FLEXIBLE PRODUCTION SYSTEMS AND THE SOCIAL CONSTRUCTION OF TRUST
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Synopsis

Literature on flexible production systems indicate that their technological dynamism depends on a balance of cooperation and competition. Cooperation itself is guided by reciprocity of firms. However, cooperation fails due to a temptation to defect for short-term survival which leads to decline in reciprocity by others and thus unravels the system’s capacity for innovative adaptation. Thus according to the author, for cooperation to sustain mutual trust is the critical factor since trust prompts such actions by the other firm which may not have been ordinarily possible. Yet again trust also involves certain amount of risk for the trustor since there is no binding commitment by the trustee on how he would make use of the trust placed on him. The paper thus tries to encapsulate the answers to two basic questions: can there be substitutes for trust? Can trust be intentionally brought about?

In case of sub-contractual relationships, a long-term perspective is guided by concerns of the firms for their reputation while an agreement on a set of institutional rules with the provision for third party enforcement is generally opted where there is a dearth of complete mutual information of the past behaviour and reputation of the firms. In case of disputes or breach of trust, formal institutions such as associations, unions etc. are also approached for arbitration. This arbitration itself depends upon the willingness of the firms to place trust in the institution. Further, external arbitration is a time-consuming and costly procedure.
Trust, however, is a scarce feature and may be a spin-off of actions encouraged by social norms. The social norms get internalized through education and socialization and vary from one community to the other. Thus building of trust would actually mean a planned transformation of our norms or religious beliefs. This mechanism is that of cognitive dissonance as proposed by Pascal. Charles Sabel argues that trust cannot be created from mistrust but the realm of trusting behaviour can be enlarged by extending to new realms the shared understanding of the collective past, especially of conflicts, of a group of people, in such a way that trusting behaviour and cooperation comes to seem a natural feature, accidental and ineluctable, of their common heritage.

The paper then provides a case study on the process of trust building amongst a group of firms and their sub-contractors in the machinery cluster of Lyon, France where external crisis, role of associations and rational pursuit by some initiative-taking firms have been discussed.