

All we need is trust

Trust in West African Cross Border Networks

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ABSTRACT

This paper aims to develop an understanding of trust in cross border trade networks dominating West African markets. To date most of the literature on trust and network relationships reveal a paucity of studies about West African traders. This paper attempts to address this gap by examining a range of relationships that have evolved as a result of weak formal institutions. Within the remit of this paper, we make an attempt to establish the role of trust in overcoming barriers to the survival of small businesses in West Africa. As this is a development paper, the organisation of this paper is three fold: firstly we commence by examining the topicality of trust from relevant literature. (2) we attempt to bring these conceptualisations to bear by examining the various complex economic and social relationships that shape cross border trade.(3) our discourse will be elucidated with the case of twelve traders operating between Nigeria, Ghana, Benin and Bukinafaso.

Topicality of trust

Trust as a concept in understanding social relationships has become fashionable. This is as a result of the generated interests from scholars across disciplines. For example, Zolin *et al.*, (2011) examined the role of trust within venture capitalists; Fink and Kessler (2010) explored the role of trust in the internationalization of SMEs; Lyon and Porter (2007) highlighted the role of trust in exploring moral economies of food systems, while Tillmar (2006) examined the precondition for trust formations between Swedish and Tanzanian entrepreneurs. Related studies have also highlighted the relationship between institutions and entrepreneurship for instance Bachmann and Inkpen (2011) draw attention to the role of institutions in trust development; Amoako and Lyon (2014) examined alternative institutions shaping SME trust relationships; Zaheer and Zaheer (2005) explore trust in international collaborations while Fafchamps (2004) and Dietz *et al.*, (2010) make a case for trust in the face of institutional uncertainties. While most of the research on trust has been centred on a western model perspective (Mayer *et al.*, 1995); the need to capture its contextual meaning becomes imperative. Continuing in this vein, we aim to tackle a substantive issue which takes place within the 'informal sector' of an emerging market economy. The West African informal trade sector is characterised with incomplete markets for credit, imperfect information, and weak formal institutions (Smith and Luttrell,1994).Over the years, local traders have responded to these features by drawing on alternate institutions forms operating parallel to the inefficient formal system. The social structure of these hybrid institutional forms is embedded in strong network ties based on religion, linkages to kinship, ethnic groups and memberships in cooperative associations aimed at exploiting opportunities (Perbi, 2004; Amoako and Lyon, 2014).

Accordingly, Granovetter's (1973) typology divides network relationships into strong and weak ties. Strong ties linked to kinship, religion and ethnic groups provide rich and time specific forms of resources to the local traders, while the strength of weak ties drawn from acquaintances are seen as investments to the access of new business information and new ideas (Granovetter, 1973;Uzzi, 1997; Drakopoulou-Dodd,2011).The importance of these networks decreases transaction costs by providing reputation information about members, while providing a means for price negotiation and agreement enforcement (Lyon, 2003). Hence, the notion of trust development in network relationships promises benefits which are functionally important to the continuance of cross border trade. This

perspective lends credence to the role trust plays in complementing network relationships (Anderson *et al.*, 2007; Welter, 2012) and the constraints associated with gaining access to foreign markets (Child *et al.*, 2002; Child and Rodrigues, 2004). In this vein, we push that the importance of taking trust seriously stems from its unique institutional and cultural embeddedness. This is consistent with the notion that trust is context dependent (Zaheer and Zaheer, 2005; Dore, 1987). Given the critical links of trust to cross border networks, the need to explore the potential complexities of this phenomenon becomes important.

Within the scope of this paper, we adopt an interpretivist approach in response to calls for qualitative studies on entrepreneurial networks (Jack, 2010). Face to face semi structured interviews with 12 traders active in cross border trade was conducted towards providing insights to the strengths and breadth of these networks. Against this background, the structure of our potential full paper would be as follows: In the first section, we would aim to briefly define the trust construct and provide a preliminary indication of the relationship of trust to cross border trade. In the second section, we examine the institutional embeddedness of international entrepreneurial behaviour and the extent through which trust is developed in cross border trade. Section 3 presents our methodology and also provides a description of the West African border region. Within these sections, we seek understanding of this phenomenon by putting forward the following research question:

RQ1: What is the role of trust in cross border trade networks?

RQ2: What are the types of trust needed in cross border trade?

Conceptualising trust

While literature on trust research remained unpopular, the 80's saw an increased interest in trust research from prominent researchers across disciplines. However, a lack of convergence in defining trust has led to several interpretations of this construct. Zucker (1986) offers an influential definition of trust as a set of expectations shared by all parties involved in an exchange. Consistent with this definition, Mollering's (2006) defined trust as a reflexive process of building on reason, routine and reflexivity thereby suspending all uncertainties and social vulnerabilities by maintaining a positive expectation towards the intentions of the other party. Similarly, evidence from scholarly research reminds us that trust includes the intention to accept vulnerabilities based on the positive expectations of the other party (Rousseau *et al.*, 1998; Misztal, 1996; Blomqvist, 2002). Across the above definitions the recursive element '*expectation*' highlights a certain degree of convergence. To advance our understanding of trust we would draw from the definition of trust in *Igbo* one of the common languages spoken in West Africa. We broadly define trust referred to as *ntukwasi obi*- which is the willing confidence and belief towards a positive expectation. Further, we adopt the stance that trust reduces the expectation of opportunistic behaviour (Bromiley and Cummings, 1995; McEvily *et al.*, 2003) and is an essential lubricant to cross border trade. Although uncertainty, vulnerability and the possibility of avoiding risks are preconditions for trust to exist (Blomqvist, 2002), trust develops as people acquire knowledge of each other. We concur that trust building is predicated on the degree of personal embeddedness between traders and an outcome of a process. For instance, previous experience fosters trust building relationships which are emergent through repeated ties (Gulati, 1995; Mollering, 2006).

Table 1 presents a review of trust definitions across literature.

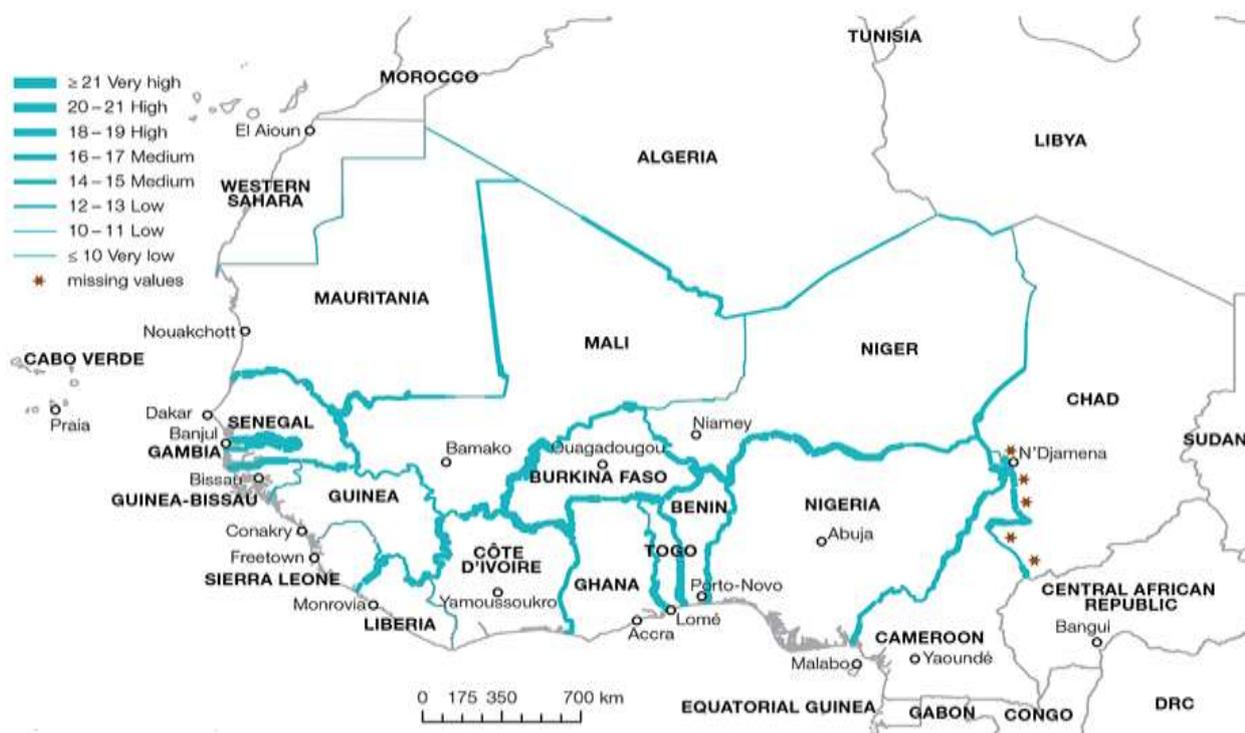
Trust definitions

<i>Author</i>	<i>Definitions</i>
Anderson <i>et al.</i> ,(1987)	Trust is the extent to which relationship is based on mutual trust in order to accept short term dislocations with the expectation of balancing out in the long term.
Baier (1985)	Trust is defined as an accepted vulnerability towards another party's goodwill.
Bromiley and Harris (2006)	Trust is a non-calculative belief in a party's honesty in negotiations, good-faith and ability to adhere to commitments devoid of opportunism.
Dasgupta, P.(1988)	Trust is the dispositional capacity, motivation and the extent to which the trustor awards importance to his honesty.
Gambetta (1988)	Trust is perception of the subjective probability that an agent assesses that the other will perform a certain action without been monitored.
Hardin (1993)	Trust is primarily defined as the dispositional capacity of the trustor towards the trustee.
Lyon (2005)	Trust is emergent from personalized sources embedded in social networks and generalized norms of morality.
Mayer <i>et al.</i> ,(1995)	Trust is the willingness to be vulnerable to another party based on the trustor's propensity and perception that the other party can also be trusted.
Rousseau et al.(1998)	Trust is a psychological state which includes the intention to accept vulnerabilities based on positive expectations.
Zucker (1986)	Trust can be defined as a set of expectations which is shared all involved in an exchange.

As in other business relationships; trust building in cross border market activities requires a commiserate level of reciprocity. In this stem, Zucker's (1986) influential seminal work draws our attention to the production of trust. In her view, an adequate analysis of the informal mechanisms of trust is centred on local understandings such as 'norms of reciprocity'. This distinct recognition signals that trust is based on the expectation that the trustee would behave in a way that is benevolent. Although we agree that trust is important to the continuity of social relationships, the recognition of its multifaceted nature informs the social experience of cross-border traders. Lewis and Weigert (1985) point to the distinct cognitive, emotional and behavioural dimensions of trust which supports this argument. In their view, the cognitive element of trust is characterised by a cognitive leap which transcends the expectations that reason and experience would warrant. They argue that although the cognitive content of trust is a collective cognitive reality present in all forms of trust, the choice of who is trusted constitutes evidence of trustworthiness. In this vein, familiarity becomes a precondition for traders to trust or distrust as prior experience becomes a necessary condition. This cognitive element of trust is more extensive in the building of trust relationships of secondary trade groups. Further, as trust among traders is rooted in a wider societal context, the emotional element of trust draws on bonds of kinship, ethnic or religious ties which creates an intricate form of social investments. This becomes important as distrust would create or amplify an emotional outrage of betrayal which affects stability of relationships. The emotional content of trust is predominant in primary group relationships that exist between cross border traders. Accordingly, the practical significance of the behavioural dimension of trust lies in the confident expectation that the traders would behave in a benevolent and complementing way (Lewis and Weigert, 1985; Barber, 1983).This assumes that in West African context where formal contracts cannot be enforced, traders become disposed to trust when trust is reciprocated by trade partners. Against this background, we conceptualise that trust is a product of mutual relationships between traders rooted in

the interpretation of cognitive, emotional and behavioural experiences. Another salient point relevant to this study is the role of distrust. Although we point out that the institutional form of trust allows traders to build confidence without personalised relationships (Lyon and Porter, 2007); it also allows traders to respond to the negative consequences of distrust. This is grounded in the fear of being punished for violating trust. For example, trust violations would stifle mutual support and information sharing amongst actors. These violations may be rebuilt through timely interventions which include taking responsibility by rendering apologies. Other strategies for trust repair may include a reaffirmation of commitments, interests and goals of the relationships. Both parties may also resolve to deter possible misunderstandings (for details see Lewicki, 2006).

Figure 1: Cross Border Cooperation Potential

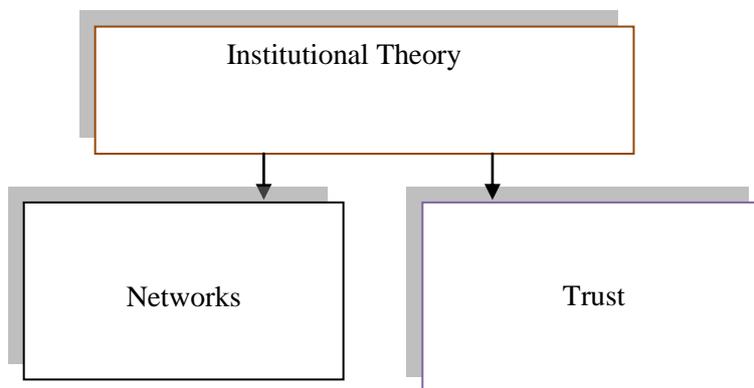


Source: OECD/SWAC (2017)

Theoretical background: *The use of institutional theory.*

A key objective of this research is to provide a richer understanding by drawing on an institutional theory framework to address the complex phenomenon of trust in cross border networks. In this vein, the study adopts trust as embedded in social norms and networks (Jack and Anderson, 2002; Lyon, 2000). Notably, there exists a complex relationship between traders and their institutional context. The institutional environment influences their entrepreneurial process in subtle but pervasive ways by impacting on their decision making processes (Scott, 2002; Bruton *et al.*, 2009). Further, institutions define the nature of cross border relationships while providing incentives available to entrepreneurs (North, 1990; Shane, 2000). In the context of West African traders, they may rely on hybrid institutions to build and repair trust. Hence, cross border trade is embedded in social relations.

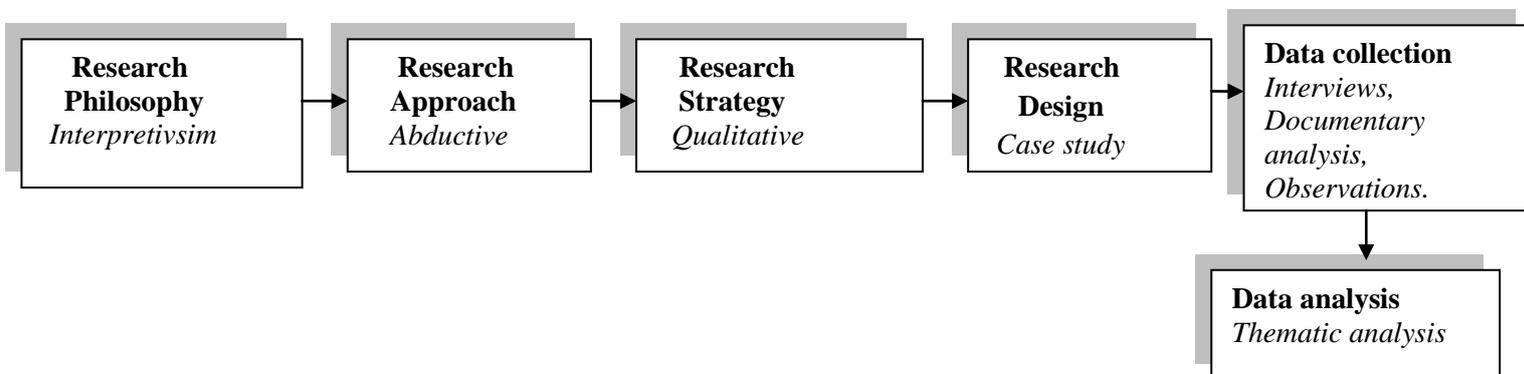
Figure 1. Layout of theoretical background



Methodology: Justification

Building on the complementarity of the above questions, an interpretivist philosophical espouses the perceived multiple mental constructions shared among cross border traders. This becomes important as this study attempts to explore how societal influences such as embeddedness (Granovetter, 1985) shape the perspective of cross border traders. The study also adopts the implementation of a qualitative research carried out in the form of case studies. There were in-case and cross case analysis to identify the peculiar processes as well as the commonalities across the cases. Furthermore, the comparison of the various cases provides for a clearer analysis of explaining issues of trust as it shapes cross border trade relationships. In addressing the key research questions, the empirical component of this study focuses on 12 traders drawn through a purposive and theoretical sampling process. The choice of traders as the unit of analysis stems for the fact they are tasked with the key decision making process. Data was collected using iterations of semi-structured interviews conducted in the summer of 2017. The study also adopts the usage of thematic analysis to organize data towards understanding key decision making processes This becomes essential as it interprets various aspects of the research questions, while describing data in rich detail (Boyatzis, 1998). Iterations helped in exploring emergent themes towards improving the validity of the research. Lastly, the consideration for limiting bias was minimised through documentary analysis, observing market relationships and informal discussions (Lyon and Porter, 2009).

Figure 2. Overview of methodology



Contribution of research

Taken more broadly, this study seeks to examine the relationship between cross border traders located between and Nigeria, Ghana, Benin and Burkina Faso. The focus on West African border markets addresses the issue of institutional void, a focal characteristic of developing countries. This is very important as formal institutions are under-developed and play a subordinate role in cross border trade. Accordingly, due to the paucity of formal institutions in developing economies, the role of networks takes an increasing importance. The economic benefits of networks are evident in cross border relationships as they provide access to information and social status for financial support. Our findings further draw attention to the fact that obstacles are overcome through strong embedded networks drawn on kinship, family and associations; while informal institutions have emerged to fill the void of formal institutions. From a practitioner standpoint, this study establishes how trust may impact cross-border trade. In line with this perspective, this development paper underscores the potential gains of trust in economic relationships, addressing concerns where contracts are not enforceable. It reveals that the development of cross border trade between networks is dependent on the importance of trust.

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