THE IMPORTANCE OF TRUST IN THE DEVELOPMENT OF ENTREPRENEURSHIP

SARBAH, Alfred (PhD. Candidate); **Prof. XIAO, Wen** (Associate Professor)

Contact: University of Electronic Science & Technology of China, School of Management and Economics, No. 4 Section 2, North Jianshie Road, Chengdu, PR China.
Email: sarbah@yahoo.com

ABSTRACT

The very basis of every entrepreneurial activity is trust since these entrepreneurs' deals with people. However, one of the most challenging, if not the most difficult piece of the business development puzzle, is trust. Trust is rarely tied to a product or service but it is facilitated by the person interacting with the customer and other partners in the business. Trust serves as a lens for interpreting behaviour and as a basis for a person's decisions making. The goal is to examine the importance of trust in the development and growth of entrepreneurship. It investigates the level of trust needed to facilitate entrepreneurship development. This research was carried out to determine and clarify to what extent entrepreneurs trust different people and institutions. The outcome revealed that for entrepreneurship to develop there is the need for some level of trusted relationships.

KEYWORDS:

Entrepreneurship, Growth, Development, Trust

1.0 INTRODUCTION

Entrepreneurship has been defines as an activity that involves the discovery, evaluation and exploitation of opportunities to introduce new goods and services, ways of organizing, markets, processes, and raw material through organizing efforts that previously had not existed (Shane & Venkataraman, 2000; Venkataraman, 1997). However, perhaps the single most important factor underlying the successful formation of businesses is trust. Successful organisations require members who behave toward each other in honourable ways that justify and enhance mutual trust. They do not abuse the information they gain, nor do they undermine each other. (Kanter 1994). Not surprisingly therefore, from the perspective of the entrepreneur, trust in business relationships is the characteristic which attracts most attention in the research. Customers need a reason to believe in your company. Because of the downward spiral of ethics in business today, it is no longer simply a matter of a product being trustworthy; you must convince your clients that you are trustworthy. It must be stated that what you do and how you are perceived by a potential client sets the tone for how they view your entire organization.

Trust relationships are therefore vital to the conduct of business. Some base level of trust is required just to have employment contracts, or to engage in commercial transactions. Beyond such minimum thresholds, trust also plays a major role. The level of trust in business relationships—whether external, e.g. in sales or advisory roles, or internal, e.g. in a services function—is a greater determinant of success than anything else, including content excellence.

Trust is both an emotional and logical act. Emotionally, it is where you expose your vulnerabilities to people, but believing they will not take advantage of your openness. Logically, it is where you have assessed the probabilities of gain and loss, calculating expected utility based on hard performance data, and concluded that the person in question will behave in a predictable manner. In practice, trust is a bit of both. People trust you because they have experienced your trustworthiness and because they have faith in human nature. We feel trust. Emotions associated with trust include companionship, friendship, love, agreement, relaxation, and comfort.

Trust becomes relevant when people become dependent on and vulnerable to the actions and decisions of others (McEvily et al., 2003). This paper therefore aims to make a conceptual contribution to a discussion on the importance of trust in the field of entrepreneurship.

1.1 Statement of Problem

Trust have been holding most businesses together in Ghana, Africa and the rest of the world. However, enough studies have not been done on the effect of trust on entrepreneurship in Ghana for effective and efficient management of businesses. Interpersonal trust is vital in all market transactions when those involved are unwilling to rely on institutional arrangements or cultural norms alone (Granovetter, 1985). It is based on a perception of the probability that other agents will behave in a way that is expected (Gambetta, 1988). It is therefore a calculation and an assessment of risk, although the means by which an individual makes a calculation are shaped in part by the social forces affecting them. Trust is therefore very important when it comes to the development of businesses.

To understand trust is to build trust into our everyday practices and relationships, and to develop institutions in which such practices and relationships are not only possible but also mandatory. Trust often seems invisible or taken for granted until it is violated or betrayed.

Trust is however, not always a good thing. It can be foolish, naïve, gullible, and blind. It ought therefore never to be taken for granted.

1.2 Purpose of the Study

The purpose of this paper is to investigate the level of trust needed to facilitate entrepreneurship development in Ghana and other places. It determines and clarify the extent to which entrepreneurs trust different people and institutions to obtain the types of support they need to run their businesses. Trust in business is essential to a smoothly working, efficient business culture. Without trust, the business community is reduced to a group of resentful wage slaves and defensive, if not ambitious, managers. People will do their jobs, but they will not offer their ideas, their enthusiasm, or their souls.

1.3 Limitations

The research is limited in scope and depth since only ten entrepreneurs were targeted and also Ashanti Region was selected out of ten regions of Ghana. Also there is little work that have been done in this area in Ghana. However, this does not negate the importance of the study as the conditions prevailing in one region of Ghana are not of much different from other regions in the country.

2.0. LITERATURE REVIEW

2.1 The Concept of Trust?

The issue of trust has gained attention over the past years across many disciplines and fields of study such as economics, sociology, psychology, organizational theory, and business management. There is however no single comprehensive definition of trust since each discipline looks at it from its perspective, and even within disciplines several definitions often exist. However, in terms of business behaviour, trust is based on a perception of the probability that other agents will behave in a way that is expected (Gambetta, 1988). Trust is the expectancy of people that they can rely on your word. It is built through integrity and consistency in relationships.

The development of a working definition of trust has been widely discussed in the academic literature. A turning point came in 1995 when, in their pursuit of an integrated, multi-disciplinary model of trust, Mayer, Davis and Schoorman pursued trust as a matter of relationship rather than as an individual tendency or characteristic that remained constant regardless of circumstances, as it had been described in previous studies (Mayer et al, 1995). This model, a seminal work that has been cited in the literature more than 2900 times (Google Scholar, 2009) was developed based upon an examination of existing literature in the areas of management, psychology, philosophy and economics. The work of Mayer and his colleagues helped pave the way for an explosion of research on trust that expanded the literature beyond "the relative scarcity of research in the mainstream management literature focusing directly on trust" (Schoorman, Mayer & Davis, 2007), and will provide the theoretical foundation upon which I will build this discussion of trust.

Trust is that social attribute that generates a willingness among people in dyadic relations to sacrifice their short-run, individual self-interests for the attainment of joint goals or longer-term objectives (Sabel, 1993). People who trust each other believe their relationships are worth sustaining and therefore actively contribute to their continuity. Indeed, trust leads to higher levels of loyalty and long-term collaboration between people (Fukuyama, 1995). As Nobel Laureate economist Kenneth Arrow puts it: *Trust is an important lubricant of a social system. It is extremely efficient; it saves a lot of trouble to have a fair degree of reliance upon* *other people's word … Trust and similar values, loyalty or truth-telling, are examples of what economists would call "externalities." They are goods; they are commodities; they have real practical economic value; they increase the efficiency in the system, enable you to produce more goods or more of whatever values you hold in high esteem. But they are not commodities for which trade on the open market is technically possible or even meaningful.* (Fukuyama 1995:152)

Trust is often considered as the critical determinant of good relationships (Dwyer *et al.*, 1987; Ganesan, 1994; Morgan and Hunt, 1994). "Trust refers to the willingness to rely on an exchange partner in whom one has confidence" (Moorman *et al.*, 1992). Anderson and Narus (1990) viewed trust as the belief that a business partner will perform actions that will result in positive outcome for the firm and not to take unexpected actions that may result in negative outcomes.

Researchers have widely accepted the broad premise that trust is based on relationship (Schoorman et al, 2007). This view led to a definition of trust as "the willingness of a party to be vulnerable to the actions of another party based on the expectation that the other will perform a particular action important to the trustor, irrespective of the ability to monitor or control that other party" (Mayer et al, 1995), a definition they later stated more simply as "a willingness to be vulnerable to another party" (Schoorman et al, 2007). Trust forms the foundation or the dynamic precondition for any free enterprise system. The individual entrepreneur, like the giant corporation, depends on trust, including self-trust, to function in the business world. High trust societies, according to Francis Fukuyama, are outstanding in their potential for forming wide-reaching and successful cooperative partnerships. Low trust societies, by contrast, often tend to be economic disaster areas and can certainly be terrible places to live.

In its simplest form trust in relationships is the belief that a party's word is reliable and that a party will fulfil its obligation in an exchange (Spekman and Mohr 1994). It refers to the confidence that a partner will not exploit the vulnerabilities of the other (Barney and Hansen (1994). Trust provides a prospective partner with confidence that the other's actions will be beneficial rather than detrimental to it (Child 1998). Zaheer et al. (1998) also emphasise trustee characteristics and define trust as: "the expectation that an actor (1) can be relied on to fulfil obligations, (2) will behave in a predictable manner, and (3) will act and negotiate fairly when the possibility of opportunism is present." We can therefore see trust as being able to predict what other people will do and what situations will occur. If entrepreneurs can surround themselves with people they trust, then they can create a safe present and an even better future.

Trust may also refers to an individual's willingness to be vulnerable to another party and the expectation that an exchange partner will not behave opportunistically even when such behaviour cannot be detected (Mayer, Davis, & Schoorman, 1995). Most of what entrepreneurs do with other people is based around exchange, which is the basis for all businesses as well as simple relationships. At its simplest, it is exchange of goods. For example, I will exchange with you two sheep for one cow. It is easy to calculate the value in such material bargaining. However, things get more complex when less tangible forces come into play. A parent exchanges attention for love. A company exchanges not only pay but good working conditions for the intellectual and manual efforts of its workforce. Value exchange works because we each value things differently. If I have a whole flock of sheep but no milk, then I can do business with a person who has a herd of cows but no clothes. This principle of reciprocity is what binds societies together. Trust in value exchange occurs when we do not know fully whether what we are receiving is what we expect. When we buy a car, we do not want to be sold a ringer which the seller knows is faulty. When you get advice in business, you want it to be based on facts, not wild opinions. Trust therefore also means making an exchange with someone when you do not have full knowledge about them, their intent and the things they are offering to you.

Exchange is not just about an immediate swapping of things. What makes companies and societies really work is that something is given now, but the return is paid back some time in the future. The advantage of this is that we can create a more flexible environment, where you can get what you need when you need it, rather than having to save up for it. Trust now becomes particularly important, because otherwise we are giving something for nothing. The delay we have placed in the reciprocal arrangement adds a high level of uncertainty which we need to mitigate through trust. What is often called the “golden rule” is a simple formula for creating trust. “Do unto others as you would have them do unto you.” It sets up the dynamic for my giving you something now with the hope of getting back some unspecified thing in the indeterminate future. We can therefore see trust here as giving something now with an expectation that it will be repaid, possibly in some unspecified way at some unspecified time in the future.

When we trust other people, we may not only be giving them something in hope of getting something else back in the future, we may also be exposing ourselves in a way that they can take advantage of our vulnerabilities. Trust means enabling other people to take advantage of your vulnerabilities —but expecting that they will not do this.

Due to the fact that most transactions present some degree of risk and uncertainty, trust acts as information resources that reduce perceived threat of information asymmetry and performance ambiguity. According to Tomkins (2001), trust enables exchange partners to adopt schemas which leave them free to act without trying to process more information than they are capable of handling.

Entrepreneurs create an innovative organization or network of organizations for the purpose of gain or growth, under conditions of risk and/or uncertainty (Dollinger, 2003). Trust therefore involves two principal concepts: reliance (Giffin, 1967; Rotter, 1980) and risk (Mayer et al., 1995; Rousseau et al., 1998). Therefore, we define trust as the decision to rely on another party (i.e. person, group, or organization) under a condition of risk. Reliance is action through which one party permits its fate to be determined by another. Reliance is based on positive expectations of, or confidence in, the trustworthiness of another party (Rousseau et al., 1998). Risk is the potential that the trusting party will experience negative outcomes, that is, ‘injury or loss’ (March and Shapira, 1987; Sitkin and Pablo, 1992), if the other party proves untrustworthy. Thus, risk creates the opportunity for trust (Rousseau et al., 1998).

From the trustor’s perspective a level of uncertainty and risk must therefore be present for there to be a need for trust. Risk entails the consequences the trustor will suffer if the trust is violated (Lane 1988). According to Good (1988) trust is based on an individual’s theory as to how another person will perform on some future occasion. It is a function of the other person’s current and previous claims, either implicit or explicit, as to how they will behave.

Trust is therefore an indispensable part of the development effort of a business and also as the company grows. Trust, which results from reliability, compassion, and gentleness, permits the entrepreneur to overcome mistrust, selfishness, and ruthlessness as the company deals with employees, customers, and vendors.

There appears to be a consensus in the literature that trust is a psychological state that is linked to individual affects/emotions (Baron, 2008; Dunn & Schweitzer, 2005; Weick, 2008). Trust is essential to building enduring connections with employees, suppliers, customers, and the communities in which we do business. And it drives the risk-taking that leads to innovation and progress.

2.2 Importance of Trust in Entrepreneurship

Trust is a bi-lateral relationship— one trusts, and the other is the trusted. The extent of trust placed by the trustor depends to a great extent on the characteristics of the trustee, i.e. the trustee's "trustworthiness". Desirable trustee characteristics include *loyalty*, *accessibility*, *integrity*, *consistency of behaviour*, *competence*, *reliability*, *fairness*, *predictability*, *commitment* and *goodwill* (Argandona 1999). Such attributes of the prospective partner increase the likelihood that they will be able to do the work, be counted on to hold up their part of the deal, work consistently, and contribute to the good of the business unit. This is so because trust is essential to building enduring connections with employees, suppliers, customers, and the communities in which we do business and it drives the risk-taking that leads to innovation and progress.

It is the interaction of these various characteristics which is relevant and not any single characteristic in isolation. *Reliability*, for example, refers to the chances that the trustee will fulfil his obligations. *Predictability*, on the other hand, refers to the consistency with which a trustee acts (Brenkert 1998). Also, although a partner may be competent in carrying out a task this is of no value to the business unless the partner can also demonstrate sufficient desire and *commitment* to carry it out. Whilst *competence* may be objectively verified, desire and commitment are subjective factors which cannot be easily assessed. According to Argandona (1999) trust is more reciprocal in alliances than in any other form of economic activity. This leads to a circular argument: one party must first place trust in the other in order to be trusted in return. Breaking out of this vicious circle requires one of the parties to display a sign of trust, so that the other party will do the same. Trust is therefore always essential, even under the best of circumstances. For example, trust can mean an expectation that individuals will not pursue self-interest in an opportunistic fashion, will act as stewards and align their interests with those of the organization, or will altruistically place the interests of others ahead of or equal to their own. These expectations can exist simultaneously among different members of the firm. The extent to which they are fulfilled and reciprocated will lead to a set of interactions that more likely, and in some cases uniquely, occur in a business context.

Doing business with people you trust and meeting people face-to-face are coming back into fashion. One thing entrepreneurs must know is that it does not hurt to be honest and ethical. What most managers do not get, though, is that the best way to build trust is to extend it to others. Studies indicate that consumers perceive family businesses as having more trustworthy policies, practices, and frontline employees than nonfamily businesses (Orth & Green, 2009). It can therefore be said that trust increases efficiency. Without it, things would take far longer and costs would be greater because parties would hesitate to make themselves vulnerable in business transactions. Trust plays a key role in bringing individuals together to create value that no one person could create on her own. Trust acts as a social force to influence organizations that create value, including today's global corporations.

Important insights into the role of trust in business relationships are provided by social systems theory (Lane and Bachmann, 1996; Luhmann, 1979, 1988). Here, trust is seen as reducing the complexity inherent in a given system by enabling individual agents or actors to set up mutual expectations about their future behaviour: one who trusts another acts as if that other's actions are, to a degree, predictable
Trust relationships are therefore vital to the conduct of business. Some base level of trust is required just to have employment contracts, or to engage in commercial transactions. Beyond such minimum thresholds, trust also plays a major role. Trust matters to business. Trust, or “the expectation that arises within a community of regular, honest, and cooperative behaviour, based on commonly shared norms,” is what enables economic efficiency and prosperity on both the scale of a small, family-owned restaurant and the macroeconomic scale of the free market. (Fukuyama F., 1995:26)

The risk associated with trust does not come unrewarded. According to Williamson (1985) exchange relationships exhibiting trust are able to manage greater stress and display greater adaptability. Trust enhances information exchange and reciprocity and increases the effectiveness of joint problem solving (Zand 1972). Andersen and Narus (1990) found that once trust is established firms learn that joint efforts will lead to outcomes that exceed what the firm would achieve had it acted solely in its own best interests. Trust is highly related to firms’ desires to collaborate and the chances of a new partnership succeeding will increase if the companies can build on established trust relationships (Gulati 1998).

As many of us know from personal experience, a lack of trust immediately puts everyone on the back foot. Instead of concentrating on customers, sales, training or personal development, people can become embroiled in hurtful gossip, taking longer than necessary breaks, low motivation and a tense atmosphere that customers notice. Trust assists in lowering the transaction costs of commercial actions, which do not have to be (fully) based on formal legal contracts in those cases where the participants know each other either personally or by name, i.e., they value the reputation of their commercial partner against the possibility of him or her breaching these goodwill-based agreements. A closer look at the definitions and concepts of trust therefore shows several possible links between trust and entrepreneurship. For example, Niklas Luhmann (2000) concentrated on the role that trust plays for modern societies, understanding trust as a mechanism that reduces the complexity in everyday life. Luhmann argues that trust can be a substitute for the risks that are inherent in decisions or situations. For an entrepreneur, this suggests that not all business relationships need to be regulated via contracts, thus allowing him/her to reduce the transaction costs.

Moreover, trust also supports the enforcement of formal institutions. Whilst formal institutions such as legal regulations are normally enforced and enforceable only by the state, this always will be imperfect because of the opportunistic and partly rational behaviour of human beings who often pursue their own interests. In this context therefore, we can conclude that trust supplements formal institutions.

Furthermore, trust creates results such as a winning culture, brand loyalty, repeat orders and word of mouth recommendations. In companies where trust is high, customers can become your key producers, sales and marketing ambassadors.

It must be stated here also that the most tangible proof of trust in business relationships is the level of investment that each party is willing to contribute to the alliance since the general assumption is that trust precedes commitment (Morgan and Hunt 1994). Theoretically, the concept of trust “provides a middle ground where agency theory and others-oriented theories can meet” (Cruz et al., 2010, p. 71). Operationally, as observed by Rousseau, Sitkin, Burt, and Camerer (1998), it is a “meso” concept that can be used to integrate psychological processes at the micro level with institutional arrangements at the macro level. Therefore, it is applicable at multiple levels of analysis. Being a meso concept, it can be an effect (dependent variable), a cause (independent variable), and a moderator. (Kimberlyet al 2010)

Indeed, trust is a fragile commodity that is often easier to breach than to build (Gulati & Sytch, 2008). It is also a “dyadic construct, where parties may hold diverging perceptions of the level of trust in the relationship” (Gulati & Sytch, p. 277). High levels of trust speeds up decisions and business processes and consequently lowers costs. As the level of trust goes down, the speed of doing business goes down and costs go up. When distrust exists, relationships and communications are ineffective and everything has to be proved or validated.

Most of the cost associated with measuring and checking performance, writing complex and detailed contracts and meeting with people is associated with the lack of trust. Where trust exists, all that would be needed to manage most work is a brief communication to ensure understanding and a ‘hand shake’; real or virtual. In traditional situations, trust is built over time and is based on observation and actual performance. Gaining trust takes time and then you have to continuously demonstrate you are completely trustworthy or people will quickly lose confidence in you. Trust affects both the speed and cost of doing business! High-trust leads to high speed and low cost. Low trust leads to low speed and high costs. Trust also enhances engagement, creativity, health and wellbeing, leading to higher levels of energy and commitment (especially with team members). Increased levels of trust correlate with increased efficiency and better outcomes.

Trust therefore positively impacts business success in a number of critical areas, such as employee performance, customer retention, and innovation. These are all widely recognized as significant factors for business success.

2.3 The Effects of Mistrust

In the absence of any trust, all economic transactions would be fraught and a simultaneous transfer of the items being exchanged by people will be eyeing each other with suspicion. Trust is fundamental to any economy involving market exchanges, with the parties to transactions separated in space and time, and using money as a means of exchange. Mistrust is not so much the opposite as it is “the other side of” trust. Trust requires some degree of mutual understanding and cooperation while mistrust is adversarial. Trust suggests the will to believe while mistrust demands suspicion.

Don Moyer, a Harvard Business Review columnist, made the following analysis in the April 2009 issue, an issue which was dedicated to the question of trust. In it he writes, “Certainly, the current economic crisis is evidence of just how fragile trust is. Before the crisis, there was a surplus of people who trusted too easily. Then their investments disappeared, their counsellors didn’t know what to do, and their respected advisers turned out to be crooks. The chain of trust broke. Now there is a trust deficit. The whole economy is holding its breath waiting for confidence to return.” (Moyer, 2009). It should be obvious that trust and entrepreneurship are related and that this relationship is of vital importance to effective growth and development of all entrepreneurial activity. This is because trust is often held to promote cooperation, but mistrust can hinder it.

Mistrust, as indicated above, is the flip side of trust; it has severe negative implications for business development in any country or region. While trust encourages the suspension of self-interest of the interacting partners thereby reducing monitoring and other similar costs of transactions, mistrust produces the opposite effect and frustrates business development. Previous studies in Ghana showed that there are low levels of trust within the Ghanaian business culture. Fafchamp's (1996) empirical study shows that Ghanaian firms faced regular delivery and payment delays, thereby increasing operational costs. Other studies suggested that entrepreneurs may consciously avoid engaging in joint business activities and other forms of resource sharing particularly with people from their communities of birth and/or upbringing due to interpersonal jealousy emanating from individual ambitions to excel and climb the social ladder quicker than their siblings. (Kuada and Buame, 2000).

The extremes of mistrust are evident in the notion of paranoia, a mental state in which one perceives other people as hostile and perhaps conspiratorial. A widespread and socially sanctioned version of paranoia is cynicism. Cynicism is a refusal to trust. It is a closed-door policy, which poisons ongoing possibilities as well as foreclosing new ones. In business life, as in a civic context, cynicism shuts down not only honest criticism but also hope. The demoralization it carries with it often has a devastating effect. If we insist that others prove their trustworthiness before we trust them, our mistrust or distrust, no matter how tentative, will more likely provoke the downward spiral of mistrust rather than allow room for building trust. Trust must begin with trust.

3.0 METHODOLOGY

3.1 Study Design

The research method adopted was a qualitative approach. This was so because quantitative data on trust is difficult to collect as much of the trust in a trust-based relationship may be based on habitual action and norms of behaviour. Also the research explored issues of trust and understand the phenomenon of the effect of trust in building entrepreneurship in Ghana. The collection and analysis of data and getting first-hand information from entrepreneurs was found to be appropriate in conducting the study.

3.2 Research Approach

Two main approaches were used to achieve the purpose of the study. The first was the short personal interview during the familiarity visits to the selected entrepreneurs. Based on the familiarity visit, interview format was designed, which were used as second approach in collecting responses from the entrepreneurs. The questions were structured in such a way to provide information on entrepreneurship building such as trust, integrity, teamwork, and honesty and how vital these are to the conduct of businesses.

These approach were adopted because trust is not an "objective" phenomenon that can easily be measured and understood across cultures and countries. Trust, in particular its understanding and interpretation, is very much also a socially constructed phenomenon, which renders its measurement and empirical analysis difficult.

ISSN 2278-7763

3.3 Sample Technique and Size

A purposive sampling technique was used to select the entrepreneurs located in various parts of the Ashanti Region of Ghana. Purposive method was used because these entrepreneurs are scattered all over the region. After the interviews conclusions were drawn from the information obtained.

3.4 Data Presentation

Responses received were analysed and the findings of the research indicated the majority of the entrepreneurs, almost 95%, interviewed identified trust as the backbone to their businesses and thereby sustaining their business ventures.

4.0 ANALYSIS OF THE ISSUE OF TRUST IN GHANA

4.1 The Concept of Trust among Ghanaian Entrepreneurs

Ghana is a developing country in the Western part of Africa, with a vibrant entrepreneurial environment and growing at a faster rate in comparison to its other West African counterparts. The Ghanaian business structure is stable and the government promotes business and entrepreneurship. Free market ideology claims that entrepreneurship thrives on competition, but cooperation and trust are also important in fostering business growth. Thus for example knowing where a creditor lives is often a crucial factor in the decision to lend money in Ghana.

Also, institutional/intermediary based trust is prevalent when individuals have confidence in the economic, political and social institutions that they have to deal with. These formal institution refer to issues of contract enforcement, standardisation of measurements and quality, and provision of information, as well as other areas of the economic system. This form of trust is established when there is a critical mass of individuals trusting in the system. However, every enterprise relies on both personalised and institutionalised trust, with one able to replace the other in most circumstances. Personalised trust involves transaction costs to initiate it in terms of building up a relationship. Institutionalised trust incurs transaction costs in terms of ongoing regulation and legal enforcement. These institutional trusts are well established in the Ghanaian economy.

The respondent in this study thus responded to the question about the meaning of trust in two ways: by describing the substance of trust - integrity, respect commitment, honesty, reliability, openness, fairness, cooperativeness, and adhering to what has been agreed etc., which are important contributors to building long term, trusting relationships; and/or the processes by which trust is established. Whilst 65% of respondents answered in the affirmative that the substance of trust is importance to them when it comes to business dealings, the remaining 35%, 30% wanted the processes of trust established, that is to say, the institutions that will enable them trust the system must always be in place.

However, it becomes much harder to collect data on the intensity of trust, the risk involved in the relationship and the value placed on the relationship. Another key question for this study is ‘how’ trust is built up and how it contributes/is related to entrepreneurial behaviour. The response received indicates that not all business relationships must be regulated via contracts or legal documents as both sides know each other and assume that the partner/second party will not behave in a way that causes detriment to their relationship. According to Welter and Smallbone (2006), although trust depends upon the characteristics of a group, such as an ethnic group, it is also governed via norms, values and a code of conduct inherent in a business environment.

According to the respondent trust meant adherence to high behavioural standards which includes honesty, openness, fairness, the ability to rely on people they come in contact with, the "your word is your bond" kind of conduct etc. Actual experience of how people behave was important in the meaning of trust for 45% of the respondents whilst for 18% trust meant sticking to agreed terms. A small proportion emphasised active cooperation in the form of, for example, information sharing or joint product development and for others trust meant informal understanding going beyond contract.

Trust in business relations under certain conditions can be a source of competitive advantage, (Barney & Hansen, 1994). The argument builds on a theoretical discussion and a distinction between varieties of trust. Weak form trust implies limited opportunities for economic governance mechanisms, which make opportunistic actions costly. Strong form trust is when a party acts trustworthily since doing otherwise would violate values and principles of behaviour.

In the case of Ghana, Lyon (2000) conducted a study among tomato farmers. He concluded that norms of reciprocity play an important role. He contends that norms can indeed be used in an opportunistic manner, can be generalized and not reflexive. Local mechanisms of sanctions are also important according to Lyon. Trust is created through using pre-existing relationships and intermediaries as well as through building long term relations. In order to trust others, people are gradually tested and they found out where they live and work, in order to make sure that trust can be placed.

Relationships built on trust often lead to collaboration and ongoing activity between parties. Open dialogue, honesty, communication, and transparency are also important factors in building trust. Open internal communication is often characterised by the open sharing of opinions and feedback between the parties. External communication is characterised by honesty and fairness. Trust is also built through consistency in delivering on commitments made. This may be termed reliability.

5.0 HOW TO BUILD TRUST AS AN ENTREPRENEUR

It has always been articulated that trust is the plasma within which business transactions live and move. Within a company, trust affects performance (Davis et al. 2000). Outside the company, the more trust there is, the more long term and strategic alliances can be established for business growth, both internal and external to the firm. It is only because A trusts that B will pay him that he delivers goods, or vice versa. If there were no trust, it would be difficult to do business at all, as no one would want to part with value without receiving value in return simultaneously in order to avoid being vulnerable (Schoorman et al. 2007). It therefore behoves all corporate entities to be interested in trust-building both within and without the company. Building trust is however, often an uphill task. But how do you gain? It does not hurt to be honest and ethical. What most managers do not get, though, is that the best way to build trust is to extend it to others.

Doug Hall (2004) in the Bloomberg Business Week magazine has outline six methods by which entrepreneurs can create trust for their businesses. According to him, when distrust rules, it's harder for entrepreneurs to sell to customers the wonders of their new products and services. That means entrepreneurs need to create what he called a real reason to believe, which leads to credibility for them and their company. Entrepreneurs can do these by firstly telling the whole story to their customers on precisely how they can do what other companies cannot. They need to explain why their recipe, production process, or design is different.

Secondly, they should have experts and customers testify to their effectiveness. Thirdly they need to demonstrate what they can do since there is real credibility when a customer can see, feel, and touch the wonders of a company's product. Fourthly, entrepreneurs must have pedigree. Pedigree includes the source of their raw materials, the skill of the people they work with, and even awards the company have won. Fifthly, they must keep data. Hard data proving a company's claim can be a powerful tool for building credibility. Lastly, a guarantee can be a strong source of credibility, especially if it is bold and brave.

6.0 CONCLUSIONS

Trust relationships are vital to the conduct of business. Some base level of trust is required just to have employment contracts, or to engage in commercial transactions. Beyond such minimum thresholds, trust also plays a major role. The level of trust in business relationships is a greater determinant of success than anything else, including content excellence.

Increasingly, trust has come to be seen as playing an essential role in securing cooperation by underpinning contractual relations of various kinds (Gambetta 1988). From a transaction cost perspective, trust reduces the information and monitoring which are inherent in complex principal-agent relationships and in court-based enforcement of agreements. The greater the degree to which relations in a productive system rest on trust, the lower will be both the costs of incentive (or threat) necessary to induce a given degree of cooperation and the costs of monitoring and enforcing the incentive structure concerned.

In making an assessment of the extent to which entrepreneurship research needs to pay more attention to trust, some words of caution need to be applied. It is rare that research discusses the negative sides of trust such as overconfidence or lock-in effects in trust-based groups. Most take it for granted that trust has a (mainly) positive role to play in reducing the complexity of business operations, in allowing (business) relationships with strangers, in lowering transaction costs for business, and in facilitating network activity. Future research on entrepreneurship and trust should pay attention to that "both enormous trust and enormous malfeasance, then, may follow from personal relations" (Granovetter, 1985, p. 62) instead of overoptimistically emphasizing the role that trust plays in embedding entrepreneurship.

The link between trust and the overall context for entrepreneurship is complex and recursive. Both the extent and the forms of trust to be found within a society are affected by the nature of the overall institutional framework. Formal institutions will only operate successfully if individuals are able to establish a basic level of trust not only in the reliability of any exchanges but also in the enforcement of sanctions and penalties when required. This indicates an important role for institutional trust, which allows for the "missing middle" between families and the state to develop (Fukuyama, 1995, p. 56), i.e., the emergence of relationships between unrelated and unknown individuals and the development of new social and business groups.

7.0 REFERENCES

1. Anderson, J.C. and J.A. Narus, 1990, A model of distributor firm and manufacturer firm working partnership. J.. Marketing,54:48-58
2. Barney, Jay B. and Hansen, Mark H. 1994. Trustworthiness as a source of competitive advantage. *Strategic Management*, Vol. 15 (Special Issue): 175-190.
3. Baron, R.A. (2008). The role of affect in the entrepreneurial process. *Academy of Management Review, 33*, 328–340.
4. Cruz, C.C., Gomez-Mejia, L.R., & Becerra, M. (2010). Perceptions of benevolence and the design of agency contracts: CEO-TMT relationships in family firms. *Academy of Management Journal, 53*, 69–89.
5. Davis JH, Schoorman FD, Mayer RC, Tan HH (2000). "The Trusted General Manager and Business Unit Performance: Empirical Evidence of a Competitive Advantage", *Strategic Management Journal*, 21: 563-576.
6. Dirks, K.T. & Ferrin, D.L. (2001). The role of trust in organizational settings. *Organization Science*, *12*, 450–467.
7. Dollinger, M. J. 2003 *Entrepreneurship: Strategies and Resources*. Upper Saddle River: Prentice Hall.
8. Doug Hall (2004), *How to Build Trust in Your Business*, Business Week Magazine, December 4 2004, assessed from: http://www.businessweek.com/stories/2008-12-04/how-to-build-trust-in-your-business: assessed on February 20, 2013
9. Dunn, J.R. & Schweitzer, M.E. (2005). Feeling and believing: The influence of emotion on trust. *Journal of Personality and Social Psychology*, *88*, 736–748.
10. Dwyer, F.R H.S. Paul and o. Sejo, 1987. Developing buyer-seller relationships. I. Marketing, 51: 11-27.
11. Fukuyama, F. (1995). *Trust—The social virtues and the creation of prosperity*. New York: Free Press.
12. Gambetta, D. 1988. *Trust: Making and Breaking Cooperative Relations*. Oxford: Blackwell.
13. Ganesan, S., 1994. Determinants of long-term orientation in buyer-seller relationships. *Journal of Marketing*, 58: 50-62.
14. Giffin, K. (1967), 'The contribution of studies of source credibility to a theory of interpersonal trust in the communication process', *Psychological Bulletin*, 68, 104–20.
15. Google Scholar (2009)., from Google Scholar Website. http://scholar.google.com/scholar?q=mayer+trust&hl=en&lr=&btnG=Search
16. Granovetter, M. (1985) Economic Action and Social Structure: The Problem of Embeddedness. *American Journal of Sociology* 91, 3, 481–509.
17. Joan Ball, the currency of trust: what business leaders can learn from the extreme poor, *Ivey Business Journal*, September/October 2009 cited from www.iveybusinessjournal.com
18. Kanter, Rosabeth Moss. Confidence: How Winning and Losing Streaks Begin and End. New York: Crown; London: Random House, 2004.
19. Kenneth J. Arrow, *The Limits of Organization* (New York: Norton, 1974) 23; quoted in Fukuyama (1995), 152.
20. Kimberlyet al 2010, Governance and Trust in Family Firms: An Introduction, Entrepreneurship Theory And Practice, Baylor University.pp2-3
21. Kuada, J., & Buame, S. (2000, January 3–6). Social ties and resource leveraging strategies of small enterprises in Ghana. Paper presented at the 5th International Conference on Marketing and Development, Accra, Ghana.

22. Lane, C. and Bachmann, R. 1996. The social construction of trust: supplier relations in Britain and Germany. *Organisation Studies* Vol. 17, No.3
23. Luhmann, N. (2000). *Vertrauen: ein Mechanismus der Reduktion sozialer Komplexität*. Stuttgart, Germany: Lucius & Lucius.
24. Luhmann, N. 1979. *Trust and Power.* Chichester, Wiley
25. March, J.G. and Z. Shapira (1987), 'Managerial perspectives on risk and risk taking', *Management Science*, 33, 1404–18.
26. Mayer, R. C., Davis, J. H., & Schoorman, F.D. 1995 An integrative model of organizational trust. *Academy of Management Review*, 20: 709-734.
27. Mayer, R.C., Davis, J.H., & Schoorman, R.D. (1995). An integrative model of organizational trust. *Academy of Management Review, 20*, 709–734.
28. McEvily, B., Perrone, V., & Zaheer, A. (2003). Trust as an organizing principle. *Organization Science*, *14*(1), 91–103.
29. Mohr J. & Spekman R. (1994), Characteristics of Partnership Success: Partnership Attributes, Communication Behaviour and Conflict Resolution Techniques, *Strategic Management Journal*, 15 (Feb) pp 135-152
30. Moorman, C., G. Zaltman and R Desphande, 1992. Relationship between providers and users of market research: the dynamics of trust between and within organizations. *Journal of Marketing Research*, 29: 314-328.
31. Morgan, RM. and S. Hunt, 1994. The commitment trust theory of relationship marketing. *Journal of Marketing*, 58:20-38.
32. Moyer, D. 2009. Broken trust. *Harvard Business Review*, 87: 120.
33. Orth, U.R. & Green, M.T. (2009). Consumer loyalty to family versus non-family businesses: The roles of store image, trust and satisfaction. *Journal of Retailing and Consumer Services*, *16*, 248–259.
34. Rotter, J. (1980), 'Interpersonal trust, trustworthiness and gullibility', *American Psychologist*, 35, 1–7.
35. Rousseau, D.M., S. Sitkin, R.S. Burt and C. Camerer (1998), 'Not so different after all: A cross-discipline view of trust', *Academy of Management Review*, 23, 393–404.
36. Sabel, C. F. (1993). Studied trust: Building new forms of co-operation in a volatile economy. *Human Relations*, 46 (9), 1133–1170.
37. Schoorman DF, Mayer RC, Davis JH (2007). "An Integrative Model of Organizational Trust: Past, Present, and Future", Academy of Management Review 32(2): 344-354.
38. Shane, S., & Venkataraman, S. (2000). The Promise of Entrepreneurship as a Field of Research. *Academy of Management Review*, 25(1), 217-226.
39. Simons, T. 2002. The high cost of lost trust. *Harvard Business Review*, 80(9), 18-19. Retrieved June 2, 2009, from Business Source Complete database.
40. Sitkin, S.B. and A.L. Pablo (1992), 'Reconceptualising the determinants of risk behaviour', *Academy of Management Review*, 17, 9–38.
41. Tomkins, C., 2001. Interdependencies, trust and information in relationships. *Accounting Organizations and Societies*, 26: 161-191.
42. Venkataraman, S. (1997). *The Distinctive Domain of Entrepreneurship Research*. London: Jai Press
43. Weick, K.E. (2008). Trust: A bigger picture. *Academy of Management Review*, *33*, 271–274.
44. Williamson, O. (1993). Calculativeness, trust and economic organization. *Journal of Law and Economics*, *36*, 453–486.

45. Zaheer, A.,W. McEvily and V. Perrone (1998), ‘Does trust matter? Exploring the effects of inter-organizational and interpersonal trust on performance’, *Organization Science*, 9, 141–59.