of trust in this vendor but the supplier didn't provide certification and later on it came out that he never had

it in the first place. We ended up in a major legal disaster. The problem happened because we were ignorant . . . we trusted the supplier but we should have demanded proof.

Trust Is Only a "Prerequisite"

Some participants expressed that though trust was a good thing in their relationship, ultimately, it was performance that mattered. This sentiment mirrors Doney and Cannon (1997), who conceptualize trust as a prerequisite for a supplier to be included in the buyer's consideration set but also indicate that price and product quality actually drive supplier choice. According to one respondent:

> Trust alone is not enough. You have to see results. You have to look at hard data. You are in a business and you want to make sure that at the end of the day, your financial objectives are met.

Trust But Verify

When questioned about what actions they took to protect themselves against some of the stated concerns, a common theme in managers' responses seemed to be "trust but verify" (some referred to this idea as *guarded trust* or *healthy skepticism*). All the respondents emphasized the importance of checking on their suppliers' actions to safeguard themselves against potential opportunism or even unintended actions that could prove to be detrimental to their interests. The following quote illustrates this point:

> You know the old adage, trust and verify, if you have a relation and you don't dig into details and really try to understand the issues, there might be a time when you are surprised down the road. So have an open, trusting, honest relation with the vendor but verify the details . . . go out to the plants and see the hardware. Usually if your contracts are set up well, there are entry points of inspection, you have inspection clauses to go into the facility and look at things while they are being manufactured, so you can verify what you are being told. If you don't, then you are just being naive about trust that you shouldn't be . . . You should really go out and kick the tires.

In summary, the in-depth interviews revealed that managers in procurement roles are well aware that though trust is important, it can also have dysfunctional effects. Some of the negative consequences mentioned included that (1) high trust levels make buyers more vulnerable and open to abuse by the supplier regarding pricing, delivery, or quality issues; (2) buyers can become complacent and not seek better and more efficient options; and (3) trust can cause buyers to overlook important details in the relationship even if they are genuine and unintentional supplier errors. As a result, these managers tried to take measures to protect themselves. They also mentioned that trust and monitoring could vary over the relationship life cycle. Thus, the findings of this field study support the notion of using monitoring mechanisms in conjunction with trust processes to maintain and enhance buyer–supplier relationships over the relationship life cycle.

STUDY 2: TEST OF THE EXTENDED CONCEPTUAL MODEL

Study 2 is also conducted in the context of B2B relationships, and the unit of analysis is a specific buyer–supplier relationship. Respondents in this study are managers in procurement roles in ongoing business relationships. To obtain broad coverage of industry and geography, we conducted this survey online, using a professional panel of 91,000 potential respondents. We sent a query (see the appendix) inviting potential respondents to complete a brief screener survey, to determine their eligibility to participate in the fuller questionnaire. The survey included questions such as "Are you currently involved in a buyer or procurement role?" "If yes, how long have you been involved in this role?" and "Are you responsible for maintaining and developing your relationship with the vendors or customers?" (all items are presented in Table 1). We invited the respondents who confirmed their eligibility and fit our requirements to participate in the study.

Procedure

We sent the survey to the 928 prescreened professionals who had extensive experience in buyer–supplier relationships. Of these, 511 began the survey and 415 completed it, resulting in a response rate of 44.7%. Data collection was terminated after 1 month. Informants were asked to identify either their largest or second-largest supplier and to answer questions with respect to that supplier. We asked them to focus on one of their larger suppliers because we deemed it more likely that they would respond more accurately to the survey questions based on the supplier with which they had more extensive interactions.

Sample Characteristics

Of the 415 survey responses, we dropped 12 respondents from the analysis on the basis of post hoc checks (informants with scores lower than 4 on the involvement scale, knowledge scale, or confidence scale); thus, the final sample size was 403. The average involvement score for the informants was 4.98 ($SD = 1.21$), the average knowledge score was 5.85 ($SD = .79$), and the average confidence

TABLE 1 **Measurement Items for Constructs in Study 2**

Construct (reference from which items were adapted)	loading	t-value	α
Buyer relationship specific investments (Rokkan, Heide, and Wathne 2003)			0.88
1. We have made significant investments in equipment dedicated to our relationship with this supplier.	1.28	16.34	
2. Our production system has been tailored to meet the requirements of dealing with this supplier.	1.20	16.44	
3. Training our people to deal w. this supplier has involved substantial commitments of time & money.	1.62	21.35	
4. We have made extensive internal adjustments in order to deal effectively with this supplier.	1.56	20.35	
Supplier relationship specific investments (Rokkan, Heide, and Wathne 2003)			0.92
1. This supplier has made significant investments in equipment dedicated to the relationship w. us.	1.65	23.00	
2. This supplier's production system has been tailored to meet the requirements of dealing w. us.	1.58	22.60	
3. Training their employees to deal with our company has involved substantial commitments of time and money on the part of this supplier.	1.57	21.08	
4. This supplier has made extensive adaptations in physical plant and equipment in order to deal effectively with our company.	1.57	21.08	
Relational norms (Heide and John 1992)			0.87
1. We provide any information that might help this supplier.	0.84	13.83	
2. We provide frequent information to this supplier.	0.88	14.63	
3. We keep this supplier informed about events or changes that may affect them.	0.96	16.06	
4. We are flexible when dealing with this supplier.	0.92	17.23	
5. We are open to making adjustments in dealing with this supplier when needed.	0.85	15.63	
6. When some unexpected situation arises, we prefer to re-write our contract with this supplier than hold them to the original terms.	0.65	8.93	
7. We try to help when this supplier incurs problems.	0.88	17.39	
8. We jointly resolve problems that arise in the course of our exchanges.	0.88	18.78	
9. We are committed to improvements that benefit our mutual relationship with this supplier.	0.88	18.78	
Supplier opportunistic behaviors (Heide, Wathne, and Rokkan 2007).			0.94
1. In working with its partners, this supplier alters facts in order to meet their own goals & objectives.	1.63	20.64	
2. This supplier does not negotiate from a good faith bargaining perspective.	1.70	22.84	
3. This supplier breaches formal or informal agreements to benefit themselves.	1.84	25.21	
4. This supplier does not always act in accordance with our contract.	1.77	23.34	
Monitoring (Noordewier, John, and Nevin 1990)			0.88
1. We track this supplier's performance through weekly reports and inspections.	1.62	19.43	
2. We assess their performance through a formal supplier evaluation program.	1.69	20.81	
3. We monitor this supplier's activities on critical factors including order accuracy, delivery timeliness and quality control.	1.10	15.02	
4. We use various metrics to evaluate this supplier's performance.	1.43	19.11	

(Continued)

TABLE 1 (Continued)

Construct (reference from which items were adapted)	loading	t-value	α
Competence trust (Ganesan 1994)			0.88
1. We have confidence in this supplier's competence.	0.91	16.79	
2. We have no doubts regarding this supplier's knowledge about the products they supply.	0.87	16.16	
3. This supplier makes reliable promises.	0.92	17.44	
Benevolence trust (Ganesan 1994)			0.85
1. We feel that this supplier cares for us.	1.06	20.85	
2. This supplier has gone out on a limb for us in times of difficulty.	0.92	14.81	
3. We can freely share our ideas and plans with this supplier.	1.01	19.15	
Performance (Cannon, Achrol, and Gundlach 2000) Please rate this supplier's performance on the following metrics:			0.88
1. Product quality	1.17	20.87	
2. Delivery performance	1.01	21.41	
3. Sales, service, and /or technical support	1.01	21.41	
4. Total value received	1.01	21.41	
Relationship satisfaction (Jap 2001)			0.88
1. We are satisfied with the relationship we have with this supplier.	1.11	22.75	
2. Our relationship with this supplier has more than fulfilled our expectations.	1.20	21.40	

Net promoter score (Reichheld 2003)

How likely is it that you would recommend this supplier to a friend or colleague who buys similar products?

Relationship Phase (Jap and Ganesan 2000)

Relationships typically evolve through a number of phases over time. Which of the following best describes your firm's *current* relationship with this supplier (Check *only one*)

- *Exploration*: Both firms are discovering and testing goal compatibility, integrity, and performance of the other, as well as potential obligations, benefits, burdens involved with working together on a long-term basis.
- *Build-up*: Both firms are receiving increasing benefits, a level of trust and satisfaction has been developed such that they are more willing to become committed to the relationship on a long term basis.
- *Maturity*: Both firms have an ongoing, long-term relationship, both are receiving acceptable levels of satisfaction and benefits from relation.
- *Decline*: One or both members have begun to experience dissatisfaction and contemplating termination, considering alternative partners, and beginning to communicate an intent to end the relationship.

TABLE 2 **Characteristics of Respondents in Study 2**

Gender		Age		Level of Education		Company Tenure		Buyer Experience	
Male	56.3	<25 years	3.2	High School	10.7	<2 years	3.2	<2 years	4.2
Female	43.7	25–35	34.5	Tech. Certification	6.5	2–5	27.8	2–5	26.8
		36–45	27.8	Associate's Degree	7.7	6–10	35.2	6–10	32.5
		46–55	24.6	Some College	15.6	11–15	14.4	11–15	17.5
		56–65	8.9	College Degree	32.3	16–20	7.4	16–20	7.2
		>65 years	1.0	Graduate School	27.3	>20 years	11.5	>20 years	11.4

All numbers are in percentages.

score was 5.36 ($SD = 1.04$), indicating that the informants were qualified to report on their relationship with the suppliers. As Table 2 indicates, more than half the sample was male (56.3%), where the highest modal age groups were from 25–35 years (34.5%) to 36–45 years (27.8%). Most (32.5%) had between 6 and 10 years experience as a buyer, and 26.8% had 2–5 years experience. Approximately 63% of the sample had been with the company 2–10 years, and

28% had been with their organization 2–5 years. Finally, the majority (75%) had some college education. (The full sample profile is provided in the Supplemental Appendix, available from the authors.)

Questionnaire Development and Measures

We developed the survey instrument by drawing from extant measures in the literature, and we pre-tested it by e-mailing it to eight managers. In addition, we conducted a sample study with 66 managers who completed an initial version of the survey. Doing so enabled us to streamline and improve the measures we used to capture the constructs in the main study. For example, we originally used seven measures to capture the construct of monitoring (with a reliability of 0.63). We then chose the four best measures for the general construct we were attempting to capture and obtained improvement in reliability (0.86).

The pretest and pilot enabled us to verify the appropriateness of the terminology used, the clarity and ordering of the questions, and the response formats. Most items were 7-point Likert scales (anchored by "strongly disagree/strongly agree"). We discuss the constructs included in the survey next. All scale reliabilities exceeded $\alpha = 0.85$.

Buyer and Supplier Relationship Specific Investments

Buyer relationship specific investments indicate the extent to which the buying firm has made investments in time, effort, and equipment to accommodate a specific supplier. Similarly, supplier relationship specific investments reflect the extent to which the supplier makes specific investments in its relationship with the buyer that could be lost if the relationship were terminated. We derived items from Rokkan, Heide, and Wathne (2003) such as "We have made significant investments in equipment dedicated to our relationship with this supplier."

Relational Norms

Relational norms reflect the extent to which exchange partners focus efforts on preserving their relationship (solidarity), are involved in joint decision making (mutuality), and are adaptive to changing circumstances (flexibility). The scale by Palmatier, Dant, and Grewal (2007) reflects all three dimensions. We do not have differential predictions so we used a composite of their items, but all three types are represented, e.g., "We keep this supplier informed about events or changes that might affect them" to capture solidarity, "We are committed to improvements that benefit our mutual relationship with this supplier" to reflect mutuality, and "We are open to making adjustments in dealing with this supplier when needed" for flexibility.

Supplier Opportunistic Behaviors

Partner opportunism is defined as the extent to which one party, e.g., the supplier, engages in self-interested behaviors (Williamson 1993). The survey items came from John (1984) and Heide et al. (2007), and included responses to "This supplier does not always act in accordance with our contract."

Competence and Benevolence Trust

The two dimensions of this scale reflect the caring and benevolent (*benevolence*) as well as the more competency-related (*competence*) items, as measured by Ganesan (1994), Johnson and Grayson (2005), and Jap (1999). We drew from their measures and refined them in our pilot study (e.g., the Johnson and Grayson [2005] measures were used in a consumer environment). Our scale for competence trust included the items, "We have confidence in this supplier's competence," "We have no doubts regarding this supplier's knowledge about the products they supply," and "This supplier makes reliable promises." The benevolence trust scale included the items, "We feel that this supplier cares for us," "This supplier has gone out on a limb for us in times of difficulty," and "We can freely share our ideas and plans with this supplier."

Monitoring

Monitoring captures a buyer's efforts to verify and supervise supplier's performance. Although monitoring can be seen as multifaceted, we focused on the dimension of output or performance monitoring (vs. behavioral; Heide et al. 2007). We drew items from Noordewier, John, and Nevin (1990), adapted them and pretested them for our research context, resulting in items, such as "We monitor this supplier's activities on critical factors including order accuracy, delivery timeliness and quality control."

Performance Outcomes

We focused on supplier performance, satisfaction, and word-of-mouth variables as dependent measures of performance outcome. We measured supplier performance using a four-item scale based on Cannon et al. (2000). The form of the question is essentially as follows: "Please rate this supplier's performance on the following metrics: product quality, delivery performance."

To measure satisfaction, many alternative scales exist, and we chose to use Jap's (1999) two-item scale, which is set in a B2B context. Satisfaction results from an overall appraisal of all aspects of a working relationship with an exchange partner. The items are "We are satisfied with the relationship we have with this supplier," and "Our relationship with this supplier has more than fulfilled our expectations."

Finally, the *promoter score* is a word-of-mouth based construct and it refers to the buyer's willingness to recommend the supplier to a colleague or a friend. It is drawn from Reichheld (2003) who measures this concept using a single item that asks, "How likely is it that you would recommend this supplier to a friend or colleague who buys similar products?"

Relationship Life Cycle

The life-cycle measure is intended to capture the phase in which the exchange relationship is currently operating. Jap and Ganesan (2000) described the four phases in the relationship life cycle and then asked respondent to choose the one phase that most accurately portrays their firms' current relationship with the supplier, and we followed suit. The description of the exploration phase, for example, follows: "Both firms are discovering and testing goal compatibility, integrity, and performance of the other, as well as potential obligations, benefits, burdens involved with working together on a long-term basis." Note that the instrument by Jap and Ganesan (2000) instructs respondents to characterize the stage in which their business relationship falls by describing, for example, the decline phase as on in which either or both parties have begun to experience dissatisfaction and are considering alternative partners, etc. To preclude any possible influence of these instructions on subsequent ratings, such as satisfaction, we measured the life cycle index last. Finally, we note that we derived our scale items from the literature and pre-tested the items wherever we had modified them.

Measure Validation

Preliminary psychometric checks included item-to-total correlations and exploratory factor analyses. These were followed with confirmatory measurement models to assess factor unidimensionality. The chi-squares were all significant ($p < .01$), a finding not unusual with large sample sizes (De Wulf, Odekerken-Schroder, and Iacobucci 2001). Nevertheless, the values on the other indexes were acceptable according to Hu, Bentler, and Kano's (1992) criteria: The normed fit index (NFI) exceeded 0.95, the comparative fit index (CFI) was near or exceeded 0.97, and the root mean square error of approximation (RMSEA) was near or under 0.07. All factor loadings were large and significant, suggesting convergent validity. Tests of discriminant validity supported the conceptual distinctions among the constructs; for every construct, the average variance extracted by the underlying construct was larger than the maximum shared variance with other latent constructs for all the variables (confirmatory factor analysis results for the study constructs appear in Table 1). Several correlations among the performance, satisfaction, and promoter score variables were moderately high (average $r = 0.39$), thus before proceeding, we tested for multicollinearity, for individual constructs and together multivariately. The variance inflation factors ranged from 1.26 to 2.34, far from the cutoff of 10 that most statisticians recommend.

To check for common method bias, we completed multiple steps (Podsakoff et al. 2003). First, we forced a single-factor model on the variables. As expected, the model did not fit, and the average commonality was just 0.43. Second, because this simple test is characterized as insufficient (Podsakoff et al. 2003), we overlayed a latent method factor and as anticipated, the fit statistics were generally poor: $\chi^2(27) = 580.90$, $p < .0001$, perhaps due to our strong sample size, though the CFI was only .8 and the standardized root mean square residual was rather large (0.3). All loadings were significant on the general latent factor, but we assumed that this occurred for the same reason as the chi-square problem (i.e., a large sample). More telling is that only two of the items had large loadings (near 1), and four had loadings around 0.2. These results imply that the methodological variance did not overwhelm the study participants' ability to focus on the content of the survey questions and the different constructs' meanings. In summary, the measurement model seems to yield evidence for unidimensionality, reliability, convergent and discriminant validity, multicollinearity, and common method bias for all the study constructs.

Table 3 contains the descriptive statistics and the correlation matrix among the constructs to be modeled. Most of the correlations are significant (though not so high as to be redundant), thus providing a reliable empirical base to model their theoretical structure.

TABLE 3 Descriptive Statistics and Correlation Matrix for Study 2

Construct	M	SD	1	2	3	4	5	6	7	8	9	10
1) Relational norms	5.57	0.92	1									
2) Buyer RSIs	4.65	1.52	0.37**	1								
3) Supplier RSIs	4.58	1.68	0.34**	0.72**	1							
4) Seller opportunistic behaviors	3.18	1.79	−0.11*	0.29**	0.23**	1						
5) Competence trust	5.67	1.19	0.60**	0.14**	0.13**	−0.29**	1					
6) Benevolence trust	5.29	1.27	0.62**	0.27**	0.37**	−0.12*	0.67**	1				
7) Monitoring	4.78	1.56	0.37**	0.61**	0.62**	0.18**	0.23**	0.34**	1			
8) Performance	5.63	1.17	0.43**	0.21**	0.29**	−0.21**	0.52**	0.55**	0.31**	1		
9) Satisfaction	5.56	1.23	0.50**	0.28**	0.29**	−0.28**	0.61**	0.59**	0.28**	0.73**	1	
10) Promoter score[a]	8.09	1.76	0.42**	0.19**	0.23**	−0.25**	0.51**	0.52**	0.19**	0.62**	.75**	1

RSI = relationship specific investments.
*Correlation is significant at the .05 level (2-tailed). **Correlation is significant at the .01 level (2-tailed).
[a]10-point Likert Scale, all other constructs measures on 7-point Likert Scale.

Antecedents to Trust

Table 4 lists results of testing initial hypotheses. The impact of buyer relationship specific investments on trust was not significant ($\beta = 0.09$, n.s.), but supplier relationship specific investments had a significant and positive impact on trust ($\beta = 0.21, p < .01$). Relational norms had a strong positive influence on trust ($\beta = 0.75, p < .001$), while opportunistic behaviors had a significant, negative impact on trust ($\beta = -0.15, p < .01$). Whereas one of the four antecedents was not significant, all were in the proper theoretical direction, and in general, these relationships are consistent with those found in prior studies.

TABLE 4 Study 2 Model Parameter Estimates

Hypothesized path	Standardized coefficient[a]	t value
Antecedents→trust		
Buyer RSIs→trust	0.09	1.35
Supplier RSIs→trust	**0.21**	3.77
Relational norms→trust	**0.75**	15.74
Seller opportunistic behaviors→trust	**−0.15**	−3.24
Effects of multidimensional trust→performance outcomes		
Benevolence trust→Supplier performance	**0.34**	8.09
Competence trust→Supplier performance	**0.27**	6.22
Benevolence trust→Satisfaction	**0.32**	7.98
Competence trust→Satisfaction	**0.40**	9.33
Benevolence trust→Promoter score	**0.44**	6.94
Competence trust→Promoter score	**0.44**	6.54
Effects of moderator→performance outcomes		
Monitoring→supplier performance	**0.11**	3.00
Benevolence trust × monitoring→supplier performance	0.03	1.50
Competence trust × monitoring→supplier performance	**−0.07**	−2.65
Monitoring→satisfaction	**0.08**	2.35
Benevolence trust × monitoring→ satisfaction	0.02	0.95
Competence trust × monitoring→ satisfaction	**−0.08**	−3.27
Monitoring→promoter score	0.03	0.51
Benevolence trust × monitoring→ promoter score	**0.07**	2.16
Competence trust × monitoring→ promoter score	**−0.09**	−2.22

RSI = relationship specific investments. [a]Significant path coefficients are in bold.

Consequences of Trust

We tested whether it would be beneficial to separate benevolence and competence trust. As Table 4 indicates, both facets of trust showed significant effects on all outcome measures. In this study, both benevolence and competence trust had significant effects on perceptions of supplier performance. In addition, both benevolence and competence trust had significant and positive effects on the customer satisfaction index and the promoter score. This model, including antecedents, consequences, and the elements of trust separated into benevolence and competence subfactors also fit the data well ($\chi^2{}_{27} = 309.09$, $p = .00$; NFI = 0.93; CFI = 0.93; and RMSEA = 0.08).

The Monitoring Moderator

Table 4 depicts the differential effects of the monitoring moderator with benevolence versus competence trust on the various outcome measures. These results are indicative of benevolence trust and competence trust occupying unique places in a theoretical nomological network, given that the results varied. Monitoring has a boosting effect for benevolence trust on the promoter scores and no significant effect on performance and satisfaction. Monitoring has a counteracting effect for competence trust on perceptions of performance, customer satisfaction, and the promoter scores. These findings indicate that as trust beliefs increase, more monitoring is less helpful in producing positive outcomes. Alternatively, we may say that in relationships characterized by poor competence (lack of) trust beliefs, monitoring may help overcome negative outcomes. We shall see that these associations are made further complex in the context of different phases of the relationship life cycle, so we return to these issues shortly.

We consider these results additional empirical support to distinguish benevolence trust from competence trust. Our hypothesizing, however, places these mechanisms into a more complex framework—that is, these relationships are part of the three-way interaction in the context of the relationship life-cycle phase. We now turn to these higher-order interactions.

Full Model: Relationship Life Cycle

We broaden our perspective to consider the more complex effects of how the factors we have theorized operate in B2B relationships. Table 5 presents the results of this multivariate model (i.e., the multiple dependent variables form the sets of rows). In this table, we have built up to the three-way interaction that captures the moderating role of the relationship life cycle, along with the monitoring moderator. The relationship phases—exploration, build-up, maturity, and decline—form the columns in the table. We also fit this encompassing model using structural equation models, in which we tested the four stages as multiple groups. Even given its complexities, this model fits as well as the previous, simpler models ($\chi^2{}_{120} = 316.64$, $p = .00$; NFI = 0.93; CFI = 0.95; and RMSEA = 0.11), particularly given that fit norms are not as well established in the structural equations literature for multisample models as they are for single samples (see Hu et al.

TABLE 5 **Study 2 Model Parameter Estimates over the Relationship Life Cycle**

	Relationship Phase→	Exploration ($N = 52$)		Build-up ($N = 141$)		Maturity ($N = 194$)		Decline ($N = 16$)	
Outcome	Interaction term ⇩	Coef.[a,b]	*t* value	Coef.	*t* value	Coef.	*t* value	Coef.	*t* value
Performance	Competence Trust × Monitoring	0.10	0.75	***−0.18***	−2.21	−0.05	−0.78	0.07	0.28
	Benevolence Trust × Monitoring	**0.38**	2.87	**0.28**	3.44	***−0.19***	−2.64	*−0.41*	−1.59
Satisfaction	Competence Trust × Monitoring	0.10	0.73	***−0.51***	−6.58	*0.03*	0.42	0.34	1.30
	Benevolence Trust × Monitoring	**0.30**	2.16	**0.28**	3.65	***−0.23***	−3.30	*−0.45*	−1.69
Promoter score	Competence Trust × Monitoring	0.02	0.16	***−0.33***	−4.07	*0.03*	0.38	0.03	0.12
	Benevolence Trust × Monitoring	**0.44**	3.29	**0.31**	3.83	***−0.16***	−2.30	−0.13	−0.46

[a]Significant path coefficients are in bold. [b]Italics indicate significant difference from coefficient in previous relationship phase.

1992). Thus, whether examined in part or holistically, our theoretical predictions about the forms of the effects of benevolence and competence trust with monitoring over the relationship life cycle are consistent.

Exploration

According to H1, monitoring should enhance the effects of benevolence trust on performance, satisfaction, and promoter scores in the development stages. This result is supported for the exploration phase; the results indicate that benevolence trust is boosted by monitoring for perceptions of performance ($\beta = 0.38$, $p < .01$), customer satisfaction ($\beta = 0.30$, $p < .05$), and likelihood to generate word of mouth as measured by the promoter score ($\beta = 0.44$, $p < .01$). We had also predicted that monitoring would not interact with competence trust on these business performance indicators during the exploration stage. That prediction is also supported in the exploration phase; competence trust and monitoring did not interact to affect performance, satisfaction, or the promoter score. Thus, the effects of competence beliefs on business outcomes are neither helped nor harmed by monitoring in the earliest phase of relationships.

Build-Up Phase

As relationships strengthen and grow, the facilitating effect of monitoring on benevolence trust is maintained (performance: $\beta = 0.28$, $p < .05$; satisfaction: $\beta = 0.28$, $p < .05$; promoter score: $\beta = 0.31$, $p < .01$), in support of H2. In addition, monitoring has an equally reliable, counteracting negative effect on the relationship between competence trust and outcomes (performance: $\beta = -0.18$, $p < .05$; satisfaction: $\beta = -0.51$, $p < .01$; promoter score: $\beta = -0.33$, $p < .01$), as anticipated. Effects of monitoring, and the circumstances in which it is helpful (or harmful) are obviously complex. We will return to the consideration of the overall functioning of monitoring after we first complete the description of the results in the remaining life cycle stages.

Maturity

With the onset of the maturity phase, we see two notable reversals: First, in support of H_3, the benevolence trust cases switch sign (performance: $\beta = -0.19$, $p < .01$; satisfaction: $\beta = -0.23$, $p < .01$; promoter score: $\beta = -0.16$, $p < .05$). Second, the competence trust effects recede (performance: $\beta = -0.05$, n.s.; satisfaction: $\beta = 0.03$, n.s.; promoter score: $\beta = 0.03$, n.s.).

Decline

In the final relationship phase, monitoring does not seem to yield a significant moderator impact on either benevolence or competence trust. There are (at least) two explanations for this result. First, as partners distinguish their relationships, monitoring mechanisms become moot. Presumably, the relationship has deteriorated because neither partner believes continuing the relationship would be beneficial (i.e., with respect to yielding either good business outcomes or attitudinal feelings about the relationship itself). Both the benevolence and competence facets of trust might be so diminished that nothing could boost it; monitoring presumably yields information that confirms both partners' beliefs that the relationship is ineffective. Second, it could be that our sample size, when parsed by relationship cycle, was too small to yield stable estimates. This statistical explanation is not inconsistent with the substantive one—it is notoriously difficult to find business relationships in peril for study. That is, B2B relationships seldom stay in the decline phase for long.

DISCUSSION

This study yields important findings for academic researchers and procurement professionals. This research explicates the multidimensional effects of trust into its competence and benevolence elements and provides evidence that these are worth modeling as distinct facets in the literature. Theoretically, it was borne out that benevolence trust and competence trust have unique effects on business outcomes, they are affected differently by the monitoring moderator, and these differences are exacerbated by the stage of the relationship life cycle.

Figure 2 illustrates the effects for competence trust and benevolence trust on satisfaction (the plots for performance and promoter scores are analogous). The left-hand side of the figure shows that the level of satisfaction is significantly lower at higher levels of monitoring, thus highlighting the conflicting nature of competence trust and monitoring in the build-up phase. In contrast, the right-hand side shows that at lower levels of monitoring, the level of satisfaction for a given degree of benevolence trust is significantly lower than satisfaction at higher levels of monitoring. This effect suggests that benevolence trust provides an emotional buffer against potential reactance to monitoring, so that monitoring has beneficial effects.

Together, these results may help explain why monitoring seems perplexing and ambiguous in the literature.

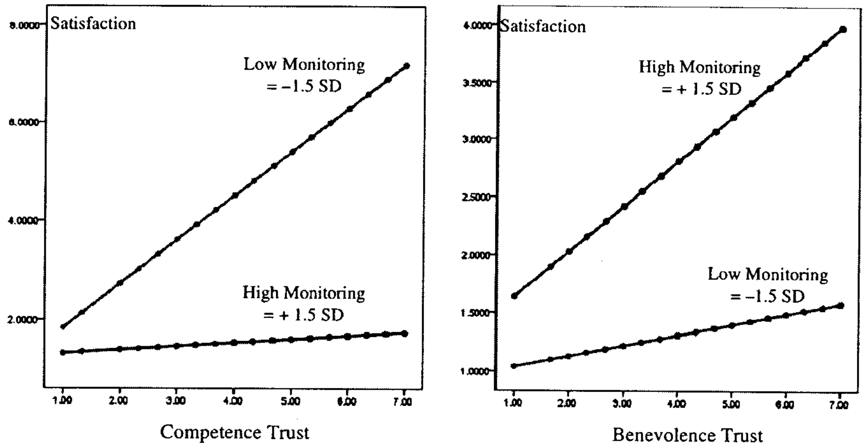

FIGURE 2 Multidimensional trust by monitoring interactions in the build-up phase (Study 2) (color figure available online).

That is, the facets of benevolence and competence trust are operating as countervailing forces: Competence trust with less monitoring enhances satisfaction, while benevolence trust with more monitoring enhances satisfaction. These results are sensible when considering that relationships become more complex as they deepen.

In addition, the data indicate that by monitoring suppliers, buyers can be assured that they will act in their best interests and that their orientation will contribute to good business outcomes. At the same time, checks on suppliers can interfere with buyers' beliefs in their partners and anticipated business outcomes. The interactions and change in form of the role of monitoring across the life cycle may seem complex, but the particular negative effect on performance measures in the second phase, when the business partners are building their relationship and trying to afford trust, is sensible for several reasons. The tensions between wishing to trust one's partner yet simultaneously wishing to exert some control has been obvious since Study 1; recall the verbata from procurement professionals interviewed such as, "you need to be very strict with the kind of information that you give out" and "we trusted the supplier but we should have demanded proof." There may be a desire to trust one's partners, but there also exists a sensibility that monitoring is merely good business practice. Yet these desires are in contrast to perceptions about the relationship when the monitoring request is made by one's partner to oversee one's own business practices; being on the receiving end seems to generate somewhat less empathy or even resentment. As relationships deepen, presumably so does trust, both based on relational experience as well as an accumulation of performance evidence. If trust does not deepen or performance indicators appear satisfactory, the relationships presumably continue in growth or dissolve. Hence the growth and build-up phase is necessarily the critical phase in which the fine line between trust and monitoring is tested and calibrated. In addition, a contemporary explanation borne of many public cases may be the concern that if a partner is monitoring one's business functions too closely, the partner's intentions may be to learn enough to function independently, break the partnership and take the newfound technical skills to become a competitor rather than venture partner. These lines of reasoning are conjecture at this point, given that no survey items spoke directly to their content, but they would be natural extensions in subsequent studies. Future research could also further distinguish the particular aspects of oversight that are helpful or resented, but the findings in this research should be perceived as a contribution in having established the importance of monitoring, even in its general and abstract treatment.

GENERAL DISCUSSION

This research answers the question, "Can a mechanism such as monitoring be used by buyers to enhance the effectiveness of multifaceted trust (benevolence, competence) on supplier performance outcomes over the relationship life cycle?" We conducted in-depth interviews and a survey study with procurement professionals to understand their perspectives on trust, its antecedents, its consequences, and moderators. We contribute to the literature by (1) solidifying the differential effects for a multidimensional conceptualization of trust, by explicitly testing for differences between its benevolence and competence dimensions; (2) demonstrating how competence and benevolence trust interact with monitoring and how (3) both are affected by different stages in the relationship life cycle. The data demonstrated clear and unique patterns of trust and monitoring as they evolve from exploration in the early developments of a relationship, to build-up and maturation, to decline.

Interviews with procurement professionals revealed that managers are well aware of the potential hazards associated with trusting their exchange partners. Participants admitted that though trust was generally beneficial, over time it could have potential negative consequences by making them vulnerable to their exchange partners and exposing them to opportunism. As a result, most took measures to protect themselves, emphasizing the importance of checking and verifying suppliers' actions to safeguard their firms. In addition, managers undertook monitoring procedures to track their suppliers' behaviors to ensure they delivered on their commitments. These interviews suggest that managers employ trust and distrust (in the form of monitoring) simultaneously to maximize outcomes and benefits from their relationships with suppliers over the relationship life cycle.

The survey study contributes to a better understanding of the impact of both dimensions of trust on performance outcomes. The extant relationship marketing model began with an emphasis on exchange theory (see Dwyer et al. 1987; Morgan and Hunt 1994), which focuses on maximizing mutual benefits over time. More recently, researchers have begun including aspects of benevolence in trust (Johnson and Grayson 2005). Both competence and benevolence trust have substantial and distinct impacts on performance outcomes, which in turn are further differentiated when buyers engage in the monitoring or verifying behaviors.

In addition, we examined the complexity of the relationship life cycle as the defining context in which these exchanges, attitudes, and behaviors occur. The four phases of the relationship life cycle—exploration, build-up, maturity, and decline—showed unique and explainable patterns, as well as the interaction of monitoring with both competence and benevolence trust over time. This more nuanced approach to understanding how multifaceted trust interacts with monitoring mechanisms helps portray how these factors affect important business outcomes (satisfaction, performance, and promoter score).

This nuanced, multifactored interactive view is critical because examining the relationship from a more simplistic perspective provides an incomplete (and perhaps misleading) perspective. For example, simply examining the relationship between monitoring and benevolence trust in Table 4 might indicate that benevolence trust and monitoring have little impact on the performance outcomes. Yet the more theoretically sophisticated perspective, which accounts for the stage in the relationship life cycle (as per Table 5), tells a different story. Here, the interaction of benevolence trust with monitoring clearly has a positive impact in the early stages of the life cycle (exploration and build-up) and a negative impact in the maturity stage.

Conversely, an incomplete picture of the role of competence trust would be taken if the stage of the relationship life cycle were not taken into account. The interactive effects of competence trust and monitoring are negative in Table 4. Again, the more conceptually comprehensive view afforded by the inclusion of the relationship life-cycle stage demonstrates that this negative interactive effect occurs only during the build-up phase. This more extensive theoretical view is due to the inclusion of both benevolence and competence dimensions of trust and the examination of relationships at various stages of the relationship life cycle. The additional insights garnered from the precision associated with this more nuanced view forms the primary contribution of our research.

Limitations and Further Research

This research has several limitations that could yield directions for further research. First, this study used a survey taken at one point in time. Such individual data collection does not allow us to demonstrate causality. Additional research that measures a particular relationship at multiple points in time would add insight into the role of benevolence/competence trust and monitoring in the relationship life cycle. Second, we focused on only one aspect of monitoring (output monitoring). We did this because we determined that it was the most important aspect in this environment. Yet further research that accounts for both behavior and output monitoring could provide important insights into the role of benevolence and competence trust in the relationship life cycle. Finally, we did not control for the business unit in our survey. Research could further investigate the mechanism we put forth by varying the types of business structures.

IMPLICATIONS FOR BUSINESS MARKETING PRACTICE

This research indicates that the impact of interpersonal relationships on performance outcomes is time and context dependent. Accordingly, it offers insights to managers into how to prudently allocate relationship-building resources across a portfolio of supplier relationships at various phases of the relationship life cycle.

The moderating impact of monitoring offers some guidance. Although monitoring enhances benevolence trust early in the relationship, managers should also prepare themselves for the "growing pains" in the build-up phase, during which monitoring helps benevolence trust but creates conflict with competence trust. The positive impact of the benevolence-monitoring interaction can be further reinforced from either side, offering kudos to the partner, e.g., "Thanks for coming through for us, we knew we could count on you!"

That show of good faith continues as the relationship builds, but as it does so, it is clear that inquiries along the lines of monitoring-competence would be less welcome. That is, it would not be a good idea to continuously assess partner's capabilities, e.g., "Now, are you sure you can do this, you sure you can get this done, should we bring in some more outside help?" etc. would be seen as undermining the relational tie and eventually lead to weaker outcomes and performances.

As relationships settle into maturation, competence has presumably been demonstrated, and both parties know what is expected of them. In terms of benevolence, monitoring vis-à-vis may hurt more than help. In particular, the kudos that had seemed encouraging and helpful in the early stages are likely to be resented in later stages, when both parties should be beyond the early insecurities regarding partners' intentions regarding their welfare. Thus, perhaps monitoring should be eliminated after the relationship is established as functional and ongoing (or made to be more strategic) to aid the planning abilities of each party. Alternatively, if the business partnership is proceeding relatively successfully, a manner by which monitoring might be reinstated (for a while) would be to propose another joint venture. The establishment of the new collaboration would allow for making observations both pointed on task and more general.

The complexities examined in this research suggest that prescriptions cannot be simplistic. Buyers and suppliers need to understand even the simple notion that trust is multi-faceted; that a partner may be trusting in one manner and less in another. Next, overlaying monitoring cannot be rejected as threatening or implicitly critical or suspicious of one's partner in all circumstances, in particular its role changes as the relationship initiates, builds and strengthens. Finally, researchers have studied many relational phenomena but few are documented as they morph and modify over a relationship's life cycle. Our findings clearly indicated that statements regarding any of these constructs are contingent upon consideration of the others. This added complexity is important and useful because real life relationships are themselves very complicated, hence the multiple moderators help build our business marketing models toward more reasonable and useful representation.

Finally, while the inclusion of the monitoring aspects of this conceptualization may suggest a somewhat cynical assessment of business partners, the larger story continues to be the helpfulness and even utility of trust—both benevolence and competence trust. Both facets of trust contribute to more favorable business outcomes, from performance itself to word of mouth (i.e., the promoter scores). Thus, we have come full circle from beginning with an encouragement to "trust but verify" to close with "verify, but trust!"

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APPENDIX: EMAIL AND BRIEF SURVEY SENT TO CONSUMER PANEL TO SOLICIT RESPONDENTS

Dear Panel Member,

We will shortly be conducting a study in a business-to-business context, and wanted to solicit your participation in the study if you have any experience in buyer–seller relationships.

We request you to fill out a short survey (it will take approximately 2 minutes to complete it), so that we can determine your eligibility to participate/ your experience in this area. If you meet our criteria, we will send you more details about the study and send you a link to the survey.
Thank you for your time in advance.

Regards,

Survey

1. Are you currently involved in either a buyer/purchase/procurement role?
   Yes No
2. If yes, how long have you been involved in this role?
   0–2 years 3–5 years More than 5 years Not Applicable
3. How many suppliers/vendors do you deal with at any given time?
4. Are you responsible for maintaining and developing your relationship with the vendors or customers?
   Yes No Not Applicable
5. What line of business is your company in?
6. Please describe your responsibilities in brief below.

Thank you for your time!