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Relationships in food chains: an empirical examination of trust, commitment and communication

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Foreword

This report derives from the EU funded research project "Key Factors Influencing Economic Relationships and Communication in European Food Chains" (FOODCOMM). The research consortium consisted of the following organisations: University of Bonn (UNI BONN), Department of Agricultural and Food Marketing Research (overall project co-ordination); Institute of Agricultural Development in Central and Eastern Europe (IAMO), Department for Agricultural Markets, Marketing and World Agricultural Trade, Halle (Saale), Germany; University of Helsinki, Ruralia Institute Seinäjoki Unit, Finland; Scottish Agricultural College (SAC), Food Marketing Research Team - Land Economy Research Group, Edinburgh and Aberdeen; Ashtown Food Research Centre (AFRC), Teagasc, Food Marketing Unit, Dublin; Institute of Agricultural & Food Economics (IAFE), Department of Market Analysis and Food Processing, Warsaw and Government of Aragon, Center for Agro-Food Research and Technology (CITA), Zaragoza, Spain.

The aim of the FOODCOMM project was to examine the role (prevalence, necessity and significance) of economic relationships in selected European food chains and to identify the economic, social and cultural factors which influence co-ordination within these chains. The research project considered meat and cereal commodities in six different European countries (Finland, Germany, Ireland, Poland, Spain, UK/Scotland) and was commissioned against a background of changing European food markets. The research project as a whole consisted of seven different work packages. This report presents the results of qualitative research conducted for work package 5 (WP5) in the pig meat and rye bread chains in Finland.

Ruralia Institute would like to give special thanks for all the individuals and companies that kindly gave up their time to take part in the study. Their input has been invaluable to the project. The contribution of research assistant Sanna-Helena Rantala was significant in the data gathering. FOODCOMM project was coordinated by the University of Bonn, Department of Agricultural and Food Market Research. Special thanks especially to Professor Monika Hartmann for acting as the project leader of FOODCOMM.

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1 Introduction

1.1 The Finnish context in the food sector

The globalisation of competition is affecting all the industries, also the food processing industry. Increasing competition and differing markets offer both opportunities and threats for food businesses. Major challenges facing food supply chains include, for example, attaining concrete benefits through differentiation, networking and creating partnerships, understanding mutual benefits, and controlling changing markets (Isosaari 1999, Lääperi and Tohmo 2000, Manning and Baines 2004). However, at the same time with the development of global economy, there is a growing interest in local products in the food sector (e.g. Ilbery et al. 2006). Nowadays many consumers are seeking safe and traceable products that are produced by ethically responsible businesses (Lobb and Mazzocchi 2007).

It is a global trend that competition occurs increasingly between networks of firms rather than individual businesses competing (Achrol and Kotler 1999), as rapidly changing competitive environments are forcing businesses to seek more creative and flexible means to meet competition**.** Many businesses have responded to these challenges by building collaborative relationships with customers and suppliers, which rely on relational forms of exchange characterised by high levels of trust (Morgan and Hunt 1994). In the presence of dynamic and myriad relationships the management of trust becomes highly significant.

In Finland, food industry is one of the most important industries after metal and engineering, forest, and chemical industries. The main food industry sectors are meat processing, dairy, bakery, brewing and soft drinks. The majority of the food processors is small, employing less than ten people (Ruoka-Suomi 2007). Centralisation and chaining is highly characteristic of the Finnish food retail trade, accounting for approximately 93 per cent of food and other grocery products in 2007, and the market share of the three biggest wholesaler groups was around 86 per cent (Aalto-Setälä 1998; Finnish Grocery Trade 2008). Finnish food processing has traditionally been a domestic industry. Before Finland's membership in the European Union, the food industry was protected against imported goods. Since then, it has had to face ever tightening competition, and the businesses have been forced to develop new competitive strategies. Other factors influencing the changing environment of the Finnish food industry have been, for example, the fall of the Russian economy in 1998, the Common Agricultural Policy (CAP), severe domestic competition from both Finnish and international firms, and changing consumers needs and demands (Ihmisten maaseutu 2000, Wiklund and Brännback 2001). Due to the globalization of competition and concentration on fewer suppliers, relationships have become one of the features most demanded by present-day food chains and deserves particular attention.

1.2 The aim of the research

This report presents the results of the qualitative analysis of two selected food chains; the pig meat-to-sausage chain and the cereal-to-rye bread chain. Based on the previous FOODCOMM workpackages (WPs)[1], three important issues influencing the business relations in the food chains were brought into more detailed analysis, namely commitment, communication and trust.

The results of WP2 highlight the macro economic changes in the selected food chains. In both chains, the decreasing number of farms together with increasing farm sizes, saturated markets (especially in the case of pig meat), changes in national agricultural policy, hard competition between processors as well

[1] See Suvanto et al. 2007 and Lähdesmäki et al. 2009.

as market entries of foreign retailers and processors are just a few factors likely to create uncertainty in the business branches. Despite these threats the production of pig meat has increased steadily during the past few years, while the rye production is still too low compared to national consumption. Furthermore, the fact that domestic products are highly appreciated by consumers is an essential strength in both chains. (Suvanto et al. 2007).

The results of WP2 also indicate that typical for the pig meat-to-sausage chain is strong horizontal and vertical integration as well as close and stable relationships between producers and processors - usually based on written contracts and mutual trust. The processor-retailer relationships are also often based on formal contracts although the negotiation power between them is considered to be more unequally distributed when compared to producer-processor relationships. Despite this, the relationships are rather stable and mutual trust is highly appreciated. Furthermore, common for all the stakeholders in the pig meat-to-sausage chain is the appreciation of personal communication and feedback. (Suvanto et al. 2007).

In the cereal-to-rye bread chain, the relationships between producers and processors are likewise personal and stable, though besides mutual trust, the continuity of these relationships is sometimes due to the small number of actors in the chain. Among the farmers, the type of business relationships used varies more than among the pig meat producers, since the usage of spot markets is far more common in this chain. However, the rye farmers still use more often formal written contracts than the other corn traders. Although the number of processors is relatively high in the rye chain, the branch is very concentrated, as the two largest bakeries dominate more than half of the market. The competition among the bakeries is rather hard, and therefore negotiations between processors and retailers are often complex, especially for small local bakeries which cannot compete with prices. Generally speaking, however, mutual trust, long-term orientation and written contracts are characteristics of the relationships between farmers and processors as well as processors and retailers in the rye chain. (Suvanto et al. 2007).

The results of WP4 confirm the above mentioned important role of formal written contracts as it was the most often used relationship type in both chains. Although for many businesses formal written contracts represented a common business practice, the essential role of the contracts was still due to the security they provide. This result is further supported by the fact that the majority of the food businesses indicated the willingness to avoid uncertainty as much as possible. The results of WP4 also indicate that the business relationships in both chains are typically long-term relations with a high level of trust, commitment and satisfaction and personal bonds have an important effect on the sustainability of the business relationships. It should be mentioned that although formal written contracts are sometimes seen as antithetical to trust, these two need not always be exclusive. (Lähdesmäki et al. 2009).

As the summary of the results from the WP2 and the WP4 shows, the essential role of trust in business relations has become evident in the previous reports. But although trust was considered as an important element in the emergence and maintenance of business relationships, it suffered from being somewhat obvious (see also Blois 1999). Thus, the aim of this research is to shed some light on this complex, yet everyday used, concept from the viewpoint of food processors. In other words, the first objective of this research is to examine how food businesses perceive trust in their business relations. This objective can be further divided into following research questions:

- What are the main elements for the emergence of trust in business relations?
- How / what kind of personal and business characteristics affect trust?
- How does the business context (that is food industry) affect trust?
- How is trustworthiness enhanced in business relations?

The second concern of the study is commitment in business relations. In addition to trust, the previous FOODCOMM working packages also recognized commitment as an essential element in establishing and maintaining long-term business relations. Although the importance of the phenomenon is evident, the conceptualisation of commitment in the WP4 remains somewhat unclear. The second objective of this study is therefore to examine how food businesses perceive commitment in their business relations. This objective can be further divided into following research questions:

- How is the concept of commitment understood in business relationships?
- Are there any particular actions directed towards maintaining / enhancing commitment in business relationships?

The respondents of WP4 claimed to be rather satisfied with the communication frequency and quality with their main business partners. The analysis further pointed out, that communication between the food chain operators has an essential positive effect on the sustainability of economic relationships. Despite these encouraging findings, the WP2 report indicated that more efficient communication and new technologies are considered essential in order to secure the profitability of all the chain members in the future too. As the previous working packages involve somewhat contradictory results, this study aims to examine more in detail the role and nature of communication in business relationships. This objective can be further divided into following research questions:

- What is communication like between a business and its business partners?
- What kind of information is exchanged and needs to be exchanged between business partners?
- How is the power distributed in relation to communication in business relationships?

2. Theoretical background

The theoretical background of this research lies in relationship marketing. One way to approach the concept of relationship marketing is to compare it with transactional marketing. Relationship marketing and transactional marketing are said to be at opposite ends of a marketing continuum. Figure 1 presents the basic axioms of transactional marketing and relational marketing. Transactional marketing is characterized by competition and conflict, as well as independence and choice, whereas relationship marketing is characterized by mutual interdependence and cooperation.

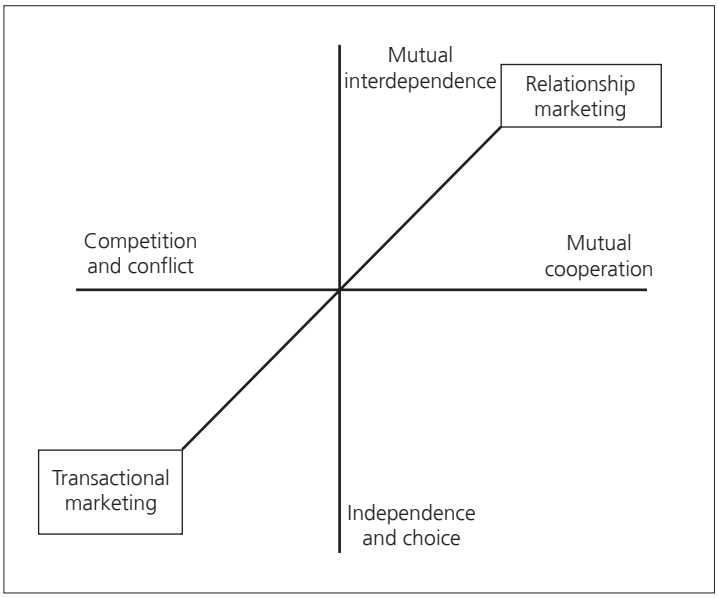


Figure 1.
Axioms of transactional marketing and relationship marketing
(Source: Sheth and Parvatiyar 1995)

Transactional marketing has short-term focus, uses mass communication, isolated market research is used for getting customer feedback, mass markets or market segments characterise the size of the market, and market share is used as a criterion for success (Van Auken 2001). However, single transactions may continue over time, but they are generally treated in isolation, at arm's length. Buyers in the market are passive in the relationship, and the seller actively manages the exchange (Coviello et al. 1997). Both partners view the exchange as a zero-sum game where one side wins at the other's expense and so everything rides on the negotiation of terms and conditions (Day 2000). In transactional marketing, the coordination with other functions in the firm is limited, and the planning horizon for this type of marketing is generally short-term (Coviello et al. 1997).

Even though the concept of relationships in business has been discussed at least as long as marketing thought as a discipline has existed, the concept of relationship marketing still lacks a clear definition. Nevertheless, in the general level, it usually refers to all marketing activities directed towards establishing, developing, and maintaining successful relational exchanges (e.g. Morgan and Hunt 1994). Most definitions imply that relationship marketing is first and foremost a continuous interacting process (Sheth and Parvatiyar 2002; Grönroos 2004) starting from attracting or identifying customers and keeping them for long-term (Grönroos 1989; Morgan and Hunt 1994; Berry 2000). Relationship marketing highlights the need to balance scarce marketing resources between existing and new customers/partners in order to achieve maximum long-term profitability (Payne and Frow 1997). Many definitions also emphasise the importance of mutual benefits between business partners for a successful business relationship (Grönroos 1989; Ballantyne 1994). Therefore, if relationship marketing is successfully implemented, it should lead to higher profits and lower costs, i.e. to strengthen the economy of a business. The objective of

relationship marketing is thus to increase customer's commitment to the organisation through the process of offering better value on a continuous basis at a reduced cost (Sheth and Parvatiyar 2002). It can be argued that the activities in implementing relationship marketing are not clearly specified but rather include all the activities that are carried out in order to favour relational exchanges, and the activities may change according to relationship in question. Some aspects of relationship marketing integrate quality, logistics, customer services and marketing, another aspects focus on partnering relationships and alliances as forms of relationship marketing, and e.g. on relationship-oriented communication strategies and supply chain integration (e.g. Parvatiyar and Sheth 2000).

Möller and Halinen (2000) argue that it is in fact misleading to talk about a single 'relationship marketing theory'. They distinguish two types of relationship marketing theories: market-based relationship marketing and network-based relationship marketing which are illustrated in Figure 2. The former deals with fairly simple exchange relationships and assumes a market context, whereas the latter examines complex relationships and presumes a network-like business environment. Complex exchange tasks demand a high level of mutual understanding which is not fostered in market-governed relationships. Buyer-seller relationships rarely exist in pure types and are therefore better portrayed on a continuum of varying degrees of relational complexity. Complexity refers to the number of actors involved in exchange, to their interdependence, intensity and nature of interaction and to the potential temporal contingencies in the relationship. Möller and Halinen (2000) suggest that the revealed dualistic roots of relationship marketing propositions help in understanding some of the seemingly contradictory notions in the relationship marketing debate.

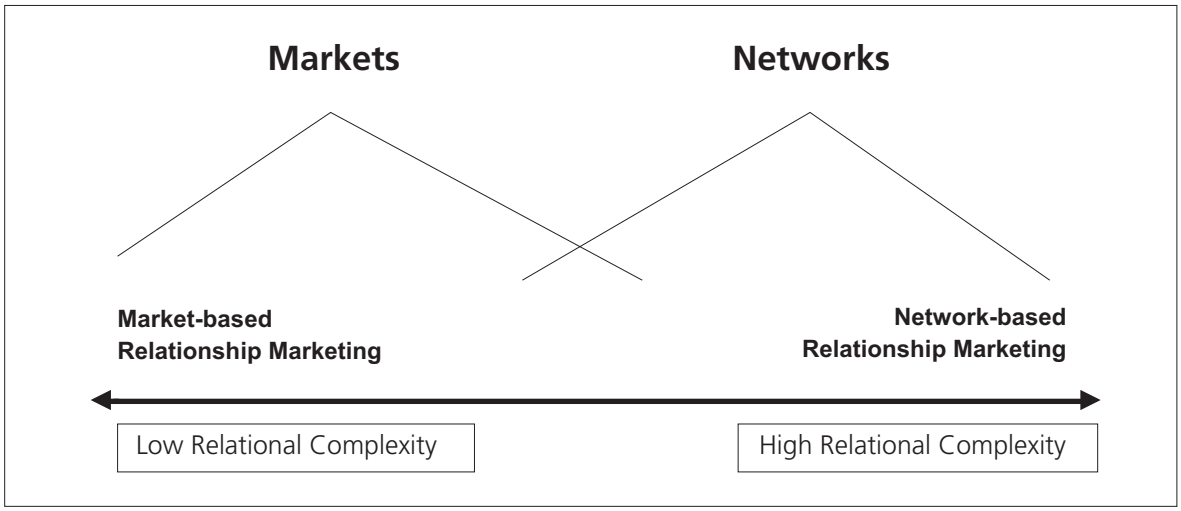


Figure 2. *Two types of relationship marketing theories (Source: Möller and Halinen 2000)*

Common concepts in relationship marketing include, for example, trust, commitment, cooperation, dialogue/communication, interaction, value, satisfaction and ethics (see e.g. Grönroos 1994; Morgan and Hunt 1994; Bejou 1997). In this research trust, commitment and communication are brought into more detailed analysis. As successful relationship marketing requires relationship commitment and trust (Morgan and Hunt 1994), these were two of the research topics chosen for this study. The trust aspect has become one of the mostly demanded features of present-day food chains and therefore deserves particular attention (Lindgreen 2003). Trustful collaboration between businesses is usually achieved through a greater transparency of relationships through the sharing of information (Christopher and Jüttner 2000). Therefore communication was chosen as the third research topic. In different contexts, distinct types of relationships will be recognised as successful (Veloutsou et al. 2002).

The rest of the report is structured as follows. Chapter three presents the collection, description and analysis of the empirical data. In chapter four the results of all the three research topics (i.e. commitment to customers, communication with customers and trust in business relationships) are presented. To make the results more transparent for the reader some additional quotes from the interviews are presented with the findings. Finally, a summary and conclusions are provided in chapter five.

3 Methodology

3.1 Description of data collection

This study is interpretative to the extent that the objective of this research is to understand different aspects of business relationships from the business' point of view (e.g. Burrell and Morgan 1989). The empirical data for this report was collected through 25 interviews with business owners or managers of food processors in two chains. We used a thematic structure of wide ranging open-ended questions relevant to the problematic issues arising from the WP2 and WP4 reports. In other words, the interviews focused on the issues of commitment, communication and trust in business-to-business relationships.

The sampling of the interviewed businesses was made by a purposive sampling approach (see Patton 2002) to ensure manageable, informative, and thorough empirical data. The purposive sample of the food businesses was made on the basis of three main criteria:

- Line of the business,
- Nature of the business, and
- Size of the business.

More precisely, the interviewed businesses had to belong to either of two selected Finnish food chains, namely the pig meat-to-sausage chain or the cereal-to-rye bread chain. In order to ensure the manageability of the data, we decided to focus on just one group of stakeholders; in this case the processors. The main reason for focusing on the processors instead of other members of the food chains was due to their special role in the middle of the food chain between the primary production and the retailers. This is why the processors were thought to have a good ability to perceive the food chain as its entity and therefore they were considered as good informants for the purposes of this research. Furthermore, we wanted to ensure the richness of the data by including businesses of all sizes into the sample.

All the interviews were conducted between April and September 2007. The empirical data was mainly gathered through personal, face-to-face interviews with the business owners or managers, usually in the premises of the selected businesses, at a time and date convenient for the interviewees. One of the interviews was made by phone. A telephone interview was used because the consolidation of time schedules between the interviewer and the interviewee was impossible. Likewise, all but one of the interviews were tape-recorded by the permission of the respondents. All tapes were fully transcribed afterwards. In the case of the interview that was not recorded, detailed notes were taken during and after the interview. The length of the interviews varied considerably, from 20 minutes to 90 minutes, the average time being approximately 60 minutes.

3.2 Characteristics of the interviewed businesses

The total number of interviews was 25, of which 14 businesses belonged to the cereal-to-rye bread chain and 11 to the pig meat-to-sausage chain (see table 1). The interviewed processors in the cereal-to-rye bread chain were either mills (3), bakeries (10) or other rye processors (1), while sausages were the main product for those processors belonging to the pig meat-to-sausage chain. The interviewed businesses were located in seven different regions in Finland[2], mainly in the southern and western parts of the country. Although the distribution of the interviewed businesses was geographically speaking rather uneven, it still reflects well the existing concentration of food businesses in Finland, since 50 per cent of

[2] Finland is divided into 20 different regions.

the Finnish food businesses are located in these seven regions (Food Finland 2007). It should be noticed though that many of the businesses operated nationally and in addition to their head office they usually had production plants in other parts of Finland too. Taking this into consideration, the geographical distribution of the interviewed businesses is much wider.

Most of the interviewees were either owners or managing directors. In addition to that, there were six marketing or sales managers as well as four other top level managers included in the interviews. The majority of the interviewees, i.e. 77 per cent, were men. The size of the interviewed businesses varied considerably from those businesses employing two people to those having several thousands of employees. The majority of the businesses (13 businesses) were, however, rather small in size when measured by the number of employees, while eight of them were medium-sized having 50 employees or more and four of the interviewed businesses employed more than 250 people. The annual turnovers of the interviewed businesses, on the other hand, ranged between 200 000 euro and several hundred million euro. There were not any significant differences between the two selected chains in the sizes of the interviewed processors or the amount of annual turnover.

Table 1. *Main characteristics of the interviewed businesses*

Number of interview	Food chain	Number of employees	Annual turnover €	Market
1	Rye	40	500 000-2 million	regional
2	Rye	2	<500 000	national
3	Rye	50	N.A.	national
4	Pig meat	2	<500 000	regional
5	Rye	10	500 000-2 million	regional
6	Rye	23	500 000-2 million	regional
7	Pig meat	4	500 000-2 million	local
8	Rye	170	15-20 million	regional
9	Pig meat	10	2-5 million	regional
10	Rye	80	5-10 million	regional
11	Pig meat	100	15-20 million	national
12	Pig meat	30	5-10million	national
13	Rye	9	5-10 million	national
14	Pig meat	95	15-20 million	national
15	Rye	55	10-15 million	national/exportation
16	Pig meat	40	5-10 million	national
17	Rye	25	500 000-2 million	regional
18	Rye	7	<500 000	regional
19	Rye	14	500 000-2 million	regional
20	Pig meat	50	10-15 million	national
21	Pig meat	2000	>50 million	national/exportation
22	Rye	130	>50 million	national
23	Pig meat	570	>50 million	national/exportation
24	Rye	n.a.	>50 million	national/exportation
25	Pig meat	6000	>50 million	national/exportation

The majority of the businesses were rather established as their average age was almost 50 years[3]. There were three businesses which were established already over 100 years ago, while three of them had been operated for ten or less years. Over half of the interviewed businesses were family owned businesses. In this study, family businesses are defined according to Koiranen (1998) as being a business entity owned, managed and controlled by a single family in which the interplay of family and business life functions are combined and in which the business is passed, is currently passing or is assumed to pass on for the family's next generation to manage and control.

Most of the interviewed businesses operated nationally, i.e. their customers were located all over the country; five of them had also a certain amount of exportation. The number of those businesses operating regionally (i.e. delivering products in one or more regions but not to the whole country) was almost as high as those operating nation wide, but those operating locally made up clearly the minority among the interviewees. For the majority of the businesses, the main customers were the retailers. Institutional kitchens, hotels and restaurants were an important customer sector only for six of the interviewed businesses. Similarly, direct sale and other processors as main customers were rather rare in the data. Furthermore, the importance the selected products (i.e. rye flour, rye bread and sausage) had in relation to the annual turnover of the interviewed businesses ranged between 5-60 per cent[4].

The businesses of this study were well embedded in their environments, as far as none of them had any plans to move out from their current location. Hypothetically speaking, major problems either with the possibilities to enlarge business or with the availability of skilled work force could, according to the business owners and managers, lead to a reconsideration of the business location. Still, at the moment, the majority of the interviewees considered the local business environment to provide rather satisfactory conditions for their business operations. Furthermore, local inhabitants and consumers were regarded to have mainly positive attitudes towards the businesses and entrepreneurship in general. Only in some cases enviousness was thought somewhat overshadow the success of a business in the local level.

Satisfaction with the current location of the business did not mean, however, that the interviewed businesses were necessarily very deeply involved in their local communities. In addition to their essential roles as employers and tax payers, the majority of the businesses did not consider to have any other particular role in the area. Only few of the businesses stressed that they occasionally participate in local events or donate money for local charity. Furthermore, a few business owners or managers also considered their businesses to have a great positive effect on the image of the local area. Thus, the main responsibility towards local community the businesses considered to have was to secure the workplaces. Also the economic responsibility towards the local shareholders was mentioned, i.e. to maintain to business as profitable as possible.

It should also be mentioned that despite the unwillingness to relocate the business, the majority of the interviewed business owners and managers was not that pleased with their networking with the local authorities. Most of them thought that the local authorities had a rather indifferent attitude towards their businesses, while in some cases the authorities were considered to actually hinder the business operations. The business owners and managers did not necessary need any economic support from the local authorities but would have appreciated some recognition and communication from their part. Only five of the interviewed businesses thought to have trustful and positive relationships with the local authorities.

[3] The age of the business was not available in case of four businesses.

[4] It should be noticed though, that over half of the interviewed business owners or managers did not consider having enough information available to provide this information.

3.3 Description of the data analysis

The analysis of the data was based on careful and continual re-reading of the interviews. At first, the aim was to form a general picture of the data, i.e. to make sense of the transcribed data. During this phase, some parts of the transcribed interviews were omitted as they were obviously irrelevant within the scope of this study, and thus, the amount of data was a little reduced. Further readings of the transcribed interviews were done in order to get a deeper understanding of the data, which enabled preliminary identification of certain congruencies and themes. These preliminary ideas were reflected in the theoretical framework of the study, which, for its part either confirmed or created new ideas or perspectives. The analysis of the data was an ongoing process, and had already started in some form when the interviews were conducted. In order to make the evaluation of the interpretations made in this study easier, there are a number of quotes from the interviews throughout the main body of the text.

4 Relationships in food chains

4.1 Trust in business relations

Although trust is widely recognised as an essential element of a successful business relationship (e.g. Arnott 2007; Morgan & Hunt 1994), there is not any universally accepted scholarly definition of the concept. Certain conditions must, however, exist for trust to develop or evolve. First, because trust is relational, persons and organizations must interact for trust to develop. Second, parties must be willing to depend on another and take risk. Third, trust is context dependent. Even though the level of trust and the propensity to trust may be constant, the specific consequences of trust will be determined by contextual factors such as the stakes involved, the balance of power in the relationship, the perception of the level of risk, and the alternatives available to the trusting party (Bell et al. 2002).

Trust is often associated with a belief or confidence in other party's goodwill or benevolence (Doney and Cannon 1997; Ring 1996). Goodwill and benevolence, on the other hand, have moral values as such and they both refer to intent to look after the interest of others and take them into account aside from an egocentric profit motive (Hosmer 1995). Taking into consideration the aforementioned aspects, a widely accepted and cited definition of trust in business context is the one presented by Mayer, Davis and Schoorman (1995, 712). According to them, trust can be understood as "a willingness of a party to be vulnerable to the actions of another party based on the expectation that the other party will perform a particular action important to the trustor, irrespective of the ability to monitor or control that other party".

In this research the interviewees themselves were asked to define trust in their business relations, i.e. how they constitute trust and what they consider as important elements of a trustful business relation. For many interviewees, trust was related to integrity, which in academic literature has often seen as an indicator, for example, of sociability, open communication and follow-through of promises (Blomqvist 2002). Thus ability and willingness to keep one's promises as well as open communication were often mentioned as essential elements of a trustful business relationship. In practice, for the majority of the businesses, keeping one's promises was synonymous with good quality of products, punctual deliveries and payments. Furthermore, the definitions of trust given by the interviewees were usually based on the assumption of reciprocity, i.e. trust was understood as an expectation that the business partner will reciprocate. In relation to reciprocity, in some cases trust was described by using the concepts of mutual needs and shared responsibilities. One of the interviewed business owners also used the term care when defining trust, which reflects the aspects of benevolence. The following quotations illustrate some of the aforementioned aspects of trust:

> *"The basic elements of trust are certain honesty and trueness and keeping one's promises. Then you can require the same from the other".*
> *(Rye chain, small business)*

> *"I think trust emerges when both parties keep their promises. That is trust, it's nothing else. The customer gets the product in given time."*
> *(Pig meat chain, small business)*

The interviewees saw trust clearly as a continuous process, not as a static phenomenon. They acknowledged that trust develops between the business partners as time goes by and common experiences accumulate. Furthermore, they emphasised that trust is strongly dependent on the relations and chemistry between the business partners and long-term business relations were seen as the best indicator of the

existence of trust. The interviewees thus confirmed the idea of trust taking different forms in different stages of a relationship as well as in different relationships – from a calculated weighing of perceived gains and losses to an emotional response based on interpersonal attachment and identification (see Lewicki and Bunker 1996). Therefore, in the same context, the scope of trust may vary, depending on the relationship's history, stage of development, and chemistry as can be seen in the following quotation:

> *"Trust is something that develops over long time. As time goes by you learn to know the partner and trust him/her".*
> *(Pig meat chain, small business)*

In trust literature, there are numerous of different antecedents of trust, i.e. preconditions necessary for trust to arise, which vary greatly by different business contexts and populations (e.g. Geyskens et al. 1998). In this study, the antecedents of trust identified by the interviewees can be divided into three different categories, namely those factors relating either to the characteristics of a person, organization, or product. As already mentioned, the chemistry between the business partners was considered as an important factor for trust to emerge. By chemistry, we mean in this study similar phenomenon as Doney and Cannon (1997) by using term likeability, which, according to them, refers to the business partners' assessment that people in the firm are friendly, nice, and pleasant. In this study, the interviewees emphasised that similarity of the background was not a precondition for likeability. It should be further mentioned that one female business owner argued that the gender also makes difference as an antecedent of trust. According to her, as a female, it is sometimes difficult to be taken as a trustworthy business partner in otherwise rather masculine business environment. In addition to this, competence and skills of the partner as well as power of the business partner, i.e. the belief that the person is capable of providing outcomes that match what s/he says or promises, were often mentioned as important antecedents of trust, as the following quotation shows:

> *"Of course if you have knowledge concerning the operational principles of the customer, and you can speak the same language, of course it has an effect on trust.*
> *(Rye chain, small business)*

In the organizational level, reputation was often related to trust emergence and development. Good reputation was considered a strong indication of trustworthy behaviour of a business partner. According to Koehn (2003), when parties rely on a reputation verification system to establish each other's trustworthiness, then the reputation system functions as the object of trust. In addition to reputation, the role of different certificates and the size of the business were also often mentioned as organizational antecedents of trust. Most of the interviewees did not, however, think that certificates had any major effect on trust. According to them, the quality of food products in Finland is so well controlled that certificates do not bring any value added to the decision to trust. However, there were some opposite opinions too. Some interviewees stressed that certificates do increase the credibility of businesses and define the rules for co-operation and thus have a positive effect on trust development. Some of the interviewees further argued more generally that the values of the business also have a certain effect on trust.

The opinions concerning the effect of the business size on trust varied considerably. According to some interviewees the larger the business is the easier it is to develop trust towards it. Thus, the large size of a business was seen as an indicator of credibility, resources and competence, which all affect positively trust. On the other hand, some interviewees considered small businesses more trustworthy. According to them, in large businesses the ownership is often rather "faceless", while the more personified owner structure of small businesses was thought to assure more responsible business behaviour and thus more favourable atmosphere for trust to arise. In some cases, the similar distinction was made between non-

family owned businesses and family owned businesses. It is interesting to notice that while the large businesses usually stressed the largeness as a positive factor in relation to trust, small business had more varied views. It should be mentioned though that many of the interviewed businesses did not consider size as an influential factor in the emergence or development of trust. Indeed, some interviewees considered the economic success of a business more reliable antecedent of trust when compared to the size. Furthermore, especially in the small business context trust was often related to flexibility, since the ability and willingness to operate in a flexible manner was considered as an important element increasing trustworthiness. The following quotations highlight some important organizational level antecedents of trust:

> *"A large and well-known business usually creates trust in every context. Of course there are some opposite examples, but usually it is the case".*
> *(Rye chain, small business)*

> *"In the small business context the things are more personal and in principle both parties have the decision making power while in large businesses you have to take into consideration a certain organization structure".*
> *(Rye chain, small business)*

> *"It's essential for trustworthiness that we act according to our contracts. And of course we have to be reachable for our customers".*
> *(Rye chain, small business)*

> *"A small business has to earn its trust every day. If you do your business as well as you can, then there's always a chance to continue doing the business."*
> *(Rye chain, small business)*

The characteristics of the product have, according to the interviewees, an essential effect on trust emergence. Brand image interwoven with the high and standard quality of a product, which was considered to be of utmost importance particularly in the food industry, were the most often mentioned factors as the product level antecedent of trust. According to the majority of the interviewees, quality issues are, however, very seldom a problem from the viewpoint of trust, since the high quality is obvious for all those engaging in the sustainable food business. They further stressed that obedience of the different laws and regulations existing in the food industry simply guarantees the high level of quality for trust to emerge. More generally, many interviewees emphasised customer orientation, both in the business and product level, as an important antecedent of trust. The following quotations exemplify the role of product level antecedents in trust emergence and development:

> *"From our point of view, it's trust that the retailer feels that our products can be sold and they are safe...".*
> *(Pig meat chain, small business)*

> *"It's high quality and reliable distribution, these are the things that we feel very important in trust creation".*
> *(Pig meat chain, small business)*

> *"When we talk about the relationship with the retail sector, so in order to trust to be ok, there needs to be such things like reliable delivery system, quality, right products in right places, these are the things that contribute to a trustful relationship with a retailer".*
> *(Rye chain, small business)*

For the interviewed business owners and managers, one important means to promote the trustworthiness in their business relations was open communication, especially when problems should arise. More

generally, it was considered of utmost importance that the business sets an example of a trustworthy and reliable business partner by its own behaviour and acting as a "first mover", which for the majority of the interviewees entailed a clear expectation of reciprocity, i.e. a belief that the trustworthy behaviour brings fourth similar behaviour in a business partner (see also Kramer, Brewer and Hanna 1996). Besides open communication, commitment and interest in the business partner, responsible business behaviour as well as strive for personal and close relationships were seen as the main elements in promoting the atmosphere of trust. Open communication was considered important both in relation to external as well internal stakeholders, like employees. In the practical level, especially in larger businesses, the interviewees also tried to promote trustworthiness for example by seeking to recruit the best possible persons to take care of the business relations and giving them the necessary training. Furthermore, the interviewees also emphasised that the physical appearance of business premises should not be overlooked as a promoter of trustworthiness.

In the general level, the interviewed businesses argued that they have rather strong faith in their business partners, of which the long term relationships are the best possible indicator. For some interviewees trustful business relations were actually defined as an economic necessity, which reflects a rather calculative attitude towards trust, i.e. trust was, at least implicitly, described to base on the assessment of the likelihood of beneficial outcomes associated with trusting behaviour. Although economic rationality was not equally stressed in every interview, all the business owners and managers still emphasised trust and the risks it involves as essential prerequisites for successful business relationships in the economic sense. They, however, clearly acknowledged the potential dangers of trusting too much. The interviewees argued for the importance of being realistic, especially when it comes to new business partners. Indeed, according to them, it is more reasonable to confront potential customers with low expectations which leaves room only for positive surprises and saves the business from emotional and economic backlashes. The following quotation illustrates well the attitudes towards trust among interviewed business owners and managers:

> *"We have to be able to trust. It is a prerequisite for business, we are forced to trust. I don't see any reason why not to trust".*
> *(Rye chain, small business)*

Although a majority of the interviewees did not consider competition as a threat for trust, there were, however, some business owners and managers who thought that hard competition sets great challenges for the emergence and development of trust. Especially the centralization in the retail sector was, according to some small businesses, considered as a negative development from the perspective of trustworthiness. The most critical interviewees among the small business owners even stated that the concentrated retail sector is not interested in long-term trustful business relations with the processors. Also the strong price fluctuations were thought to bring about harm for business owner's and manager's propensity to trust. In more general level, the changes in status quo were often thought to be critical times for trust, as the following quotation shows:

> *"I think that it's the big changes in prices… When the situation is stable, then we don't have any problems. But when turbulence arises, the trust goes through the wringer".*
> *(Rye chain, medium-sized business)*

Break downs of trust were rather rare among the interviewed businesses. When occurred, they were usually related to delayed deliveries and payments and could normally be sorted out in mutual understanding between the business partners. Especially in the long-term business relations, occasional difficulties, when openly discussed, were not considered a threat for trust. Furthermore, because of the

limited number of businesses in the national food industry, minor disappointments in trustworthiness seldom led to a dissolution of the relationship. In other words, the limited number of potential customers and/or suppliers was considered as a justified reason to bite back the minor disappointment in trust and stay even in a little worse business relationship, as the following quotations show:

> *"It should be a rather major conflict; you should be caught from lying or something like that, which would end the relationship".*
> *(Rye chain, small business)*

> *"It's difficult not to sell if someone wants to buy. I don't really know what would be the arguments for not to sell".*
> *(Pig meat chain, large business)*

> *"Finland is so small country, that there is no definite ending of business relations, though the volumes may momentarily decrease. Later the things get back to normal".*
> *(Rye chain, large business),*

Although the centralization of the retail sector was in some cases seen as a threat for the prevalence trust, some interviewed businesses saw this development quite oppositely as having a positive effect on trust through increasing predictability. In these cases, the large organization was seen as a guarantee of trust, even though the persons in that organization cannot always be trusted.

Since trust always includes a certain amount of risk, it is, according to the interviewed businesses, important to spread this risk. In other words, being dependent on just one customer or supplier was considered a challenging situation from the viewpoint of trust. Above all, most of the interviewed businesses used written contracts with their business partners, which were thought to even strengthen trust in business relations. In trust literature, the role of written contracts can be seen twofold; they are either understood as substitutes of trust or as a means to strengthen trust, depending on the nature of the contract and the negotiation process leading to it (e.g. Roxenhall & Ghauri 2003). Furthermore, it was emphasised that good personal relations should not replace the existence of written contracts. The following quotations describe well the practical attitudes the businesses had when it comes to trust:

> *"I don't believe that we are so naïve when it comes to trust. We haven't put all our eggs in one basket and we estimate the co-operation pretty carefully that we know what kind of deals we make, so we don't have such major risks here".*
> *(Pig meat chain, medium-sized business)*

Although the role of trust in developing and managing business relations was clearly acknowledged by the interviewed businesses, for the majority, trust did not, however, appear as a competitive advantage per se. Instead, trust was referred to a prerequisite and a vital condition to the existence of a business. Trust was seen to facilitate the co-operation and negotiations with business partners. It was also an important necessity for business relations to become long-term, in-depth and more committed. The long-term economic success of a business was likewise considered to be greatly dependent on trustful business relations, like the following quotation shows:

> *"I don't think that trust is a competitive advantage. I think that it's a kind of given thing; it has to be in a good state. If it's not, then you loose. I don't think that the situation in our business is so much better than in other firms that we could benefit from trust".*
> *(Pig meat chain, large business)*

4.2 Commitment to customers

Commitment in business relationships has been argued to be central for all the relational exchanges between a business and its various stakeholders (e.g. Morgan and Hunt 1994). This argument was highly confirmed by the interviewed business owners and managers, as the majority of them emphasised that commitment is an important or vital element in business. Although the essential role of commitment was clearly recognised, it was rather difficult for many interviewees to actually define the meaning of commitment in their own business relationships. Thus, commitment was often understood to equate to trustworthiness and keeping one's promises. In addition to this, continuity, longevity and stability of the relationship were also often associated to the concept of commitment, and this way committed business relations were distinguished from those being based solely on price negotiations. Indeed, commitment in business-to-business research is often based on the very idea of continuance. Dwyer, Schurr and Oh (1987), for example, define commitment as the presence of "…an implicit or explicit pledge of relational continuity between exchange partners", whereas Geyskens, Steenkamp and Kumar (1998) understand commitment as the motivation to stay with a business partner. Committed business relationships were also described by using the words partnership and co-operation. The following quotations illustrate the interviewed business owners' and managers' insights of the concept of commitment:

> *"For us commitment means that even though the prices may fluctuate a little, we still have a clear strategy; we aim to long term collaboration according to our strategy. Thus there are no furious changes just because of the price level or the corresponding demand".*
> *(Pig meat chain, large business)*

> *"I think that the business should be based on long term business relationships and taking care of them".*
> *(Pig meat chain, small business)*

> *"Commitment...we have to be so good that a retailer is satisfied with our products and most of all, the contribution margin she/he gets by selling our products... It's all about continuity, that's all this is based on".*
> *(Rye chain, small business)*

> *"We want to be the best possible co-operation partner for our customers. And what does this mean? It means that we have the ability to positively surprise our business partners in many parts of business operation".*
> *(Pig meat chain, large business)*

For many interviewees it was easier to point out the major factors enabling a committed business relationship. Thus it was often recognised that commitment requires businesses to be familiar with their partners and the ability to understand the needs of the customers and response them in time. Furthermore, honesty, the existence of common interests and a feeling of mutual importance of a relationship were also seen as important prerequisites for commitment. In this sense, an affective aspect of commitment was emphasised by the interviewees. We understand this affective aspect of commitment similar to Kim and Frazier (1997) as the level of unity sensed to be present in a channel relationship. Indeed, studies on commitment in business-to-business relations recognise that affect and continuance are two distinct components of commitment and should also be studied separately (e.g. Kim and Frazier 1997). In addition to these two components, some researchers further distinguish an instrumental component of some form of investment as the third aspect of commitment (e.g. Gundlach, Achrol and Mentzer 1995).

Active and open communication was likewise mentioned as a key element to increase commitment in a business relationship. It was considered especially important that the business partners openly discuss all

the potential abnormalities in their standard business behaviour in order to maintain the level of commitment. It was also recognised that commitment requires the business owners and managers a certain willingness to loosen the control over the business and to share sometimes rather detailed information of the business with their customers. In the context of business-to-business relationships, mutual confiding refers to the extent and quality of bi-directional information exchange. Relationships between firms with a high degree of mutual confiding can be viewed as having intimacy. Relationships that are the most intimate involve the frequent, sensitive and confidential communication with forward-looking information, such that the parties in the relationship can be considerate of their partner's future needs (Stanko et al. 2007). The following quotations exemplify the role of different elements in enabling commitment:

> *"It means that the supplier has to have daily contact with the customer by phone and that communication should be continuous".*
> *(Pig meat chain, small business)*

> *"It doesn't mean that we have to have daily contact with every customer, but very frequent and open communication anyway".*
> *(Rye chain, small business)*

> *"It's continuous interaction. I appreciate that you give feedback, both negative and positive, and keep in contact also otherwise than just giving the order...that you take care of the business relationship all the time".*
> *(Rye chain, small business)*

The majority of the interviewed business owners and managers estimated their level of commitment to the customers, especially to the main customers, being rather high. High commitment was usually manifested as economic satisfaction towards the present customers and unwillingness to make any major changes in the clientele. Ideally speaking, in a committed business relationship the chances of either party switching to another relationship have decreased to the point that alternatives become distant and are not continually compared with the current partner (Scanzoni 1979). Furthermore, commitment in business relationships was often seen as a positive thing with desirable consequences. It should be mentioned though that in some cases commitment was regarded to include some threatening elements, as far as commitment to a certain business partner was thought to limit the possibilities and autonomy of a business. Especially, in a highly integrated and committed chain, it was considered difficult to turn to a new business partner, even though there were some problems in the relationships.

The main reason for investing in commitment was related to the positive things that it was thought to bring along, like certain predictability, which made it easier for the businesses to make important long-range decisions concerning e.g. investments on new machinery or production plants. Also the need for information exchange may actually decrease along with deepening commitment as it was regarded to increase the level of routines in business transactions. In other words, some interviewed business owners and managers thought that in a committed business relation it is possible to trust on the predictability of the business partner, which decreases the necessity of everyday information exchange as the decisions can be made based on existing knowledge. Common business planning was also seen as an important consequence of commitment, as some interviewed business owners or managers stated that the high level of mutual commitment increases the interest of customers towards to the business and its future development. Thus, in committed business relationships the initiative, for example, to product development may actually come from the customer. Common business planning was not always seen as an inevitable consequence of commitment though, since many interviewed business owners and managers considered to have highly committed business relations without any common future planning. The following quotations exemplify some of the reason to invest in committed business relations:

"We have common negotiations concerning the selection and everything else. The retail sector is sure interested in collaborating with the successful business, which is committed to the business relationship. That brings fourth more space for our products in shops and more opportunities".
(Rye chain, medium-sized business)

"We are very committed to our business relations and the initiative for example for product development may come from the customers. Then we can make, since we are a small business, some product to the customer's special needs. That makes the business relationship even more committed, that we can react to the needs of the customer".
(Pig meat chain, small business)

"Of course when we make investments and such, we need commitment from our customers so that we can make investments and create new jobs and develop products".
(Rye chain, small business)

Committed business relationships were also seen as an effective means to maintain the competitiveness and economic success of a business. Thus, according to the interviewed business owners and managers, negotiations between a business and its customers are far more convenient if the business partners are committed to the relationship. Because of commitment, the interviewees thought that it is easier for them to express their own perceptions concerning the co-operation, and what was even more emphasised, the customer has more flexible attitude towards their business in general. In other words, the business relationship with high level of commitment was thought to endure even some minor disagreements between the partners. It should also be mentioned that in some cases commitment was strongly related to dependence, which was considered as a negative phenomenon - especially when the dependence was not thought to be mutual. In these cases, the commitment was actually seen to threaten the existence of the business. The following quotations exemplify, however, the positive role of commitment in business relationships:

"It's easier to do business if the commitment is better. It doesn't mean that you could get any better prices, but taking care of practical things is easier anyway".
(Rye chain, medium-size business)

"And this commitment in general; if you aren't dedicated yourself to something… the competitor will come and overhaul you".
(Rye chain, medium-sized business)

Some elements of more calculative commitment (see Kumar, Hibbard and Stern 1994) were likewise apparent in the empirical data. The small market with a limited number of operators was thought to force businesses, especially the middle-sized and large ones, to invest in commitment, since the customers are really hard to replace due to a low number of potential new customers. The usage of written contracts was in some cases seen a means to force the business partners to commit to each other. The existence of written contracts was however more often seen as a positive element in business relationships, something that increases the mutual understanding of business partners and thus commitment. In some cases written contracts were actually seen as an indicator of the willingness for commitment.

It should be noticed though that surprisingly many interviewed businesses considered the customers' level of commitment being rather poor in their present business relations. Especially some of the small businesses dealing with large retail customers argued that the buying practices used by the retailers (i.e. the buying decisions being made every four months) do not encourage in commitment but rather the business relationships are considered to be based on prices only. Small businesses did however think that the existence of a high quality product, and particularly a special product, increases substantially the in-

terest of large retailers towards smaller producers and has thus a positive influence on commitment. The following quotations illustrate some opinions of interviewed business owners and managers concerning the level of commitment for suppliers and customers:

> *"They [large retailers] are playing with numbers. They don't play with personal chemistry, feelings or anything other than money. If you can't show in four months selling periods that your product has sold a certain amount they are expecting these products to sell… so they are just decreasing your assortment".*
> *(Rye chain, small business)*

> *"I think that the level of commitment has decreased all the time... The relationships are shorter. I think it's because of the franchising groups because they have these four months periods and new price competition for each period".*
> *(Rye chain, medium-sized business)*

The interviewed business owners and managers also considered that the supplier usually has the more active role in creating and maintaining commitment in business relationships. Thus, the supplier is the one that should take the initiative to discussion and communication. The interviewees further thought that the customers do not actively give any feedback concerning the business relationship. Therefore it is the responsibility of the supplier to ask for this feedback, since it was seen to have an essential effect on commitment and relationship development in general. The previous research on commitment in business-to-business relationships has also indicated that commitment does not appear to be equally important for both suppliers and customers. Indeed, empirical evidence exists (e.g. Leek et al. 2002), which demonstrate that suppliers are more concerned about gaining the commitment of their customers in the relationship than vice versa.

4.3 Communication with customers

In the contemporary business world there exists an increasing importance of communication in marketing as the companies are realizing that their most valuable assets are customers and other stakeholders. Communication is the human activity that links people together and creates relationships. Compared to traditional transaction-based marketing, relationship marketing is more communication intensive at each level, therefore the management and monitoring of communicated messages is needed for strategic consistency. (Duncan and Moriarty 1998). Communication can be seen as a formal and informal sharing of information between different chain members, which facilitates relationships between organisations and which makes beneficial outcomes possible. Communication in supply chains is influenced by various factors. Most of these can be allocated into three groups: *communication behaviour* (e.g. readiness and norms), *information quality* (e.g. relevance, accuracy, reliability and timeliness), and *communication tools* (Mohr and Nevin 1990; Mohr et al. 1996). In this research, all of the above-mentioned groups were addressed during the interviews.

There are a lot of different ways to communicate with different customers, some communicate mainly by phone, others meet face-to-face, or use mail, e-mail or fax. Personal meetings, telephone and e-mail were considered the most important means of communication by the interviewees (see Table 2). The interviewees stated that the customer mainly dictates the way to communicate in a business relationship. E-mail and personal contacts are the most important and widely used means of communication nowadays, regardless of the size of the business. The businesses are also getting a lot of feedback from consumers through their web site. E-mail is appreciated as it is easy and quick to use. The usage of the e-mail also leaves a trace of the conversation what is considered mainly positive by the interviewees. The

negative side of e-mail is that due to its easiness it considerably adds the information overflow. Many interviewees consider that today the communication between the business partners happens mainly electronically, as the time is scarce and the business partners can react to an e-mail whenever they have the time. However, more formal documents are usually sent by mail. The ordering mainly happens electronically in the interviewed businesses, but some of the interviewees said that the phone is considered a better way to sell more. If phone selling is left out, the selling lots are getting smaller. As can be seen in Table 2, there are a few businesses that are already using videoconferencing but its importance was still rather minimal.

Table 2. *The importance of certain means of communication*[5].

	n	Mo	Md	x
Personal meetings	23	1	1	1,13
Telephone	23	1	1	1,09
E-mail	23	1	1	1,65
Post	23	3	3	2,70
Fax	23	3	3	2,61
Videoconferencing	10	3	3	3

Previous research shows that managers tend to believe that more information is better (O'Reilly 1980). Lack of information is connected to poor decisions. Based on the producer interviews, communication frequency with the customers differs quite much from customer to customer. Typical is, that most of the businesses do not have any exact plans about the frequency of communication even with their most important customers. The respondents stated that there are some customers that contact the business each week to ask something, and then there are some with whom the business communicates only once a year. There are some customers that want just the deliveries according to regular orders, and at the other end there are customers with whom the business discusses each week. A normal daily or weekly communication with customers mainly concerns information about the raw material, availability, deliveries, quality, prices and such. More strategic issues, such as sales goals or long-term plans, are discussed on a monthly or even yearly basis. If there is something negative in the relationship, that is communicated really quickly, but the positive issues are more often forgotten. In case the business has new products, an intensified communication with the customers is naturally needed. Also in case of new customers, there is a clear need to go through the issues profoundly, i.e. the frequency of communication is high. If there are common projects between the business and its customer, then the communication is intensified too. The respondents stated that the main aim of communication is to keep the customers well informed and happy. Figure 3 illustrates both the actual and necessary frequency of communication in order to maintain a business relationship according to the interviewees. The opinion was not available in all cases (N.A. in the Figure).

[5] On a scale from 1 to 3; 1 = important, 2 = relatively important, 3= not important.

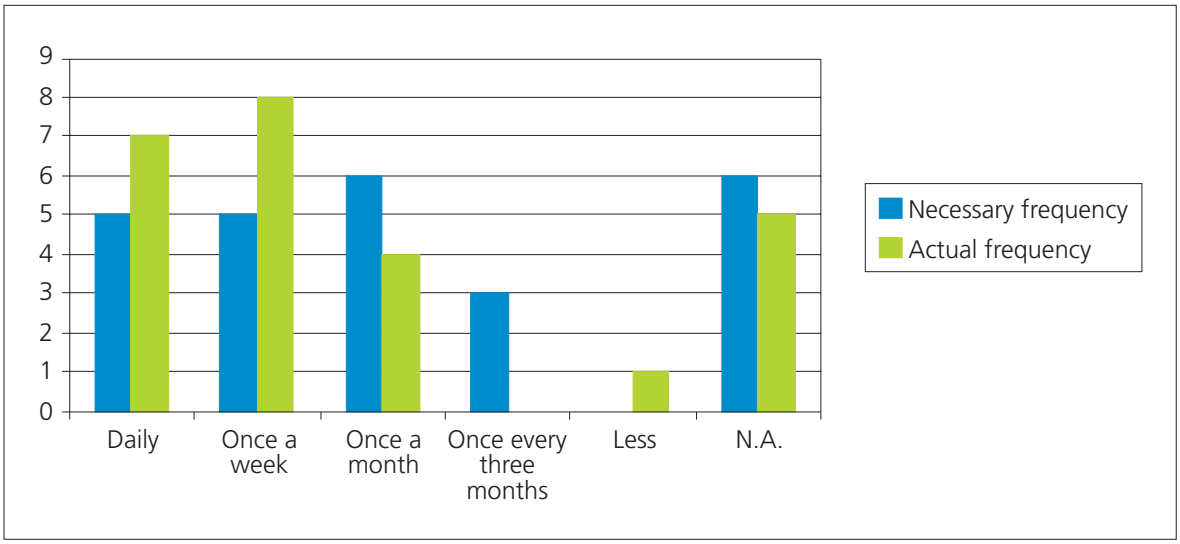


Figure 3. *The actual and necessary frequency to communicate with the customers in order to maintain the business relationship.*

The nature of communication with business partners was also estimated by the interviewees. Not all the business relationships are regarded equally good when it comes to communicating. A common view among the interviewees was that the better the relationship with the customer is, the better the communication. The communication is usually regarded the better the more frequent it is, so it is not just the quality of information received or communicated. Also other kinds of contacts or communication are needed during the year than just giving and getting orders since the relationships must be nurtured all the time. If the business does not actively keep in contact with its customers, the orders will gradually diminish.

Direct, face-to-face contacts with the customers were highly appreciated by the interviewed businesses. Many small businesses have their own deliveries and therefore a continuous direct contact with the customer naturally exists. The interviewees stated that also the customers want to have personal contacts. In these day-to-day direct contacts the business partners usually change information about, for example, consumer feedback, current products, new products, packages, time tables, product presentations, prices, etc. When meeting face-to-face, it is easy to work out even the inconvenient incidents. There is also a possibility to make quick decisions when the business is meeting face-to-face with the customer. However, many interviewees said that the face-to-face contacts with the customers are less frequent nowadays, which was considered as a huge loss. For example, due to a use of webshops and electronic data interchange many direct customer contacts are left out.

If the producer business does not have its own delivery, the use of direct, face-to-face contacts greatly varies. Even though a lot of communication occurs through the information and communication technology (ICT), the role of face-to-face contacts between business partners is still emphasised. Some businesses have their own sales representatives that visit the retail stores approximately once or twice the month. The sales representatives are able to get essential information concerning the consumers' views and needs from the retailers. This is important to many processing businesses if the direct link to consumers is nowadays missing. Some of the most active businesses communicate face-to-face even on a weekly basis with the most important customers. An average frequency is that face-to-face contacts occur every two or three months. In these personal meetings prices, product assortments, campaigns, and demand forecasts are usually discussed. The direct contacts are emphasised especially when planning the future together, as it is seen to be almost impossible to do that over the phone. The minimum

frequency, on the other hand, seems to be that at least once or twice a year the business meets with its most important customers, e.g. for a contract renewal. The following quotes illustrate the interviewees' attitudes towards personal business meetings:

> *"The importance of price as a discussion matter is nowadays lower compared to the situation five years ago. The most important issue is now a product development, so that the quality of products would be equivalent for consumers' wants."*
> *(Rye chain, small business)*

> *"The face-to-face contacts are essential in getting to know the customers and their habits and interests well, but they are getting fewer and fewer due to ICT."*
> *(Pig meat chain, medium-sized business)*

Many of the interviewed businesses say that they do not get enough information from the customers concerning the consumers' views on their current products or cues for new products. If they could get that information more or less automatically, it would make their new product development much easier. Some interviewees stated that there are not that many good or valuable contacts concerning the consumer feedback, but when talking to those that are regularly providing them with essential information, enquiring their perception about the possible future guidelines and development paths is essential. Another way that the businesses usually get consumer feedback is through product presentations in retail stores. It was considered to be a rather good and efficient way of getting the information considering the future product development. The person who is responsible for the product presentations in the stores writes down all the good suggestions or advice heard from the customer or consumers. These notes are later discussed in the meeting together with the processor business. Some interviewees stated that sometimes product development meetings are also held with the customers. The following quote encapsulates what is essential in getting the latest information from the final customers:

> *"It is the crux of this business that you can dig out the important information that keeps you in the know about what is happening in the field."*
> *(Pig meat chain, small business)*

The interviewed businesses considered that the future trends are not always either revealed or understood by the wholesalers and retailers, but the producers have to try to find the weak signals from other sources. Thus a lot of reading of different research results and magazines and such is necessary. The trends in the field are spotted usually from professional magazines or web sites, both national and international. The interviewed small businesses emphasised that most of the research carried out in the field is not directly applicable to many small and medium-sized businesses (SMEs), though a great deal of tailoring is needed. In the end, the interviewees regarded that communicating about future issues is too scarce, maybe due to the lack of personnel. Innovative ideas were believed to surface when planning the future together.

Quite few respondents brought up the issue of trustworthiness of information in business relationships. In the general level, the trustworthiness of the information received from the business partners was estimated very high by most of the interviewed businesses. Also the topicality of information is usually good. However, a filtering of information may be needed, i.e. using one's own brain to estimate the usefulness of information, as there are different interests that drive the business partners.

The information flow in the general level is seen rather overwhelming nowadays, and it was seen that the problem is not getting the information but filtering the suitable information for the application of the business. As there has never been this much information available, some interviewees felt that there is a

danger of becoming numb for the information overflow. Due to this information overflow, for example the e-mails to customers have to be short and concise. The problem of information overload seems to increase in an era of widening communication media and decreasing costs of communication. Thus, all information is often transmitted to the partner without processing. Important information can get lost in the midst of non-relevant messages. Dias (2001) concludes: "Due to the technology advances and the wide dissemination of information, many institutions suffer from information overload and need to apply information management to deal with this information chaos in the digital world." However, many businesses considered that in case of a single business relationship there can never be too much information. Most of the interviewed businesses noted that personalized communication is rather passive from the customer side, even though both the parties were considered equally active in passing general information.

Most of the businesses interviewed for this study did not have any formal customs for getting to know the information needs of their customers. Their needs were usually randomly spotted in a normal change of ideas. Some interviewees stated that the way of defining these needs should be further developed and some actions had been taken already. Many interviewees considered that first of all more personal contacts should be favoured in business relationships, regardless of the use of ICT. That way the needs could be easily figured out. Some businesses indicated that whenever meeting face-to-face with their customers, the business tries to ask what kind of information they would want to receive. One interviewee said that nowadays they communicate with all their customers in a similar manner, but in the future the retail stores were believed to more and more differentiate from each other and therefore more tailoring will probably be needed also when it comes to communication. Many businesses assumed that the customer expects the business to be able to explain certain market mechanisms and thereby forthcoming trends. Thus, the customers are considered to expect that the business would bring value added to their business operations. The processing business has to know its customers well, understand the way they want to do business. The following quote illustrates the situation of one interviewed business in which the issue is taken care very well:

> *"In our quality control system we have a section in which these customer needs are dug out, and customer satisfaction is measured. There is a monitoring of perhaps 40-50 customers constantly ongoing."*
> *(Rye chain, medium-sized business)*

It must be noted though that some of the interviewees considered that by solely listening to their customers does not always lead to the best results possible, since the producer has to follow the prevailing trends and please the consumers. Also keeping up with the recommendations in the field of nutrition was considered essential. The information gathered from the field directs the whole product development process.

The development of electronic communication means is seen to have a huge impact on the increase in the amount of information according to the interviewees, and this has made the information exchange even more demanding as the personal contacts are now more infrequent. However, the interviewed producers consider that not a single 'extra' move is done in vain. Everything must have a reason. The responsibility of getting the appropriate information out of the overwhelming flood is on the producer himself. It must be noted also that ICT was not seen to have an impact on the quality of the information. Therefore being critical is essential. Some interviewees regarded that ICT has changed the communication totally during the last ten years, as, for example, e-mail can be used by customers to ask even small questions that could otherwise be forgotten, and that the similar progress will probably continue. ICT

has also speeded some communication processes, various issues are not chewed over for a long time in the meetings anymore, but they are just shortly e-mailed afterwards. However, there were also some businesses in which ICT was not perceived to have any impact on the communication frequency.

In most businesses, ICT was used in getting the orders from some customers. ICT has not really changed anything, but only speeded up the processing of orders. However, ICT was said to have decreased the amount of a single order lot, but increased the total amount of orders. The use of ICT has increased the desire for the follow-up of purchases by the customers. The customers seemed to trust the processors to keep good record of their purchases as more and more all kinds of statistics are requested. Furthermore, ICT has influenced communication so that even international information is easy to spread, you can circulate it to your main customers. The use of ICT has diversified the information sharing and also deepened it. But as the amount of information has grown, also the reaction readiness has increased. The bottom line is though that the ICT does not solve any problems in communication, keeping the business partners well informed it is more a question of a will. Finally, a typical remark brought up by the interviewees was that the increased ICT has decreased the amount of personal, face-to-face contacts between business partners.

In the general level, the formality of communication is prevalent, as all the different members of supply chains want to keep the information to themselves as far as possible and circulate the smallest possible amount of information in each customer relationship. The information is not always delivered in a regular, day-to-day conversation for example on the telephone, but the business has to go personally to see the customers and kind of dig the information out of them. Some interviewees considered the communication to be rather formal in a sense that the same kinds of issues are discussed over and over again with the business partners. Most of the interviewees stated that the nature of communication is fairly informal in their business relationships. However, the formality of communication was generally seen to be dependent on the persons communicating, but an informal way of communicating is aimed in most businesses.

The current situation in the interviewed businesses is considered rather ideal in case of the level of communication. Some new programmes could be though adopted to facilitate the application of information received. For example the use of videoconferencing will probably increase in the future. However, it was stated that it can never replace the face-to-face contact. Some interviewees considered that there is no special need to change the current communication systems with the customers, but there is always a place for improvement. But due to a lack of human resources in many businesses, the amount of communication is already in its peak. Mostly the businesses would like to meet their customers more face-to-face, at least three-four times per year.

Most of the interviewed businesses considered themselves to be the sender of the information in their business relationships. Some businesses thought that both the partners in a business relationship send information equally. Only one of the interviewees considered himself as a receiver of information in its business relationships. Even though most of the interviewed businesses were mainly senders of information, they perceived it very useful also for their own business. The main reason why the processor usually is the sender was considered to be that the retailers do not see it equally important to provide processors with information as they have so many suppliers. However, a lot of general level information was received from chained retailers, and the processors perceived themselves as the analysers of raw data. The following quote illustrates how one of the interviewees perceived the situation and how they tried to benefit from it:

"As a seller you have to provide the customers with more information than vice versa, and it is wise to emphasise your core competences, the market share, for example."
(Rye chain, medium-sized business)

The quality of information was regarded fairly good among the interviewed businesses, if there are some contacts which are able to see 'the big picture'. Even though the customer does not provide the business with much 'extra' information, there are such well-working systems that the businesses are rather well informed. The quality of information was seen better due to e-mail, for example, as it is now in written, compared to previous system when all the issues were just discussed over the phone. Quite surprising was that the quality of information was not considered dependent on the duration of the relationship, but each customer was seen equally important.

The retail sector is considered to have power in possessing the important information as they do not let their suppliers e.g. to see all the costs that openly. However, the interviewees were not sure whether opening all the numbers would have any meaning for them compared to the current situation. Some interviewed businesses considered that there is a possibility to govern with the right kind of information and not each supply chain partner circulates it freely, but you have to dig. The large players in the retail sector have the power, the SME processors just have to abide by their fate as small businesses they naturally have less power compared to the retailers, for instance. If the customer is large, the weight of its opinions is also more powerful than in case of smaller customers. However, there were also some interviewees that believed that in today's business environment there is no chance to have power over anybody when it comes to information as it is so easily accessible. It is not possible to govern with the information as both the partners are professionals who do not benefit from unfair play. After all, the processors were seen to survive due to a high level of expertise. Information can be powerful if you know how to manage it as a competitive edge compared to the other players in the field. The following quote illustrates a common view among the food processors:

"The retail sector totally has the power, they have the information. It is impossible to get further in the markets if they won't let you."
(Pig meat chain, small business)

5 Summary and conclusions

The aim of this study was to examine the role of trust, commitment and communication in the business relationships in the pig meat and rye chains. They were recognized as vital and intertwined, elements in business relationships. The following chapter provides first a summary of the main findings and second, the conclusions of the research.

5.1 Summary of the research findings

Trust was perceived as a continuous process developing through common history and experiences. Although the emergence and maintenance of trust were often strongly related to the integrity, goodwill and competence of a business partner, this study indicated some essential organizational and product-related preconditions for trust as well. In the organizational level, reputation, certificates and the size of a business were perceived as the antecedents of trust, while a brand image and high quality were the two most important things to contribute trust from the viewpoint of a product. Furthermore, it should be noticed that the written contracts were commonly used to strengthen trust between the business partners, not as a substitute of it.

The role of certificates and the size of a business as the antecedents of trust was, however, not unambiguous. First, it was rather surprising, that product or business certificates were seldom considered as important antecedents of trust. On the contrary, the quality of food products as well as of food businesses were thought to be so well controlled that certificates were not considered to bring any value added to the decision to trust. Second, the size of the business evoked a lot of discussion and divided the opinions. In the general level it could be said that a large business size was often perceived as an indicator of credibility, resources and competence and thereby also trust whereas small size arouse some doubts concerning the trustworthiness of a business.

Although trust was seen as an inherent part of business relationships, it was not, however, perceived as a competitive advantage. Similarly, despite the ever increasing competition in the food market, this competition was not commonly seen as a threat to trustful business relations. The centralization of the retail sector was, however, thought to undermine the role of trust in business relations, especially from the viewpoint of small businesses. It should be further noticed that in many cases trust was discussed by using rather calculative terms emphasising the economic benefits of trust and threats of distrust. So according to our empirical data, it could be argued that in a few cases trust actually evolves past this calculus-based stage to more identification-based trust, with the understanding of other party's desires and intentions. This argument calls, however, for further research.

Commitment in business relations was strongly related to the idea of continuance, economic satisfaction towards the present customers and unwillingness to make any major changes in the clientele. Trust was understood as the main prerequisite for committed business relations. Thus, the research confirms, for example, the views of Moorman et al. (1992), who saw commitment as an essential determinant of trust through the relationship quality. Thus, commitment was perceived mainly as a positive phenomenon with desirable consequences, like more predictability in business decisions and common business planning. It should be mentioned though that in some cases commitment was regarded to include some threatening elements, as far as commitment to a certain business partner, especially in highly integrated chains, was thought to limit the possibilities and autonomy of a business.

It is worth mentioning that although the food businesses considered themselves rather committed to their customers, surprisingly many of them estimated the customers' level of commitment being rather poor. This lack of commitment was especially due to the buying practices used by the retailers and more generally to the customers' more passive role in the business relations. In these cases commitment was strongly related to dependence in the negative ways and commitment was actually seen to threaten the existence of the business. Furthermore, commitment to business partners was not always an affective process, but instead, the calculative elements of the phenomenon were likewise apparent in the data. The small market with a limited number of operators was thought to force businesses, especially the middle-sized and large ones, to invest in commitment, since the customers are really hard to replace due to a low number of potential new customers.

Furthermore, according to this study, unequal effect of determination costs (i.e. all expected losses from termination and result from the perceived lack of comparable potential, alternative partners, relationship dissolution expenses, and/or substantial switching costs) seems to have a certain influence on commitment, especially from the viewpoint of small business owner-managers. This argument needs, however, further examination.

According to this research, it is mainly the customer who dictates the way to **communicate** in a business relationship. E-mail, the phone and the personal contacts are the most important and widely used means of communication nowadays, regardless of the size of the business. E-mail is appreciated because of its easiness and flexibility, while the personal contacts enable more intensive interaction with business partners. The means of communication was evidently related to the nature of information shared. Thus, the operative information was usually communicated by e-mail and the phone, more strategic information was considered to require personal meetings. Face-to-face communication was thought to enable faster decision-making and makes it easier for business partners to clear the possible inconvenient incidents.

Many of the interviewed businesses said that they do not get enough information from the customers concerning the consumers' views on their current products or cues for new products. If they could get that information more or less automatically, it would make their new product development much easier and more efficient. It should be noticed though that according to the food processors, it requires more than communication with the retailers to perceive the future trends in the business but the producers have to try to find the weak signals from other sources, like internet, professional magazines and different researches as well. More importantly, innovative ideas were often thought to require some sort of collaboration between the business partners.

Most of the businesses did not have any exact plans about the frequency of communication even with their most important customers but it differs quite much from customer to customer. The nature of communicated information and the stage of the business relationship have also certain effects on the communication frequency. Similarly, the businesses did not seem to have any formal customs for getting to know the information needs of their customers. On the contrary, their needs were usually rather randomly spotted in the course of normal change of ideas. The research indicates, however, that there is a positive connection between the frequency of communication and the quality of the relationship, i.e. the better the relationship with the customer is, the better and frequent is the communication. Furthermore, it was surprising that so many interviewees thought that the length of the relationship does not have any particular meaning in relation to the openness of communication. Instead, they emphasised that in order to a business relation to be functional it should be based on open communication from the very beginning of the relationship.

Although there seems to be an agreement that in case of a single business relationship there can never be too much information, more generally speaking the amount of information businesses receive every day is somewhat becoming a problem in terms of filtering this information. There is also always a threat of important information getting lost in the midst of non-relevant messages. Although the many advantages and disadvantages of the increasing usage of ICT in communication were clearly recognised, particularly in relation to the ordering process, the development of electronic communication means is seen to have a huge and important impact on the increase in the amount of information.

In any case, the food businesses saw themselves as the senders of the information more often than receivers and also thought that customers, especially the retailers, have the control over the information flows. Furthermore, the results seem to indicate that generally speaking the exchange of strategic information between food processors and their customers is somewhat dependent on the size of a processor. This means that all the large businesses were rather satisfied with the depth of the information exchange while the smaller businesses wished that the customers would share more strategic information with them. Thus, this would be an interesting research topic in the future.

5.2 Conclusions

The research shows the intertwined nature of trust, commitment and communication in the business relationships. According to this study, open communication was considered as an important prerequisite for trust to develop, while commitment between the partners was clearly due to trustful business relations. It should be noticed though that the links between these phenomena are not that straightforward in practice. On the contrary, in order to communication to be open, a certain amount of trust is needed. In other words, people with a high degree of trust are more likely to disclose more accurate, relevant, and complete information (see also Tschannen-Moran & Hoy, 2000). Furthermore, the research also indicated a positive connection between trust and satisfaction with communication, i.e. the more there seems to be trust between the partners, the more satisfied they seem to be with the quality of communication. It should be mentioned though that this does not mean that trustful business relations necessary increase the frequency of communication. On the contrary, this research indicates that the existence of mutual trust may indeed decrease the need to communicate as the decisions of the partner become more predictable. Thus, we argue that the high level of trust can diminish the need to operational communication and similarly can make the strategic communication easier.

The research further illustrated that the size of the business can be an important factor in relation to communication and trust. More specifically, the small size was in many cases seen as a challenge to businesses, as it can be perceived as an indicator of a lack of competence, which can further affect the emergence of trust. Especially in an asymmetrical business relation, i.e. a small business dealing with a large processor or retailer, the difference in size can slow down the development of business relations.

The power in communication is not, however, equally spread in the food chains but it seems to be concentrated particularly on the retail sector. Food processors do not feel that they receive enough information from their retailer customers. Similarly, they consider themselves to have more active role in the communication when compared to their customers. This concentration of power can indeed decrease the effectiveness of food chains as the reciprocal and open communication is an important starting point for innovations to emerge. Furthermore, unequal power distribution can have a negative effect on trust as if the amount and nature of information is not considered comparable.

The research further indicated that although the pig meat chain is more integrated when compared to the rye chain, there are not any major differences between these two chains when it comes to trust and communication in the chains. A possible explanation for this might be in broader contextual factors as in Finland trust is argued to be inherent in business relations. For example, according to Piiroinen, Mäkelä and Niva (2004) the Finns are relatively trusting when compared with other Europeans. It should be noticed though that the empirical data of the study was gathered during the time of economic boom which might partly explain the similarity of the chains studied in this research. Whereas the economic recession can be assumed having different implications for different chains and the determinants of trust. Therefore, more research is needed to explore the role of different contextual factors in the development and maintenance of trust in food chains. As only two chains were studied in this research, it would be interesting to examine the prevalence and nature of trust, commitment and communication in other food chains too.

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