

Factors Influencing Trust and Relationship Commitment to Use the Calibration Service: A Case Study of Oil & Gas Companies in Thailand

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— *Review of* —
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ABSTRACT

The objective of this study was to build a model comprised of factors influencing trust and relationship commitment. The researcher used an in-depth interview to confirm the proposed model and the variables' definitions. The sample consisted of five Gas & Oil companies. The key informant for each company was the supervisor or manager who was in charge of the quality control of measuring instrument so that it complied with ISO/IEC17025 system under ISO 9000 international standard. The results confirmed our proposed model. Service quality had an effect on corporate image. Service quality, corporate image, and shared values influenced trust, both competence trust and goodwill trust. Moreover, service quality, shared values, and trust were confirmed to have influential effects on relationship commitment. All of the interviewees agreed with the definitions proposed by the researchers. The implication of this study is that to survive in today's intense competition in the calibration service sector, the service providers must deliver a high level of good service quality, create corporate values that emphasize quality work, teamwork, employee capability, and good corporate atmosphere, and build competence trust and goodwill trust. Future research may need to empirically investigate further to test the proposed model.

Keywords: Service Quality, Corporate Image, Trust, Shared Values, and Relationship Commitment.

1. INTRODUCTION

In the past decade, Thailand is deemed to be an important manufacturing base for varying industrial products including both large manufacturing companies and their suppliers, i.e., original equipment manufacturers (OEMs). Parts of the products are for domestic use but some parts are for export purposes. During these years, there has been an increase in industrial factories to respond to the needs of the markets both inside and outside the country leading to an increase in competition among these manufacturing companies and their OEMs. Due to an increase in the competition among these industrial factories, many companies have looked for ways to seek growth and, at the same time, have sought ways to reduce costs. In addition, these firms have tried to improve their service quality and corporate image so that they can create trust and commitment from their customers. To increase corporate image and

service quality, many firms have adopted and applied national and international standards to their operations. These standards include ISO9000, NQI (National Quality Infrastructures), and ISO/IEC17025. The most important standard that will be most likely to help increase firms' competitiveness is ISO/IEC17025. Manufacturing companies or industrial companies should meet the requirements of ISO/IEC17025 if they would seek to increase their credibility. This ISO/IEC17025 basically refers to the general requirements for the competence to perform tests and calibrations. It covers testing and performing calibration using standard methods as well as laboratory-developed methods. Some manufacturing and industrial firms may have their own laboratories but many do not. As a result, many organizations have sought to use the service of external service providers for testing and performing calibration leading to an increase in the number of laboratories and an increase in competition among these service providers. Due to the intense competition of calibration service providers, it is important for these service providers to provide good and trustworthy services. Hence, the perception of corporate service quality, image, and trust will be the most important aspect firms need to build and create so that it will lead to relationship commitment from their customers, i.e., manufacturing or industrial firms. Hence, the objectives of this research was to develop a model comprised of factors or variables influencing relationship commitment and a qualitative research method of in-depth interviews was carried out to confirm the model and the definitions of the related factors/variables.

2. LITERATURE REVIEW

Relationship Commitment

Relationship commitment is a concept focusing on buyer-seller long-term relationships. It is an exchange relationship between two parties (Dwyer, Schurr & Oh, 1987; Garbarino & Johnson, 1999). Relationship commitment is developed from the notion of relationship marketing which has become increasingly important in the business to business relationships (Crosby, Evans & Cowles, 1990; Dorsch, Swanson & Kelly, 1998). The notion of relationship marketing is based on the two sides of the parties. One may be referred to as the focal firm and the other may be referred to as the partner firm. In recent years, the focal firms have realized the significance of building a long-term relationship with their partner firms or customers since long-term relationships may bring about stability in the business operations and can effectively and efficiently reduce costs and improve product/service quality and corporate performance (De Wulf, Odekerken-Schroder & Lacobucci, 2001). The long-term relationship may bring about customer loyalty or propensity to stay with the current partner (Crosby, Evans & Cowles, 1990; Garbarino & Johnson, 1999; Gronroos, 1994; Gruen, Summers & Acito, 2000; Morgan & Hunt, 1994; Wong & Sohal, 2002, 2006). The concept of relationship commitment is basically a social exchange (Blau 1964; Cook and Emerson 1978) comparable to marriage (Thompson and Spanier 1983). Meyer and Allen (1984) define relationship commitment as one exchange partner believing that an ongoing relationship with the other is so important and, as a result, it warrants a maximum effort to maintain that relationship. In this regard, the committed party believes that the relationship is worth working on to ensure that it endures indefinitely. The definition corresponds to the notion developed by Moorman, Zaltman, and Deshpande (1992, p.316) who state that relationship commitment is central to relationship marketing. Cook and Emerson (1978, p. 728)

characterize relationship commitment as "a variable we believe to be central in distinguishing social from economic exchange, more specifically, in the marriage literature." Similarly, Berry and Parasuraman (1991, p. 139) state that "relationships are built on the foundation of mutual commitment." Relationship commitment can also be defined as an enduring desire to maintain a valued relationship. This "valued relationship" corresponds to the belief that relationship commitment exists only when the relationship is considered important (Moorman, Deshpande & Zaltman, 1992; Morgan & Hunt, 1994). Since the focus of this study is the use of calibration service providers by oil and gas companies, we then define relationship commitment as customer commitment to maintain the use of services with the existing service provider.

Service Quality

The concept of service quality is considered to be the difference between the customer expectation and the actual performance (Grönroos, 1984). Hoffman and Bateson (2001), on the other hand, define service quality as the overall evaluation of a service performance. In their study, Parasuraman, et al. (1985) identified ten dimensions of service quality. These were reliability, responsiveness, competence, access, courtesy, communication, credibility, security, understanding/knowing the customer, and tangibles. In their later study, Parasuraman, et. al. (1988) conducted a test and reduced the key dimensions into only five. This concept is known as the SERVQUAL model. These key five dimensions include tangibles, reliability, responsiveness, assurance, and empathy. According to Parasuraman, et. al. (1988, p.23), tangibles refer to "physical facilities, equipment, and appearance of personnel." Reliability is referred to as "ability to perform the promised service dependably and accurately." Responsiveness is defined as "willingness to help customers and provide prompt service." Assurance means "knowledge and courtesy of employees and their ability to inspire trust and confidence." Empathy, the last dimension, is defined as "caring, individualized attention the firm provides to its customers." Parasuraman et al. (1991) further studied the SERVQUAL and found a positive relationship between service quality and the willingness of customers to recommend to others. In addition, Fornell (1992) found that good service quality would retain existing customers. Good service quality would also lead to a better firm performance (Fatima and Razzaque, 2014).

Trust

According to Rotter (1967) trust is referred to as "a generalized expectancy held by an individual that the word, promise, oral or written statement of a group can be relied upon." This definition points to the fact that trust focuses on an expectancy and a promise of one party to rely on the other party which may lead to a sustainable relationship commitment. Additionally, Anderson and Narus (1990) state that trust involves a competence and benevolence of one partner that will create a positive outcome and enduring relationship with the other partner. In the buyer-seller relationship literature, trust has been studied extensively and has been mostly defined as a feeling of expectations that one partner would be evaluated by the other partner on its expertise and reliability (Moorman, Zaltman, and Deshpande, 1992). Trust is perceived to be one of the most important drivers for building a long-term relationship between the focal firm and the partner firm. It creates customer commitment and satisfaction that will ultimately lead to loyalty (Garbarino & Johnson, 1999; Morgan & Hunt, 1994; Rauyruen & Miller, 2007). In this study, trust is defined to be

composed of two dimensions, i.e., competence trust and goodwill trust. Competence trust is defined as a person's capability to complete a task while goodwill trust refers to the partner's trustworthiness, honesty, and being considerate in helping the other partner when the other partner is in trouble (Ganeson, 1994; Lui and Ngo, 2004)

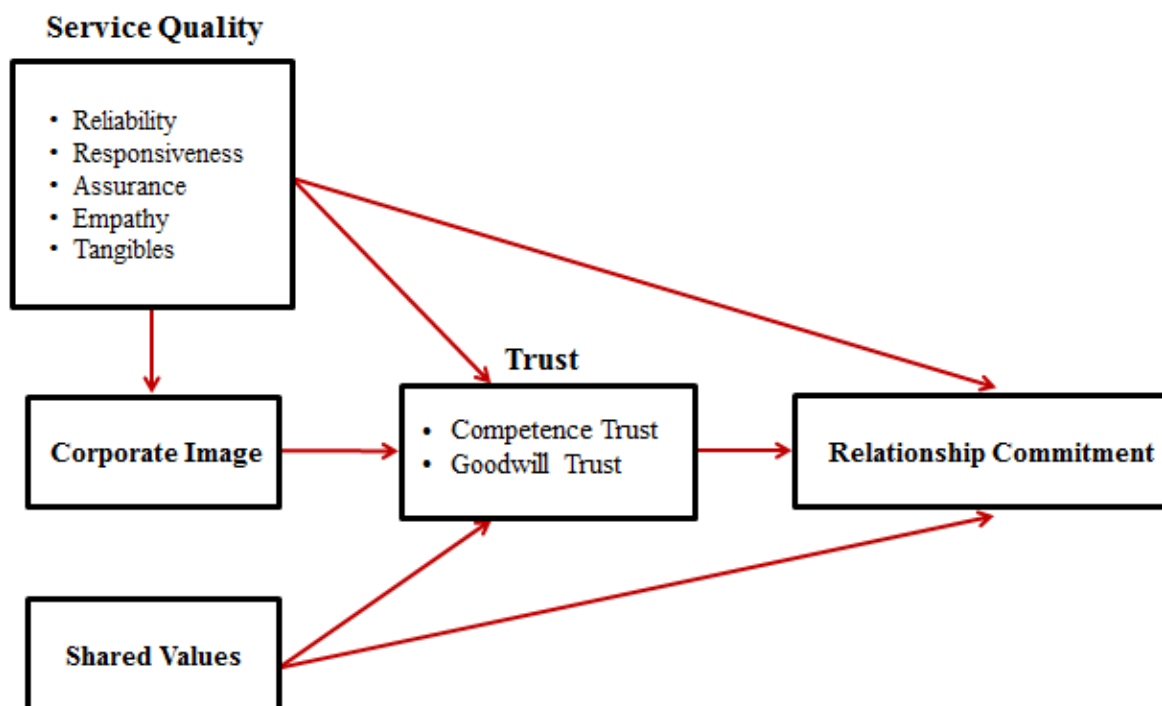
Corporate Image

Corporate image is the consumer's perception of the firm in regard to its offerings. It is basically the impression of the firm by the public. It is frequently considered to be related to the perceived quality of the firm's products or services (Nguyen & Leblanc, 2001). Past research has studied extensively about the effects of corporate image. It is widely defined as consumer evaluation of the firm regarding its products or services as well as its facilities and the responsiveness of its employees ((Elgin and Nedunchezian ,2012; Thompson & Chen, 1998). Corporate image is deemed to stimulate consumer interests and creates value to the brand which may lead to an increase in sales (Amini et al., 2012; Gro'nroos ,1984; Kanibir and Nart ,2009). Nguyen and LeBlanc (1998) investigated the relationship between service quality and corporate image and found that if the customer perceived service quality to be good, they would return to use that service again. Barich and Kotler (1991) also suggested that the strong corporate image would add value to the products or services which would ultimately influence customer satisfaction and loyalty (Andreassen & Lindestad, 1998; Dick & Basu, 1994; Nguyen and LeBlanc, 2001; Wu, 2011). Moreover, it was found that organizations with positive corporate image were likely to be more attractive and had a better opportunity to retain existing customers (Connor and Davidson, 1997). In this research, corporate image is defined as the perception of the firm in regard to its service quality, facilities, and the certification by national and international standards (McCracken, 1986; Ugglä, 2002).

Shared Values

Shared values are the values shared by both the focal firm and the partner firm. Dwyer, Schurr, and Oh (1987) considered shared values to be an important factor leading to the development of commitment and trust. Similarly, Morgan and Hunt (1994) also considered shared values to have direct effects on both relationship commitment and trust. Values are basically part of the so-called organizational culture (Enz 1988; Weiner 1988). Schein (1990, p. 111) holds that we can "distinguish three fundamental levels at which culture manifests itself: (a) observable artifacts, (b) values, and (c) basic underlying assumptions." Values reflect organizational culture held by the company and its employees (Schein 1990; Weiner 1988). Shared values may be considered to be a variable linking the focal firm and the partner firm together or it may be considered to be a variable linking a firm and its employees together. The link between a firm and its employees is called person-organization fit (Caldwell and O'Reilly 1990; Chatman 1991) which often has an effect on organizational commitment (Chatman 1991; Kelman, 1961). In this study, share values are defined as the values shared by both the focal firm and the partner firm. It means both parties have common beliefs in quality work, teamwork, employee capability, and good corporate atmosphere.

The proposed model is presented in Figure 1.



3. RESEARCH METHODOLOGY

The qualitative research method was applied in this study using an in-depth interview. The interview was based on a structured interview to gather all the facts and opinions about the proposed model. The purpose was to confirm the proposed model and the definitions of all the variables involved. The sample consisted of five Gas & Oil companies. The key informant was the supervisor or manager who was in charge of the quality control of measuring instrument so that it complied with ISO/IEC17025 system under ISO 9000 international standard.

4. RESULTS

The results showed that all of the interviewees agreed with the following aspects.

1. Service quality must be delivered to the expectations of customers in all five dimensions consisting of reliability, responsiveness, assurance, empathy, and tangibles. Customers' trust would occur after the customer perceived that they received good quality service. In the calibration service sector which focused on assuring the accuracy of the measuring instruments used to produce goods and run the operations, trust was deemed to be a key component affecting relationship commitment and propensity to return to use the service again in the future.
2. Corporate image was perceived to be similar to a personality trait for each organization. The perception of corporate image was fundamentally based on

the areas such as quality of the products or services, employee uniforms, certification received, state-of-the-art laboratories. These aspects would affect customers' trust. In addition, some interviewees stated that their decision making to use the service was also based on corporate image. In sum, it could be said that good corporate image would positively affect trust.

3. Shared values were perceived by the interviewees as an important component for a successful working relationship. If the service providers shared the same values, i.e., beliefs concerning how to work, how to manage the organization, and how to perform works, with their customers, their working relationships would last longer than those who had different values at work. Hence, shared values were considered a key element leading to the long-term working relationship between the partners.
4. Competence trust was perceived to be significant since performing the calibration work needed capable and competent personnel to do the tasks. Customers would trust the service providers and retain their relationships with the calibration service providers who had the ability and experience to perform the tasks in accordance with the international standards. Similarly, goodwill trust was considered to play a key role in relationship commitment since customers almost always looked for the service providers who were trustworthy, honest, and willing to help their customers when their customers requested or when they had problems.
5. Relationship commitment was found to be an end result. If the service providers provided good service quality, had shared values, and were believed to have competence trust and goodwill trust, then the customers would definitely be committed to stay with the current relationships. They would not seek another alternative. But if the service providers provided services that did not meet their expectations, then they would seek an alternative to replace the current service providers they have been using.

In sum, all of the interviewees agreed that service quality would influence corporate image. Service quality, corporate image, and shared values would influence trust, both competence trust and goodwill trust. At the same time, they all agreed that service quality, shared values, and both elements of trust would influence relationship commitment. Besides, when the interviewees were asked about the definitions of those key variables in the proposed model, they all agreed that the definitions adopted by the researcher were appropriate and clearly referred to those variables as they were meant to be. Some of the interviewees said that there might be some other variables the researchers should consider in future research. These additional variables proposed by the interviewees included customer satisfaction and service value.

5. DISCUSSION

The proposed model is consistent with the results from an in-depth interview. All of the interviewees agreed that the proposed model was very useful for the service providers to practically follow. Hence, we believed that the proposed model provided contribution not only to the academic world but also to the practical world. The study

suggested that service quality and shared values should be adopted and made practically from the service providers. If they did, it would lead to an increase in corporate image, create competence trust and goodwill trust. Ultimately, those aforementioned variables would lead to relationship commitment and intention for the customers to stay with their current service providers. The calibration service business nowadays is quite different from the past since the price competition has become a key factor in customers' decision making. Recently, there has been an increase in the number of calibration service providers which has led to a more intense competition. To survive, the calibration service providers must develop many key factors influencing their customers' decisions. These include developing high service quality on those five service quality dimensions and emphasizing corporate values that are based on quality work, teamwork, employee capability, and good corporate atmosphere. This will lead to an increase in corporate image and, as a result, these service quality, corporate image, and shared values will also affect trust, both competence trust and goodwill trust. Additionally, service quality, shared values, and both elements of trust will ultimately affect relationship commitment. Future research may need to empirically investigate further to test the proposed model.

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