

# **RESEARCH ARTICLE**

# DETERMINANTS OF TRUST ESTABLISHMENT SUCCESS IN BUSINESS RELATIONSHIP (CASE STUDY OF FAB ENTERPRISES)

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#### Abstract

..... FAB ENTERPRISES is a fourth party logistics (4pl) type logistics company that has successfully collaborated with large companies such as PT.Cerestar Flour Mills & PT.Harvestar Flour Mills, PT.Samudra Indonesia, PT.Alam sejati, CV.Sakinah, PT. Serunting Sriwijaya, and PT. Berlian Manyar Sejahtera. The collaboration is based on strong trust in business relationships between FAB ENTERPRISES and all of its business partners. Based on this, the purpose of this study are to: 1) explore the process of establishing trust in business relations between fab enterprises and its business partners; and 2) exploring the factors that determine the success of establishing trust in business relations between fab enterprises and its business partners.the type of this research is qualitative constructionistic. The research data was collected using interview, observation, and documentation methods. The data is then analyzed using qualitative analysis techniques consisting of 3 stages, namely familiarization, meaning, and data transcription.the results showed that trust in business relations between fab enterprises and its business partners was formed through a process that refers to the elaboration of 3 models, namely elaboration likelihood model, heuristic systematic model, and theory of planned behavior. The establishment of trust between fab enterprises and its business partners is determined by a number of factors, including: (1) speaking the way it is and creating transparency; (2) show respect and show loyalty; (3) straighten out mistakes and fulfill commitments; (4) listen first and give trust; (5) clarifying expectations and providing results; (6) confronting reality and making improvements; and (7) practicing accountability.

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Introduction:-

The development of the global economy encourages the increament of business innovation, both for companies that are producers of finished products and companies that provide production support services, such as logistics companies. The logistics service provider company is basically always associated with the necessity of asset ownership for logistics operations, but with the presence of business innovation, the assumption is increasingly shifted with the existence of a logistics business model called fourth party logistics (4PL).

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Fourth party logistics (4PL) is an integrated logistics service provider. Its function is to provide supply chain members with customized services based on the coordination of logistical resource mobilization from various companies. This model is defined as a "Supply Chain Integrator" that handles and manages the resources, capabilities and technology of its organization by completing service provision (Gattorna, 2003).

The main characteristics of companies engaged in the logistics industry which is in the position of 4PL are not concentrated in the ownership of assets or warehouses, but rather focuses on solutions, systems and software management. This characteristic is clearly attached to the FAB ENTERPRISES, which is a company engaged in the service sector that serves logistic, trading, supply chain and consultant services, that running its business with unique character and governance. With a quite extensive and large business scale, this company is controlled only by 4 human resources personnel. However, FAB ENTERPRISES is able to facilitate the demand for logistics, trading, supply chain services and consultants from both international companies and national companies. The owner and founder of the FAB ENTERPRISES was a sailor with20 yearsworking experience in various national and international companies, both as executives and management.

The uniqueness of the FAB ENTERPRISES as the object of this research lies in its success in cooperating with large companies even though FAB ENTERPRISES is considered as a new player in the logistics business with a different business model from most other logistics companies in Indonesia. One of the successes of FAB ENTERPRISES is when the company managed to get a projects from PT.CERESTAR FLOUR MILLS & PT. HARVESTAR FLOUR MILLS in just 4 months with just 3 meetings. In addition, FAB ENTERPRISES also successfully cooperates with large companies, such as PT. Samudra Indonesia, PT. Alam Sejati, CV. Sakinah, PT. Serunting Sriwijaya, and PT. Berlian Manyar Sejahtera as its logistics vendor to carry out logistical activities in the project from PT. CERESTAR & PT. HARVESTAR.

The success of the cooperation between FAB ENTERPRISES and its various business partners is based on strong trust. Trust is an important prerequisite in a business interaction. Trust can become the basis for a company to conduct business transactions with other companies. Business transactions will not occur if the threshold of trust is not reached among the parties that engaged in a business relationship(Spector and Jones, 2004; Blumberg, 2001; Mentzer and Min, 2000; Klein-Woolthuis, 1999).

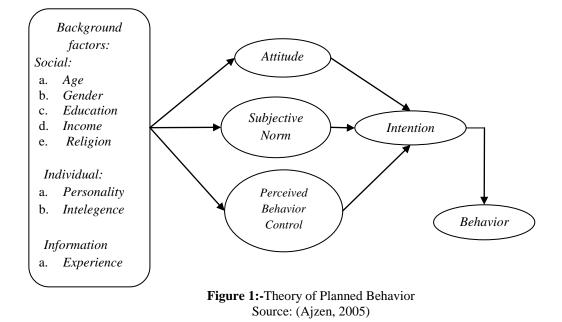
Based on the overall explanation above, the formulation of the problems studied in this research include: 1) How is the process of establishing trust in business relationshipbetween FAB ENTERPRISES and its business partners? and 2) What factors determine the success of establishing trust in business relationshipbetween FAB ENTERPRISES and its business partners? In accordance with the formulation of the problem, the objectives to be achieved from this study are to: 1) Explore the process of establishing trust in business relationshipbetween FAB ENTERPRISES and its business partners; and 2) Exploring the factors that determine the success of establishing trust in business relationshipbetween FAB ENTERPRISES and its business partners; and 2) Exploring the factors that determine the success of establishing trust in business relationshipbetween FAB ENTERPRISES and its business partners; and 2) Exploring the factors that determine the success of establishing trust in business relationshipbetween FAB ENTERPRISES and its business partners.

#### Literature Review

#### **Theory of Planned Behavior**

Theory of Planned Behavior (TPB) is a theory that studies behavioral formation models that were first developed by Icek Ajzen and Martin Fishbein in 1967. This theory was originally called Theory of Reasoned Action (TRA), which was later refined by adding the concept of Perceived Behavioral Control (PBC) becomes TPB. The improvement to the TPB was based on the shortcomings found in TRA, that TRA cannot measure controlled forms of behavior. TRA is only applicable to general conditions and does not apply to special conditions where behavior can sometimes not be realized due to lack of control over certain factors (Ajzen, 2005).

TPB is a conceptual framework that is used to examine individual behavior, which allows to know the factors and rational considerations that influence individual decisions (Kumar, 2012). *TPB has several objectives, namely to: 1*) *Understand and estimate the influence of intentions on behavior; 2*) Obtain a foundation for formulating a behavior change strategy; and 3) Provide an overview of the process of forming behavior (Ajzen, 2005). The TPB model developed by Icek Ajzen and Martin Fishbein can be seen in the picture below:



The TPB model above shows that a person's behavior is influenced or based on the intention to behave. The intention is assumed to be determined by three factors, namely attitude, subjective norm, and perceived behavioral control. Attitude factor refers to attitudes that are based on positive or negative perceptions of the consequences of behavior. The subjective norm factor refers to the social values believed by the community, which puts pressure on individuals to behave in accordance with that value. Perceived behavioral control relates to awareness of the factors that might influence the realization of individual behavior. In addition, background factors indicate that each individual has different characteristics of his social environment such as age, gender, education, income, religion, intelligence and experience that can show a variety of issues or information that affect the individual's beliefs (Ajzen, 2005).

#### **Elaboration Likelihood Model**

Elaboration likelihood model (ELM) is one of the persuasion theories which is part of dual process theory, which proposes a difference between policy factors and other factors that determine individual attitudes. According to ELM, attitudes can be modified by persuasion from the results of the elaboration process of thinking on a problem or thing that is faced. The process and consequences of persuasion can vary depending on the amount of thought involved(Petty & Cacioppo, 1986).

The main construct in ELM is elaboration of thought, which not only determines the type of attitude that is formed as a result of persuasion, but also determines how strong the attitude is (Petty & Krosnick, 1995). This concept is a reference for the formulation of persuasive communication strategies that are generally applied in various activities, such as social marketing, advertising, mass media communication, and health communication (Brinol & Petty, 2015).

ELM is a theory initiated by Petty & Cacioppo (1986), which states that the process of changing attitudes needs to consider the mediating factors of the persuasion process, namely weight (valence) and the number of messages related to cognitive response. ELM is based on 7 thoughts on attitudes, namely: 1) Humans actually have an urge to adopt the right attitude; 2) Even though humans want to adopt the right attitude, the number of relevant issues that individuals need to evaluate messages related to attitudes varies between individuals. In this case, individual motivation and abilities will be very decisive; 3) Variables that affect the number and direction of attitudes can be: persuasive arguments, route pheriperal, and individual motivation and abilities; 4) Variables that affect motivation and ability to process messages can affect the desire to change attitudes, both positive and negative; 5) If motivation decreases, peripheral routes are needed. Conversely, if motivation increases, peripheral routes are no longer needed; 6) The variables that influence the process of forming attitudes will have a negative or positive impact on

motivation, and 7) changes in attitudes that result from arguments that are relevant to the topic will have a change effect that can better predict behavior rather than attitude changes obtained from peripheral routes.

#### Heuristic Systematic Model

The concept underlying the Heuristic Systematic Model (HSM) is the need for individuals to receive correct information as a basis for determining the appropriate attitude. This can be realized if verification of information received through two types of verification processes, namely heuristic processes and systematic processes. According to Eagly and Chaiken (1993), the heuristic process is "a limited mode of information processing that requires less cognitive resources", while a systematic process "involves a much more comprehensive effort to analyze and understand information.

The heuristic process is a process of verifying information that is widely used by individuals wants to make a quick decisions and based on simple considerations. Examples of considerations used in heuristic processes are statistical data, length of messages or information, or reliable sources of information. Systematic processes involve deeper, more careful and more thorough analysis than heuristic processes, resulting in a more permanent attitude than the attitude generated through heuristic processes. Nevertheless, both processes can also be used simultaneously by individuals according to the information needs that they want to fulfill (Griffin et al., 2002). Information verification is done by referring to two types of motivation, namely defense motivation, which is the drive to maintain a certain attitude, and impression motivation, which is the drive to accept attitudes so that individuals can be socially accepted by their environment (Eagly and Chaiken, 1993).

#### The Concept of Trust

Trust is a concept that is related to attitude (Murphy and Blessinger, 2003; Kim and Tadisina, 2003). According to Rotter (1967), trust is the belief that a person's word or promise is true and that the person will fulfill his obligations in an exchange relationship. The definition of trust by Mayer et al. (1995) is the willingness of someone to be sensitive to the actions of others based on the expectation that other people will take certain actions to those who trust them, regardless of their ability to monitor and control them.

Trust cannot grow directly, but must go through a long process involving the influence of various factors. According to Lewicki and Bunker (1996), there are at least 4 main factors that are dominant in influencing trust formation, namely personality predesposition, reputation and stereotype, actual experience, and psychological orientation. The first factor, namely personality predesposition is a factor that refers to the tendency of individuals to give confidence to certain parties, where the higher the predesposition will form stronger trust. The second factor, namely reputation and stereotype is a factor that refers to the cause of the emergence of trust because of the existence of a positive image or reputation that raises hope for trustworthiness. The third factor, namely the actual experience refers to things that are experienced directly by someone that become the basis of considerations to believe or not to believe. The last factor, namely psychological orientation refers to the suitability of characteristics in the hope of being able to create a strong belief in social interaction.

Trust that formed in a relationship or social interaction can have various forms. Lewicki and Bunker (1996) mention three types of trust that exist, namely calculus-based trust, knowladge-based trust, and identification-based trust. Calculus-based trust is trust that appears as a result of a comparison between the potential benefits and potential losses when giving trust. In a sense, this type of trust simply depends on the reciprocal balance between the parties that interact. Trust will be formed when the party giving the trust feels that they get a reward or benefit commensurate with the trust given. Conversely, trust will not be formed if the results of the comparison show that the benefits to be obtained are less than the trust given.

The second type of trust is knowladge-based trust, which is a type of trust that is formed based on knowledge of information about a trusted party. This type of trust has the potential to always develop or change from time to time based on the results of the latest knowledge that is owned, in accordance with the pattern or repetition of the interactions carried out. The third type of trust is identification-based trust, which is a belief that is formed based on the similarities in certain characteristics, such as similarities in terms of needs, choices, or preferences. This similarity creates mutual understanding that underlies the formation of trust. This type of trust generally occurs between members in a group or family (Lewicki and Bunker, 1996).

As mentioned earlier, that trust is not an instant thing. Trust is formed through a process with many factors that influence it. In practice, the process of forming trust can start from many things, but theoretically, Yee & Yeung (2002) and Huff (2000) state that the initial stage of trust building is "generalized expectation of individual's characteristics". The next stage is "confidence in the exchange partner's reliability and integrity" (Adler, 2001). Further stages of the formation of trust according to Mayer et al. (1995) is an action, which is interpreted as "the willingness of a party to be vulnerable to the actions of another party". According to Singh and Sirdesmukh (2000), the next stage of forming trust is evaluation of actions carried out based on trust to determine loyalty. If one party feels that the party believed to have integrity can be trusted, then this can encourage the formation of loyalty. Conversely, if the party that is trusted cannot fulfill the trust given, then loyalty will not be formed and can even eliminate the existing trust.

#### The process of forming trust can be seen in the picture below:

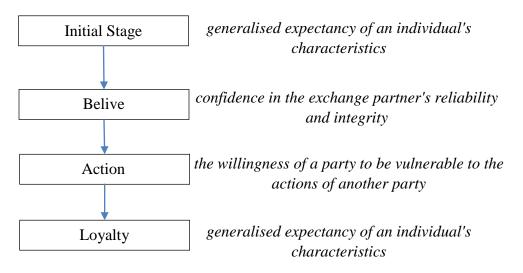


Figure 2:-Trust Forming Process

Trust that has been formed can be measured based on four indicators proposed by Shaw (1997), namely: 1) Exhibiting Trust, that is an indicator that shows the existing state of trust; 2) Achieving Result, that is an indicator that explains the level of trust based on performance in fulfilling responsibilities; 3) Acting With Integrity, that is an indicator that shows consistency between words and actions; and 4) Demonstrating Concern, that is an indicator that explains trust through a form of concern for other parties.

Trust is a basic foundation that must be exist to build a strong and long-term business relationship. At least there are 7 business practices that can shape trust, namely: 1) Speaking as is and creating transparency; 2) Showing respect and showing loyalty; 3) Straighten out mistakes and fulfill commitments; 4) Listen first and give trust; 5) Clarifying expectations and providing results; 6) Confronting Reality and Becoming Better; and 7) Practicing accountability (Fauziah, 2013).

## **Research Methodology:-**

This study uses a qualitative approach, namely research that involves the conceptualization process and results in the formation of classification schemes (Silalahi, 2009). Qualitative research is inductive-style research, focusing on individual meanings, and aims to translate the complexity of an issue (Creswell, 2007). The method used is constructionistic, which is a research method that unfolds the steps that must be taken so that researchers able to obtain an understanding of the phenomena being studied (Mudjiyanto and Kenda, 2010).

The research was carried out at the FAB ENTERPRISES Headquarters in Sudirman 17 Road of Surabaya-East Java Resident 60131. The informant consisted of management and employee representatives from the FAB ENTERPRISES company, and business partners included PT.Cerestar, PT. Harvestar, PT. Agristar, PT. Samudra

Indonesia, PT. Alam Sejati, CV. Sakinah, PT. Berlian Manyar Sejahtera, PT. Pelindo III and PT. Serunting Sriwijaya, represented by management representatives and employees.

The research data was collected using 3 methods of data collection, namely interviews, observation, and documentation. The interview is the process of getting an explanation in accordance with the objectives of the study through direct question and answer by meeting face-to-face between the interviewers and interviewees, by utilizing the interview guide or even without using guidelines. Observation is a data collection technique used to collect research data through observation made by researchers (Bungin, 2008: 134). The documentation is a data collection technique conducted trhough tracing historical data owned by the research subject.

The research data obtained were then analyzed using 3 stages of qualitative analysis, namely familiarization, meaning, and data transcription. Familiarization is the stage of reading the entire expression of meaning conveyed by the subject to get the general meaning of the information obtained. Meaning is the stage of reading again as a whole to be able to choose or distinguish units of meaning. Data transcription is the stage of re-reading the unit of meaning while checking whether all units of meaning really have relevance to the topic of research (Giorgi, 1999).

#### **General Description of Research Object**

FAB ENTERPRISES is a service company engaged in logistics, trading, supply chain, and consultant. The company which has a head office in Surabaya, East Java, is committed to provides the best quality services and on time through the creation of a safe, comfortable and respectful workforce of hr performance. The long-term target to be achieved by fab enterprises is to become one of the companies that contribute to the government's efforts to improve the people's economy through distribution services to meet theneeds of people that reach remote areas at affordable prices (fab-enterprises.com, 2018).

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

#### **Result of the Result**

Based on the results of data collection, it is known that the establishment of trust between fab enterprises and its business partners began when the owner of fab enterprises met with a company engaged in flour production business and wheat importer in 2014. The parties involved in the meeting were the owner of fab enterprises at present, the co-owner and one of the directors of cerestar/harvestar. At the meeting, the owner of the fab enterprises company tried to persuade and explain its background such as experience of approximately 20 years in the field of logistics and shipping industry on a national and international scale, both as operational and management executors.

The background of the owner of the fab enterprises seems become the value added for the director of cerestar & harvestar. This results in the decision of the director of cerestar & harvestar to gave a large project to the fab enterprises based only on 3 meetings conducted during 4 months. In this case, cerestar & harvestar is willing to take risks by giving trust to the fab enterprises to handle the project which was marked by the entry of the mv conti fuchsit vessel to unloads 32,400 tons of imported wheat from ukraine valued at 1.85 billion. This condition is supported by the statement stated by one of the directors of Harvestar as follows:

"....I explained to you, that I believe that Mr. F can collaborate with Hervestar professionally because he sees the background of his work, his experience as a sailor and especially he can communicate with me well...." (Mr. N, director of Harvestar, September 12<sup>th</sup>, 2018)

Based on the results of the interview above, it can be seen that confidence in Mr. N to trust to Mr. F does not occur suddenly, but through an exploratory process. In this case, Mr. N look consider the background and experience of Mr. F, which means Mr. N has made a process of searching for information about who is Mr. F and what can be done by Mr. F as a guarantee that cooperation between the two has a small chance of failure.

Mr. N argues that trust is something that is not directly acquired or has existed naturally. To be able to trust someone or a company, there needs to be a process to be able to obtain that trust. Based on this, Mr. N has given high trust to

Mr. F as the owner of FAB to become a business partner. For five years working together, Mr. N considers that the performance of FAB and its owners are always in line with expectations. This is as Mr. N statement below:

"Trust is earned, if I trust Mr. F he has to be earned. And you earned by performance, is not going to come by people. It has to be by performance, so as each ship come and go, already we have been doing business for the last 5 years. It's already proven you know that this guy is a performer" (Mr. N, Director ofHarvestar, September12<sup>th</sup>, 2018)

Mr. N added, that business relations with FAB were initiated by the existence of individual trust in FAB owners, namely Mr. F. According to Mr. N, Mr. F has all the things needed to be able to serve as a trusted business partner, both in terms of ability, positive self-characteristics, such as being honest, trustworthy, and having integrity or conformity between words and actions. This is as stated by Mr. N below:

"You see, it's not a mathematic thing, it's not mathematics. Sometimes, as a manager we call ourselves objective management, objective management means you use figures, numbers to evaluate your choice. But, in a case of choosing an agent is not purely numbers only, I said performance was translated to numbers, through the numbers I see that he is very up performing but the person in directly, the person trustworthiness, the person speaks and deliver or his words, keeps his promises, and this all good business. So, F has that, so I have more confidence in doing business with him. I let trust him, because in our business you see I tell you my secret when sometimes you come to my room"(Mr. N, Director of Harvestar, September12<sup>th</sup>, 2018)

As already known, FAB ENTERPRISES is a logistic company that carries the 4PL concept, which has the main characteristic in the form of no asset or warehouse ownership as an operational facility, but rather oriented towards providing solutions, systems and software management. Thus, in order to be able to carry out the projects of CERESTAR & HARVESTAR, the FAB ENTERPRISES must establish cooperation with other parties as operational implementers. In this case, FAB ENTERPRISES becomes the party that need to give trust to the vendors to help the process of operationalizing the work provided by CERESTAR & HARVESTAR.

One of the Vendors given the trust by FAB ENTERPRISES is PT. Astarika Stuwarindo represented by Mr. AY as General Manager. As the opinion of previous informants, Mr. AY also has high trust in FAB and its owners. Although the business relationship between the PT. Astarika and FAB still only been established for 2 years, but individually, AY had known the owner of FAB, namely Mr. F, since 2009. Based on the length of friendship between AY and Mr. F, AY knew that Mr. F have positive characteristics, namely high commitment and can be trusted. This has become the basis for the establishment of cooperation between PT. Astarika and FAB as AY's statement below:

"It is started to the issue of personal trust between individuals. There are personal beliefs and indeed there has never been a problem with Mr. Fausta during our friendship and I already know what Mr. Fausta is like, about his commitment, I know exactly any kind of things related to his characteristics. I met Mr. Fausta for the first time was at PT MAF. Then MAF gained the trust of a large wheat mill, which began to open a factory in Gresik. I consider it as an opportunity for me, then I follow up with Pak Fausta and deal, then the term of payment path has been agreed and so on. So Mr. Fausta as the logistics and I became the vendor of Mr. Fausta. Over time, PT MAF turned into FAB which led by Mr. Fausta himself" (Mr. AY, General Manager of PT. Astarika Stuwarindo, September 5<sup>th</sup>, 2018). Because there is already a trust in the begining, so that it flows so smoothly, with Mr. Fausta became the only decision maker in the FAB, I feel more suitable to work with the FAB" (Mr. AY, General Manager of PT. Astarika Stuwarindo, September 5<sup>th</sup>, 2018).

Based on the trust held to Mr. Fausta, AY even dared to take a big risk to cooperate with the FAB without using formal procedures at all. It can be said, even though business cooperation between the two has a very large value, but the agreement formed purely refers to the trust factor alone without the formality such as a written agreement, MoU, or the use of guarantees in each transaction. AY have a high trust in Mr. Fausta that encourage him to become brave enough to take the big risks handling the pressures from the AY company directors. According to AY, Mr. Fausta has never betrayed the trust given and the business cooperation relations between the two have never experienced major problems. AY statement on this matter can be seen below:

"Because this is indeed not small in value, the transaction value is not small, one ship is about 2-4 billion every time there is a ship activity. I am personally convinced that the risk is great, if in any ocassion Mr. Fausta does not fulfill his commitment, then I will suffer for it. Because of the a high trust I put on Mr.Fausta, there is no contract that is legally should available, namely it should go to a notary and so on, there are assets held and all kinds. But I did not do it because I already knew and there were risks. From the start of one ship every three months to four months, then it developed until now. In 2017, almost in every month, there were around three ships with an average volume of around 20,000 tons on average per month" (Mr. AY, General Manager of PT. Astarika Stuwarindo, September 5<sup>th</sup>, 2018).

"Back to the issue of trust, internally my moral burden is high because of pressures from the board of directors, finance, head office and all kinds. Why didn't I follow up with Pak Fausta to make official letters, MoUs, etc.? I did not do that because I maintained good relations, maintained trust between us, I did it because I really maintained good relations, even I was willing to be responsible because that was the risk that I had" (Mr. AY, General Manager of PT. Astarika Stuwarindo, September 5<sup>th</sup>, 2018).

The cooperative relationship between AY companies and FAB is well established because of the intense and regular management of information carried out between AY and FAB. This is stated by AY as follows:

"I know them, know them well. I don't only hold on in Astarika. I am also a GM in three other companies, so I have more commercial activities. For a daily activity with the FAB I delegate to the manager below me, the operational manager. Well, this operational manager is the one who communicates directly with Mr. Fausta's team. I still communicate with Mr. Fausta if there are special cases" (Mr. AY, General Manager of PT. Astarika Stuwarindo, September 5<sup>th</sup>, 2018). "Every ship that wants to enter is informed by Mr. Fausta's team. I always use SOPs, by forming teams with operational leaders, checklists, final checklists of personnel and equipment, making WA groups between Mr. Fausta and Astarika teams. From there I was able to follow any developments, if there were extraordinary events I always took the time to check directly in the field". (Mr. AY, General Manager of PT. Astarika Stuwarindo, September 5<sup>th</sup>, 2018).

Based on a good business relationship between AY and FAB companies, AY also strives to provide the best service to the FAB to gain trust from the FAB. This is stated by AY as follows:

"I have big hopes because FAB has a large volume. Place one manager to contact the company that is considered big to handle specifically, because FAB has a high contribution to my company so I have to handle it myself. I don't want any inconvenience in service so the FAB divides the order with the others". (Mr. AY, General Manager of PT. Astarika Stuwarindo, September 5<sup>th</sup>, 2018).

Opinions from the third external informants, namely AH representing PT Alam Sejati Trans also have similarly with the opinions of other informants. However, AH awareness of the existence of the FAB and Mr. Fthrough a fairly long process. This is as stated in the AH statement below:

"Initially, I worked with PT. Samudra Indonesia, as expedition ship forwarding, loading and unloading or stepdooring. Then I was appointed as the transportation of the goods to the warehouse or factory. We only know eachothers name. When serving Samudera Indonesia with Harvestar, I firstly knew Mr. Agung, who gave orders to provide transportation. At the time of monitoring on the ship or in the Warehouse to provide services to the smoothness of new transport, I was able to meet directly with Mr. Fausta"(Mr. AH, Owner of PT. Alam Sejati Trans, September 5<sup>th</sup>, 2018).

"I knew the name before first finally meeting directly around Perak port. Besides, I heard from several friends about his reputation. This is because of Mr. Fausta's previous background at Expatindo. Furthermore, I was directly related in contact with FAB" (Mr. AH, Owner of PT. Alam Sejati Trans, September 5<sup>th</sup>, 2018).

AH also based his cooperation with the FAB on personal factors from the owner of the FAB, namely Mr. Fausta. According to AH, Mr. Fausta has a good reputation among his friends as a person who can be trusted and has a high commitment in carrying out his work. This is as stated in the AH statement below:

"First, the reason is Mr. Fausta's background. After a direct relationship with Mr. Fausta through the FAB, the visible impression shows that Mr. Fausta is committed" (Mr. AH, Owner of PT. Alam Sejati Trans, September 5<sup>th</sup>, 2018).

"I prefer the personality of Mr. Fausta" (Mr. AH, Owner of PT. Alam Sejati Trans, September 5<sup>th</sup>, 2018).

"My trust in Mr. Fausta, honestly, he can be trusted by a large company, therefore I try to maintain the interests of the Joint. I do not want to provide bad services that can affect the cooperative relationship" (Mr. AH, Owner of PT. Alam Sejati Trans, September 5<sup>th</sup>, 2018).

"There is no agreement in writing with him. There is not even a formal work order because no problem has ever arisen" (Mr. AH, Owner of PT. Alam Sejati Trans, September 5<sup>th</sup>, 2018).

Business relations between AH companies and FAB have considerable value and are carried out regularly. Therefore, both AH and FAB try to establish communication patterns to maintain clarity and consistency of information and to avoid misinformation in their business activities. This is as stated in the AH statement below:

"We already have our own team and have been informed about the order to be carried out, even though sometimes Mr. Fausta is not so sure about the team. If he is not sure, Mr. Fausta will always contact me to make sure the team is ready on request. In addition, we also carry out joint handling by ourselves" (Mr. AH, Owner of PT. Alam Sejati Trans, September 5<sup>th</sup>, 2018). "There is no agreement on paper or MoU. Commitment is the principle held" (Mr. AH, Owner of PT.

Alam Sejati Trans, September 5<sup>th</sup>, 2018).

"Clarify by meeting directly because there are interventions from parties other than Mr. Ayub and Mr. Fausta" (Mr. AH, Owner of PT. Alam Sejati Trans, September 5<sup>th</sup>, 2018).

"Looking for the sources of information by asking directly to those concerned because of direct personal cooperation relationships. "I don't know the party who came to intimidate, I only believed in Mr. Fausta" (Mr. AH, Owner of PT. Alam Sejati Trans, September 5<sup>th</sup>, 2018).

Communication between AH companies and FAB is carried out by referring to the principles of openness and reminding. This can be seen from the AH statement below:

"By reminding each other and clarifying.Maintain business ethics with anyone including PT Astarika who gave orders to PT Alam Sejati" (Mr. AH, Owner of PT. Alam Sejati Trans, September 5<sup>th</sup>, 2018). "From the beginning I considered that commitment was something that could be held during cooperation. If he doesn't match, then he says that it doesn't fit, just how to negotiate, even though I don't have the documents, papers, letters, or signatures I remember. I once forgot about the cost, I forgot and he reminded me"(Mr. AH, Owner of PT. Alam Sejati Trans, September 5<sup>th</sup>, 2018).

Based on a well-established business relationship between Mr. AH companies and FAB, Mr. AH plans to maintain good relations with the FAB even though Mr. F is no longer the leader of the FAB. This is as stated in the Mr. AH statement below:

"I will continue to maintain good relations with the FAB even though Mr. Fausta retired or died" (Mr. AH, Owner of PT. Alam Sejati Trans, September 5<sup>th</sup>, 2018).

In line with the statements from the previous informants as the recipient of the trust from FAB, the team from PT. BMS also expressed the same opinion, where their trust in Mr. F or FAB was based on information from their parent company namely PT. Berlian Jasa Terminal Indonesia (BJTI) which states that Mr. F has a pretty good reputation, therefore, the team from PT. BMS followed up the information into a cooperation. This condition is reflected in the interview passage as follows:

"Because we did not have marketing at first, so because of that, when we met with Mr. F at the beginning, several people came together. We did not know FAB at all, or Mr. F at that time, but we have already received information if he have a ship, the ship that transport wheat blah..bla..bla ....., then after that, through BJTI, we meet Mr. P who gave a lot of information related to Mr. F from FAB". (Team of BMS, September 20<sup>th</sup>, 2018)

The above statement proves that trust formed between FAB and PT. BMS was first started with the seeking information activities from the both sides and based on references from the parent company. This is reflected in the interview excerpt as follows:

"If the one who talk is BJTI, we dont have other options beside to believe it ... means, it is the matter of guarantee provided by BJTI, not from the client.....". (Team of BMS, September 20<sup>th</sup>, 2018).

After the trust is formed based on the reference of the BJTI, there was a work activity from the FAB facilitated by BMS, and a personal introduction was occured after that which strengthened the trust from BMS to FAB.

In addition to taking data from external FAB, researchers also conducted interviews with FAB employees. One of FAB employee, namely CK who served as deputy director of the FAB ENTERPRISES, stated that the trust from business partners towards FAB ENTERPRISES was primarily based on the performance of FAB's leaderwhich is in accordance with the expectations from the business partners. This underlies the creation of a long-term business relationship between FAB ENTERPRISES and all of its business partners. There are no business partner has ever broken a cooperative relationshipuntil now. All FAB ENTERPRISES business partners are always satisfied with the high quality services provided by FAB ENTERPRISES. Personally, CK states that the characteristics of the owner, namely Mr. F, are the main factors that encourage the creation of trust from business partners. According to CK, Mr. F is a good, responsible and trustworthy leader.

The same thing was stated by NG, namely research informant who served as operational staff at FAB ENTERPRISES, that FAB ENTERPRISES had a good relationship with all of its business partners. Regarding the trust of business partners towards FAB ENTERPRISES, NG argues as follows:

"FAB partners have good judgment and have good trust in the performance of the FAB company and the owner of FAB" (NG, Operational Staff of FAB, September 28<sup>th</sup>, 2018).

Furthermore, NG also explained the main foundation that formed the trust of business partners towards FAB ENTERPRISES as follows:

"FAB partners believe in FAB because they believe in FAB's performance. In addition, they also believe in the capabilities and communication possessed by FAB" (NG, Operational Staff of FAB, September 28<sup>th</sup>, 2018).

In addition to mentioning that the trust of a business partner is due to the company's ability, NG also states that the personality of the FAB owner, Mr. F, is another source of trust from business partners to FAB. This is as the NG statement follows:

"Mr. F is a person who can be trusted and is able to account for the business trust he receives". (NG, Operational Staff of FAB, September 28<sup>th</sup>, 2018).

NG added that FAB owners have personal characteristics that make the business partners and FAB employeestrusts him. This is as NG statement below:

"Yes, Mr. F is a trustworthy leader in carrying out his responsibilities to both business partners, vendors and employees". (NG, Operational Staff of FAB, September 28<sup>th</sup>, 2018).

Based on the trust of its business partners, NG believes that business relations between FAB and all business partners will be able to last in a long run. This is as NG statement below:

"Yes, as long as FAB and its partners are still able to carry out the obligations of each party according to expectations, I believe that the cooperative relationship will last a long run". (NG, Operational Staff of FAB, September 28<sup>th</sup>, 2018).

The next informant, LY who served as a co-worker from NG as an operational staff, stated that FAB has a very good business relationship with its business partners, mainly because of the leadership of Mr. F who had high experience and capability in the business field of FAB. This is as stated by LY below:

"The perception is good and positive because FAB is led by very experienced and intelligent people". (LY, Operational Staff of FAB, September 28<sup>th</sup>, 2018)

The positive perception of the business partners makes FAB a trusted company. Plus, FAB has been known as a company that has high service quality in the field of logistics. This is as LY answers when asked about the main reasons for business partners to entrust their logistics to FAB as follows:

"Yes, because the ability and experience in handling companies in the logistics sector has been tested" (LY, Operational Staff of FAB, September 28<sup>th</sup>, 2018).

Personally, LY views FAB owners and leaders as an extraordinary people, has high capability in the field of business, and can be trusted to develop FAB into an increasingly large company. This is as stated by LT as follows:

"The progress of FAB is very rapid because it is led by people who are intelligent and very experienced" (LY, Operational Staff of FAB, September 28<sup>th</sup>, 2018).

"Yes because with his abilities and intelligence, FAB can develop and advance". (LY, Operational Staff of FAB, September 28<sup>th</sup>, 2018).

LY also believes that based on the track record, where there are no business partner which has decided to terminate the cooperation with FAB, then FAB will be able to maintain the trust of the business partner and continue the cooperative relationship going forward. This is as stated by LT below:

"Must be sure because the progress of a company is based on the ability to maintains commitment and work confidence with partners and the main vendors". (LY, Operational Staff of FAB, September 28<sup>th</sup>, 2018).

Based on the overall results of the interview above, several categories can be described, such as themes, sub-themes and themes that often appear to obtain components to forms a model that describes the process of forming trust in relationship between FAB ENTERPRISES and its business partners. The mapping is presented in the table below:

Themes	Sub Themes	Themes that often appear
The basis of giving trust	- Ability and performance	- Personal background
	- Personal background	
	- Information and references	
	- Good personal characteristics (trustworthy,	
	keeping promises and having integrity)	
	- Only 1 decision maker	
	- Good personal characteristics (honest and	
	trustworthy)	
	- Warranty from the information provider	
	- Good performance	- Work without agreement and
	- Work without agreement and MoU	MoU
	- Human Resource Development	
	<ul> <li>Appreciation to old employees</li> </ul>	
	- Selective in choosing business partners	
Communication patterns to	- Direct Information to the owner of FAB	- Direct Information to the owner
maintain trust	ENTREPRISES	of FAB ENTREPRISES

**Table 1:-**Mapping of Themes and Sub Themes

	- Using media communication tools such as WhatssApp (WA)	
Risk Mitigation of Information and communication errors	<ul> <li>Direct Information to the owner of FAB ENTREPRISES</li> <li>Using SOP</li> <li>Using media communication tools such as WhatssApp (WA)</li> </ul>	- Using media communication tools such as WhatssApp (WA)
The motives behind the trust to FAB ENTREPRISES	- Economic motives	- Economic motives
External factors that influence trust	<ul> <li>Government policy</li> <li>Rupiah exchange rate</li> <li>Pressure from business partners</li> </ul>	- Government policy
If the Owner retires or does not exist	<ul> <li>Stay in collaboration with different systems</li> <li>Keep good relations</li> </ul>	- Stay in collaboration with different systems
How to maintain long-term trust	<ul> <li>Making a system</li> <li>Maintain team solidity</li> <li>Updating cooperation patterns</li> </ul>	- Making a system

Based on the mapping in the table above, it can be described the process of forming trust in the business relationship between FAB ENTERPRISES and its business partners as follows:

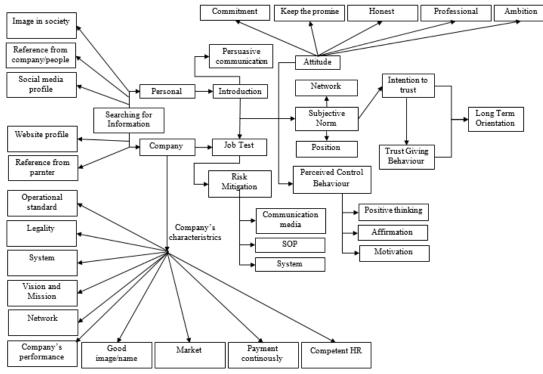


Figure 3:-The Process of Establishing Trust in Business Relationship between FAB ENTERPRISES and its Business Partners

## **Discussion:-**

# The Process of Establishing Trust in Business Relationship between FAB ENTERPRISES and its Business Partners

Trust is an important prerequisite in a business interaction. Trust can be the basis for a company to conduct business transactions with other parties. Business transactions will not occur if the threshold of a trust is not achieved among the parties invloved in the business relations (Spector and Jones, 2004; Blumberg, 2001; Mentzer and Min, 2000;

Klein-Woolthuis, 1999). Trust can make a person become confident, open, honest, willing to take risks, and feel more comfortable in establishing relationships with other people. Trust can also reduce resistance to change. Conversely, distrust will cause a person becomesintrovert, not confident, reluctant to take risks, and uncomfortable in establishing relationships with other people. As a result of lack of trust, weakened productivity, missed opportunities for development and improvement, and decreased performance, will occur (Mc Knight et al, 1998).

Trust is not created directly, but must be pursued through a process that is influenced by various factors (Yousafzai et.al., 2003). This is proofed in this study, that the process of establishing trust in business relationship between FAB ENTERPRISES and its business partners is through several stages involving activities carried out by the related parties to be able to create trust.

As stated earlier, the formation of trust from business partners to the FAB ENTERPRISES begins from the process of searching for information, both information related to company profiles from social media or websites, from other people's references and images in the society. This information factor is one of the background factors mentioned in the Theory of Planned Behavior (TPB) in addition to 2 other factors, namely social factors and individual factors (Ajzen, 2005).

After the information searching stage, there was a communication process between FAB ENTERPRISES and its business partners, where on that occasion, an attempt was made by the FAB ENTERPRISES owners to persuade and convince its business partners to be willing to cooperate and use the services provided by FAB ENTERPRISES. In this case, the stages of communication and persuasion are not explained in TPB, but are explained in the Elaboration Likelihood Model (ELM) and Heuristic Systematic Model (HSM). Theory of Planned Behavior (TPB) only describes the process of forming behavior, but there is no element of persuasive communication and information risk explained in TPB. While the Likelihood Model (ELM) and Heuristic Systematic Model (HSM) do not describe the process of behaviorforming, but only explain the process of establishing communication and how to minimize the risk of information to produce trust. Therefore, these three theories must be elaborated to fill the gaps in each of these theories when used to cover the research phenomena.

The results of theoretical elaboration integrated with research data produce a process of forming trust in business relationship between FAB ENTERPRISES and its business partners as depicted in Figure 3 with stages consisting of the information seeking stage; the stage of communication of persuasion and information risk mitigation; the stage of forming attitudes, subjective norms, and behavioral control; stage of formation of intention; stage of action based on trust; and finally the stage of forming long-term oriented trust.

Some previous studies that sought to formulate a trust formation process, among others, by Nasution and Wijayanto (2007) which examined "The process of forming consumer trust: A Study of A Small Medium Digital Printing Business in Bandung", where the results of this study were considered capable of explore the process of forming trust in a person. This is evidenced by the accuracy in mapping the position of one's level of trust. The other research was conducted by Mc Knight et al (1998) entited "Initial Trust Formation in New Organizational Relationships" with the resultstates that two cognitive process models that help explain paradoxical findings have a high initial level of trust in new organizational relationships.

Hakanen (2016) through his research stated that in the development of current research, not many have focused on the formation of trust between organizations, but mostly focused on trust formation in interpersonal relationships. This is because it is difficult to measure trust between organizations consisting of various individuals in it. Seeing the gap between several studies as stated above, it can be seen that the position of this study is different from previous research, where the majority of previous studies were theoretical and conducted based on the trust framework, while in this study based on case studies. In addition, almost the majority of previous studies used the measurement of trust based on the theory of trust, while in this study refer to the elaboration of dual Likelihood Model (ELM), Heuristic Systematic Model (HSM), and Theory of Planned Behavior Theory.

# The Determinants of Trust Establishment in Business Relationship between FAB ENTERPRISES and Its Business Partners

Widespread trust is built when interactions within the company are increasingly complex and interdependence increases with the scale of economic activity. Simultaneously but in different ways, trusts will grow in tandem with sanctions. This is in line with Luhmann's opinion cited by Chalid (2012) that trust may only be able to grow in

situations where the probability of damage is greater than the benefits obtained. The reason for receiving this extra risk is due to the belief that partners will not act opportunistically. So, in an uncertain business situation and very tight competition, an organization cannot avoid having to trust other parties to maintain the organization's position in competition. The belief that organizational partners will not betray is an unavoidable choice. Therefore, it is important to be able to know the factors that determine the creation of trust in a business relationship.

According to Fauzia (2013), trust can be created if the fundamental principles that determine the creation of trust can be fulfilled, among others: (1) state the truth and create transparency; (2) show respect and show loyalty; (3) rectifying mistakes and fulfill commitments; (4) Listen first and give trust; (5) Clarifying expectations and providing results; (6) Confronting reality and getting better; and (7) Practicing accountability.

Based on the results of data analysis, it is known that the first principle, which is speaking as is or state the truth and creating transparency, has been fulfilled in business relations between FAB ENTERPRISES and its business partners. Existing conversations are also carried out politely and proportionally, and not in extreme ways because they can eliminate the trust of others. In addition to speaking for what it is, creating transparency in a relationship is absolutely necessary to form a solid team, which is backed up by the trust between individuals in it.

The second principle, which is showing respect and showing loyalty, has also been fulfilled in business relations between FAB ENTERPRISES and its business partners. This can be seen in how FAB ENTERPRISES owners treat their business partners and employees with respect, which makes business partners and employees of FAB ENTERPRISES put great trust and loyalty to the owners and FAB ENTERPRISES.

The third principle, which is rectifying mistakes and fulfilling commitments, has also been fulfilled in business relations between FAB ENTERPRISES and its business partners. This can be seen from the opinion of FAB ENTERPRISES business partners who stated that FAB ENTERPRISES always fulfills their expectations and carries out its responsibilities. In addition, FAB ENTERPRISES is also active in providing solutions to the problems occured during the cooperation process.

The fourth principle, which is listening first and giving trust, can be seen in how FAB ENTEPRISES builds communication with its business partners and gives trust to its vendors to handle projects obtained by FAB ENTERPRISES. By listening, someone can give proportional trust to others and gain trust from him. Therefore, listening first is an absolute requirement for the progress of a business. This also applies to the development of creativity of a businessman, by always hears the needs and desires of consumers, new innovations will emerge. So that the business carried out will always improve inaccordance with the demand from the market, and finally can reap huge profits.

The fifth principle, namely clarifying expectations and providing results, can be seen when the FAB ENTERPRISES fulfilling all expectations of its business partners and providing consistent performance. Making an expectation carried out marketwith results is an added value for someone to be able to gain trust from others. The results also indicates a person's credibility, willingness and ability to work. Results will always be related to what someone is trying to do. Sometimes businesses will not get results if they are not accompanied by a mechanism and good coordination of implementation.

The sixth principle, which is confronting reality and getting better, can be seen in how FAB ENTERPRISES overcomes limitations in terms of ownership of facilities through the creation of partnerships with reliable vendors. Indeed, as a company with a type of fourth party logistics company (4PL), FAB ENTERPRISES only focuses on providing solutions, systems and software management. However, as stated by FAB employees, this still includes a shortage of FAB ENTERPRISES. Therefore, FAB seeks to be able to establish cooperative relations with all its business partners based on strong trust to be able to overcome these limitations while being able to become a better service company.

The seventh principle, namely practicing accountability, can be seen in how the FAB ENTERPRISES always succeeded in providing services that were in line with the expectations of its business partners. Based on this, all FAB business partners state that FAB is a reliable company. Accountability held by FAB relates to how FAB is able to carry out its obligations well in the process that is built on the basis of strong trust with its business partners.

## **Conclusion and Recommendation:-**

#### Conclusion

Trust in business relationship between FAB ENTERPRISES and its business partners is formed through a process that is influenced by various factors. The process refers to the elaboration of 3 models, namely Elaboration Likelihood Model, Heuristic Systematic Model, and Theory of Planned Behavior. The stages of the trust formation process are, among others, the information seeking stage, the stage of communication of persuasion and information risk mitigation; the stage of forming attitudes, subjective norms, and behavioral control; stage of formation of intention; stage of action based on trust; and finally the stage of forming long-term oriented trust.

The establishment of trust between FAB ENTERPRISES and its business partners is determined by a number of factors, including: (1) speaking the way it is or state the truth and creating transparency; (2) show respect and show loyalty; (3) Straighten out mistakes and fulfill commitments; (4) Listen first and give trust; (5) Clarifying expectations and providing results; (6) Confronting reality and getting better; and (7) Practicing accountability.

#### **Theoretical Implications**

This study contributes in the form of developing a model of trust building processes in business relations that refers to the theoretical elaboration framework between Elaboration Likelihood Model, Heuristic Systematic Model, and Theory of Planned Behavior. In addition, this study also applies the principles of the formation of trust as determinants of the formation of trust in business relationships.

#### **Managerial Implications**

The trust formation process model developed in this study can be used as a reference for business people to build trust with their business partners. This can be done by considering the determinants of the success of the establishment of trust and adapted to the characteristics of the business and the resources owned.

#### Recommendations

This research can be followed up by carrying out other studies that raise the same research topic but with different objects. In addition, the next researcher can also try to prove the model developed in this study using quantitative methods to determine the correlation and influence between each stage in the process of forming trust.

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