While acknowledging networking of firms as an important tool for achieving sustainable competitive advantage for firms to gain access to critical resources beyond the boundaries of their own resources, the author says that much of the research on networks has focused on antecedents of networks, their structure, and their relationship to economic performance but not on the role of trust in governing economic exchanges. The paper therefore offers propositions dealing with issues that arise from reliance on trust in network settings.

Before proceeding to dwell on the theme of his paper the author critically looks into the characteristics of network. For him the concept of network implies co-operative efforts among business firms or other entities that are interconnected in various ways. He agrees with the views of Douglas North, Nobel laureate that co-operation among economic actors are more likely to exist when the economic actors (a) repeatedly transact, (b) have a great deal of information about the other economic actors with whom they transact, and (c) are relatively small in number. He affirms that these are important characteristics of a network.

Research on the role of trust in the management of business organizations has resulted in two definitions of trust, namely, (1) economic actors express confidence in the predictability of their expectations and (2) the confidence of economic actors rests, not in the predictability of outcomes, but in the predictability of the goodwill of others. The first one the author describes as ‘fragile trust’ and explains
the reasons for terming it so. The second one he describes as ‘resilient trust’.

The three characteristics, namely, accessibility, availability and predictability seem to be more consistent with what has been described as fragile trust. Economic actors will rely more on fragile trust in networks that transcend national borders. The factors associated with resilient trust are, people skills (interpersonal competence), discretion (the ability to maintain confidences), integrity (honesty), openness (freely expressing ideas) and motives (intentions). Reliance on resilient trust by economic actors can be expected only when the economic actors have successfully completed transactions in the past and they perceive one another as complying with norms such as equity and reciprocity.

The author then narrates the processes leading to reliance on trust in networks. Where trust does not exist, it may emerge from formal and informal processes of transacting. Where trust does exist, those same processes provide opportunities for economic actors to deepen the levels of trust that exist between them, or to destroy it.

Transacting involves a dynamic process made up of three temporally distinct phases: negotiation, transaction, and administration. If a network goes through these phases successfully the trust emerges. The guidelines for the emergence of a sustainable trust, as enunciated by the author are:

1) Over time, formalized safeguards, in network contexts, can be expected to give way to greater reliance on trust, and less formalized safeguards to give way to more symbolic safeguards.
2) Reliance on resilient trust by economic actors will enhance their sharing of information during negotiation phases of intra-network transactions, ceteris paribus.
3) A network will not emerge from negotiation phases, ceteris paribus, unless resilient trust exists between the parties.

4) Reliance on resilient trust in networks reduces the frequency of formal legal agreements as products of transaction processes, ceteris paribus.

5) When sense-making involves connected ways of knowing, the processes are more likely to produce resilient than fragile trust, ceteris paribus.

6) When sense-making only involves separate ways of knowing, the processes are likely to produce only fragile trust, ceteris paribus.

7) Processes of understanding are more likely to fail, ceteris paribus, when economic actors attempting to create a network come from different cultural backgrounds.

8) Processes of understanding are more likely to fail, ceteris paribus, when economic actors attempting to create a network employ different ways of knowing.

9) Process of understanding are more likely to lead to resilient trust, ceteris paribus, when all the economic actors in the network employ connected ways knowing.