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# **THE TRUST FORMING PROCESS IN BUSINESS RELATIONSHIP MODEL BETWEEN NATIONAL AND INTERNATIONAL COMPANIES (HISTORICAL CONSTRUCTIONISTIC STUDIES IN FAB ENTERPRISES)**

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## **Abstract:**

FAB ENTERPRISES is fourth party logistic (4PL) concisely was able to gain the trust of the large companies. The aim of this study : 1. Review and analyze the factors that driving and inhibiting the forming trust process in organizational relationship between FAB ENTERPRISES and its business partners; 2. To develop a trust model in organizational relationship. This study uses a qualitative approach with historical constructionistic method. The result shows consist of : 1) personal characteristic of owner; 2) owner reputation; 3) information dissemination; 4) proof of performance; 5) management of communications. The second conclusion that can be drawn is that trust in business relationship between FAB ENTERPRISES and its partner business is influenced by intention and attitude factors which is moderated by performance and communications.

## **Keywords:**

Logistics, FAB ENTERPRISES, Trust, Business Partners

**JEL Classification:** A10, M15, M19

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## 1. Introduction

The development of the global market is driving the increment of business competition. The motives of the companies involved in the competition can be vary, namely just to be able to survive or to win the competition and become the best. One of the efforts made by the company to be able to increase its competitiveness is by dividing operational activities and setting priorities for activities to maximize its contribution to the achievement of company objectives. The company ensures that each activity is handled by parties who have the right qualifications to achieve increased efficiency and effectiveness that encourage the growth of company performance.

One activity that requires professional management is the provision of company logistics. In this case, the company tends to entrust the logistics management to companies that specifically deal with logistics so that the company can focus on managing its core business. This opportunity become the basis for the development of the logistics business in Indonesia (Rahayu, 2014).

The object of this research is one of the logistics companies that has a very rapid development, namely FAB ENTERPRISES, which is a fourth party logistics company (4PL) type. This type of company is not concentrated on asset or warehouse ownership, instead, this company provides solutions, systems and software management. FAB ENTERPRISES runs its business in the field of Logistic, Trading, Supply Chain and Consultant services with unique character and governance.

In just a short time after being founded by its owner, FAB ENTERPRISES was able to gain the trust of several large companies such as Cerestar, Harvestar, PT. Samudra Indonesia, PT. Alam Sejati, CV. Sakinah, PT. Serunting Sriwijaya and PT. Berlian Manyar Sejahtera and Pelindo III. Considering billions of FAB ENTERPRISES business fields, of course to be able to gain trust from various large companies is not easy.

Based on the initial interviews conducted on the owners of FAB ENTERPRISES, the authors considered that the forming trust process to the FAB ENTERPRISES reflects the elaboration of Elaboration Likelihood Model (ELM), Heuristic Systematic Model (HSM), and Theory Planned Behavior (TPB). However, the three theories must be elaborated because there are gaps in each of these theories when used to cover the research phenomenon. It appears that the Theory Planned Behavior (TPB) only describes the process of forming the behavior of an individual, which there is no element of persuasive communication and information risk. Whereas Elaboration Likelihood Model (ELM) and Heuristic Systematic Model (HSM) are not clearly describes the process of forming a behavior, but only explaining the process of establishing communication and how to minimize the risk of information to form trust.

Based on the explanation above, the formulation of the research problem includes: 1) What factors are driving and inhibiting the process of trust formation in organizational relations between FAB ENTERPRISES and its business partners? and 2) How is the trust model in the organizational relationship between FAB ENTERPRISES and its business partners? Based on the formulation of the problem, the purpose of this research is to: 1) Review and analyze the factors that are driving

and inhibiting the process of forming trust in organizational relationships between FAB ENTERPRISES and its business partners; and 2) To develop a trust model in organizational relationships between FAB ENTERPRISES and its business partners.

## **2. Literature Review**

### **2.1. Elaboration Likelihood Model**

Elaboration Likelihood Model (ELM) was first introduced by Petty and Cacioppo (1986). This model states that the process of changing attitudes needs to consider the mediating factors of the persuasion process, namely the weight (valence) and the number of messages related to cognitive responses. This is proofed by the research of Fabrigar, et.al, (2006), which found that the amount of information that an individual has regarding the object of attitude determines the strength of changes in attitudes experienced by individuals. Furthermore, Petty and Cacioppo (1986) also put forward the basic principles carried by ELM, namely:

- a. Humans actually have the urge to adopt the right attitude.
- b. Although humans want to adopt the right attitude, the number of relevant issues that individuals need to evaluate messages related to attitudes varies between individuals. In this case individual motivation and ability will be very decisive.
- c. Variables that affect the number and direction of attitudes can be: persuasive arguments, peripheral route, and individual motivation and abilities.
- d. Motivation and ability to process messages can affect the desire to change attitudes, both in the positive and negative direction.
- e. The variables that influence the process of attitude formation will have a negative or positive impact on motivation, and
- f. Changes in attitude resulting from the process of argumentation that is relevant to the topic will have an impact on change that can better predict behavior than changes in attitudes obtained rather than peripheral routes.

### **2.2. Heuristic Systematic Model**

This model is similar to ELM in assessing at the process of attitude formation. The advantages of Heuristic Systematic Model (HSM) is the process situation where persuasion occurs in advance to guarantee validation of the message delivered. According to Chaiken (in Eagly & Chaiken, 1993), basically, the message recipient wants an accurate message.

This thinking is based on two contradictory things, first that individuals want to adopt the right attitude (postulate 1 of ELM), secondly that attitude theory suggests that formed and changed attitudes are influenced by the social environment that allows the entry of various subjective processes in order to maintain interpersonal relationships. Therefore, Chaiken stated that there are two other motivations that can be used to find out the validity of information that can be done with both heuristics and systematic processes, namely motivation or an urge to maintain a certain attitude, and impression motivation to accept attitudes so that individuals can be accepted socially by the environment.

### 2.3. Theory of Planned Behavior

Theory of Planned Behavior (TPB) was developed by Ajzen as an extension of the Theory of Reasoned Action (TRA). TPB is a conceptual framework that is used to examine individual behavior, which allows the recognition of factors and rational considerations that influence individual decisions (Kumar, 2012). TPB is a theory used to predict individual behavior based on attitudinal factors on behavior, subjective norms and behavioral control (Sumarwan, 2011; Hisyam, 2009; and Nuary, 2010).

The fundamental difference between TPB and TRA is the existence of a theoretical component in the form of Perceived Behavioral Control (PBC) in TPB. According to TPB, a person's intention towards certain behaviors is influenced by three variables; namely attitudes, subjective norms, and perceived behavioral control. In other words, it can be said that the three determinants of intention to behave are attitudes toward behavior, subjective norms related to behavior and perception of control in the form of ease and difficulty in displaying these behaviors (Ajzen 2005).

Perceived Behavioral Control (PBC) indicates that a person's motivation is influenced by how he perceives the level of difficulty or ease of displaying a particular behavior. If someone has strong control beliefs about existing factors that will facilitate a behavior, then the person has a high perception to be able to control a behavior. Conversely, a person will have a low perception in controlling a behavior if he has strong control beliefs about factors that hinder behavior.

The purpose of TPB is: (a) to predict and understand the impact of intention to behave on behavior, (b) to identify strategies to change behavior, and (c) to explain real human behavior. The assumptions underlying TPB include: (a) humans are rational and use existing information systematically, (b) humans understand the impact of their behavior before deciding whether or not to realize the behavior (Ajzen, 2005).

Model of TPB can be seen in the picture below:

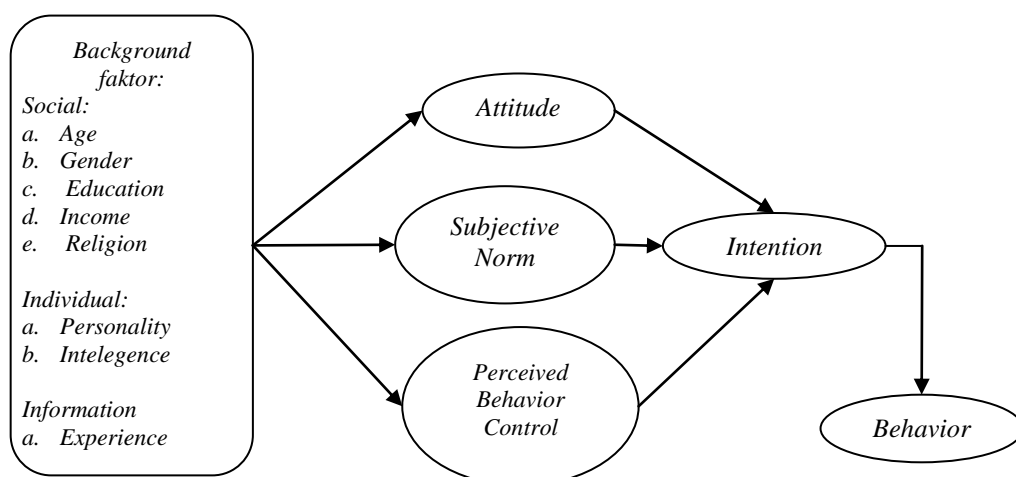


Figure 2. 1  
Model of *Theory of Planned Behavior* (TPB) (Ajzen, 2005)

The picture above shows that in the TPB scheme, a person's behavior is determined by the intention to behave, while the intention to behave is determined by attitude, subjective norm and perceived behavior control. In addition, background factors indicate that each individual is different in his social environment such as age, gender, education, income, religion, intelligence and experience which can indicate various issues or information that affect the individual's beliefs (Ajzen, 2005:135).

**2.4. Elaboration of the Models**

Based on the three models that have been explained, namely Elaboration Likelihood Model (ELM), Heuristic Systematic Model (HSM), and Theory of Planned Behavior (TPB), then elaboration can be done to get the model below.:

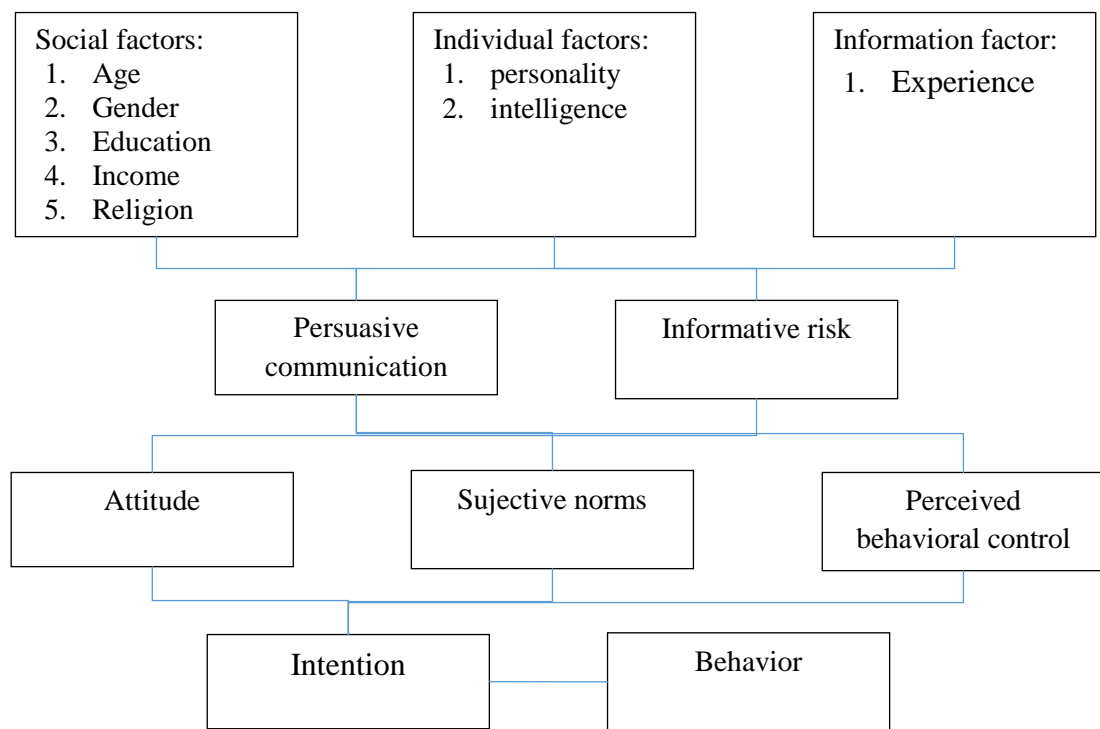


Figure 2. 2  
Model Elaboration (Petty & Cacciopo, 1986; Chaiken, 1987; & Ajzen, 2005)

The picture above illustrates that trust behavior can be obtained from persuasive communication between the two parties that build a relationship, even though the process has the potential to create risks that could cause distrust. All of these things are determined by the background of individuals who build communication ranging from social factors including age, gender, educational background, income and religion. Then individual factors that include intelligence and personality factors and information factors in the form of clarity of information given.

These conditions will determine the attitudes of each individual, individual perceptions of social pressure to do a certain behavior or not (subjective norms) and perceived behavioral control that is useful as a determinant of individual behavioral intentions that are not under full control or pressure from others. With the emergence of these things, it is hoped that there will be an intention to give trust and hope, which can eventually be realized as a belief that truly lasts and is not easily affected in any condition.

## 2.5. Trust

According to Rousseau et al. (1998), trust is a psychological area in the form of a willingness to accept what is based on expectations for attention or good behavior from others. According to Nugroho and Hidayat (2017), trust is a mental attitude in the form of a willingness to depend on others on the basis of the belief that the other party has certain values.

Trust has three main dimensions, namely ability, kindness and integrity (Mayer *et.al.*, 1995).

### a. Ability

Ability refers to the competence and characteristics of the seller / organization in influencing and authorizing specific areas. In this case, how the seller is able to provide, serve, to secure the transaction from the interference of others. This means that consumers obtain guarantees of satisfaction and security from sellers in making transactions. Kim et al. (2003a) states that abilities include competence, experience, institutional validation, and ability in science.

### b. Kindness

Kindness is the willingness of sellers to provide mutually beneficial satisfaction between themselves and consumers. The profit obtained by the seller can be maximized, but customer satisfaction is also high. The seller is not solely pursuing maximum profit, but also has great attention in realizing consumer satisfaction. According to Kim et al. (2003a), kindness includes attention, empathy, confidence, and acceptance.

### c. Integrity

Integrity relates to the behavior or habits of sellers in running their business. Whether the information provided to consumers is correct according to the facts or not. Whether the quality of the product sold is trustworthy or not. Kim et al. (2003a) suggests that integrity can be seen from the standpoint of fairness, fulfillment, loyalty, honesty, dependability, and reliability.

The process of forming trust can be influenced by various factors, including (Lewicki dan Bunker, 1996):

- a. Predisposing personality, showing that each individual has a different predisposition to believe in others. The higher the level of individual predisposition to trust, the greater the expectation of being able to trust others.
- b. Reputation and stereotype, although individuals do not have direct experience with others, individual expectations can be formed through what is learned from friends or from what has been heard. Other people's reputations usually

form strong expectations that bring individuals to see elements to believe and not believe and bring to a relationship approach to mutual trust.

- c. Actual experience, for most people, individuals build facets of experience to speak, work, coordinate and communicate. Some of these facets are very strong in belief, and some are strong in distrust. Over time, both elements of trust and distrust begin to dominate experience, to stabilize and easily define a relationship when the pattern is stable, individuals tend to generalize a relationship and describe it with high or low trust or mistrust..
- d. Psychological orientation, states that individuals build and maintain social relationships based on their psychological orientation. This orientation is influenced by the relationships that are formed and vice versa. In a sense, so that the orientation remains consistent, then individuals will look for relationships that are appropriate to their souls.

Based on the basis of its formation, trust can be classified into three types, namely calculation-based trust, knowledge-based trust, and identification-based trust (Lewicki dan Bunker, 1996).

- a. Calculation-based Trust

This trust is formed by referring to three aspects, namely the aspects of profit to be gained if you believe, the potential for loss, and the potential benefits. This type of trust is called the easiest type to change because the basis is in the form of calculations. That is, if there is a favorable prediction, trust will be formed. Conversely, if there are harmful preconditions, then trust will disappear and allow the emergence of distrust.

- b. Knowledge-based Trust

This type of trust is formed on the basis of information held on other parties, which can then be used to predict the behavior of those who are trusted. One way to get this knowledge is to repeat the interactions or through a long-term process while always updating the information.

- c. Identification-based Trust

This type of trust is formed based on the results of the process of identification of members of a group. If there are fundamental similarities to the characteristics obtained from identification, it is generally indicated that group members can be trusted. Similarity aspects of characteristics become the main reference for the formation of identification-based trust.

Trust can be measured using four indicators, namely *exhibiting trust*, *achieving result*, *acting with integrity*, and *demonstrating concern* (Shaw, 1997).

- a. *Exhibiting Trust*, is an indicator that shows the existing state of trust.
- b. *Achieving Result*, is an indicator that explains the level of trust based on performance in fulfilling responsibilities.
- c. *Acting With Integrity*, is an indicator that shows the consistency between words and actions.
- d. *Demonstrating Concern*, is an indicator that explains trust through a form of concern for others.

The process of trust formation starts from before the transaction or further relationship between the two parties. The level of trust in this phase is still very small. After the transaction process is complete, the level of trust is changed. A positive

experience during a transaction will increase trust, while a negative experience will reduce trust (Singh and Sirdeshmukh, 2000). The trust model can be described as follows:



Figure 2. 3

Trust Forming Process (Singh and Sirdeshmukh, 2000)

According to Child (2001), changes in trust from the initial conditions to the creation of loyalty are influenced by the existence of transference, namely the transfer of information and changes from expectations to beliefs, which occur because the trustor performs calculation activities. If the calculation results show that the benefits obtained by the trustor are greater than the costs or other risks that must be incurred, then it is likely that the trust level of a trustor will increase from hope to confidence. The changing process from hope to belief is called the process of understanding, which also occurs in the changing process from belief to action and loyalty.

Trust that is formed in the context of business relations refers to practices that consist of: 1) Speaking as it is and creating transparency; 2) Demonstrate respect and show loyalty; 3) Aligning errors and fulfilling commitments; 4) Listen first and give confidence; 5) Clarifying expectations and providing results; 6) Confronting Reality and Becoming Better; and 7) Practicing accountability (Fauziah, 2013).

### 3. Research Methodology

This research approach is qualitative, namely the approach used to study natural phenomena by prioritizing the role of researchers as a key instrument for conducting inductive analysis in order to gain an in-depth understanding of the meaning of the phenomenon under study (Sugiyono, 2012). A qualitative approach involves the conceptualization process and results in the formation of classification schemes. The method used in this research is historical constructionistic method, which has five main characteristics, namely: 1) Disclosure of philosophical basis; 2) Confining assumptions; 3) Focusing on the main phenomenon; 4) Perform the process until the smallest unit; and 5) Thematic data analysis (Daymon & Holloway, 2002).

This research was carried out at the Head Office of FAB ENTERPRISES at Jalan Sudirman 17 Surabaya-East Java. The party chosen as the research informant consisted of management and employee representatives from the FAB ENTERPRISES company, and its business partners included Cerestar, Harvestar, Agristar, Alam Sejati, PT. Astarika Stuwarindo represented by management representatives and employees.

Research data was collected using several methods of data collection, namely in-depth interviews, observation, and documentation. Interviews were conducted on each research informant to obtain primary data, while observation and documentation were carried out to obtain secondary data. The data obtained were then analyzed using three steps of analysis, namely familiarization, meaning withdrawal, and data transcription.

### 4. General Description of the Research Object



This study chose the FAB ENTERPRISES as the object of research to study and develop a trust model in business relations between national companies and international companies. The company that has its head office in Surabaya is a service company engaged in logistics, trading, supply chain, and consultant. In its efforts to enliven the national logistics business, FAB ENTERPRISES is committed to provide the best and timely quality services through the creation of a safe, comfortable and highly valued work culture. FAB ENTERPRISES has a long-term target to become one of the companies that contribute to the government's efforts to improve the people's economy through the distribution of people's needs that reach remote areas at affordable prices (fab-enterprises.com, 2018).

The vision of FAB ENTERPRISES is to become an integrated, widest and best logistics service company in Indonesia and able to provide solutions and reliable. Based on this vision, the mission carried out by FAB ENTERPRISES is to increase the value of the company through networks, modern infrastructure and business diversification and commit to customers to provide services that are always on time with the best value (fab-enterprises.com, 2018).

## **5. Data Analysis**

The primary data of this study were obtained from interviews conducted with 6 informants consisting of 3 FAB ENTERPRISES employees and 3 representatives from FAB ENTERPRISES business partners, namely 1 representative from Cerestar, Harvestar, Agristar; 1 representative from PT. Alam Sejati; and 1 representative from PT. Astarika Stuarindo.

Based on the results of the interview, it is known that all informants have similar opinions, that both employees and business partners have high trust in FAB ENTERPRISES and its owner, Mr. F. According to CK, which is the informant who served as the deputy director of FAB ENTERPRISES, the trust of business partners towards the FAB ENTERPRISES is primarily based on the performance of the leadership that in accordance with expectations. This underlies the creation of a long-term business relationship between FAB ENTERPRISES and all of its business partners. Until now, no business partner has ever broken the cooperative relationship. All FAB ENTERPRISES business partners are always satisfied with the high quality services provided by FAB ENTERPRISES. Personally, CK states that the characteristics of the owner, Mr. F, are the main factors driving the trust of business partners. According to CK, Mr. F is a good, responsible, and trustworthy leader.

Based on the results of interviews with 3 FAB employees above, several important points can be drawn which show the trust of business partners and employees towards FAB and their owners according to the internal FAB point of view as follows:

- a. FAB business partners believe in FAB because of the company's ability to provide quality services according to expectations and FAB's communication skills in managing business relationships.
- b. The trust of business partners is also due to the credibility of the FAB owner and leader who has high experience in the field of business, smart, and responsible.

- c. The business relationship between FAB and its business partners can last in a long run because of the trust in the FAB and the owner of the FAB.
- d. According to FAB employees, the owners and leaders of FAB is responsible, trustworthy, intelligent and highly experienced.
- e. The factor that become the strength of the FAB lies in the leadership of Mr F, the extensive communication network, and the trust of business partners to the FAB and FAB leaders.
- f. The weakness of the FAB lies primarily in the high dependence of the FAB on business partners.

Furthermore, it will be explained about the results of interviews with research informants representing FAB business partners. The first main external informant is Mr. N representing three major companies, namely Harvestar, Cerestar, and Agristar. According to Mr. N, trust is something that is not directly obtained or already exists naturally. To be able to trust someone or a company, there needs to be a process to be able to obtain that trust. Based on this, Mr. N has given high confidence to Mr. F as the owner of FAB to become a business partner. For five years of working together, Mr. N assesses that the performance of the FAB and its owner is always in line with expectations.

Based on the results of interviews with informants representing the FAB business partners, some important points can be drawn which explain the trust in the FAB and Pak F, among others:

- a. Business relations with the FAB are based primarily on the characteristics of the FAB owner, Mr. F, who is known to be a trusted person, has a high commitment, and has integrity.
- b. FAB business partners have high trust in the FAB, and vice versa, hoping FAB also has high trust in its business partners.
- c. Based on the trust that is built on the FAB, the FAB business partners have loyalty to the FAB to continue to strive to establish good business relationships with FAB even though they have changed leaders later..

## **6. Discussion**

### **6.1. Driving and Inhibiting Factors in the Process of Trust Formation**

Trust between parties involved in business cooperation cannot be formed easily, but must be built from the beginning through a series of verification processes (Yousafzai et.al, 2003). Trust is the belief that a person's word or promise can be trusted and someone will fulfill his obligations in an exchange relationship (Rotter, 1967). Based on this, a person can gain trust from other parties after proving that what is said and promised is truly fulfilled properly. This goes on repeatedly until the other party really feels confident that the person will also realize the promise or the words conveyed in any other time.

According to Lewicki and Bunker (1996), there are at least 4 factors that influence the process of trust formation, namely personality predisposition; Reputation and stereotype; Actual experience; and psychological orientation. These four factors, if integrated with the belief change model proposed by Singh and

Sirdesmukh (2000), will become the determinant of whether trust will be formed in the initial conditions, then change into expectations, then develop into beliefs realized in the form of actions and end up creating loyalty. Based on this, the discussion in this section will outline the factors that led to the formation of expectations, beliefs, actions and loyalty from business partners towards the FAB ENTERPRISES.

In accordance with the results of the data analysis in the previous section, it can be seen that FAB employees stated that all FAB business partners have high trust in FAB and their owners. This is evidenced by the good relationship that exists between the FAB and all of its business partners and the absence of business partners who decided to end the cooperation so far. Based on FAB's internal point of view, employees consider that the competent, intelligent, responsible and trustworthy FAB leader is one of the main determinants of the formation of cooperation between the FAB and all its business partners.

If referring to the assessment of FAB business partners, it is known that the characteristic factor of the leader is the main determinant of the formation of trust in the FAB ENTERPRISES. Both business partners from domestic and foreign companies start a business relationship with FAB based on the reputation of the owner who is known as a trustworthy businessman, has high experience, and is committed to carrying out his obligations. Based on this, it can be stated that the factors that encourage the formation of expectations in business partners towards the FAB are the factors of the FAB owner's reputation. Knowledge of the reputation of the FAB owners encourages FAB business partners to start establishing business cooperation with FAB. This is consistent with the explanation from Child (2001), which states that the change from the initial condition to hope is caused by the transfer of knowledge or the transfer of information.

According to Lewicki and Bunker (1996), reputation is able to form strong expectations that bring individuals to see elements of trust and lead to a relationship approach to mutual trust. A good reputation comes from superior competence and integrity that is inherent in oneself. In the context of the emergence of business partners' expectations on FAB, the reputation of the FAB owners who are driving the creation of expectations on the FAB comes from the commitment, responsibility, integrity, and trustworthiness of the FAB owners. This is in accordance with the elaboration of Elaboration Likelihood Model (ELM), Heuristic Systematic Model (HSM), and Theory of Planned Behavior (TPB), which illustrates that individual factors and information factors form informative risks encourages the formation of perceived behavior and control behavior.

Hope can develop into a belief if what is really expected can be fulfilled properly based on factual experience (Lewicki and Bunker, 1996). Likewise with the expectations of FAB business partners towards FAB. According to the results of the data analysis, it is known that the performance of the FAB and its owners are in accordance with the expectations. What is conveyed, promised, and agreed upon in business cooperation is truly fulfilled well by the FAB and its owners. Doney and Cannon (1997) state that the performance shown by the parties that give hope, in this case the FAB and its owner, is become a calculated value by those who hope, in this

case the FAB business partner, wherein the results of these calculations determine the formation of trust.

Changes from expectations to beliefs through a series of processes of proving performance and managing relationships during the process. Based on the results of data analysis, it is known that FAB and its business partners are trying to establish structured and applicable communication to manage their business relationships. Various methods were used, ranging from the preparation of cooperation procedures, the making of WA groups to facilitate communication and crosschecks, to go down directly to the field to examine certain cases. The communication that was formed between FAB and its business partners became an instrument that convoy the formation of business partners' trust to the FAB.

The formation of confidence in the performance of other parties involved in business relationships is an indication of the formation of trust which is called the process of understanding (Child, 2001). If this increases, then confidence will shape actions that imply elements of trust, such as the use of services in a sustainable manner. Increasing confidence into action does not only require proof, but more than that. In this case, FAB and the owners of FAB succeeded in making their business partners believe and continue to collaborate with FAB for years because FAB showed consistency in its performance. In addition, the characteristics of the owner which are the main factors determining the establishment of business relationships also have consistency. In a sense, even though there were some problems that could hamper the process of collaboration, such as internal changes in the FAB, the existence of government policies that led to a decrease in profit, as well as when a crisis caused an increase in the dollar exchange rate, the FAB owners still showed integrity and commitment, which made The FAB business partners increasingly believes in FAB. In the end, the consistency of FAB's performance and its owner integrity can make its business partners loyal and hope to be able to work together with FAB continuously.

Trust in business relationships can increase or decrease. Likewise with the process of forming trust, wherein on one side, there are factors that encourage the formation of trust between parties involved in business relationships, while on the other side, factors that inhibit the formation of trust was arise. Based on the results of data analysis, it can be seen that all informants stated that the FAB can be trusted, which indicates that there are no problems that cause a delay in the formation of trust or a decrease in the trust that business partners already have to the FAB. However, the author caught one thing that had become an obstacle in the collaboration between FAB and its business partners, namely when there was an internal change in the company from PT MAF to FAB ENTERPRISES. In this case, one of FAB's business partners had experienced problems due to pressure from other FAB business partners. These indicate the existence of failure in communication channels, wherein communication between business partners of FAB should not be occurred directly. The communication should be performed through FAB only. Maybe this is due to the internal change process of the FAB, so that communication with business partners becomes a bit problematic. However, the impact that arises from these problems is actually very large towards the formation of trust. In fact, it was stated that one of the FAB's business partners was instructed by his directors to request guarantees from the

FAB for the business cooperation carried out. Whereas for years of establishing a business relationship with FAB, the business partner has never used a guarantee system in every collaborative transaction. The demand for guarantees against FAB shows the decline of trust from FAB business partners, as well as being a barrier to the formation of trust in business relations between FAB and its business partners.

## **6.2. Trust Model in Organizational Relationship between FAB ENTERPRISES and its Business Partners.**

Trust in business relations between FAB and its business partners is formed through a long process which consists of several stages, namely the initial stage, the stage of the formation of expectations, the stage of formation of beliefs, and the stage of the formation of actions and loyalty. In the early stages when a new business relationship is formed, FAB's business partners base their decision to establish business relationships with the FAB on the positive reputation of the FAB owner. This positive reputation comes from the self-characteristics of FAB owners who have high commitment, responsibility, integrity, experience, and trustworthiness. FAB business partners who get information about the positive reputation of FAB owners then put their hopes on FAB and create interest to open the chance for business cooperation.

The hopes of the FAB business partners are successfully met by FAB and its owners through performances that are in line with expectations and supported by systematic management of communication. When the FAB succeeded in proving that the FAB was able to fulfill its obligations and provide results that were in line with the expectations of FAB partners, hope developed into belief. FAB business partners become convinced that FAB does have the qualities needed to carried out the business cooperation that is established in a proper way. Furthermore, the convictions that are formed are increasing along with the consistency of FAB performance that makes FAB business partners decides to establish cooperation with FAB in a sustainable manner. This can be stated in the trust formation model below:

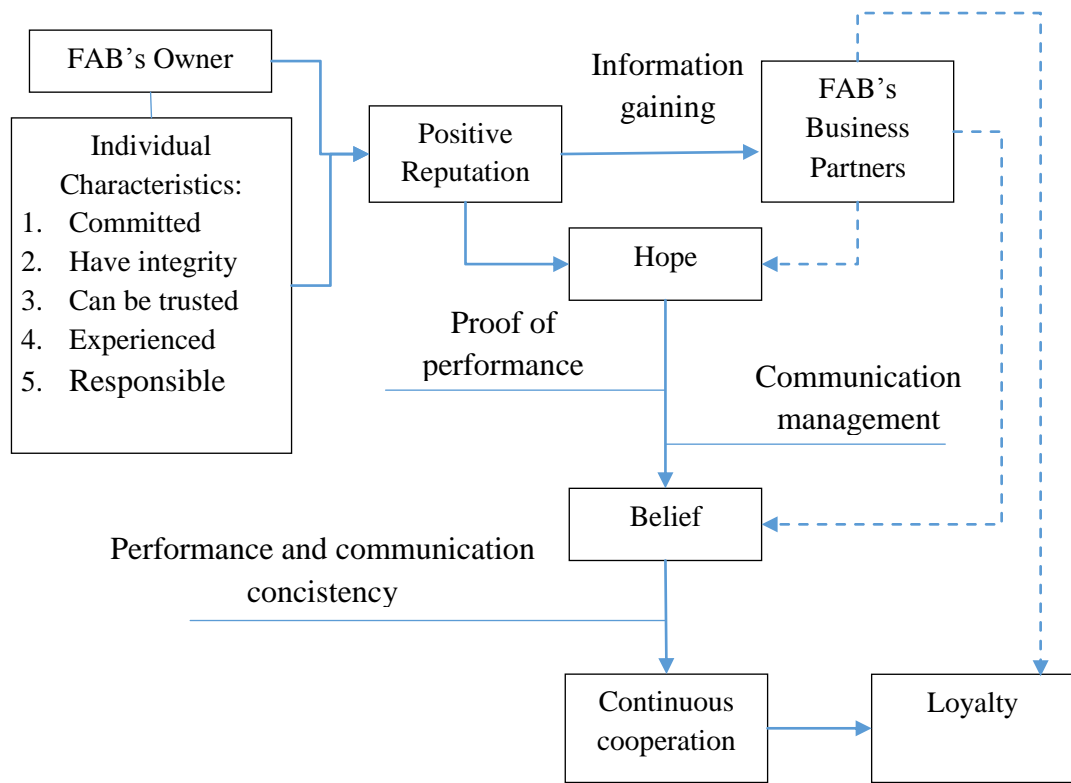


Figure 6.1. The FAB ENTERPRISES Trust Forming Flow and its Business Partners

Based on the flow of trust formation and the factors that influence it, it can be described the trust model in FAB ENTERPRISES business relationships with its Business Partners as follows:

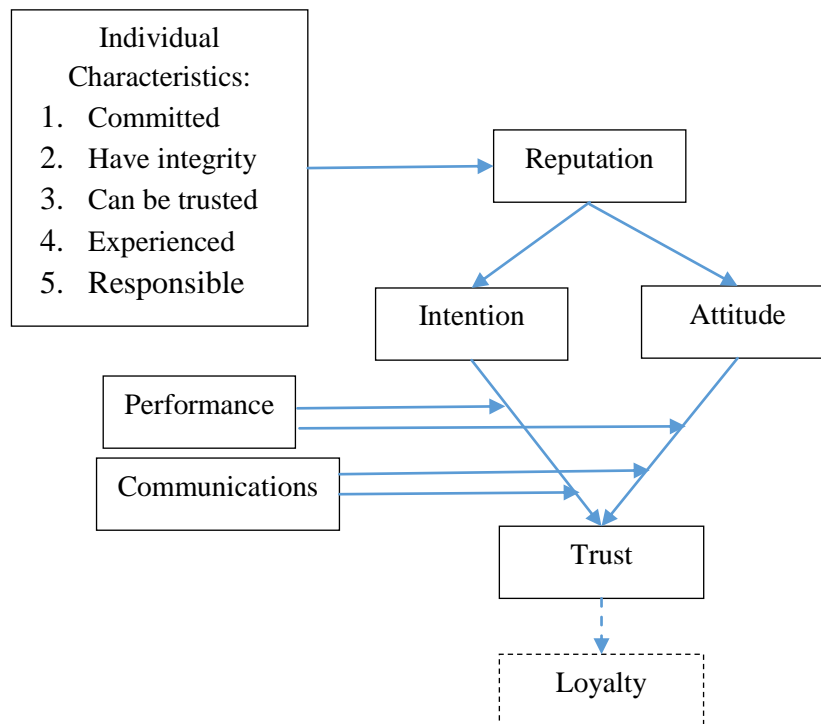


Figure 6.2. Trust Model in FAB ENTERPRISES Business Relations with its Business Partners

## 7. Conclusion and Recommendation

### 7.1. Conclusion

Based on the discussion that has been done, it can be concluded that the factors that encourage the formation of trust in business relationships between FAB ENTERPRISES and its business partners consist of: 1) the personal characteristics of the owner; 2) Owner reputation; 3) Information dissemination; 4) Proof of performance; 5) Management of communication; 6) Consistent performance and management of communication. The inhibiting factor in the formation of trust in business relations between FAB ENTERPRISES and its business partners was the communication management factor which had experienced a decline due to internal changes in the company, namely from PT. MAF becomes FAB ENTERPRISES.

The second conclusion that can be drawn is that trust in business relationships between FAB ENTERPRISES and its business partners is influenced by intention and attitude factors which is moderated by performance and communication. While intentions and attitudes are influenced by reputation and reputation is influenced by personal characteristics.

### 7.2. Theoretical Implications

This study contributes in the formulation of a trust model in business relationships by referring to the elaboration of Elaboration Likelihood Model (ELM), Heuristic Systematic Model (HSM), and Theory of Planned Behavior (TPB).

### **7.3. Managerial Implications**

Based on the findings of the study, every company that wants to develop trust in business relationships with its partners needs to pay attention to the factors that influence the formation of trust, namely reputation, performance, communication, and attitudes and interests of business partners. Management of those factors can encourage the formation of long-term trust in a business relationship.

### **7.4. Recommendation**

This research can be followed up by carrying out research that takes the same topic but with different objects to obtain findings that strengthen the trust model found in this study. Further researchers can also apply the trust model found in this study as a conceptual model of research to prove the influence of each factor on trust.



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