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2012

Thesis overview submitted to the University of Chester

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The Sources of Trust:

An Empirical Study of Trust and Suspension in the Arve Valley Industrial District

By

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Introduction

The motivation to study trust in the particular context of industrial districts stems from an identified gap in the extant literature. Trust is considered axiomatic to the communitarian model of industrial districts and clusters (Harrison, 1992, Dei Ottati, 2002, Lorenzen, 2002, Storper, 2005), however the emphasis has mainly been that of examining the positive effects of trust on inter-firm relationships in terms of knowledge transfer and reducing transaction costs (Staber, 2007) rather than empirically examining the factors which contribute to the formation of trust.

Trust

Trust is not intrinsically part of mainstream economics, but rather operates as an instrumental and exogenous *deus ex machina* that is called for help if orthodox theory fails to explain a phenomenon under analysis, (Bachmann and Van Witteloostuijn, 2003).

A frequently used analytical typology regroups three central mechanisms employed to explain the creation of trust. Reason (or rationality), routine (institutions and ‘normality’ in a broad sense) and reflexivity (process) provide explanations about how an agent comes to a point where they decide to trust or not (Lane, 1998, Möllering, 2006). But these three dimensions cannot individually or collectively explain the leap of faith that is trust ‘beyond the expectations that reason and experience alone would warrant’ (Lewis and Weigert, 1985: 970). Trust includes a vital element; that of the leap of faith or suspension where the trustor accepts vulnerability by trusting the trustee and moves from a trusting attitude to a trust decision.

Industrial Districts

Lack of space in this overview inhibits a detailed examination of industrial districts however industrial districts are more than a simple juxtapositioning of atomistic entities manufacturing and trading in related industries. They may;

‘be interpreted as cognitive systems; a socio-productive system where knowledge, social experiences, mental modes, and collective beliefs are accumulated in a specific place through time’, (Belussi and Pilotti, 2002: 125).

They represent a community of people bound together by similar values and views (behaviours, expectations etc.). These common values are then spread through the district and over
generations by a system of institutions (schools, families, churches, professional organisations etc.). An industrial district is a community of strong ties and intra-group bonding (Storper, 2005).

**Research Proposition**

The work aims to address the gap in the literature by examining interorganisational and interpersonal relationships between district firms and between district firms and their (external) clients. In doing so it follows Storper’s, (1993) call to acknowledge the importance of shifting analysis from macro-economic and structuralist approaches to one more based on the qualitative behaviours of agents in a network (Sammarra and Biggiero, 2001). We shall analyse the creation of trust by district agents and examine the elusive and central element of trust that Möllering (2006) calls suspension.

**Methodology.**

The thesis examines the creation of trust in a dynamic industrial district in the Arve Valley in south-east France. The Arve Valley industrial district situated between Geneva and Chamonix-Mont Blanc is one of France’s few industrial districts (Ganne, 1992) and forms part of the metal working, bar-turning or screw-cutting sector. The heart of the district is comprised of 288 bar-turning firms supported by a variety of specialist supplier firms and institutions. 91% of district bar-turning firms are small or very small companies with fewer than 50 employees. The data were gathered through interviews with twenty small firm owner-managers of bar-turning firms.

An inductive methodology was chosen because in order to unpack such a complex, nuanced concept it is necessary to developed contextualized accounts of trust (Kramer, 2006). As a trust researcher I was interested in understanding how respondents use ‘sense-making or social constructivist processes in order to account for their experiences’ (Stokes, 2011:55). In-depth, semi-directive interviews are more likely to provide the fine-grained, contingent information as to the origins of trust in a mature industrial district.
Conclusion and Contributions

In alignment with district literature high levels of intra-district trust were identified between valley actors. Our contribution to the literature in this respect is to analyse the creation and origins of this trust. In particular, contrary to much of which is written on industrial district trust relationships actors seem to calculate the likelihood of trusting behaviour rather than adhering to and relying on local norms of forebearance and indulgence. This calculation is made easier by the existence of a relatively limited number of partners in the valley, high levels of information derived from the over-lapping business and social networks and the correlating high levels of transparency in transactions where all actors know their craft and its related costs and difficulties. This local, interpersonal trust is facilitated by high levels of homophily in valley networks, where similar backgrounds and world views are a clear determinant of trust (Ferrin and Gillespie, 2010).

It has also been possible to uncover some of the process-based, conflict resolution strategies employed by local managers to maintain trusting ties with local suppliers. Managers exhibit high levels of indulgence, ilunga and gift-giving when negotiating conflicts in order to maintain ties which are crucial to their firms’ competitive advantage.

A significant contribution to trust literature is a detailed description and analysis of suspension or the leap of faith. While local transactions are based on very sound foundations, and trust is constructed on an interpersonal level, extra-district ties lack most, if not all, of these bases. Many bar-turners manifest their trust in outside clients by manufacturing buffer stocks of client specific components (frequently without a written contract). The sharp recession of 2009/2010 led many clients to cancel orders leaving bar-turners with several thousand Euros of unsalable stock. Managers, having created strong interpersonal links within the district (and learnt that these trusting bonds worked, Glanville and Paxton, 2007), looked to create similar bonds with outside buyers despite major barriers on levels of identity (buyers were not technicians like themselves) and differences from the organisational point of view (different objectives and rotation of buyers). This attitude underlines the importance and primacy of the interpersonal level in the creation of trust (Saunders, Skinner and Lewicki, 2010).

The leap of faith in this instance was facilitated by a number of factors such as strong feelings of identity and role. Paradoxically, high information flows in district networks, which contributed to local trust, lead to managers mimicking others’ behaviour as the idea of being
flexible and providing a service to clients (itself part of their identity) spread throughout the valley (Staber, 2009, DiMaggio and Powell, 1983).

**Bibliography**


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