The Role of Trust and Commitment in the Supply Chain Partnership: A Comparative Analysis of China and Korea

by

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The Role of Trust and Commitment in the Supply Chain Partnership: A Comparative Analysis of China and Korea
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The Role of Trust and Commitment in the Supply Chain Partnership: A Comparative Analysis of China and Korea

ABSTRACT

**Purpose** - First, the primary purpose of this study is to examine the relationships between the level of trust and several relevant constructs. Second, is to examine the relationship between the level of trust, degree of commitment and long term partnership. Last to finding the different between the chinese enterprises and korean enterprises in the research model.

**Design/methodology/approach** - A comprehensive questionnaire based on various theories on trust and commitment was mailed to supply chain practitioners in the China and Korea. A total of 222 valid returns were received (china 135; korea 87). A path analysis was used to estimate parameters or relationship between relevant constructs and trust, trust with the level of commitment, and commitment with the long term partnership.

**Findings** - A firm’s trust in their supply chain partner is highly associated with share values, partner’s asset specificity, opportunism, information share and Guan Xi. They are impacting the level of trust, the degree of commitment is strongly related to the level of trust, finally the commitment is highly associated with long term partnership. The research model about the chinese and korean samples showed that the different effect in the factors model.

**Research limitations/implications** - This research used supply chain practitioners in two regions as a target population. It is highly recommended to duplicate this study in more regions to verify the findings.

**Key word** - partnership, trust, commitment, share values, asset specificity, opportunism, information share, guanxi.
CHAPTER 1 INTRODUCTION

In this chapter, the research background and objective are organized and then, the research questions are represented with describing the structure of this study.

1.1 Research background:

Since 1982, Chinese began the reform and opening up policy, and China’s accession to the World Trade Organization (WTO) since December 11, 2001. With the high economic growth rate, and huge market potential, China has become a global manufacturing center. The rapid expansion of manufacturing industries has lead to rapid growth in the logistics industry. The average annual growth rate of the logistics industry in China from 1992 to 2004 was 22.2 percent, and logistics expenditures accounted for an average of 21.8 percent of the gross domestic product during this period (Logistic Information Center of China and China Federation of Logistics and Purchasing, 2005). In 2004, logistics contributed 845.9 billion RMB Yuan of added-value, which is 6 percent of GDP, and 19.5 percent of the added value of the service section (Ou, 2006).

According to a report jointly published by the China Federation of Logistics and Purchasing and Mercer Management Consulting, the outsourcing of logistics and transportation in China will continue to expand roughly 25 percent. There are many reasons for the sharp expansion of China’s 3PLs. First, many multinational and transnational companies have been moving their logistics businesses to China. Second, an increasing number of Chinese companies outsource their logistics in order to reduce costs and focus on improving their core competency. Last, China’s
government has begun to encourage investment into the logistics industry (Mercer Management Consulting, 2002).

1.2 Research objectives:

This study is focus on the supply chain partnership between china and korea which in the logistics marketing. 2009, Mr. Charles Hunting in “The Report of Chinese Logistics Marketing” point out that in the Chinese 3PL marketing about 20% revenue was from East Asia (Korea and Japan). In the past 20 years over 30% fails case in the 20 years was because they were lack of trust. so why the trust effect the strategic partnership and what the different of Chinese and Korean in the issue of trust, those are the purpose of this study.
CHAPTER 2 LITERATURE REVIEW

This chapter reviews the previous studies about the trust, commitment and supply chain partnership. This literature review is basically divided into two major sections: one is to examine the relationships between the level of trust and several relevant constructs, another is to examine the relationship between the level of trust, degree of commitment and long term partnership.

2.1.1 Supply Chain Partnerships (SCP):

While the words has been interpreted by some managers and educators to mean any business-to-business relationship, it is still the most descriptive term for closely integrated, mutually beneficial relationships that enhance supply chain performance. The following definition of partnership is adapted from Lambert, Emmelhainz, and Gardner (1996, 1999):

"A partnership is a tailored business relationship based on mutual trust, openness, shared risk and shared rewards that results in business performance greater than would be achieved by the two firms working together in the absence of partnership."

A key point of this definition is that the relationship is customized. It is not standard fare, that is, something that would be done for any customer of a particular size. Another key point is that incremental benefits must be gained from the tailoring effort. The tailoring process consumes managerial time and talent, thus it must yield incremental measurable benefits. The literature supports the ability of partnerships to achieve cost savings and reduce duplication of efforts by the firms involved (Herbing and O’Hara 1994; Whipple, Frankel, and Frayer 1996; Zinn and Parasuraman 1997).

A successful partnership is like a marriage. Neither just happens: both
relationships require constant hard work from the parties involved. Both parties must understand each other’s needs, and must be compatible, with shared values. Like a marriage, a successful logistics partnership requires open communications, mutual commitment to the partnership, fairness and flexibility. Both partners must weather the good times and the bad.

Successful partnerships are co-operative and collaborative. They are long term, and built on trust. In the business world, increasing numbers of companies are entering into long-term relationships with carefully selected third-party logistics providers.

By joining forces, the partners improve the efficiency of both operations, work together to take costs out of the logistics system, mutually boost profitability and improve service to the end customer. Such partnerships, when successful, give both parties a competitive edge in the marketplace.

Some experts believe that companies will have to enter into such long-term partnerships in order to survive and prosper in the contemporary business environment.

While the concept of logistics partnering has attracted great attention in the past several years, many so-called “partnerships” today are not truly partnerships.

**2.1.2 Supply Chain Partnership and Third – Party Logistics:**

The concepts of supply chain partnerships are receiving increasing attention today as a means of simultaneously meeting the firm’s customer service objectives while minimizing inventory throughout the supply chain (Steven, Graham C 1989). Similarly, an important goal of the logistics function is to support the firm’s customer service objectives, while minimizing inventory and associated costs. Thus, it appears that supply chain partnership concepts could be useful in meeting the goals of the logistics function (3PL).
### 2.2 Trust:

In the research history, various studies have provided different concepts of trust, the most common definitions of trust are listed in the table:

#### Table 1: Concept of trust

<table>
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<tbody>
<tr>
<td></td>
<td>Trust is willingness to rely on exchange partner in whom one has confidence.</td>
<td>Willingness to rely on an exchange partner in whom one has confidence. Two distinct components: objective credibility, belief that the other has the expertise to perform the job; and benevolence, belief that the other has motives beneficial to the target when new conditions arise for which a commitment was not made.</td>
<td>Trust is a state involving confident positive expectations about another’s motives regarding oneself in situations of risk.</td>
<td>Trust is willingness of a party based on the expectations that the other party will perform a particular action important to the trustor, irrespective of the ability to monitor or control the party.</td>
<td>Trust is an expectancy of positive (non negative) outcomes that one can receive based on the expected action of another party in an interaction characterized by uncertainty.</td>
<td>Trust is an individual’s belief or a common belief among a group of individuals that another individual or group.</td>
<td>Trust is – believing that the other party will behave in our best interests</td>
<td>Trust is a device to reduce complexity, a shortcut to avoid complex decision processes when facing decisions that carry risk.</td>
</tr>
</tbody>
</table>
From a careful analysis of these definitions we can note that trust is willingness to rely on exchange partner and willingness to take risk whom one has confidence. Believing that the partners will behave in the best interests. because the trust can reduce complexity, a shortcut to avoid complex decision processes when facing decisions that carry risk.

Some studier’s definitions highlight the importance of confidence, but trust is differs from the confidence, because trust requires an existence of previous engagement on a person’s account, recognizing and accepting that risk(Luhmann, 1988), at the literature of trust (Moorman et al.,1993:Lewicki and Bunker, 1995; Lamming,1993) suggests that confidence on the part of the trusting party results from the firm belief that the trustworthy party is reliable and has high integrity, which are associated with such qualities as: consistent, competent, honest, fair, responsible, helpful, and benevolent. So we think the trust exists when one party has confidence in an exchange partner’s reliability and integrity(Morgan and Hunt 1994), Maister et al in the 2000 presented four steps driving trust in business relationship: credibility, reliability, intimacy and a lack of self-orientation.

In the outcomes of trust when (Anderson and Narus 1990) they define it as: "firm’s belief that a partner’s company will perform actions that will result in positive outcomes for the firm as well as not take unexpected actions that result in negative outcomes". Trust has often been confused, but with cooperation. Cooperation can be distinguished from trust since we can cooperate with someone whom we may not really trust (Mayer et al., 1995).

In the 1999 Beccerra and Gupta categorized both key negative
consequences of lack of trust and key positive results from high-trust relationships. Pertaining to negative aspects resulting from a lack of trust, they observed emergence of higher transaction costs and agency costs in low-trust relationships. In addition, they point out that people in high trust relationships are not afraid to share all information and believe in the information they receive. Furthermore, greater willingness to take risks occurs beyond sharing information within high-trust relationships. They also indicated that the overall performance would be enhanced if the problems of distrust were reduced (Beccerra and Gupta, 1999).

"Trust is the key to a successful partnership. It begins at the very start of your relationship with your partner. If you don’t have trust, you shouldn’t be doing business with that partner (Karen Tate 1996).”

So we propose that trust is a result of effective collaborative relationship.

And what is the factors of effect trust, we find out:

Trust is a result of a complex set of factors, actions, counteraction and positive outcome (Mosad Zineldin and Patrik fonsson 2000). About this we can see the factors of effect trust in the research history from 1992 to 2005.

Table 2: The factors impact on trust

<table>
<thead>
<tr>
<th>Researchers</th>
<th>Factors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lawrence Loh &amp; N. Venkatraman 1992</td>
<td>business cost structure, business performance, financial leverage</td>
</tr>
<tr>
<td>P-E International 1994</td>
<td>exchange of information, level of cost, management issues.</td>
</tr>
<tr>
<td>Robert M. Morgan &amp; Shelby D. Hunt 1994</td>
<td>shared values, communication, opportunistic behavior.</td>
</tr>
<tr>
<td>Stank et al., 1996</td>
<td>Frequent communications, information sharing.</td>
</tr>
<tr>
<td>Lambert et al., 1999</td>
<td>Information sharing, risk/reward sharing, communications, Investment.</td>
</tr>
<tr>
<td>Boyson et al. 1999</td>
<td>Information sharing, cooperative monitoring, internal costs.</td>
</tr>
<tr>
<td>-------------------</td>
<td>-------------------------------------------------------------</td>
</tr>
<tr>
<td>A.Michael Knemeyer &amp; Paul R. Murphy 1999</td>
<td>provider's specific investment, provider's reputation, satisfaction with previous outcomes, communication with the provider, and opportunistic behavior by the provider.</td>
</tr>
<tr>
<td>Mosad Zineldin &amp; Patrik Fonsson 2000</td>
<td>adaptation, relationship bonds, shared values, relationship termination costs, communication, opportunistic behavior, satisfaction, cooperation.</td>
</tr>
<tr>
<td>Ik-Whan G. Kwon &amp; Taewon Suh 2004</td>
<td>Asset Specificity, Behavioral Uncertainty, information sharing, Perceived Satisfaction, Partner's Reputation, Perceived Conflict.</td>
</tr>
<tr>
<td>Whan G. Kwon &amp; Taewon Suh 2005</td>
<td>Information sharing, Behavioral Uncertainty, Asset Specificity.</td>
</tr>
</tbody>
</table>

### 2.3 Commitment:

Similar to trust, commitment is recognized as an essential ingredient for successful long-term relationships (Dwyer, Schurr, and Oh 1987; Morgan and Hunt 1994). Some researchers said commitment is an enduring desire to maintain a valued relationship” (Moorman, Zaltman, and Deshpande 1992).

In the 1994 Morgan and Hunt has define it as “an exchange partner believing that an ongoing relationship with another is so important as to warrant maximum efforts at maintaining it; that is, the committed party believes the relationship endures indefinitely”, and commitment is central to all the relational exchanges between the firm and its various patterns. The above definition has its roots in social exchange (Cook and Emerson, 1978), marriage (Thompson and Spanier, 1983), and organizations (Meyer and Allen, 1984). Various works using a similar definition have been explored (Baack et al., 1993; Colbert and Kwon, 2000; Dyer and Chu, 2000; Steers, 1977). Any enduring business transactions among supply chain partners require commitment by two parties in order to achieve their common supply chain
goals. Without commitment, business relationship and subsequent transactions become fragile and vulnerable. Accordingly, enduring commitment is a basic requirement for successful supply chain implementation.

2.4 Opportunism:

One of the key behavioral variables that drives transactions costs analysis is opportunism. Opportunism is defined as “self-interest seeking with guile” (Williamson 1985). Examples of opportunistic behavior are such acts as withholding or distorting information and shirking or failing to fulfill promises or obligations (John, 1984). Dwyer et al. (1987) suggest that incorporating trust in models of distribution channel relationships provides a unique vantage point for treating opportunism as an explanatory variable.

Thus, we believe and posit that when a party believes that a partner engages in opportunistic behavior, such perceptions will lead to decreased trust. We propose that such opportunistic behavior results in decreased relationship trust and commitment because partners believe they can no longer trust their partners.

2.5 Shared values:

Shared values is a variable of great interest to organizational researchers, in particular in the organizational commitment literature (Anderson et al. 1994; Meyer and Allan, 1984; Chatman, 1991). Kelman (1961) hypothesized that people's attitudes and behaviors result from having the same values as another person or group. Shared values influence relationship trust. We mean that the partners have common beliefs about what behaviors, goals, and policies are important or unimportant, appropriate or inappropriate, and right or wrong. Dwyer et al. (1987) theorize that shared values contribute to the development of trust. Thus, we posit that when collaborative partners share values, they are
likely to be more committed to their relationships.

2.6 Asset specificity:

Asset specificity refers to investments in physical or human assets that are dedicated to a particular business partner and whose redeployment entails considerable switching costs (Heide, 1994). Williamson (1985) also defines asset specificity as “durable investments that are undertaken in support of particular transactions, the opportunity cost of which investments is much lower in best alternative uses or by alternative users should the original transaction be prematurely terminated”. This definition depicts a variety of relationship-specific investments, including both specialized physical and human capital, along with intangible such as research and development (R&D) and firm-specific knowledge. The fact that transaction-specific investments cannot be easily redeployed gives rise to a safeguarding problem, which poses potential costs. Thus, since a firm always fears a transaction cost, the firm’s investments in specific asset gives themselves a reason to distrust their partner in the relationship. In other words, non-re-deployable specific asset investments make the firm behave in a skeptical manner toward the partner due to their perceived safeguarding problem. This state (the firm’s aroused distrust or skepticism), may logically lower the level of trust. However, the influence of reciprocal specific asset investments of a supply chain partner on trust is more straightforward. Although we find no previous studies that directly explain this relationship, one can infer a positive impact of a PAS on trust. For example, Weiss and Anderson (1990) argued that a PAS reduces dissatisfaction with the partnership. It is also positively related to commitment for both sides of partnership (Heide and John, 1990). Finally, it is said that a partner’s specific asset investments are positively related to expectations of continuity (Heide and John, 1990).
2.7 Information sharing:

Information sharing has been singled out as the most important factor for successful supply chain management (Bowersox 2000; Handfield et al. 2000; Handfield 2002; La Londe 2002). Uncertainty surrounding the supply chain process has been blamed for many supply chain glitches, ranging from unusually high levels of inventory throughout the supply chain to a shortage of some products in other areas, thereby creating supply chain suboptimizing results. Such supply-and-demand mismatch in the supply chain is often caused by uncertainty and usually brings about a bullwhip effect, which further paralyzes the supply chain process (Lee 1996; 1997). Although there are many factors associated with such a mismatch and subsequent bullwhip effects, uncertainty inherited by the multi-layer decision-making process in the supply chain often unavoidably increases the level of behavioral uncertainty by the partners in the supply chain (Simchi-Levi et al. 2002). Many solutions have been suggested to reduce the degree of uncertainty, including formation of strategic alliances among partners and collaborative planning, forecasting and replenishment (CPFR) to control and manage the flow of information, thereby reducing the variability of information (reducing information distortion). These suggestions, although different to some degree in their core emphasis, have one thing in common: lack of critical information needed to be shared by all supply chain partners to make optimum decisions. A recent study, for example, argued that financial stress experienced by semiconductor industries could have been mitigated if information was shared among the supply chain partners (KPMG Consulting 2002).
2.8 Guan Xi:

The Chinese word guanxi refers to the concept of drawing on connections or networks to secure favors in personal or business relations. It is widely recognized that guanxi is a significant business determinant influencing firm performance. (Campbell 1987).

Guanxi reflects delicate fibers woven into every person’s social life and every aspect of Chinese society. It is deeply embedded in China’s culture, with a history of more than 5000 years. Chinese society has been functioning as a clan–like network since Confucius codified societal rules, values, and hierarchical structures of authority during the sixth century BC. Guanxi operates in concentric circles, with close family members at the core and with distant relatives, classmates, friends, and acquaintances arranged on the periphery according to the distance of the relationship and the degree of trust (Yang, 1994). When a situation arises which is beyond an individual’s capacity, the Guanxi network is mobilized to accomplish desired results (Redding and Ng, 1982).

In the research of guanxi, there are many different classification methods and if it will be divided into emotional relationship and employ relationship, but practicality, it’s indistinguishable each other. guanxi can be classified according to relationship–based: 1.Kinship Family, affinity and intermarriage; 2.Social relations: Schoolmate, teachers and students, colleague, neighbors, etc; acquaintance.

Another method of guanxi classifying is:

1. Family guanxi / affinity guanxi;
2. Renqing guanxi (Seung Ho Park 2001)
3. Business guanxi

Family guanxi and rening guanxi are very important issues, but it is
overstep our research range. This paper focused on the business guanxi, which is defined as follows: using personal social contact to resolve problems in business operations (Ying Fan 2000), it can be further classified:

- Businessman and Businessman (or two corporations) —— (B2B);
- Businessman (or a corporation) and the Government —— (B2G);

Then who does need guanxi (B2B and B2G)? Most satisfactory recent answer to this question is provided by Yeung and Tung (1996). They suggested that guanxi was needed by four main types of executive:

- For firms which focus mainly on the China market;
- For less-experienced executives who are more dependent on guanxi to break the ice;
- For small and medium-sized firms which tend to rely more on guanxi to obtain favourable arrangements and resources;
- For firms in tertiary sectors which need to rely more on guanxi.

Then why do the firms need guanxi? In the early 1990s, research on guanxi from the perception of Hong Kong businessmen (Davies et al 1995; Leung et al 1995, 1996) identified four main groups of benefits of guanxi in the business process in China:

- It helps to obtain information on government policies, market trends, and business opportunities;
- Give the benefit of more information, it helps business partners to reduce uncertainty;
- It improves efficiency, saves time and eases the procurement of necessary production resources (eg government licences, utilities and local supplies of labour and materials);
- It also helps in other areas like company image building, logistics and
payment collection.

So we can conclude that guanxi provides an opportunity to enhance market share through improved competitive positioning and other applications of collaboration with competitors and government authorities. These point to the positive side of guanxi when developing business in China, not only for Chinese executives but also for foreign investors (Luo and Chen 1997). The partner has a complex and powerful guanxi, it can increased the level of trust when them take long term development under advisement.

2.9 Trust and Commitment:

Successful supply chain performance is based on a high level of trust and a strong commitment among supply chain partners (Ik-Whan G. Kwon and Teawon Sunh 2004). One-third of strategic alliances failed due to lack of trust and commitment among trading partners (Sherman 1992). In the 1994 Morgan and Hunt expatiate that “when both commitment and trust - not just one or the other - are preset, they produce outcome that promote efficiency, productivity and effectiveness.” Therefore the level of trust and commitment is a crucial determinant factors between partners of supply chain performance, we can see the same expatiation: “generally emphasized the importance of trust and commitment, not only because they are the basis for the formation of partnerships, but also is good cooperation with each other to obtain a indispensable condition for performance (Pan W, Zhang Hong 2006)”.

Spekman (1988) considered trust so important as to call it “the cornerstone of strategic partnership,” because “mistrust breeds mistrust. And as such, would also serve to reduce commitment in the relationship” (McDonald 1981). Trust and commitment lead directly to cooperative behaviors that are conductive to relationship marketing success. Achrol (1991) points that trust is a major determinant of relationship commitment. Also Moorman et al. (1992)
find that trust by marketing research users in their research providers significantly affected user commitment to the research relationship. trust influences relationship commitment. Spekamn (1988) postulates trust to be "the cornerstone of the strategic partnership", that is because relationships characterized by trust are so highly valued that parties will desire to commit themselves to such relationships. Thus, we also posit and theorize that trust is a major determinant of commitment.
CHAPTER 3 RESEARCH MODEL AND METHODS

This chapter provides the research model and its related research hypotheses based on the previous chapter.

3.1 Research Model

The objective of this study is to examine the relationship between trust, commitment and long term partnership. Last is to examine the relationships between the level of trust and several relevant constructs. Based on the chapter 2 review we can get the research model:

Figure 1: research model
3.2 Research Hypothesis

Based on the chapter 2 literature review and foregoing discussion, the following hypotheses of two steps, stated in formal fashion, are proposed:

First step: factors model

**Hypothesis 1-1**: the shared values (SV) will improve the level of trust among supply chain partners.

**Hypothesis 1-2**: Information sharing (IS) will improve the level of trust among supply chain partners.

**Hypothesis 1-3**: the partner’s opportunism behavior (OP) will decrease the level of trust among supply chain partners.

**Hypothesis 1-4**: the partners’ specific asset investments (PAS) will increase the level of trust in the partners.

**Hypothesis 1-5**: the partner’s guanxi (GuanXi) will improve the level of trust among supply chain partners.

Second step: basic model

**Hypothesis 2**: There is a positive relationship between the level of trust and the degree of commitment.

**Hypothesis 3**: There is a positive relationship between the degree of commitment and the long-term partnership.
3.3 Research Methods

3.3.1 Sample

This sample of research consisted of two segments, China and Korea. The object of study is the manufacturers of China and Korea who have collaborating with third-party logistics (or outsourcing), and aimed at the 3PL company’s cooperation behavior to survey the level of trust and commitment whether or not affect the collaboration efficiency in the partnership and the factors (SV, IS, OP, AS and Guan Xi) whether or not have differ between China and Korea in the same factors model.

The study employed a mail survey sent to managers who had presided over the collaborate strategy with logistic partners. The survey asked respondents to focus on the logistics partner performance in the practical cooperate. As a result, 222 returns were received, 135 returns were from China, 87 returns were from Korea, they are all have the 3PL partner, and keep the long term relationship with partners. So a total of 222 firms were identified. As members of this organization, these firms are more logistically sensitive than the average China and Korea. Firm logistics services are thus more likely to have logistics alliance relationships. Since it was not known a priori which firms in the sample frame had logistics alliances, all 222 firms were used to ensure that enough observations were available for the analysis.

3.3.2 Instrument

The essence of the research framework for this study is that successful supply chain implementation requires a commitment between and among supply chain partners, and trust is a critical element to sustain such commitment, and the trust is a result of a complex set of factors, actions, counteractions and positive outcomes, we show them in the model.
In order to develop survey instrument, previous studies are analyzed in
depth. to improve reliability and validity, all of the constructs and items are
primarily based on the literature.

Based on the previous studies, we find out the factors in the literature:

Table 3: Research constructs

<table>
<thead>
<tr>
<th>factor</th>
<th>item</th>
<th>source</th>
</tr>
</thead>
<tbody>
<tr>
<td>Share Values</td>
<td>3</td>
<td>Morgan and Hunt 1994</td>
</tr>
<tr>
<td>Information Share</td>
<td>2</td>
<td>IK-Whan G. Kwon and TEAwon Suh 2004</td>
</tr>
<tr>
<td>opportunistic</td>
<td>2</td>
<td>John 1984</td>
</tr>
<tr>
<td>Asset Specificity</td>
<td>2</td>
<td>Stump 1999; Heide 1994</td>
</tr>
<tr>
<td>GuanXi</td>
<td>3</td>
<td>Seung Ha Park and Yadong Luo 2001;</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Tim Ambler Chris Styles Wang Xiucun 1999</td>
</tr>
<tr>
<td>Trust</td>
<td>3</td>
<td>Mohammed Laeequddin, B.S. Sahay, Vinita Sahay</td>
</tr>
<tr>
<td></td>
<td></td>
<td>and K. Abdul Waheed 2010</td>
</tr>
<tr>
<td>Commitment</td>
<td>2</td>
<td>Kumar et al. (1995)</td>
</tr>
<tr>
<td>Long-term Partnership</td>
<td>3</td>
<td>Shankar Ganesan 1994</td>
</tr>
</tbody>
</table>

Shared values (SV) were measured through items previously developed by
Morgan and Hunt (1994). The measure of the shared values included three
items (alpha=0.773). Information sharing (IS) was measured based on two-item
constructs from Ik-Whan G. Kwon and Teawon Suh 2004(alpha=0.623). Opportunistic (OP) of a partner was measured by a two items measure of
replaceability from Heide and John (1990). It assesses the degree to which the
partner firm has other potential partners, other than the present partner, who
could provide comparable business (alpha=0.669). The measure for a partner’s
asset specificity (PAS) was adapted from Joshi and Stump (1999) and Heide
(1994). This measure describes the specific asset investments in resources,
procedures and people made by the partner in its partnership with the respondent firm and vice versa (alpha=0.744). The measure of the GuanXi based on the Seung Ha Park and Yadong Luo (2001) and Tim Ambler Chris Styles Wang Xiucun (1999), its included three items (alpha=0.827).

The measure of trust based on the Mohammed Laeequddin, B.S. Sahay, Vinita Sahay and K. Abdul Waheed (2010), it has three items as concerning the partners’ honesty and benevolence (alpha=0.756). Commitment was measure based on a two-items construct on a reseller performance scale by Kumar et al (1995). the reliability coefficient is 0.827. The long-term partnership was based on Shankar Ganesan (1994), it included three items and the alpha is 0.798.

All questions in the instrument were measured by a seven-point Likert scale from 1=strongly disagree to 7=strongly agree. In addition, the questions in the survey were randomly arranged to minimize any response bias. The values in each construct were averaged to yield consistent information (1 through 7) with the measuring scale in the survey instrument.
CHAPTER 4 Statistical Analysis

Chapter 4 introduces the statistical data analysis, and the result of the hypotheses tests are presented. It include the descriptive analysis, factor analysis, measurement reliability and validity test, testing hypotheses. In other to test the research hypotheses, we follow the four conditions suggested by Baron RM and Kenny 1986.

4.1 Descriptive Analysis

This part will introduces the statistical data analysis, the overall characteristics of respondent’s domains are show in the next table 4 and 5. The table showed that the ten types of business, and among in group of china the Food & Beverage, Electricity / Computer/ Telecom equipments, Pharmaceutical and Metal/Machinery accounts for approximately 65%, which is considerable number in chinese sample. The group of korea is not like china group, its scatter relatively, only Metal / Machinery and Automobiles / transportation equipments accounts for approximately 42% which is considerable number in sample.

Table 4: Characteristics of respondents (China)

<table>
<thead>
<tr>
<th>Nature of business (China)</th>
<th>Classification</th>
<th>Frequency</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food &amp; Beverage</td>
<td>16</td>
<td>11.9</td>
<td></td>
</tr>
<tr>
<td>Textiles / Clothes</td>
<td>8</td>
<td>5.9</td>
<td></td>
</tr>
<tr>
<td>Pulp / Paper</td>
<td>4</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td>Oil / Chemistries</td>
<td>5</td>
<td>3.7</td>
<td></td>
</tr>
<tr>
<td>Pharmaceutical</td>
<td>22</td>
<td>16.3</td>
<td></td>
</tr>
<tr>
<td>Metal / Machinery</td>
<td>33</td>
<td>24.4</td>
<td></td>
</tr>
<tr>
<td>Electricity / Computer/</td>
<td>18</td>
<td>13.3</td>
<td></td>
</tr>
<tr>
<td>Telecom equipments</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Electricity equipments/</td>
<td>5</td>
<td>3.7</td>
<td></td>
</tr>
<tr>
<td>Home appliances</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Classification</td>
<td>Frequency</td>
<td>%</td>
<td></td>
</tr>
<tr>
<td>----------------------------------------------</td>
<td>-----------</td>
<td>----</td>
<td></td>
</tr>
<tr>
<td>Food &amp; Beverage</td>
<td>8</td>
<td>9.3</td>
<td></td>
</tr>
<tr>
<td>Textiles / Clothes</td>
<td>4</td>
<td>4.7</td>
<td></td>
</tr>
<tr>
<td>Pulp / Paper</td>
<td>7</td>
<td>8.1</td>
<td></td>
</tr>
<tr>
<td>Oil / Chemistries</td>
<td>6</td>
<td>7</td>
<td></td>
</tr>
<tr>
<td>Pharmaceutical</td>
<td>5</td>
<td>5.8</td>
<td></td>
</tr>
<tr>
<td>Metal / Machinery</td>
<td>22</td>
<td>25.6</td>
<td></td>
</tr>
<tr>
<td>Electricity / Computer/ Telecom equipments</td>
<td>7</td>
<td>8.1</td>
<td></td>
</tr>
<tr>
<td>Electricity equipments/ Home appliances</td>
<td>3</td>
<td>2.3</td>
<td></td>
</tr>
<tr>
<td>Automobiles/ Transportation equipments</td>
<td>14</td>
<td>16.3</td>
<td></td>
</tr>
<tr>
<td>other</td>
<td>11</td>
<td>12.8</td>
<td></td>
</tr>
<tr>
<td>total</td>
<td>87</td>
<td>100</td>
<td></td>
</tr>
</tbody>
</table>

Table 5: Characteristics of respondents (Korea)

The types of departments are comprised of four main division (Table 6) that are including production division, sale division, operation division and logistics division, individual respondents is for the other party. It has another meaning that the team of presides over the strategic cooperate with partner belong to which department, the table 6 shows that in china group is has 42.2% is from logistic department, sale and operation department is has same 16.3%, only 5.2% is from production department. In korea group the distribution is 12.8% 15% 32.6% and 38.4%, mainly concentrated in the operation and logistic department. The remaining percentage is no answer in the paper.
Table 6: Respondent’s department

<table>
<thead>
<tr>
<th>Department</th>
<th>Production</th>
<th>Sale</th>
<th>Operation</th>
<th>Logistic</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>5.2%</td>
<td>16.3%</td>
<td>16.3%</td>
<td>42.2%</td>
<td>0.7%</td>
</tr>
<tr>
<td>Korea</td>
<td>12.8%</td>
<td>15%</td>
<td>32.6%</td>
<td>38.4%</td>
<td>1.2%</td>
</tr>
</tbody>
</table>

About the length of business with a particular partner, we used two questions to survey. First question is how long did you think we must with partners work together if we want get the goal in strategic partnership. second question is how long did your firm was work together with partner in strategic partnership. Figure 2 show the first question’s rejoinders, the “mean” is 65 months (about 5 years), Std is 32 months (about 3 years), that means if we want get the strategic goals with partners we must over 5 year or more, the think of 5 years’ people has about 25% in the sample.

Figure 2: Cooperation expected month

![Figure 2: Cooperation expected month](image)

Figure 3 show the second question’ rejoinders, the “mean” is 49 months (about 5 years ), Std is 28 months (about 2 years ). The frequency is focus on 20 months to 60 months, so in the practical cooperation the length was less then expectations.
4.2 Reliability and Validity Test

Confirmative factor analysis (CFA) was employed based on maximum likelihood estimate to test the measurement model’s reliability and validity. For the evaluation of model fit, chi-square, the root mean square error of approximation (RMSEA), the Tucker–Lewis index (TLI) and comparative fit index (CFI) were used to determine how well the specified model reproduces the covariance matrix among the observed items. The chi-square test provides a statistical test of the resulting difference between the observed and estimated covariance matrices. In addition, RMSEA represents how well a model fits a population. On the other hand, TLI and CFI indicate that how well the specified model performs better than a baseline model is referred to as a null model. the value greater than 0.9 for TLI and CFI is desirable, on the other hand, a value smaller than 0.1 for RMSEA is acceptable. In the table 7 we can see the CMIN/DF is 1.751, CFI is 0.954, TLI is 0.926 and RMSEA is 0.058, all values is acceptable.

For the reliability test of measurement model, Cronbach’s alpha, Composite Reliability and Average Variance Extracted (A.V.E) were analyzed and the
result is shown in Table 7. The latent variables’ Cronbach’s alpha are greater than 0.6 which is the cut-off criteria. Thus, internal consistency of each constructs are certified. In addition, Composite reliability value of all constructs are larger than 0.7, together with the values of Average Variance Extracted (A.V.E) are greater than 0.5 except for ecological response design. Consequently, item reliability, scale reliability of measurement model are satisfied.

Table 7: validity and reliability

<table>
<thead>
<tr>
<th>Factor</th>
<th>Item</th>
<th>Reliability</th>
<th>Composite Reliability</th>
<th>A.V.E</th>
</tr>
</thead>
<tbody>
<tr>
<td>SV</td>
<td>3</td>
<td>0.773</td>
<td>0.8071</td>
<td>0.6911</td>
</tr>
<tr>
<td>IS</td>
<td>2</td>
<td>0.623</td>
<td>0.8423</td>
<td>0.7276</td>
</tr>
<tr>
<td>OP</td>
<td>2</td>
<td>0.669</td>
<td>0.8582</td>
<td>0.7517</td>
</tr>
<tr>
<td>AS</td>
<td>2</td>
<td>0.744</td>
<td>0.8111</td>
<td>0.6823</td>
</tr>
<tr>
<td>Guan Xi</td>
<td>3</td>
<td>0.754</td>
<td>0.8607</td>
<td>0.6732</td>
</tr>
<tr>
<td>trust</td>
<td>3</td>
<td>0.756</td>
<td>0.7599</td>
<td>0.5159</td>
</tr>
<tr>
<td>commitment</td>
<td>2</td>
<td>0.827</td>
<td>0.9211</td>
<td>0.8538</td>
</tr>
<tr>
<td>long term partnership</td>
<td>3</td>
<td>0.775</td>
<td>0.8723</td>
<td>0.6952</td>
</tr>
</tbody>
</table>

Goodness of fit test

<table>
<thead>
<tr>
<th></th>
<th>Chi square = 71.794</th>
<th>DF = 41</th>
<th>P = .002</th>
</tr>
</thead>
<tbody>
<tr>
<td>CMIN/DF</td>
<td>1.751</td>
<td>CFI = .954</td>
<td>TLI = .926</td>
</tr>
<tr>
<td>RMSEA</td>
<td>0.058</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

With regard to discriminant validity, when the lowest values among the square root of each AVE is bigger than the highest values among the correlation, discriminant validity can be acquired. As show in the table 8, the lowest SQRT(A.V.E) of dimension 0.718 is bigger than the highest correlation value 0.598, so it could be seen as acquiring the discriminant validity.

The measurement reliability and validity test were conducted by using statistics program SPSS 17.0 and Amos 7.0.
### Table 8: Discriminant validity

<table>
<thead>
<tr>
<th>Construct</th>
<th>SV</th>
<th>IS</th>
<th>OP</th>
<th>AS</th>
<th>Guan Xi</th>
</tr>
</thead>
<tbody>
<tr>
<td>SV</td>
<td>0.831</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>IS</td>
<td>0.495</td>
<td>0.852</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>OP</td>
<td>-0.168</td>
<td>-0.170</td>
<td>0.867</td>
<td></td>
<td></td>
</tr>
<tr>
<td>AS</td>
<td>0.261</td>
<td>0.365</td>
<td>0.273</td>
<td>0.820</td>
<td></td>
</tr>
<tr>
<td>Guan Xi</td>
<td>0.285</td>
<td>0.323</td>
<td>0.083</td>
<td>0.598</td>
<td>0.718</td>
</tr>
</tbody>
</table>

Diagonal is the square root of each A.V.E

### 4.3 Results of Hypotheses Tests

SEM (Structural Equation Model Examples) was used to test the mediation effect because SEM is not only considered as the most efficient testing for mediation effects, but also preferred method rather than regression analysis. This is because SEM can estimate multiple equations simultaneously together with controlling for measurement error.

#### 4.3.1 Total Model

A structural equation model was used to test H1–1 through H3 and the results are shown in table. First, the chi-square of the model is significant (chi-square = 248.519; df = 145; p = 0.001), other fit indices suggest a reasonable fit of the model to the data (Goodness of Fit Index = 0.902; Root Mean Square Error of Approximation = 0.057 which is less than suggested values of 0.08; Comparative Fit Index = 0.928; Tucker–Lewis Index = 0.906; Incremental Fit Index = 0.930; all above the recommended thresholds of 0.9). The inter-correlations between the constructs were showed in the table 9.
Table 9: Results of hypothesis test

<table>
<thead>
<tr>
<th>No.</th>
<th>hypothesis statement</th>
<th>std Estimates</th>
<th>S.E</th>
<th>t-values</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1-1</td>
<td>trust &lt;- share values</td>
<td>.103</td>
<td>.074</td>
<td>1.014</td>
</tr>
<tr>
<td>H1-2</td>
<td>trust &lt;- information share</td>
<td>.264</td>
<td>.083</td>
<td>2.008**</td>
</tr>
<tr>
<td>H1-3</td>
<td>trust &lt;- opportunism</td>
<td>-.211</td>
<td>.088</td>
<td>-1.791*</td>
</tr>
<tr>
<td>H1-4</td>
<td>trust &lt;- asset specificity</td>
<td>.542</td>
<td>.182</td>
<td>2.674**</td>
</tr>
<tr>
<td>H1-5</td>
<td>trust &lt;- guan xi</td>
<td>.312</td>
<td>.099</td>
<td>2.196**</td>
</tr>
<tr>
<td>H2</td>
<td>commitment &lt;- trust</td>
<td>.766</td>
<td>.235</td>
<td>6.800***</td>
</tr>
<tr>
<td>H3</td>
<td>long term partnership &lt;- commitment</td>
<td>.768</td>
<td>.060</td>
<td>10.737***</td>
</tr>
</tbody>
</table>

NOTE: *p < 0.1  **p < 0.05  ***p < 0.001

Chi square = 248.519 (df=145 p=.000)
GFI = 0.902  CFI = 0.928  TLI = 0.906  IFI = 0.930; RMSEA = 0.057

About the hypothesis test, with H1-1, share values doesn’t have a significantly impact on trust because p > 0.1, although the sign indicates a positive relationship as expected. With the H1-2, H1-3, H1-4, H1-5 are related to level of trust with statistically supported (p < 0.1), and the H2 and H3 have a high significantly impact on the commitment and long term partnership (p < 0.001). The next figure 4 shows the research model with paths, beta coefficients are also provided in it. Base on the statistical analysis the share values has be determined is not a significantly impact on trust.

Figure 4: path model with std coefficients
4.3.2 Korean group and Chinese group

With total data we used the group analysis to test the china and korea group, and we get a results to comparing, figure 5 shows the research model with only significant paths included by the two groups in the total data. coefficients are also provided in the figure. in the factors model we find the korea group and china group have different paths, in the research model, the korea group the opportunism, asset specificity and guan xi was impact on trust significantly, and in the chinese group is share values, information share and guan xi has significantly impact on trust, about basic model korea and china trust impact on commitment that coefficients is 0.68 and 0.61, and the commitment impact on long term partnership that the coefficient is 0.82, all coefficients is significantly (p<0.001) and S.E. is 0.081.

Figure 5: Comparsion between China and Korea
CHAPTER 5 Conclusions

5.1 Research Findings and Implications

This study appears to confirm a positive and significant relationship between the degree of commitment and the level of trust and the long term partnership. Among several constructs impacting the level of trust, the partner firm’s specific asset investments directly and significantly affect trust in the partner, while the respondent firm’s specific asset investments and their decision-making uncertainty seem to negatively influence trust in the partner in a calculative way. On the other hand, values share of the respondent firm the positive relationship among partners, although such relationship was found to be statistically not significant. The table 10 showed it, reveals that it is the partner’s opportunism behavior (negative impact) and Information sharing (positive impact) that seem to heavily influence the level of trust. These constructs may provide an avenue where supply chain implementation becomes a challenge rather than a barrier. Continuous and open (honest) communication between and among supply chain partners will minimize, if not eliminate, any degree of uncertainty and/or misunderstandings (Moorman et al., 1993). Open and honest communications are not a privilege in supply chain rather they are essential requirements in the competitive market. About Guan Xi, the level of partner’s relationship with government authorities, competitors and the another firms is impacting the level of trust, directly and significantly, the logistic partners’ level of guan xi has significant effects on business operations, survival, and growth, it is a important of makeup trust between with partner, it can increase the partner’s sense of security in the long term sustainable development strategy.
Table 10: Total std effects

<table>
<thead>
<tr>
<th></th>
<th>SV</th>
<th>AS</th>
<th>OP</th>
<th>IS</th>
<th>Guan Xi</th>
<th>Trust</th>
<th>Com</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trust</td>
<td>.103</td>
<td>.542</td>
<td>-.211</td>
<td>.264</td>
<td>.312</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Com</td>
<td>.079</td>
<td>.415</td>
<td>-.161</td>
<td>.202</td>
<td>.239</td>
<td>.766</td>
<td></td>
</tr>
<tr>
<td>Long Term</td>
<td>.061</td>
<td>.319</td>
<td>-.124</td>
<td>.155</td>
<td>.183</td>
<td>.588</td>
<td>.768</td>
</tr>
</tbody>
</table>

About the group analysis, we get the result in the table 11, we cut out by the p < 0.1. In china group the factor impact the level of trust was asset specificity, opportunism and guan xi, and korea group was share values, information share and guan xi, that means in the two groups the three factor was more significantly, was more clearly in the two groups. Because in the korean the firms consider that the partner’s asset investment can improve the tacit cooperation, the partner’s opportunism in the korea group was significantly, it attenuates the positive relationship among trading partners, and in the table 11 we can get the coefficients of indirect relationship. In the china group share values, information sharing and guanxi was impact the level of trust, in the total analysis the share values was not significantly, but in china group it was clearly and coefficient was 0.280, about information share the chinese firms think it was the important factor impact the level of trust and impact the degree of commitment and the long term partnership indirectly.

Can be said that chinese firms eager for more effective information share with the partners, consider the information exchange can reduce the partner’s opportunism behavior, include the reduce the risk in the streaky market, in the view of chinese respondents, increase information sharing was a valid and effective way to depress the probability of opportunism and risk ( Ik-Whan G. Kwon 2005 ). Korean firms consider opportunism behavior will block and reduce the level of trust among the partners, but korean firms can’t sharing the information to the partners (especially for other countries ), so they don’t care about the exchange of information, although the exchange of information
was a good way to depress the opportunism and risk.

For the guan xi, there was no clearly diversity between the two groups, because of the culture’s comparability, the chinese respondents more care for the partners’ social relations, especially for the B2G, because in the logistic industry the real-time information received can decide an enterprise’s decision-making and future development. The same as chinese the korean respondents has a common path but the coefficients was lower than chinese, considering that we can think in the korea the guanxi was not be regarded, although they still think the guanxi can help them to decision-making and developing.

Summarized the results, the level of trust can impact the supply chain performance among partners by directly and indirectly, and because of nation culture, the factors impact the level of trust has a distinct different, concerned about different point of view has brought inconsistencies cooperation among the partners. So the oversea cooperation must focus on the partners’ demand about trust, can’t only based on the theory to make up trust, otherwise it can bring out the departure, impact the trust in the cooperation.

Table 11: Std effects of China group and Korea group

<table>
<thead>
<tr>
<th>Trust</th>
<th>AS</th>
<th>OP</th>
<th>Guan Xi</th>
<th>SV</th>
<th>IS</th>
<th>Guan Xi</th>
</tr>
</thead>
<tbody>
<tr>
<td>Korea</td>
<td>.812</td>
<td>-.571</td>
<td>.291</td>
<td>.280</td>
<td>.422</td>
<td>.613</td>
</tr>
<tr>
<td>Com</td>
<td>.548</td>
<td>-.385</td>
<td>.197</td>
<td>.224</td>
<td>.337</td>
<td>.489</td>
</tr>
<tr>
<td>Long term</td>
<td>.449</td>
<td>-.316</td>
<td>.118</td>
<td>.183</td>
<td>.275</td>
<td>.399</td>
</tr>
</tbody>
</table>
5.2 Limitation

There are limitations of this research. The response rate of this study may be inappropriate since it is not known how many of the non respondent firms in the sample frame have one or more logistics alliance relationships. Computing a response rate is important since results from studies with low response rates are less likely to be representative of the sample frame and must be interpreted with caution. Although the data did not show a non-response bias, the chance of non-response bias still exists when non-response is encountered. The other limitation is that the research used supply chain practitioners in two countries as a research population. It is highly recommended to duplicate this study in various regions to verify the findings.

5.3 Future Research

There are two major directions for future research.

First, guanxi appears to be an important factor in successful logistics alliances that deserves more research. Questions remain as to what actions are important in guanxi, and why is there such a big gap in the group analysis about guanxi or the another factors. By knowing these, may be able to increase a partner’s trust and reduce the level of conflict in alliance relationships.

Second, more research on suspicion in logistics alliances and other interorganizational relationships is needed. Disconfirmation of expected undesirable events may be as important as confirmation of expected desirable events. More research on this construct would help determine why it develops in logistics alliance relationships.
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APPENDIX A: Survey Instrument

Trust
- when making important decisions, the partner is concerned about our welfare.
- when we share our problems with the partner, we know that it will respond with understanding.
- whenever the partner gives us advice on our business operations, we know that it is sharing its best judgment.

Commitment
- even if we could, we would not drop the partner because we like being associated with it.
- we want to remain a member of the partner’s network because we genuinely enjoy our relationship with it.

Long Term Partnership:
- we believe that over the long run our relationship with partner will be profitable.
- maintaining a long term relationship with this resource is important to us.
- we are willing to make sacrifices to help partner from time to time.

Share values:
- to succeed in this relationship, it is often necessary to have common goals.
- to succeed in this relationship, it is often necessary to have common policies.
- to succeed in this business/relationship, it is often necessary to understand and comprise one’s ethics, customs and norms.
Information Share
- we share a common information technology (software) to facilitate communication with the partner.
- information sharing on important issues has become a critical element to maintain this partnership.

Opportunism:
- our partners has only concerns with (itself) its own interest.
- our partners does not seem to be concerned with our best (interest).

Asset Specificity
- this partner firm has made significant investments in resources dedicated to its relationship with us.
- this partner firm’s operating process has been tailored to meet the requirements of our organization.

Guan Xi:
- our partner had a good working relationship with this local distributor.
- a key person in our partner’s firm had good connections with a key person at the logistic firms.
- our partner has utilized guanxi (relationship) connections with competitors.
APPENDIX B: Std Confirmative factor analysis