



Cognitive and affective trust between Australian exporters and their overseas buyers

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ABSTRACT

This study examines the impact of trust on relational exchanges between buyers and sellers in an international context. Trust is considered as two separate dimensions: cognitive trust and affective trust. Data from Australian exporters are tested with regards to their overseas buyers. The empirical results show that cognitive trust and affective trust are distinct dimensions. Shared goals is a common antecedent to both dimensions of trust. Perceived cultural distance and reputation are the unique antecedents to cognitive trust while total interdependence is the unique antecedent to affective trust. The results indicate that international relational outcomes benefit from the presence of both cognitive and affective trust. In other words, when exporters exhibit both dimensions of trust, they are more willing to be flexible and report higher levels of satisfaction with export performance.

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1. Introduction

Trust is a critical factor in the development of sustainable, long-term relational exchanges between business partners (e.g., Dwyer et al., 1987; Grönroos, 1994). This is particularly so in the international context where both geographical and cultural distance can influence interfirm relationships. Perceived cultural distance between the home country and the target country has been found to increase opportunistic behaviours (Lee, 1998) and reduce effectiveness in terms of communication and information sharing (Erramilli and Rao, 1993). The inability to control and monitor the behaviours of partners operating overseas necessitates the development of trust. Morgan and Hunt (1994) claim that to compete successfully in the international market, organisations must be considered trustworthy.

While trust is considered by both theorists and practitioners as an important element in any business relationship, only recently have marketing studies stressed the importance of categorising trust as two different dimensions (e.g., Dawes and Massey, 2006; Johnson and Grayson, 2005; Massey and Kyriazis, 2007; Young, 2006). Trust within a relationship can be based on a rational, cognitive evaluation of performance or based on an emotional,

affective response. Researchers confirm that both cognition-based trust and affect-based trust should be treated as separate constructs, as they each affect business relationships in different ways (Erdem and Ozen, 2003; Johnson and Grayson, 2005; McAllister, 1995). For example, a satisfactory evaluation of a partner's reputation may lead to cognitive trust, which in turn affects a willingness to further invest in the business relationship. Evidence of affective trust, however, may be demonstrated if both parties feel that an emotional bond has developed which enables a sense of security to be facilitated and a willingness to return social and emotional support.

Most studies that categorise trust into cognitive and affective dimensions are in the management literature and focus on interpersonal trust within organisations, examples are shown in Table 1. With the exception of Johnson and Grayson's (2005) work, the few marketing studies that differentiate cognitive and affective trust also examine trust among individuals within organisations (Dawes and Massey, 2006; Massey and Kyriazis, 2007; Parayitam and Dooley, 2009) or are conceptual in nature (Young, 2006). As such, this study aims to extend research on cognitive and affective trust in an interorganisational context, focussing on the Australian export sector which in 2010 alone rose 13.9% in all export categories except services to reach a total of \$284.6 billion (DFAT, 2010).

Specifically, this study seeks (1) to identify the common and unique antecedents of both cognitive and affective trust developed by Australian exporters towards their overseas buyers and (2) to determine the degree to which each dimension of trust influences the two relational outcomes of exporter flexibility and export

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Table 1
Definitions of cognitive and affective trust in the management literature.

Examples of studies	Cognitive trust	Affective trust
McAllister (1995)	Cognitive-based trust arises from available knowledge and good reasons (Luhmann, 1979; Simmel, 1964)	Affective-based trust consists of the emotional bonds between individuals (Lewis and Weigert, 1985)
Chen et al. (1998, p. 294)	Cognitive-based trust “pertains to the fulfilment of one’s prescribed responsibilities”	Affect-based trust arises from “a social emotional bond that goes beyond a regular business and professional relationship”
Costigan et al. (1998, p. 306)	Cognitive trust “pertains to the rational decision to trust or to withhold trust of another party. The decision to trust is based on good reasons, such as responsibility, dependability, and competence. . . (Lewis and Weigert, 1985)”	Affect-based trust “involves a deep emotional investment in relationship. A trustor’s deep care and concern of the trustee characterize such a relationship”
Scott (2000, p. 84)	Cognitive trust is “a rational view of trust and encompasses competence, ability, responsibility, integrity, credibility, reliability, and dependability”	Affective trust is “the social view of trust and has a more emotional connotation. It encompasses care, concern, benevolence, altruism, a sense of personal obligation, commitment, mutual respect, openness, a capacity for listening and understanding, and a belief that sentiments are reciprocated”
Hansen et al. (2002, p. 43)	“Cognitive trust is more objective in nature and is based on a rational and methodical process that results in a judgment that an individual, group, or organization is trustworthy”	“Affective trust is subjective in nature because it is based on the moods, feelings, or emotions that one has concerning the perceived trustworthiness of an individual, group, or organization”
Webber and Klimoski (2004, p. 1000)	Cognition-based is “grounded in individual beliefs about peer reliability and dependability, as well as competence”	“Affective trust is grounded in reciprocal interpersonal care and concern or emotional bonds”
Ladebo (2006, p. 411)	Cognitive trust “is an objective, rational, and methodical evaluation by a trustor concerning a target as being trustworthy”	Affective trust “is believed to be subjective in nature because it relates to the feelings, mood or emotions that a trustor has concerning the target as being trustworthy”
Ng and Chua (2006, p. 45)	“Cognition-based trust hinges on an appraisal of the other’s track record – the competence and reliability this person has demonstrated in the past”	“Affect-based trust, on the other hand, arises from social interactions with others, and reflects confidence in others that develops along with concern for their welfare”
Ergeneli et al. (2007, p. 43)	“The cognition-based component treats trust or distrust in the other party as a rational decision, based on experience and premises such as responsibility and competence”	“Affect-based trust requires deep emotional investment in a relationship”
Chua et al. (2008, p. 436)	“Cognition-based trust involves a calculative and instrumental assessment”	“Affect-based trust involves empathy, rapport, and self-disclosure”
Hon and Lu (2010, p. 670)	“Cognitive trust relates to individual beliefs about supervisor reliability, dependability and competency”	“Affective trust derives from the feeling of having trust in another person and is associated with reciprocal interpersonal relations of care (Mayer et al., 1995; McAllister, 1995)”
Wang et al. (2010, p. 359)	“Cognition-based trust occurs due to perceptions of competence, reliability, and dependability”	“Affect-based trust occurs as a product of social exchange. That is, the positive emotions generated via perceptions of care and concern motivate one to continue reciprocating socioemotional benefits”

performance. This perhaps is the only study to conceptualise, measure and model two underlying dimensions of interorganisational trust in exporter–importer relationships. With this foundation the paper proceeds first with a brief literature review of cognitive and affective trust followed by the conceptual model and justification of hypotheses. The survey methodology and empirical results from partial least squares analysis are presented with a discussion of the findings noting the theoretical contribution and practical insights that can be gained for managing cognitive and emotional aspects of interfirm relationships.

2. Cognitive and affective trust

While there is no single accepted definition of trust (Little and Marandi, 2003), it is generally agreed that trust is the willingness of one party to rely upon the other in a relationship (e.g., Moorman et al., 1993; Doney et al., 1998). Trust also can be defined as “one party’s willingness to be vulnerable to another party based on the belief that the latter party is competent, open, concerned, and reliable” (Mishra, 1996, p. 265). This suggests that trust is only relevant in uncertain situations where it is beyond the control of the parties involved in a relational exchange to attain a complete knowledge of one another (Easton and Araujo, 1994). Before trust is established, some evaluation of integrity and reliability must occur to ensure that a potential partner’s word is taken as credible (Doney and Cannon, 1997).

Recently, trust has been conceptualised as two dimensions (Table 1), according to whether the level of trust is either rational or emotional in nature (e.g., Erdem and Ozen, 2003). Cognitive trust is the degree of confidence or willingness that exists in order to depend on the other party’s reliability and competence (McAllister, 1995; Johnson and Grayson, 2005). This form of trust is performance-based in nature with rationality used as a basis for trusting the other party (e.g., Costigan et al., 1998; Erdem and Ozen, 2003). Cognitive trust “arises from an accumulated knowledge that allows one to make predictions, with some level of confidence, regarding the likelihood that a focal partner will live up to his/her obligations” (Johnson and Grayson, 2005, p. 501). Cognitive trust implies that one party in the relationship is familiar with the other to some extent and, therefore, has accumulated a certain level of knowledge which warrants trusting that party (Lewis and Weigert, 1985; Dunn 2000). As cognitive trust is objective in nature, it is based on a rational process which determines whether the other party in the relationship can be trusted (Hansen et al., 2002).

Affective trust is the confidence that an individual places in a partner on the basis of feelings generated by the level of concern and care that the partner displays (McAllister, 1995; Costigan et al., 1998; Johnson and Grayson, 2005). This type of trust is emotionally based and is characterised by the perceived strength of the relationship and the sense of security felt in the relationship (e.g., Lewis and Weigert, 1985; McAllister, 1995). The existence of affective trust indicates that the parties in the relationship have

developed an emotional bond that has evolved from the initial business relationship and results in the concern for the other party rather than self-interest (Chen et al., 1998). The partner acts with benevolence to elicit an emotional bond of trust (Johnson and Grayson, 2005). This form of trust is said to be subjective in nature, as the perceived trustworthiness of one party is based on the feelings, emotions, and moods of the other (Hansen et al., 2002).

2.1. Conceptual model

Using previous research as a foundation (for example McAllister, 1995; Johnson and Grayson, 2005), a conceptual model shown in Fig. 1 clearly identifies the two different dimensions of trust. Since the exporter goes through a certain degree of deliberation when forming cognitive trust, it is argued here that perceived cultural distance, buyer reputation, shared goals, and total interdependence are factors that the seller evaluates using a cognitive process before developing business relationships. Affective trust, on the other hand, is formed when the exporter feels a sense of attachment to the buyer. Perceived cultural distance, buyer reputation, total interdependence and shared goals are also examined with regards to affective trust. In addition, both cognitive trust and affective trust enhance two relational outcomes, namely exporter flexibility and exporter satisfaction with export performance. The following discusses each model concept in detail.

2.2. Independent variables: perceived cultural distance, buyer reputation, total interdependence and shared goals

National culture, which incorporates those individuals who belong to the same country or society, affects and influences the way people live their lives, including many business decisions made by managers (Doney et al., 1998; Conway and Swift, 2000). Cultural differences in themselves are irrelevant. Cultural differences are only salient when they contribute to the overt perception of cultural distance (Sousa and Bradley 2006; Swift, 1999). Perceived cultural distance is the extent to which similarities and differences are identified when comparing the culture of one country with another in terms of business practices, political and legal systems and marketing infrastructure (Bello and Gilliland 1997; Lee, 1998). The greater the perceived cultural distance, the more difficult it is to develop and achieve a successful relationship as both parties have divergent attitudes and beliefs towards business (e.g., Conway and Swift, 2000; Ouchi, 1980). McAllister (1995) proposes that when individuals perceive themselves and others as culturally dissimilar, cognitive trust diminishes because individuals tend to see those others as dishonest, untrustworthy, and uncooperative (Brewer, 1979). Conversely, firms operating in countries with similar cultures to the home country are likely to encounter

less problems and conflict when working with overseas organisations as both parties are considered to have similar attitudes and feelings towards one another (Swift, 1999; Pothukuchi et al., 2002). As such, cognitive trust and affective trust are less likely to develop between exporters who perceive their buyers to be culturally distant.

H1. Perceived cultural distance is negatively related to (a) cognitive trust and (b) affective trust.

Buyer reputation in a business relationship is based on assessments of a partner's fairness and honesty (Doney and Cannon, 1997). Johnson and Grayson (2005, p. 502) state that reputation "is both a symbol of value reciprocation and an expression of empathy for the customer", indicating that buyer reputation contains both cognitive and emotional elements. Further, a good reputation can be gained by an organisation not only because their actions are fair but because these actions are also the "right thing" to do (Drumwright, 1994). Individuals and businesses when assessing trustworthiness often consider the history of a partner organisation and examine in particular the method in which the business has handled certain situations (McAllister, 1995). For cognitive trust to be formed, it is crucial that the seller believes the buyer has a satisfactory reputation and meets the objectives that the seller has outlined regarding a "good reputation" (Doney and Cannon, 1997). Organisations that are perceived to be fair are more likely to be trusted than those that strictly foster their own interests (Ganesan, 1994). Such indications of fairness suggest buyer reputation also leads to affective trust.

H2. Perceived reputation is positively related to both (a) cognitive trust and (b) affective trust.

Total interdependence is the overall degree to which both partners rely or depend on one another for critical resources to accomplish their goals and fulfil their needs (e.g., Gundlach and Cadotte, 1994; Hewett and Bearden, 2001). A high level of total interdependence between two partners means that both need to rely on one another in order to benefit from the exchange (Wetzels et al., 1998). Based on the concept of bilateral convergence, both partners cognitively are motivated to nurture the relationships (Kumar et al., 1995). In this situation, the interests of both parties are convergent and, therefore, opportunistic behaviour of both partners is suppressed, conflict decreases while trust and affective commitment develop (Kumar et al., 1995; Geyskens et al., 1996). Collaborative communication and exchange of information between partners are facilitated (Mohr and Nevin, 1990). Total interdependence generates a supportive climate in which economic and emotional bonds between exporters and their buyers can be developed. Thus, it is proposed that:

H3. Perceived total interdependence is positively related to (a) cognitive trust and (b) affective trust.

Prior to forming long-term relationships, individuals often are attracted to those parties that exhibit goals which are similar to their own (Crosby et al., 1990). Shared goals refers to those aims and objectives that buyers and sellers have in common (Zineldin and Jonsson, 2000). Studies show that similar goals assist in the development of trust (Doney and Cannon, 1997; Morgan and Hunt, 1994; Palmatier et al., 2006). In situations where goals are congruent, both parties are able to rely on each other with the expectation that the relationship will continue to be beneficial in the future as both progress towards goal attainment together (Wong et al., 2005). When goals are incongruent partners may question the reasons behind one another's decisions and actions, leading to an atmosphere of opposition and suspicion rather than trust (Smith and Barclay, 1997). With shared goals, conflict is minimised and

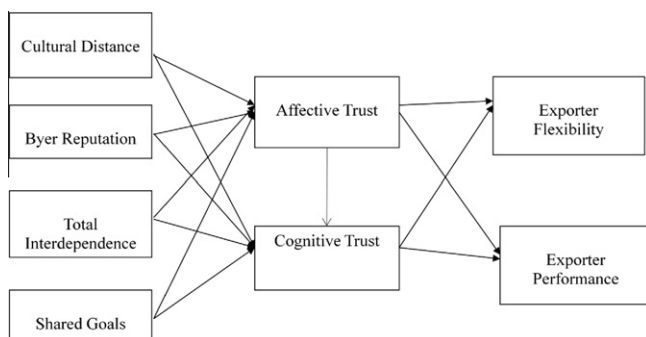


Fig. 1. Conceptual model of exporter trust in overseas buyers.

trust is able to develop (Anderson and Weitz, 1989). The realisations of common goals between exporters and their buyers promotes the formation of both cognitive and affective trust.

H4. Perceived shared goals is positively related to (a) cognitive trust and (b) affective trust.

2.3. Mediators: cognitive trust & affective trust

Although a two-way, causal effect may exist in principle between cognitive trust and affective trust (McAllister, 1995), past studies indicate that cognitive trust is a precursor of affective trust (e.g., Johnson and Grayson, 2005; Lewis and Weigert, 1985). Cognitive trust is based on more observable behaviours. Once competency, integrity and dependability are established, partners “no longer need or want further evidence, or rational reasons” to trust each other (Massey and Kyriazis, 2007, p. 1153). Affective trust is more subjective in nature and is built through social exchange that includes reciprocal benevolence and understanding accumulated in a relationship (Scott, 2000). As such, affective trust based on emotion and care is more likely to develop after a partner is seen to be reliable (McAllister, 1995). The buyer and seller initially engage in cognitive trust when the relationship commences. If both parties are satisfied with the outcomes of the relationship and the behaviour of the other party, then an emotional bond may develop.

H5. Cognitive trust is positively related to affective trust.

2.4. Dependent variables: exporter flexibility and exporter performance

A number of outcomes are associated with trust in relational exchanges. In a context of buyer–seller relationships, the exchange partners exhibit relational behaviours that help them cope better with unexpected contingencies (Noordewier et al., 1990). Flexibility refers to the degree to which an exporter is flexible in dealing with its buyers. Heide and John (1992) propose that flexibility, as well as information exchange and solidarity, is considered an important relational norm that governs channel relationships. An exchange partner's flexibility facilitates the adaptation process which helps one or both partners perform better in changing circumstances (Lusch and Brown, 1996). The degree to which exporters are flexible toward their buyers depends on levels of both cognitive and affective trust. When exporters believe in their buyers' competency, reliability, and benevolence, they are more likely to make sacrifices (Ganesan, 1994) and promote mutuality (Gundlach et al., 1995). Affective trust between both partners also enables exporters to avoid opportunistic behaviour (Doney and Cannon, 1997) and become flexible when their buyers encounter unexpected circumstances.

H6. Flexibility is positively influenced by both (a) cognitive trust and (b) affective trust.

An attempt to understand the implications of trust on business performance has been a focal issue of researchers and practitioners (e.g., Selnes, 1998; Sako, 1998; Atuahene-Gima and Li, 2002). It is argued here that both cognitive and affective trust help facilitate working relationships. When partners carry out their tasks effectively and efficiently, performance increases through a reduction in transaction costs, such as monitoring and qualifying costs (Morgan and Hunt, 1994). Confidence in a partner's credibility, ability, and goodwill generates joint improvement in innovation and learning in the distribution process (Sako, 1998). These

activities are likely to promote a sense of belonging and stability in the relationship, which leads to cooperation between both parties and enhances performance (Morgan and Hunt, 1994; Jap, 1999). Both cognitive and affective trust, therefore, enhance exporters' reported satisfaction with performance.

H7. Satisfaction with export performance is influenced by both (a) cognitive trust and (b) affective trust.

3. Research method

3.1. Sample and data collection method

The study utilises a list of 600 randomly selected Australian exporters within manufacturing related industries purchased from a database company containing the name, address, telephone number, and a contact person for each exporter. Data obtained via mailed questionnaires to Australian exporters requests information concerning a single dyadic relationship only. After accounting for invalid records, 370 telephone calls are made to identify key informants. Key informants are employees of the exporting firms who dealt directly with the organisation's overseas buyers (Kumar et al., 1993). A copy of the questionnaire with a reply paid envelope is sent to 231 key informants who verbally agreed to participate in the research. After two mail-outs, a total of 110 usable responses are returned, resulting in a 47.6 percent response rate. Non-response bias is assessed using a technique recommended by Armstrong and Overton (1977). Responses from surveys returned in the first three weeks are compared to those returned in the last two weeks over the five week collection period and no significant differences are found.

Of the 110 key informants, 74 percent are in management positions (10.8 percent are CEO/MD/Directors and 64.5 percent are managers) and 65.7 percent are male. On average the informants are 45 years old. New Zealand (12.7 percent) and China (12.7 percent) are the two countries most exported to by organisations who participated in the study. Asia is the most common region exported to with 47.3 percent of overseas clients residing in the region. The average relationship length between buyers and sellers is 7.3 years.

3.2. Measures

Most scales are adapted from previous studies and use a seven-point Likert scale. Cultural distance is a six-item scale adapted from studies by Lee (1998) and Bello and Gilliland (1997). Six items measure the degree of similarity/dissimilarity the exporter feels with regards to issues such as language, business practices, political and legal systems, and customs of the overseas buyer's country. Buyer reputation is measured with four items from Ganesan (1994). The four items measure the degree to which the overseas buyer is fair and honest and has a good reputation in the industry. Total Interdependence is a summation of the two constructs, seller dependence and buyer dependence, adapted from Lusch and Brown (1996). The first three items assess the degree to which the exporter depends on the overseas buyer and finds it difficult to replace and costly to lose. The other three items measure the degree to which the exporter's perception of the overseas buyer's dependence on itself. Shared goals is measured with three items from Zineldin and Jonsson (2000). Cognitive trust and affective trust are modified from McAllister's (1995) study. Five items measuring cognitive trust capture the degree to which the buyer is reliable, competent, professional, and trustworthy in performing tasks or jobs. Affective trust is measured by a five-item scale determining the degree of attachment and emotion the exporter experiences in the relationship with the buyer. Exporter flexibility,

Table 2
Descriptive statistics, factor loading, reliability and Fornell–Larcker criterion.

Constructs	Number of items	Factor loadings	Mean	SD	Cronbach's alpha	Composite reliability	Fornell–Larcker criterion (AVE > Max corr ²)
1. Cultural distance	4	0.88–0.90	3.76	1.59	0.92	0.94	0.80 > 0.11
2. Shared goals	2	0.94–0.94	5.59	1.18	0.87	0.94	0.88 > 0.26
3. Buyer reputation	2	0.90–0.92	5.75	1.00	0.80	0.91	0.83 > 0.41
4. Total interdependence ^a	–	N/A	8.35	2.53	N/A	N/A	N/A
5. Cognitive trust	3	0.78–0.86	5.53	1.00	0.78	0.92	0.70 > 0.53
6. Affective trust	4	0.76–0.90	4.89	1.17	0.88	0.91	0.73 > 0.53
7. Exporter flexibility	2	0.89–0.93	5.67	0.85	0.78	0.91	0.83 > 0.16
8. Export performance	3	0.90–0.94	4.70	1.30	0.92	0.95	0.87 > 0.33

Note: NA = not applicable.

^a Total interdependence equals to the summation between the exporter's dependence on the overseas buyer and the overseas buyer's dependence on the exporter.

a three-item scale, is modified from Lusch and Brown (1996). The three items measure the degree of flexibility in business routine the exporter is willing to make when dealing with the overseas buyer. Finally, a modified version of Lages and Montgomery's (2004) four-item "export behaviour" scale measures exporter's satisfaction with export performance in terms of sales volume, revenue, profitability, and overall performance.

4. Empirical results

PLS structural equation modeling is employed to estimate the theoretical model using the software application SmartPLS 2.0 M3 (Ringle et al., 2005). PLS is particularly appropriate when the sample size is relatively small ($n = 110$) and in the use of two item scales as a result of dropping poor items (Chin, 1998). Also, as our aim is to evaluate the drivers and outcomes of the two dimensions of trust based on model measurement characteristics while maximising the explained variance of the dependent variables, PLS path modeling is considered an appropriate method (Hair et al., 2011; Wiedmann et al., 2011).

4.1. Measure validation procedure

Table 2 presents the results of the measurement model validation. The factor loadings of all reflective scales are above the recommended 0.7. Convergent validity is supported as the factor loadings are all significant (the lowest t -value is 17.09). The composite reliability and the average variance extracted (AVE) values also exceed the recommended level of 0.7 and 0.5, respectively (Fornell and Larcker, 1981). Construct reliabilities (CN) are 0.87

and higher while the lowest average variance extracted (AVE) is 0.70.

4.2. Structural models

SmartPLS (Ringle et al., 2005) is used to estimate the structural model and test the hypotheses. The parameter estimates and t -statistics are computed using 500 bootstrap samples. The percentage of explained variance (R^2 value) for cognitive trust, affective trust, flexibility and satisfaction with export performance are 0.46, 0.66, 0.19 and 0.27, respectively. Table 3 provides the path estimates.

As hypothesised in H1a, perceived culture distance is negatively and significantly related to cognitive trust ($\beta = -0.17, p < 0.01$), but is not significantly related to affective trust ($\beta = 0.03, p > 0.05$). Reputation is positively and significantly related to cognitive trust ($\beta = 0.51, p < 0.01$), supporting H2a, but not significantly related to affective trust ($\beta = 0.09, p > 0.05$). Whereas H1b and H2b are not supported, H3b is supported since total interdependence is positively and significantly related only to affective trust ($\beta = 0.23, p < 0.01$). H3a, however, is not supported, as total interdependence is not significantly related to cognitive trust ($\beta = 0.03, p > 0.05$). Shared goals between the exporter and the overseas buyer is positively and significantly related to both cognitive trust ($\beta = 0.16, p < 0.05$) and affective trust ($\beta = 0.15, p < 0.05$), thus supporting H4a and H4b. H5 also is supported as the results show cognitive trust leads to affective trust ($\beta = 0.57, p < 0.01$).

As with the independent variables, there are mixed results for the two outcome variables. Affective trust is positively and significantly related to exporter flexibility ($\beta = 0.24, p < 0.05$), but cognitive trust is not ($\beta = 0.22, p > 0.05$). Thus, H6b is supported while H6a is not. The opposite is found for exporter performance. Cognitive trust is positively and significantly related to exporter performance ($\beta = 0.36, p < 0.01$), supporting H7a. But, H7b is not supported as affective trust is not significantly related to exporter performance ($\beta = 0.19, p > 0.05$).

Table 3
Results for the structural parameter estimates.

Determinants	Paths	Estimates (t -values)
Perceived cultural distance	Cognitive trust	-0.17** (2.59)
	Affective trust	0.03 (0.53)
Perceived reputation	Cognitive trust	0.51** (5.94)
	Affective trust	0.09 (1.12)
Perceived total interdependence	Cognitive trust	0.03 (0.37)
	Affective trust	0.23** (3.89)
Perceived shared goals	Cognitive trust	0.16* (2.52)
	Affective trust	0.15* (2.02)
Cognitive trust	Affective trust	0.57** (7.45)
	Flexibility	0.22 (1.68)
	Satisfaction with performance	0.36** (3.07)
Affective trust	Flexibility	0.24* (1.97)
	Satisfaction with performance	0.19 (1.37)

Note: * <0.05 (two-tailed test) and ** <0.01 (two-tailed test).

5. Discussion and managerial implications

This study examines Australian exporters' cognitive and affective trust towards their overseas buyers with regards to the antecedents of cultural distance, buyer reputation, total interdependence, and shared goals and the outcomes of exporter flexibility and export performance. Results show both cognitive trust and affective trust are important in the development of successful relationships between overseas buyers and Australian exporters, but influence relationships in different ways. Cognitive trust helps to facilitate exporters' reported satisfaction with performance whereas affective trust enables exporters to become more flexible which may assist when faced with unexpected circumstances. The results are perhaps due to the fact that cognitive trust is based on

the performance of the other party and results in both parties considering their own needs while affective trust, on the other hand, fosters reciprocity and leads both parties to take steps to improve the relationship and sacrifice short-term profits in order to develop a relationship that will be of benefit to both in the long-term.

The results of this study are consistent with those of Johnson and Grayson (2005) and McAllister (1995) in that cognitive and affective trust are related, but separate dimensions. Cognitive and affective dimensions of trust have unique and common antecedents. Cultural distance and reputation are found to be a unique antecedent of cognitive trust. Perception of cultural differences in terms of business practices, legal systems, marketing infrastructure, and customs and values is likely to add to perceived risks in international business dealings, hindering the development of cognitive trust. To reduce cultural distance and foster the development of cognitive trust, management should identify cultural differences that exist between business partners and take steps to appreciate those differences, as often ignorance of a foreign culture impedes the understanding of it (Lee, 1998). One of the findings of this study is that the perception of cultural distance does not impede or promote the development of affective trust. Although this finding may be counterintuitive, it is conceivable that because exporters and overseas buyers are used to dealing with multiple individuals from different cultural backgrounds, they may be indifferent towards building a relational bond. Consistent with Johnson and Grayson (2005), reputation is a factor (although weak) in promoting cognitive trust. Reputation enhances credibility and positive-word-of-mouth endorsements (Ganesan, 1994), especially in the overseas market where reputation is the key factor in gaining trust. Prior to entering into a relationship, management should search for overseas buyers who are credible, reliable, and trustworthy by enquiring from the government agencies such as Australian Trade Commission.

Shared goals is a common antecedent to both cognitive and affective trust. Sharing mutual goals and interests allows both parties to comprehend what drives their partner's behaviour (Doney and Cannon, 1997). As emphasised by Anderson and Weitz (1989, p. 314), "One of the most difficult and pervasive problems in channel management is conflict over goals, especially in respect to growth objectives (Stern and El-Ansary, 1982)". Such goals, for example, can include the expansion in overseas markets. Exporters should explicitly communicate and identify shared goals to create a sense of unity with their overseas buyers. Total interdependence is a unique antecedent to affective trust. As the level of total interdependence increases, Australian exporters realise that their relationships produce benefits that are far greater than what they can obtain alone (Mohr and Spekman, 1994). This promotes mutuality and the development of commitment and trust (Kumar et al., 1995). Although total interdependence is considered beneficial because it realigns the exchange partners' goals, interests, and expectations (Dwyer et al., 1987), it concurrently places demands on one another's resources. Management may recognise the possible strains total interdependence can place on relationships, which is a plausible reason why total interdependence is not related to cognitive trust.

Affective trust, but not cognitive trust, is found to promote exporter flexibility. This was unexpected as it was thought that cognitive and affective trust would impact on exporter flexibility in different ways. Not all buyers and sellers are invested emotionally in the relationship. Exporters who exhibit only cognitive trust may still wish to be flexible in their relationship with their overseas buyers as the buyer is performing well in the relationship and flexibility may increase sales and profits. The presence of affective trust may mean that the exporter is willing to be flexible and to continue the relationship into the future.

The final outcome of cognitive trust examined is satisfaction with export performance. Many past studies have indicated that

trust, as operationalised as a global construct, enhances the business performance of the exchange parties (i.e., Sako, 1998; Cannon and Perreault, 1999; Hewett and Bearden, 2001). This study characterises trust as two dimensions and the findings indicate that only cognitive trust enhances the exporter's satisfaction with export performance. This result suggests that exporters are likely to be successful in achieving export sales volume, profitability, and revenue by carefully selecting to work with buyers who are competent.

6. Limitations of the study and future research

As with all research, a number of limitations are associated with this study. These include the fact that the study focuses on one point in time from one perspective within the exchange relationship. Trust means many different things to different people (Hofstede, 1983). It certainly is possible that one business owner operating within a particular cultural system may consider trust very differently in comparison to their partner. By only taking into account the attitudes of Australian exporters, we are unable to evaluate whether or not the buyer holds similar views with regards to trust. Ideally the attitudes of both parties need to be examined in order for a comparison between the two to be made. The limited sample size further inhibits the method of analysis.

This study extends previous work by proposing a set of antecedents of cognitive and affective trust in business-to-business relationships in an international context. The examination of two separate dimensions of trust is an area that requires a great deal more research in order to support or refute the claims made in this study. Future studies considering cognitive and affective trust and observing similar antecedents and outcomes to the ones in this study will add credence to the results that have been generated.

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