

# Trust, Long-term Orientation, and Relationship Performance: A Perspective of Distribution Management on Supply Chain

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#### Abstract

**Purpose:** This study sheds light on the need for trust in buyer—seller relationships in supply chains and explores why long-term orientation is important. It also investigates the effect on relationship performance. This study provides implication on how to build robust supply chains. **Methodology:** A survey was conducted with firms with supply chains in South Korea. A total of 350 valid questionnaires were analyzed through Entrust Survey—a sampling company. Structural equation modeling (SPSS 18.0 and AMOS) was employed to test the hypotheses. **Results:** Cognitive trust had a positive effect on emotional trust. Emotional trust had a positive effect on long-term orientation but did not have a significant effect on relationship performance. Long-term orientation was proportionate to relationship performance. **Conclusions:** Trust is a critical factor in supply chains. As business environments are rapidly changing, the uncertainties are also meaningful. Supply chains have collapsed owing to COVID-19, the Russia—Ukraine war, and the U.S.—China trade war, and they are only just recently being rebuilt. Maintaining relationships with supply-chain partners is vital, and promoting cognitive and emotional trust is necessary.

Keywords: Trust, Long-term Orientation, Relationship Performance, Supply Chain, Distribution Management

JEL Classification Code: E44, F31, F37, G15

#### 1. Introduction

Since the concept of supply chain management (SCM) was first introduced in the 1980s, many advanced countries have been conducting relevant research. In addition to studies that specifically examine the antecedent factors required for building an efficient supply chain, others have explored factors to further strengthen buyer–seller relationships in supply chains. The ample amount of literature on the application and implementation of SCM is probably because competition is now no longer between

individual firms but between supply chains (Boyer & Hult, 2005).

Recently, firms need the capacity to supply products and services at the right time and place to secure a competitive advantage in the globalized and rapidly changing business environment. This is why it is important for firms to have the ability to promptly meet customer demands. Then, what efforts should firms make to have these competencies? Many firms sign various forms of contracts with suppliers and try to maintain long-term relationships with them for efficient operations. In particular, building long-term

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relationships with trading partners brings various benefits to not only suppliers but also buyers. For example, buyers can receive products and services at prices lower than market prices, and suppliers can save time and money required in securing new buyers.

A key component in building this relationship is mutual trust. This is because by forming trust, firms can not only gain an advantage in supply chain competition but also can cooperate smoothly with one another (Barber et al., 2017). Further, since having trust in each other is what makes it easier to maintain continuous relationships, the role of trust in supply chains is important.

It is difficult to build trust with trading partners in a short period. It takes a long time to build trust as it must be based on faith and the desire to maintain a continuing relationship. However, once trust is formed, it is possible to communicate smoothly and secure long-term orientation, which is why it is important to make active efforts for common interests and goals based on faith in each other (Mansur & Djaelani, 2023). Against this backdrop, this study examines the need for trust in relationships between supply-chain partners and determines the importance of long-term orientation. Moreover, it explores their effect on relationship performance—the current outcome variable. This study informs measures to build robust supply chains.

## 2. Literature Review

# **2.1.** Trust

Trust is a concept that has been receiving attention and explored in various academic fields. In particular, as an emotion that is required in building and maintaining relationships, trust is also receiving attention as a key concept in studies related to SCM business administration. For example, Ha et al. (2011) discovered that trust in supply chains has a significant effect on the increase of cooperation and logistics efficiency, and Lee and Kim (2023) empirically analyzed that trust improves the level of commitment between firms in supply chains. Ganesan (1994) viewed trust as a concept that combines credibility and favorability and claimed that it is an essential factor in forming long-term relationships.

Many previous studies defining and measuring trust explain that trust includes various attributes such as beliefs in cognitive aspects as well as subjective emotions; however, they examined this as a one-dimensional concept. More recently, trust has been examined as a multidimensional concept that is divided into two dimensions (Johnson & Grayson, 2005; Lee & Kim, 2023). These studies specifically divided trust into cognitive and emotional aspects, in which the key is that emotional attributes in

addition to rational calculations affect how much trust is formed between individuals/organizations. Therefore, the level of trust in certain objects is determined based on both cognitive and emotional trust.

#### 2.1.1. Cognitive Trust

Moorman et al. (1992) described cognitive trust as the willingness to believe in the competencies, abilities, and skills of the other party. Ha et al. (2011) defined it as the act of considering and predicting the extent that the other party can fulfill the obligations as promised based on accumulated knowledge. Rempel et al. (1985) claimed that predictability is the biggest attribute of cognitive trust and explained that cognitive trust can be predicted based on knowledge accumulated while observing the behavior of the other party in the relationship with them. In short, cognitive trust can be interpreted as the willingness to depend on the other party based on cognitive attributes.

#### 2.1.2. Emotional Trust

Contrastingly, emotional trust refers to faith in the other party based on emotions (Johnson & Grayson, 2005). Thus, as the emotional connection with the other party deepens, emotional trust could become more important than cognitive trust based on competency. Trust based on emotions could be less clear than trust based on objective evaluation. However, t emotions play an important role in building trust. This is because emotional trust is generated from emotional bonds between individuals, and these emotional bonds lay the foundation for trust (McAllister, 1995).

According to these previous studies, cognitive trust has objective and rational characteristics, whereas emotional trust has subjective characteristics based on emotions and moods. This study also classifies trust into two dimensions and examines their distinct importance in SCM.

## 2.2. Long-term Orientation

Long-term orientation is establishing friendly cooperative relations with trading partners. Ganesan (1994) defined it as a trade connection in which both parties coordinate their activities and do their utmost to meet the demands of the end customer. Long-term orientation is based on the anticipation and desire to maintain a long-term relationship with the other party beyond just referring to the possibility of a long-term transaction. Kelley and Thibaut (1978) described long-term orientation as the willingness to engage in long-term transactions with the other party instead of continuously trading products and services in buyer–seller relationships. Mansur and Djaelani (2023) claimed that it is the effort to achieve customer satisfaction based on methods superior to competitors while maintaining long-term relationships.

Long-term orientation has also been explored in various ways in fields related on supply chains. Kalwani and Narayandas (1995) empirically analyzed that sellers and buyers forming long-term orientation can manage inventory more stably than those with short-term transactions in addition to reducing costs and management expenses. Anderson and Weitz (1992) emphasized the importance of long-term orientation to achieve strategic partnerships in SCM. Webster (2012) explained that when a firm has continuous long-term customer relationships, these customers are more likely to participate actively in the firm's decision-making process, which ultimately contributes to the firm's development. Therefore, long-term orientation includes continuity of mutual relationships, which plays an important role in not only business-to-business but also business-to-consumer relationships.

#### 2.3. Relationship Performance

This study explores relationship performance in terms of effectiveness found in buyer-seller relationships. There are many previous studies on this topic. Ruekert and Walker (1987) described relationship performance as the degree that trading partners consider the relationship they have with themselves to be valuable, productive, and satisfactory. Kumar et al. (1995) defined relationship performance as loyalty toward buyers and measured it in terms of transaction satisfaction and the intention to continue transaction. In addition, Dwyer et al. (1987) explained relationship performance in buyer-seller relationships in three dimensions—interdependence, trust, and commitment —and argued that depending on each other and sharing information transparently to achieve the same goal between firms can be a foothold for building a long-term relationship. In a similar context, Krause et al. (2007) emphasized that communication with trading partners is important in improving relationship performance, and that smooth communication between both parties has a positive effect on strategic and cooperative partnerships. Therefore, it is important for firms in supply chains to build cooperative and continuing relationships for effective SCM, and the key here is to perceive the need for relationship performance.

# 3. Hypothesis Formulation and Research Model

#### 3.1. Cognitive Trust and Emotional Trust

Cognitive trust can also be interpreted as the will to depend on the competencies of the other party (Moorman et al., 1992). Specifically, cognitive trust is formed based on accumulated knowledge that can predict to some extent the

possibility that trading partners would fulfill their duties. Knowledge is accumulated from reputations reported in other relationships aside from observing the behaviors of trading partners. Rempel et al. (1985) described cognitive trust in terms of predictability. Moreover, emotional trust is described as confidence incurred based on the attention and emotions shown by the other party. Emotional trust is characterized by the perceived relationship strength with the other party, which, unlike cognitive trust, is formed by personal experience.

Many previous studies generally address cognitive trust and emotional trust in parallel; however, Lewis and Weigert (1985) argued that cognitive trust must exist before emotional trust is formed, as it lays the foundation for emotional trust. They explained that cognitive trust can serve as an antecedent factor for emotional trust. This is because the strength of emotional bonds varies depending on the other party's abilities in an uncertain business environment (Johnson & Grayson, 2005). Accordingly, this study established the following hypothesis (H):

**H1**: Cognitive trust has a significant positive effect on emotional trust.

#### 3.2. Emotional Trust and Long-term Orientation

Trust can be explained as the extent of belief that the trading partner will comply with the requirements, and it refers to the expectation that both parties will truly want to form a partnership (Schurr & Ozanne, 1985). Such trust is a prerequisite for building an efficient supply chain because trust serves as an important element in a relational environment in which a firm seeks predictable and obligatory behavior with its partner in the relationship (Anderson & Narus, 1990). More specifically, once trust is formed, the firm can closely interact with the other party, which reduces transaction costs and enables smooth cooperation. Moreover, building trust alleviates uncertainties, thereby enabling a higher level of communication (Morgan & Hunt, 1994). Trust can also reduce conflicts and increase satisfaction when issues arise in the relationship with the other party. In particular, emotional trust formed based on emotions is an important prerequisite that can autonomously control the other party's opportunistic behavior and induce mutual long-term orientation. Therefore, in sum, trust not only increases the level of strategic partnership but also improves the quality of interaction with trading partners, which is why it can serve as an antecedent factor for maintaining long-term orientation. Accordingly, this study established the following:

**H2:** Emotional trust has a significant positive effect on long-term orientation.

# 3.3. Emotional Trust and Relationship Performance

Trust is the belief that stakeholders will keep their promises to each other, through which not only transaction uncertainty but also transaction costs can be reduced. Thus, trust can also have a positive effect on commitment, which, according to Morgan and Hunt (1994), is because improving trust is helpful in developing a sense of attachment and unity with trading partners. Moreover, Hackett et al. (1994) empirically analyzed that commitment reduces switching intention, and Jaros et al. (1993) revealed that commitment has a positive effect on the intention to maintain a relationship. Therefore, relationship performance can be improved if trust increases the level of commitment to the other party. Ganesan (1994) argued that mutual cooperation among stakeholders can be expected by building trust, which also contributes greatly to maintaining continuous relationships with each other. In short, building trust among firms in a supply chain indicates building faith that they will fulfill their responsibilities and duties to each other, which can be useful for maintaining long-term relationships. Accordingly, this study established the following:

**H3:** Emotional trust has a significant positive effect on relationship performance.

# 3.4. Long-term Orientation and Relationship Performance

Long-term commitment is important for building a business relationship with the other party and benefiting from the relationship. This is because long-term relationship orientation means more than just the act of making repeated purchases. For example, Kalwani and Narayandas (1995) argued that firms with long-term business relations can generate relatively higher profits than firms engaging in short-term transactions, as they provide products or services to a relatively stable customer base. More specifically, building long-term business relations facilitates inventory management compared to short-term business relations,

which is because transaction costs decrease naturally as long-term planning and adjustment become possible. Moreover, as this enables stable customer management, customer relationships also become stronger, which leads to higher profits (Anderson & Weitz, 1992). In sum, higher long-term orientation between firms in a supply chain benefits both parties by effectively satisfying each other's needs, which ultimately helps improve performance. Accordingly, this study established the following:

**H4:** Long-term orientation has a significant positive effect on relationship performance.

Based on the aforementioned considerations, this study formulates hypotheses founded on four key factors: cognitive trust, emotional trust, long-term orientation, and relationship performance (Figure 1).

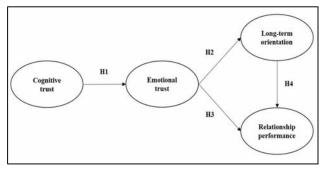


Figure 1: Research Model

#### 4. Methods and Results

## 4.1. Operational Definitions of Variables

This study used 16 measurement variables to ensure the content validity of the latent variables based on previous studies. Table 1 shows the operational definitions and references for the measurement variables.

Table 1: Definition and	of Variables
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Latent variables	Operational definition	References
	The degree of trust in the other party's job ability	
Cognitive	The degree of satisfaction with the other party's know-how and expertise	Ayari & Boulila, (2023),
trust	The degree that one thinks the other party possess exclusive knowledge and skills	Lappeman et al. (2023)
	The degree of acceptance of the other party's professional opinions	
	The degree of transaction without mutual intentions	
Emotional trust	The degree that the other party is truthful	Ayari & Boulila (2023),
	The degree that the other party's positions or arguments are respected	Lappeman et al. (2023)
	The degree that one thinks positively about the other party	

Latent variables	Operational definition	References	
	The degree of commitment to a long-term partnership with the other party		
Long-term	The degree that one thinks that a long-term relationship with the other party will bring more positive outcomes	Manta et al. (2023), Mansur & Djaelani (2023)	
orientation	The degree that one believes the other party will continue to be cooperative in the future		
	The degree that one makes active efforts and provides support to continue a long-term relationship with the other party		
	The degree that one develops a symbiotic relationship with the other party		
Relationship performance	The degree that one exchanges and recommends information to continuously improve the relationship with the other party	Butt et al. (2023), Schmelzle & Mukandwal	
	The degree that one helps the other party to successfully perform its work	(2023)	
	The degree that one is aware of the other party's requirements		

#### 4.2. Data Collection

A survey was conducted with firms with supply chains in South Korea. Specifically, data were collected from employees within departments associated with supply chains in South Korean firms to examine the effect of trust on long-term orientation and relationship performance, which is the outcome, in buyer-seller relationships in supply chains. First, to confirm the validity of the research content, advice on the survey items was received from three professors and two expert practitioners before distributing the questionnaire. Subsequently, the final questions were selected based on their feedback, and all survey items were measured using a seven-point Likert scale. The survey was conducted through Entrust Survey—a sampling company. A total of 4,952 copies of the questionnaire were distributed for the month of June 2023, ultimately yielding 350 valid responses excluding responses from dropouts and disqualified participants (Table 2).

Table 2: Sample Characteristics

Range	Frequency	Percentage (%)				
Length of service in a department associated with supply chains						
1–5 years	107	30.57				
6–10 years	96	27.43				
11–15 years	86	24.57				
16–20 years	24	6.86				
Over 20 years	37	10.57				
Core industry	Core industry					
Semiconductors	46	13.14				
Petrochemicals	42	12.00				
General machinery	85	24.29				
Automobiles	41	11.71				
Others	136	38.86				
Total assets as of Q1 2023						
Less than 500 billion won	193	55.14				
500 billion won or more–less than 10 trillion won	136	38.86				
10 trillion won or more	21	6.00				

Range	Frequency	Percentage (%)			
Number of countries entered for production and sales activities					
1–5 countries	242	69.14			
6–10 countries	68	19.43			
11–15 countries	15	4.29			
16–20 countries	6	1.71			
Over 20 countries	19	5.43			
Average number of employe	es as of 2023				
Less than 5000	315	90.00			
5000–9999	14	4.00			
10000–19999	7	2.00			
20000–29999	3	0.86			
30000 or more	11	3.14			

# 4.3. Reliability and Validity Analysis

In social science, reliability is generally confirmed by calculating Cronbach's alpha. If Cronbach's alpha is higher than 0.7, it can be generally considered that the reliability is secured (Nunnally, 1978). Cognitive trust and emotional trust had Cronbach's alphas of 0.801 and 0.776, respectively. Long-term orientation was 0.823, and relationship performance was 0.782, indicating that the measurement variables of the constructs used in this study generally show high reliability. Next, this study examined whether each construct has secured convergent validity and discriminant validity. In general, convergent validity of measurement variables is confirmed through composite reliability (CR) and average variance extracted (AVE). The confirmatory factor analysis revealed the fit of the measurement model (2 = 198.392, GFI = 0.933, RMSEA = 0.054, TLI = 0.954,CFI = 0.962, and IFI = 0.963. These values met the criteria recommended by Hair et al. (2010) to some extent. All standardized regression coefficients exceeded the recommended criterion of 0.5 and were significant (p < .001), ensuring convergent validity of the measurement variables (Hair et al., 2010; Table 3). Finally, CR and AVE also exceeded 0.7 and 0.5, respectively, confirming that convergent validity of the measurement variables. Moreover, discriminant validity confirmed that the constructs are indeed distinct, and if the square of the correlation

coefficient between factors is smaller than AVE, the factors have secured discriminant validity (Table 4).

Table 3: Results of the Confirmatory Factor Analysis

х	Standardized coefficient	Unstandardized coefficient	S.E.	C.R.	AVE	Composite reliability	Cronbach's alpha
F1 (cognitive trust)	0.740	1					
F2 (cognitive trust)	0.678	1.019	0.085	11.991***	0.040	0.004	0.004
F3 (cognitive trust)	0.696	1.195	0.097	12.302***	0.610	0.821	0.801
F4 (cognitive trust)	0.735	1.052	0.081	13.004***			
G1 (emotional trust)	0.539	1					
G2 (emotional trust)	0.689	1.174	0.129	9.116***	0.633	0.834	0.776
G3 (emotional trust)	0.762	1.079	0.112	9.619***	0.632		
G4 (emotional trust)	0.754	1.087	0.114	9.567***			
I1 (long-term orientation)	0.754	1				0.879	0.823
I2 (long-term orientation)	0.740	1.065	0.075	14.132***	0.600		
I3 (long-term orientation)	0.718	1.072	0.078	13.664***	0.602		
I4 (long-term orientation)	0.728	1.085	0.078	13.894***			
J1 (relationship performance)	0.701	1					
J2 (relationship performance)	0.681	1.0321	0.085	12.097***	0.645	0.832	0.782
J3 (relationship performance)	0.669	0.932	0.078	11.892***	0.645		0.762
J4 (relationship performance)	0.697	1.016	0.082	12.371***			

Note. \*p < .05, \*\*p < .01, \*\*\*p < .001.

Table 4: Results of Testing for Discriminant Validity

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	Cognitive trust	Emotional trust	Long-term orientation	Relationship performance		
Cognitive trust	0.610					
Emotional trust	0.430	0.632				
Long-term orientation	0.487	0.456	0.602			
Relationship performance	0.463	0.433	0.465	0.645		

Note: The squared value of the correlation coefficient excluding the diagonal line

4.4. Hypothesis Testing

Structural equation modeling using maximum likelihood estimation was used to test the research hypotheses. The fit of the structural model ( $\chi^2$ = 210.552, GFI = 0.930, RMSEA = 0.056, TLI = 0.950, CFI = 0.959, and IFI = 0.959) generally met the criteria recommended by Hair et al. (2010). Accordingly, the hypotheses were tested (Table 5).

Table 5: Hypothesis Testing Results

Hypothesis	Standardized coefficient	Unstandardized coefficient	S.E.	C.R.	Р	Accepted/rejected
H1	0.904	0.883	0.101	8.779***	< .001	Accepted
H2	0.912	1.032	0.114	9.056***	< .001	Accepted
H3	-0.167	-0.173	0.202	-0.855	.393	Rejected
H4	1.177	1.077	0.195	5.509***	< .001	Accepted

Note: p < .05, p < .01, p < .001

First, cognitive trust served as an antecedent factor of emotional trust in buyer–seller relationships in supply chains. Moreover, emotional trust had a significant effect on long-term orientation, but not on relationship performance. Finally, long-term orientation had a positive effect on relationship performance.

# 5. Discussion

Today, firms are striving to maintain long-term relationships with trading partners and acquire various competencies to gain a competitive advantage in the business environment undergoing dynamic changes. Against this backdrop, this study suggested two dimensions

of trust as factors to maintain continuous buyer-seller relationships in supply chains and explored their effect on long-term orientation and relationship performance.

First, cognitive trust had a significant positive effect on emotional trust. Firms today are building relationships based on mutual trust to effectively achieve their goals in the uncertain and rapidly changing environment. This is consistent with prior results examining the importance of trust in relationships between firms. Johnston et al. (2004) argued that firms with trust in their relationships with trading partners are likely to do their best to act in each other's best interests. Lewis and Weigert (1985) empirically analyzed that trust based on emotions can be formed when there are objective beliefs such as the seller's ability or expertise. Lewicki and Tomlinson (2003) revealed that firms can have emotional trust only when they can cognitively identify the other party's actions and competencies in today's business environment. In sum, it is critical to build trust with the other party in an uncertain business environment. Further, to emotionally trust the other party, cognitive trust must take precedence.

Second, emotional trust had a significant positive effect on long-term orientation. Building trust is the most important and fundamental thing in business relations. Relationships built based on trust not only facilitate interactions with the other party but also enable a high level of communication. This is because trust helps predict uncertain situations with the other party and promotes obligatory actions (Anderson & Narus, 1990). In particular, emotional trust formed based on emotions can control the other party's opportunistic behavior and induce long-term orientation. Therefore, it is necessary to secure emotional trust formed based on emotions and experiences to maintain continuous relationships with trading partners in the supply chain.

Third, emotional trust did not have a significant positive effect on relationship performance. This result is contrary to prior results that examined their relationship (Morgan & Hunt, 1994; Jaros et al., 1993). Building trust is useful for increasing the commitment level with trading partners in the supply chain and establishing continuous relationships (Ganesan, 1994). However, supply chains have collapsed owing to crises such as the COVID-19 pandemic and the Russia-Ukraine war, and firms are struggling to rebuild supply chains. This study could have produced different results from previous studies owing to this environment. Emotional trust, which can be a subjective index for emotions with the other party, cannot improve relationship performance alone. Thus, in situations in which the collapsed supply chains are being rebuilt, cognitive trust based on the abilities and expertise of trading partners could play a more important role than emotional trust.

Finally, long-term orientation had a significant positive

effect on relationship performance. Firms that have formed long-term relationships with trading partners could show relatively higher performance compared to firms engaging in short-term transactions (Kalwani & Narayandas, 1995). For efficient operations, firms have no choice but to struggle to build a long-term relationship with the other party. And by building such a long-term relationship, buyers can receive products and services at prices lower than market prices, and suppliers can reduce the opportunity costs required in selecting new buyers. Moreover, forming longterm relationships enables stable customer management, which can generate higher profits (Anderson & Weitz, 1992). Therefore, this implies that buyers and sellers in the supply chain strive to form continuous relationships, which can lead to higher returns, less transaction costs, and improved performance.

## 6. Implications and Suggestions

This study examined cognitive trust as an antecedent factor of emotional trust instead of exploring the two dimensions of trust in parallel. This indicates that they are in a causal relationship instead of a correlation, while many previous studies have merely examined them on equal terms. However, the concept of trust should not lean too much toward the macroscopic or microscopic aspect depending on the situation and environment, but must be addressed from a complementary perspective. Further, the study findings confirmed that trust based on emotions can be formed when the firm gains the other party's objective and professional trust in an uncertain business environment.

Second, this study examined the effect of emotional trust on long-term orientation and relationship performance in buyer–seller relationships in supply chains. Trust, as a belief that must be maintained by trading partners, enables smooth cooperation and a high level of communication. Moreover, emotional trust is an important factor in forming continuous relationships with trading partners as it inhibits the other party's opportunistic behavior. However, emotional trust did not have a positive effect on long-term orientation. This indicates that cognitive trust based on the other party's abilities and expertise serves as a more important factor in maintaining long-term relationships with supply-chain partners. Accordingly, this study has academic significance in empirically examining the above.

Third, in the business environment today, competition is no longer between individual firms but between supply chains. Supply chains have recently collapsed owing to various events, and firms are striving to rebuild them. Supply chains cannot be rebuilt in a short period. Supply chain workers must build both cognitive and emotional trust to maintain long-term relationships with trading partners.

Thus, to maintain continuous buyer-seller relationships in supply chains, firms must continue to perceive the importance and necessity of both dimensions of trust.

Finally, this study offers implications for supply chain workers by examining the causal relations between long-term orientation and relationship performance. Building continuous relationships with supply-chain partners provides several benefits. More specifically, firms building long-term relationships can not only reduce transaction costs but also manage their inventories more easily. They can also generate higher profits than firms preferring short-term transactions, which is why firms need continuous efforts and support to maintain their relationships.

Despite these implications, this study has several limitations. First, this study set cognitive trust as an antecedent factor of emotional trust. However, depending on the firm's business environment, cognitive trust can also become an antecedent factor of emotional trust. By shedding new light on their relationship in further research, it will be possible to understand the role of trust in supply chains more clearly. Second, the survey was conducted with employees working in departments associated with supply chains in South Korea. The physical length of supply chains is recently increasing, and the business environment is becoming global. Accordingly, by conducting research on multinational corporations or overseas firms, implications can be derived from a more macroscopic view.

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