



Agents of trust: business associations in agri-food supply systems☆

Martyn F. L. Rademakers*

Strategy Academy and Erasmus University Rotterdam, Koningin Emmalein 12, 3016 AB Rotterdam, The Netherlands

Abstract

The generation of trust between business partners is a strategic issue for firms in competitive agri-food markets. It is asserted that business associations can be important facilitators of trust between firms. Cross-national comparative research on the UK and Dutch potato industries is conducted to find out how and to what extent business associations perform functions that can facilitate trust. The results show that there are considerable national differences in the intensity and range of such functions performed by business associations. The findings indicate that, in spite of globalization trends, nationally distinct ways of generating trust via business associations continue to exist. © 2001 Elsevier Science Inc. All rights reserved.

1. Introduction

Descending national borders, consumer demand for higher food quality, safety and variety, and a host of technological developments is urging agribusiness firms to revise their strategies and organizational structures. To meet the flood of new challenges, firms among others renew and extend their cooperative relationships with suppliers, customers, and even competitors. This allows them to link core capabilities, skills, assets, and resources to gain competitive advantage within food supply systems. To build cooperative interfirm relationships, the generation of mutual trust is indispensable. Accordingly, the development and

☆ This research project has received financial support from the Erasmus University Trust Foundation, ERIM (Erasmus Research Institute of Management), and NWO (Dutch Organization for Scientific Research).

* Tel.: +31-10-440-8522; fax: +31-10-440-8529.

E-mail address: m.rademakers@dewit-meyer.com (M.F.L. Rademakers).

maintenance of trust between business partners has become a strategic management issue (cf. Lane & Bachmann, 1998; Smith Ring, 1998; Child & Faulkner, 1998).

This paper aims to investigate how and to what extent business associations perform functions that can facilitate trust between firms in highly competitive agri-food industries. The term ‘business associations’ covers both trade and industry associations. Trade associations have as members firms that operate at the same stage in a supply chain (i.e., a ‘horizontal’ membership base). Industry associations, in turn, have firms across a complete food supply chain as members (i.e., a ‘vertical’ membership base). An analytical framework will be constructed to guide the cross-national analysis involved in this study. In this framework, possible functions of business associations will be linked with bases of trust between exchange partners. Then, the empirical setting of this study, that is, the UK and Dutch potato industries, is briefly introduced. Next, methodological aspects will be addressed, followed by the presentation of the findings from the field study. Finally, the results will be discussed and conclusions will be drawn concerning the role of business associations as agents of trust between firms.

1.1. Bases of trust and functions of business associations

Trust is regarded here as a mechanism that limits uncertainties of firms about the future behavior of exchange partners (Luhman, 1979; Lane, 1996). In other words, trust is seen as a set of expectations that managers of firms adopt about the future behavior of their exchange partners. Consonant with this perspective, Zucker (1986: 60) has distinguished three major bases of trust, including process-based, characteristic-based and institutionally-based trust. First, process-based trust is based on experiences that are built between exchange partners over time. In other words: by repeated interaction people learn to know each other. In this way reputations can be built, implying expectations that the behavior of the business partner will be more or less predictable on the basis of past experiences. The second type, characteristic-based trust, refers to groups wherein membership is based on a joint identity. Examples are kinship relations, religion, ethnicity, and socialization. Put differently, characteristic-based trust refers to stable conventions of social behavior monitored through social control within clearly bounded groups. Third, institutionally-based trust is tied to formal rules in a society. Examples are legal systems and regulations. Backed by the possibility of law-based sanctions, firms are able to reduce their perceived uncertainties about the future behavior of others in exchange relations by making use of—enforceable—written contracts.

The three bases of trust described here can be linked with a range of possible functions of business associations that have been identified in different studies on the role of trade and industry associations in a variety of industries in the United States, Europe, and Japan (see, e.g., Hollingsworth, Schmitter, & Streeck, 1994; Van Waarden, 1992; Best, 1990; Yamazaki & Miyamoto, 1988). The underlying idea is that by performing particular functions, business associations can facilitate the generation of trust between their members. Hollingsworth and his associates (1994: 7) have enumerated a broad range of possible roles and functions of business associations. These include the dissemination of information, technology transfer, channeling communication, influencing state agencies, initiating and coordinating joint research and development, and organizing vocational training. These functions are now

discussed in more detail and then subsumed to the three bases of trust discussed above. In this way, a conceptual framework is built that guides the empirical part of this study.

1.2. Functions that facilitate process-based trust

Business associations can disseminate knowledge and information in a variety of ways and in different degrees of intensity. They can, for instance, act as brokers of information (Lütz, 1997: 234; McEvily & Zaheer, 1997b) or as ‘bridging ties’ (Burt, 1992) in a network of firms. The knowledge and information disseminated by business associations helps firms to develop expectations about each other and to build reputations, which are essential to generate process-based trust. This type of trust also can be based on reputations that are built during joint activities such as pooling resources, knowledge, and operations (Child & Faulkner, 1998). These joint actions can be facilitated, initiated and/or coordinated by business associations. This is particularly true for activities that are not commercially sensitive such as fundamental research, vocational training and generic promotion. For example, the Brazilian shoe manufacturing industry benefited greatly from trade fairs organized by trade associations, which proved to be critical to firms seeking to conquer export markets (Schmitz, 1997: 8–10).

In a similar fashion, process-based trust between firms is likely to develop during concerted actions led by business associations in case of crises that harm the competitive basis of the entire industry. Examples are the growing concerns about genetically modified organisms, as well as the outbreak of swine fever in the Netherlands, chicken viruses in Hong Kong, dioxin-poisoned chicken in Belgium, and BSE in Britain in the second half of the 1990s. Business associations can initiate and/or coordinate joint action needed to deal with such crises, for instance by acting as a center in firm-government networks.

Process-based trust also can develop during joint efforts of firms that seek to influence government behavior via their associations. Business associations that promote their members’ interests to governments are, in fact, lobby organizations (Greenwood, Grote, & Ronit, 1992). Apart from lobbying, business associations can also promote their member’s interests by participating in policy development. In such a function, business associations are the providers of industry-specific knowledge needed for the development of sustainable governmental policies (Lane, 1992: 73).

1.3. Functions that facilitate characteristic-based trust

Functions of business associations that reinforce industry cohesion are a stimulus for the development of characteristic-based trust. Industry cohesion, in this sense, refers to the development of a joint identity through socialization processes and social control among the members of business associations.

Industry cohesion is strengthened by business associations that function as a ‘platform,’ where managers of competing firms meet each other on a regular basis (i.e., horizontal cohesion). Through these meetings, for instance, firms may develop a joint strategic approach vis-à-vis external competitors, or initiatives to raise efficiency, skills and quality (Schmitz, 1997: 10). In such cases, business associations can facilitate socialization (Casson

Table 1
Basis of trust and functions of business associations

Types of trust	Related functions of business associations
Process-based trust	<ul style="list-style-type: none"> • Dissemination of information and/or knowledge • Promotion of interests (lobbying/participation) • Initiation and co-ordination of actions in case of industry-wide crises • Initiation of joint activities
Characteristic-based trust	<ul style="list-style-type: none"> • Platform for managers of competing firms (horizontal cohesion) • Platform for managers of firms across the supply chain (vertical cohesion)
Institutionally-based trust	<ul style="list-style-type: none"> • Development and monitoring of common rules, routines or procedures • Arbitration in case of conflicts

& Cox, 1997: 180), commitment building (Smitka, 1991: 151), goal alignment (Porter, 1996), and cooperative learning (McEvily & Zaheer, 1997a). In a similar fashion, business associations can function as a meeting point for managers of firms that operate in different stages of the supply chain (i.e., vertical cohesion).

1.4. Functions that facilitate institutionally-based trust

Business associations may also perform functions that enable their members to self-administer their industry. Self-administration implies the development of formal rules that form the basis of institutionally-based trust. Business associations can act as quasi-governmental organizations with statutory powers to sanction such rules (Best, 1990; Lane & Bachmann, 1996). In addition, self-administration can be based on the voluntary approval of general rules by members of business associations as well. Examples include general agreements of trade, agreements about the rejection of environmentally harmful production methods, and general quality standards (Lane, 1996). A distinct form of self-administration by business associations is the provision of arbitration services to solve conflicts between members (Van Waarden, 1992: 523). The idea of being judged by experts from within the industry instead of ‘laymen’ from courts helps to generate confidence that the parties in conflict are treated fairly.

Table 1 summarizes the business associations’ functions linked to the generation of trust.

2. Empirical setting: the UK and Dutch potato industries

To gain insights in how business associations can function as agents of trust, a field study was conducted in the UK and Dutch potato industries. The potato industries in both countries produce potato varieties, seed potatoes, ware potatoes, and a range of potato products. In both countries, potatoes constitute an important income base for many farmers and are one of the major sources of nutrition for millions of people. The potato industry has a number of interesting features with respect to the aim of this study. First, the potato industry has a clear structure. The industry supply chain is relatively short and the different stages can easily be distinguished from each other, which is helpful to keep a clear view of the empirical field

during data collection and analysis. Second, a range of business associations is active in this industry. Third, many countries in Europe, Asia, the Americas, and the Middle East have a potato industry within their borders. This wide international presence provides a broad set of possible countries to choose from in case of future research for verification purposes. Fourth, given the increasing liberalization of international trade in food products, it is relevant to point out that the UK and Dutch potato industries are not the subject of any market regulation of the European Union (EU).¹ Fifth and finally, despite the involvement of large multinational enterprises such as ConAgra, McCain, Pepsico, and Unilever, the potato industries in both countries are characterized by the presence of both a few large internationally operating firms and a huge number of small and medium-sized companies with a clear domestic signature.

3. Methodology

In 1998 and 1999, data were collected about the functions of major business associations in the UK and Dutch potato industries. A selection was made that included the major trade and industry associations. In the Dutch potato industry not more than one trade association was active at each stage of the supply chain. These included the NFP, VBNA, and VAVI,² which are voluntary associations financed by their members. In the UK, multiple associations were found at each supply chain stage. The major ones were selected on the basis of interviews with industry experts including the editor of *Potato Review* and several managing directors of well-established potato firms. This resulted in the selection of the UK trade associations NASPM, SPTA, and PPA.³ Similar to their Dutch counterparts, these are voluntary associations financed on the basis of a membership fee. The potato industry associations of both countries, the Dutch Commissie Aardappelen (CA) and the British Potato Council (BPC), were also involved in this study. Both associations are quasi-governmental organizations that are financed on the basis of a levy system. Finally, trade associations fully dedicated to seed potato breeders or potato growers could not be included in the selection, as they appeared to be absent in both the Netherlands and the UK.

Data were gathered about the functions performed by the business associations by making use of data triangulation (Wester, 1987). Multiple sources were used, including annual reports, statutes, journal articles, and interviews. However, interviews formed the major data source. The interviews were aimed to find out what functions the business associations actually performed according to their members. In other words, the interviews were designed to reveal the perceptions of potato firm managers with respect to the activities of 'their' business associations. The respondents for the interviews were the managing directors of major UK and Dutch potato firms. These firms were selected on criteria including market dominance and core business. After applying these criteria to the Dutch potato industry, the final selection included 12 enterprises: four firms with potato processing (par-fried products) as their core business, four firms with a major stake in ware potato trade, and four seed potato merchants. The selected potato firms dominated the Dutch potato industry with joint markets shares up to 80% per supply chain stage (Renia, 1997). However, the selection did not include autonomous breeder firms because all major breeding activities in the Netherlands

appeared to be performed by seed potato merchants. The selection of potato firms in the UK was made on the basis of the same criteria, resulting in a Group 17 firms: five potato processors, five ware potato merchants, six seed potato merchants, and one breeder.

To enhance reliability, the interviews at firms and business associations were conducted on the basis of an interview protocol (Yin, 1994: 64). The protocols provided a general introduction for the respondents, both structured and open interview questions, and also explanations about the meaning of the concepts used. An English or Dutch version of the protocol was sent to the respondents in advance, accompanied with the request to read it carefully beforehand to shorten the time needed for the actual interview.

The interview questions for the firms were developed on the basis of the analytic framework discussed earlier. The managers were provided with a list of possible functions of business associations, which were cross-tabulated with the associations selected for this study. The first question asked was if they were a member of one (or more) of the selected associations. Many UK and Dutch firms appeared to be a member of more than one association. Next, it was determined if, and in which measure, the functions listed were performed by these business associations. This was done by asking the respondents to rate the relevance of the functions on a three-point scale, which ranged from 'highly relevant' to 'moderately relevant' to 'not relevant.' Finally, the managers were asked to explain their judgment in an open discussion. These discussions were useful to obtain deeper insights into the respondents' understanding of the concepts used, which enhanced construct validity. The interviews held with the potato firm managers yielded a total of 28 responses on the role of trade associations in the Netherlands and 20 in the UK. Concerning the industry associations, 7 responses were obtained from Dutch managers and 12 from UK managers.⁴

To counter 'memory failure' (Mintzberg, Raisinghani & Théorêt, 1976: 250) and to track down other possible biases, the same list of functions was presented to, and discussed with, respondents from the business associations. Respondents were either the chairman or secretary of the associations, depending on who was considered most knowledgeable on the subjects under investigation. The interview protocol for the business associations also included topics about the establishment of the organization (when, why, and by whom), possible statutory powers, relations with the government, and their membership base.

To promote the internal validity, the principles of 'peer debriefing' and 'member check' (Wester, 1987) were applied, which helped to counter subjective influences of the researcher. Peer debriefing took place via meetings with colleagues at Erasmus University Rotterdam and via the presentation of preliminary findings at conferences in 1998 and 1999. Member check was applied by sending the respondents reports based on transcripts of the interview tape recordings.

4. Findings

4.1. The UK business associations

The findings about the functions performed by the UK trade associations are presented in Fig. 1. Clearly, the potato firm managers consider the promotion of interests as the most

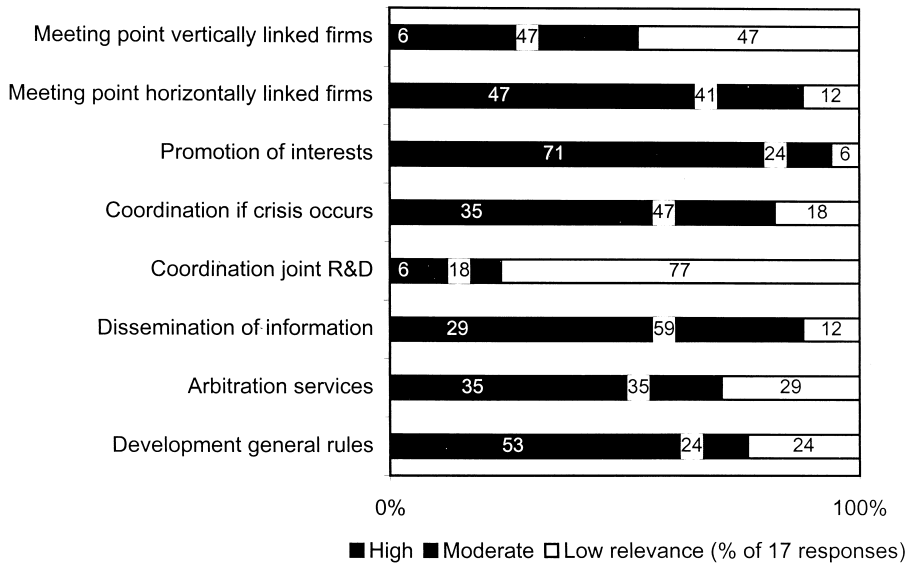


Fig. 1. Perceptions of UK potato firm managers on their trade associations.

important function of their trade associations by far. 71% of the responses on this point rate this function as highly relevant. Hence, the UK trade associations in particular distinguish themselves as lobby organizations. As one trade association’s secretary put it: ‘*We lobby for self-interest as hard and often as we can.*’ However, the lobbying happens in an ad-hoc fashion and does not involve much contact between the managers of the firms involved.

Apart from lobbying, most (53%) of the UK managers perceive the development of common rules as a very relevant function of their trade associations. However, it became clear that this function is performed in the very limited sense of ‘the development of general conditions of trade.’ The general nature of these conditions of trade is limited as they are copyrighted, meaning that only the members of the associations are allowed to use them. In addition to this, most respondents made remarks that ‘*The provision of common rules is a task for the government*’. In tune with this, it was pointed out that the trade associations have no statutory powers. Next, the facilitation by the associations of horizontal cohesion is quite strongly developed: 47% of the respondents rated this function as highly relevant. In addition to this, however, it was explained that the regularity of meetings and the number of members involved in such events is quite limited. The findings also indicate that the remaining functions of the UK trade associations are even less developed. The trade associations, to a certain extent, provide arbitration services. However, they are directly linked with the general conditions of trade developed for association members only. Moreover, most managers view the initiation and coordination of actions in case of industry-wide crisis as a task for the government rather than for their trade associations. Accordingly, the relevance of this function is largely perceived as moderate (47%). UK business associations also provide information dissemination services, including information about legal, technical, and market developments. However, as can be seen in Fig. 1, most potato firm managers (59%) think this function of their associations is just of moderate relevance. As one manager put it: ‘*The*

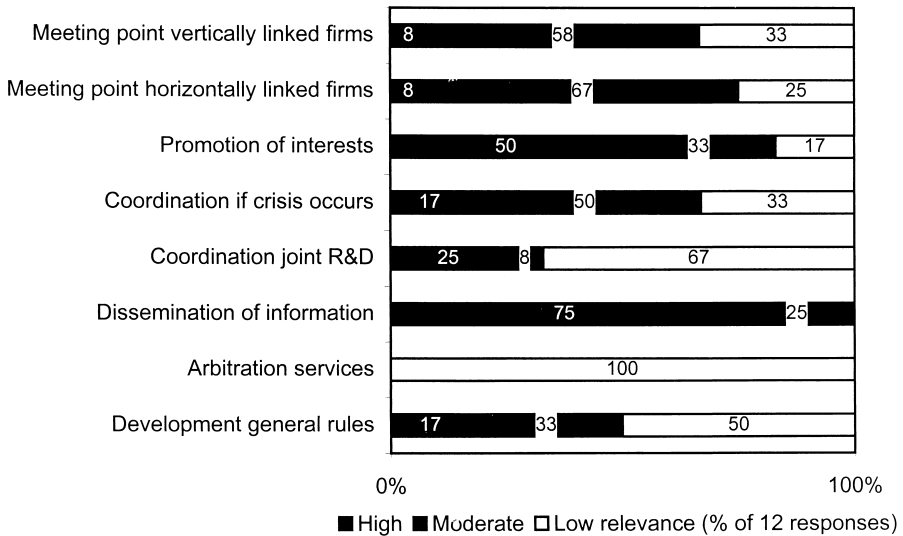


Fig. 2. Perceptions of UK potato firm managers on their industry association.

information that we get from them is very general in nature and has no significant impact on our operations.’ Weakly developed functions of the UK trade associations are the initiation and coordination of joint activities (77% low relevance) and the facilitation of vertical cohesion (47% low relevance). Generally, joint R&D and promotion is regarded as something that should be initiated (and paid) by the government or the levy-financed BPC. With respect to the facilitation of vertical cohesion, it was explained that most managers of different firms just sporadically meet each other at some event organized by their association (see Fig. 2).

The UK potato firm managers consider two functions as highly relevant: the dissemination of knowledge and information (75% high relevance), and the promotion of interests (50% high relevance). The BPC is very active in the collection and dissemination of information and has well-established contacts with the British government, which are used to promote the interests of the industry. However, both functions do not really bring together potato firm managers. Rather, the functions are performed by people that are either appointed or elected by the members and operate on their behalf. The BPC is also involved in research, though not in a great extent yet. Accordingly, the potato firm managers do not rate this function very high (67% low relevance). The joint research and promotion projects are levy-financed and therefore not based on joint investments and decisions of the potato firms. Next, an active role of the BPC in case of industry-wide crisis is considered moderately relevant (50%). As one manager put it: ‘We have not that much crises here. . . the only recent crisis was in fact the abandoning of the PMB, which was replaced by the BPC.’ In a similar fashion, the organization is not seen as a meeting point for managers. The relevance of the development of general rules by the BPC is also limited (50% low relevance), which is quite remarkable. Owing to its past as the Potato Marketing Board and the continuation of its link with the government, the BPC has some statutory powers. However, to date, these powers only have

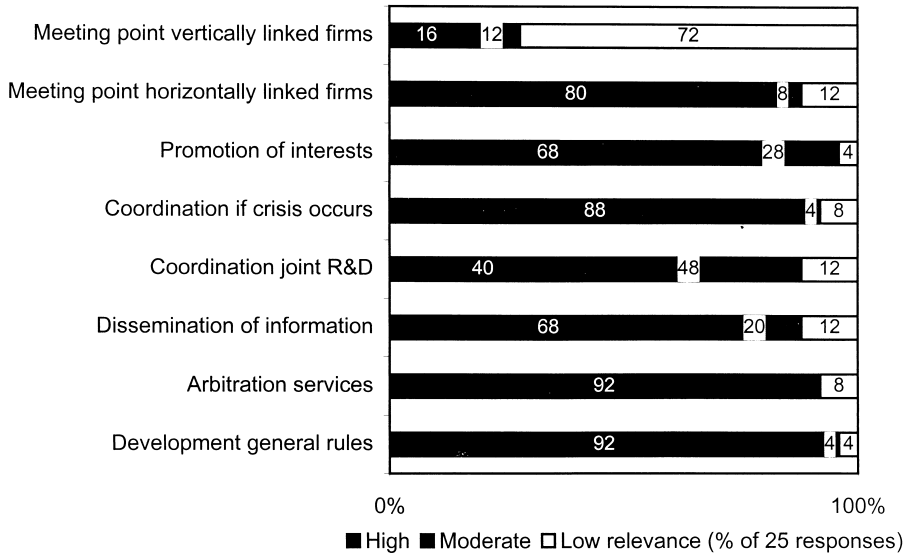


Fig. 3. Perceptions of Dutch potato firm managers on their trade associations.

been used to set up a levy system to finance the operations of this industry association. Finally, as indicated in Fig. 2, arbitration is not performed by the BPC at all.

4.2. The Dutch business associations

The findings of the managerial perceptions on the functions performed by the Dutch trade associations are displayed in Fig. 3. According to the managers, most functions are performed to a great extent. The ratings for the functions vary from 68% to 92% high relevance, except for the coordination of joint R&D and the meeting point function for vertically linked firms. The managers largely perceive the vertical meeting point function not relevant as the trade associations are seen to link competing firms, not buyers and/or suppliers. The respondents also provided an explanation for the moderate relevance of joint R&D and promotion initiatives by the trade associations. In earlier times, the Dutch potato industry was populated by a large number of small firms who benefited from—in particular—joint promotion. Along with the consolidation in this industry (Rademakers & McKnight, 1998) and the growing importance of brands and breeders' rights on potato varieties, the importance of joint promotion efforts decreased, though not ceased to exist. Moreover, trade associations not always play a role in joint precompetitive R&D projects. In some cases they are initiated, carried out and paid for by the largest Dutch potato firms.

One of the most strongly developed functions of the Dutch trade associations is the development of general rules. This function includes the development of general conditions of trade, quality specifications and norms. Moreover, together with the industry association CA, the trade associations are involved in the development of covenants. The covenants concern agreements of an industry or industry segment with the government about codes of

conduct that substitute for regulations with regard to issues such as environmentally sound production. Clearly, Dutch potato firms prefer to structure and organize their business environment not on their own, but together with other stakeholders. In line with this, other very well developed functions of the Dutch trade associations include arbitration services, the an active role in case of industry-wide crises, and being a meeting point for competing firms. An elected group of senior potato firm managers performs the arbitration services, which are directly linked with the general conditions of trade developed by the trade associations. In case of industry-wide crisis, such as problems caused by the brown rot bacteria or negative publicity, Dutch trade associations often coordinate or initiate actions for their members. As one chairman put it: *'If something goes wrong that affects many of our members, it is just a question of time before they call us with the question: what are we going to do?'* Trade associations in the Dutch potato industry are also a regular meeting point for competing firms. During the meetings, senior managers discuss industry developments of common interest and take initiatives to resolve common problems. Issues include, for instance, pressures for environmentally sound production, governmental policies and technical developments. Apart from facilitating joint action, the platform function of the associations also promotes socialization among its members. As one respondent put it: *'The gatherings of the various commissions in these associations are social events as well.'* Managers and chairmen indicated that, although the members are competitors outside the meeting room, they view each other as colleagues as well. The promotion of interests is also perceived as very relevant function performed by the Dutch trade associations. The associations are seen as an important way to gain critical influence if common interests are at stake due to changing or new governmental policies and actions of pressure groups. Finally, the Dutch trade associations also provide well-developed knowledge and information dissemination services on market trends, statistics, research and governmental policies. Moreover, the trade associations are seen as a collective memory for the industry, as they keep a record of all the information they gather and distribute.

The findings about the functions performed by the Dutch industry association CA indicate that the Dutch potato firm managers think this organization is not very active (see Fig. 4). CA can be considered as the remains of the quite powerful semigovernmental 'Productschap Aardappelen,' which was abandoned in 1996. The present industry association is mainly viewed as an instrument that can be used to obtain a statutory basis for self-imposed rules (often developed at trade associations) for the industry. The membership of this organization is compulsory for potato firms, which are paying a levy to finance its operations. CA has no statutory powers itself but can draw these from the general, semigovernmental agribusiness agency to which it belongs. The industry association is also, to a limited extent, involved in levy-financed and government subsidized research and promotion activities. With respect to the dissemination of information, the potato firm managers pointed out that this organization mainly collects and publishes statistics about the industry. Moreover, if an industry-wide crisis occurs, the industry association plays a role to moderate negative effects. However, most managers think this role is at least not very visible and that, in most cases, the actions undertaken by their trade associations are sufficient. Finally, the remaining four functions investigated here are largely perceived as not very relevant for the industry association.

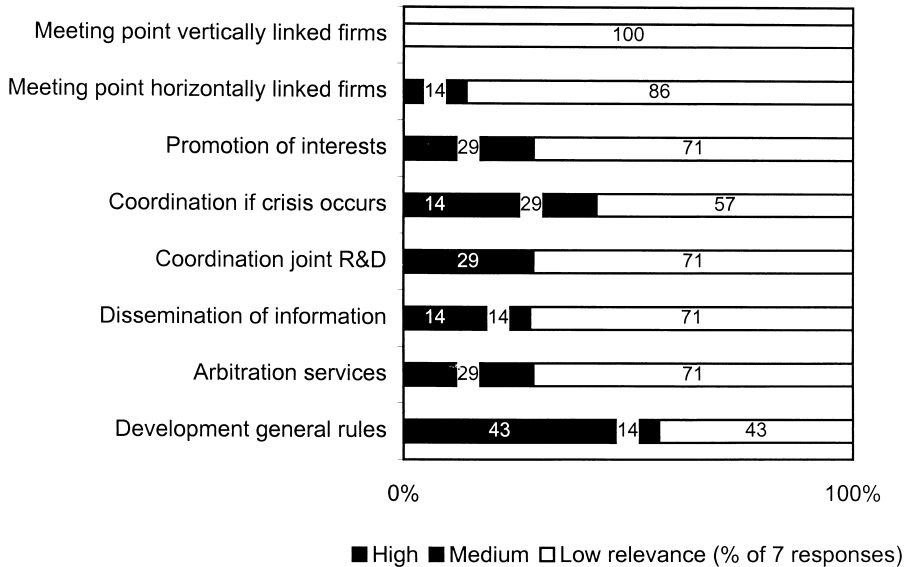


Fig. 4. Perceptions of Dutch potato firm managers on their industry association.

5. Discussion

The results from the field study show that the business associations in the UK and Dutch potato industries perform a range of functions that can facilitate the development of trust between their members. Table 2 provides a comparative overview of the results. The comparison makes clear that there are considerable differences between the UK and Dutch business associations. The Dutch trade associations are much more active in performing functions that facilitate trust than their UK counterparts. On the contrary, the industry association in the UK performs much more of such functions than its almost defunct counterpart in the Netherlands.

The nationally distinct patterns of functions performed by business associations indicate that there is a difference in the facilitation of process, characteristic, and institutional-based trust in the UK and Dutch potato industry. As shown in Table 2, the four functions that are linked to process-based trust are performed in moderate degrees by both the trade and industry associations in the UK. In the Netherlands, these functions are performed in a high degree by the trade associations, but virtually not by the industry association. The differences between the UK and the Netherlands that have been found are even more outspoken if the results from the discussions with the managers is taken into account. This is mainly due to the remarks of the UK managers, which indicated that most of the functions rated as ‘highly’ or ‘moderately relevant’ just to a limited degree contribute to the development of trust. The major reason underlying this is the fact that the potato firm directors and senior managers are not personally involved in most of the functions performed by their associations. Much is delegated to the officials of the associations or representatives. Therefore, there is not much contact between the managing directors of UK potato firms, although this is an important prerequisite for the development of process-based and characteristic-based trust between

Table 2

Types of trust and related functions of business associations in the UK and Dutch potato industries

Types of trust	Related functions of business associations	Relevance for the UK business associations		Relevance for the Dutch business associations	
		Trade	Industry	Trade	Industry
Process-based	• Dissemination of information and/or knowledge	±	+	+	–
	• Promotion of interests (lobbying)	+	+	+	–
	• Initiation/co-ordination of actions in case of industry-wide crises	±	±	+	–
	• Initiation of joint activities	–	–	±	–
Characteristic-based	• Platform for managers of competing firms	±	±	+	–
	• Platform for managers of firms across the supply chain	–	±	–	–
Institutionally-based	• Development and monitoring of common rules, routines or procedures	±	–	+	±
	• Arbitration in case of conflicts	±	–	+	–

+ = high relevance

± = moderate relevance

– = low relevance

firms. Accordingly, the ad-hoc promotion of common interests, which is seen as an important function of UK business associations, cannot be considered as a very relevant for the development of process-based trust. In addition, the UK business associations cannot be seen as brokers of information that help firms to build their reputations or to develop expectations about their exchange partners. The knowledge and information disseminated by the UK associations is largely general, impersonal, and one-way directed in nature. Moreover, the coordination in case of industry-wide crisis also happens in a one-way direction and mainly consists of information on what is going on. Taken together, it must be concluded that UK business associations cannot be considered as facilitators of process-based trust. This is in contrast to the Dutch trade associations. In most cases (i.e., except for the dissemination of knowledge and information), the managing directors of the Dutch potato firms are closely involved in the functions performed by these organizations. Therefore, the Dutch trade associations can be considered as facilitators of process-based trust. However, also in contrast with the UK, the Dutch industry association plays no role in this at all.

Similar contrasts apply to the facilitation of characteristic-base trust by the UK and Dutch business associations. As pointed out earlier, personal contact on a regular basis between the managing directors is considered important to the socialization process that underpins the development of characteristic-based trust. Such regular contacts only take place at the Dutch trade associations. The Dutch industry association plays no role in this. In the UK, such contacts are facilitated by the BPC and the trade associations, but on a limited scale.

Institutionally-based trust is facilitated, to some degree, by the UK trade associations and

Table 3
UK and Dutch business associations as facilitators of trust

	UK		Dutch	
	Trade associations	Industry associations	Trade associations	Industry associations
Process-based trust	–	–	+	–
Characteristic-based trust	±	±	+	–
Institutionally-based trust	–	–	+	–

+ = strong facilitating role
± = moderate facilitating role
– = no facilitating role

quite strongly by their Dutch counterparts. The development of this type of trust in the UK is mainly based on general conditions of trade and the accompanying arbitration services. However, the scope of these conditions and arbitration services is limited to the noninclusive membership base of the trade associations. By contrast, in the Netherlands, the trade associations enjoy virtually inclusive membership. Moreover, they are involved in the development of a much broader set of common rules and procedures than their counterparts in the UK. For instance, Dutch potato firms can rely or make use of standard quality testing procedures, covenants with the government, and arbitration services, which can be seen as a basis for institutionally-based trust.

Table 3 shows an overview of the above discussion. In sum, the Dutch trade associations can be seen as quite strong facilitators of process-based, characteristic-based, and institutionally-based trust. The Dutch industry association is not active in this respect. The Dutch ‘casting’ sharply contrasts with the role played by the UK trade and industry associations. The associations in the UK cannot be seen as agents of trust, except, to some limited degree, for characteristic-based trust.

6. Conclusions

Business associations can perform at least eight different functions that facilitate three types of trust: process-based, characteristic-based, and institutionally-based trust. The results of comparative field research in the UK and Dutch potato industries show that there are considerable national differences both in the range of functions and the degree in which these are performed by the business associations. It was revealed that, in contrast with their UK counterparts, the Dutch trade associations provide a broad range of well-developed functions that facilitate trust. Remarkably, the Dutch industry association turned out to be virtually defunct in this respect. In the UK, both the trade and industry associations only to some moderate degree perform functions that facilitate characteristic-based trust. All other possible functions relevant to the generation of trust are weakly developed.

The research findings indicate that, in spite of the ongoing internationalization of agri-food markets and industries, nationally distinct ways of facilitating trust development via business

associations continue to exist. This is in line with the emerging view in the wider management and organization literature that, paradoxically, trends of convergence and divergence in forms of economic organization in free market systems coexist (De Wit & Meyer, 1999: 395; Whitley, 1999). Managers of internationally operating agribusiness firms have to cope with this paradox. As to the development of long-term interfirm relations with business partners in different national contexts, it is therefore relevant to identify the role of business associations as possible agents of trust. Firms can use such knowledge to turn to their advantage the nationally distinct ‘rules of the game’ with respect to the generation of trust via business associations.

The present study has been limited to the UK and Dutch potato industries. Therefore, cross-national comparative research in more countries and different industries is called for to see if the insights obtained here can be provided with a broader empirical basis. The findings of the present study also give rise to research that helps to reveal the mechanisms underlying the national differences between business associations. In particular the business systems literature (Whitley, 1999) is considered as a useful conceptual basis for such research. This is because its emphasis on the influence of the government, cultural conventions, and a range of other key social institutions on the development of nationally distinct forms of economic organization. Therefore, future research on the basis of business systems literature may be useful to find explanations for the nationally distinct nature of business associations as agents of trust.

Notes

1. This is in sharp contrast to other major crops in the EU, such as grains and sugar beets. Regarding the resistance of a majority of EU member states against any market regime for the potato industry, it is not very likely that this situation will change in the future.
2. NFP: Nederlandse Federatie Pootaardappelen; VBNA: Vereeniging ter Behartiging van den Nederlandschen Aardappelhandel; VAVI: Vereniging voor de Aardappelverwerkende Industrie.
3. NASPM: National Association of Seed Potato Merchants; SPTA: Scottish Potato Trade Association; PPA: Potato Processors Association.
4. Not all the UK and Dutch managers were willing or able to discuss the role played by this organization.

References

- Best, M. H. (1990). *The new competition: institutions of industrial restructuring*. Cambridge: Polity Press.
- BPC. (1997). The Potato Industry Development Council Order (As amended in 1999): An order made under the Industrial Organization and Development Act 1947. Oxford: BPC.
- Burt, R. S. (1992). *Structural holes: the social structure of competition*. Cambridge, Mass: Harvard University Press.
- De Wit, B. and R. Meyer (1999). *Strategy synthesis: resolving strategy paradoxes to create competitive advantage*. London: International Thomson.

- Casson, M. and H. Cox (1997). "An Economic Model of Inter-firm Networks." Pp 174–196 in: M. Ebers, ed., *The Formation of Inter-Organizational Networks*. Oxford: Oxford University Press.
- Child, J. and D. Faulkner (1998). *Strategies of cooperation: managing alliances, networks, and joint ventures*. Oxford: Oxford University Press.
- Greenwood, J., J. R. Grote, and K. Ronit, eds. (1992). *Organized interests and the European community*. London: Sage.
- Hollingsworth, J. L., P.C. Schmitter and W. Streeck, eds. (1994). *Governing capitalist economies*. Cambridge: Cambridge University Press.
- Lane, C. (1992). "European Business Systems: Britain and Germany Compared." Pp. 64–97 in: R. D. Whitley, ed., *European Business Systems: Firms and Markets in their Institutional Contexts*. London: Routledge.
- Lane, C. (1996). "The Social Constitution of Supplier Relations in Britain and Germany: an Institutional Perspective." Pp. 271–304 in: Whitley, R. and Peer Hull Kristensen, eds., *The Changing European Firm: Limits to Convergence*. London: Routledge.
- Lane, C. and R. Bachmann (1996). "The Social Constitution of Trust: Supplier Relations in Britain and Germany." *Organization Studies*, 17, 365–395.
- Lane, C. and R. Bachmann, eds. (1998). *Trust within and between organizations*. Oxford: Oxford University Press.
- Luhmann, N. (1979). *Trust and power*. Chichester: John Wiley.
- Lütz, S. (1997). "Learning Through Intermediaries: The Case of Inter-Firm Research Collaborations." Pp. 220–237 in: Ebers, M., ed., *The Formation of Inter-Organizational Networks*. Oxford: Oxford University Press.
- McEvily, B. and A. Zaheer (1997a). *When Competitors Collaborate: A Network Perspective on Third Party Activators in Geographical Clusters*. Discussion Paper #222. Minnesota: University of Minnesota.
- McEvily, B. and A. Zaheer (1997b). *Regional Networks and Firm Heterogeneity: An Empirical Analysis of Small Firm Innovativeness in Industrial Districts*. Barcelona: The Strategic Management Society Conference.
- Mintzberg, H., D. Raisinghani, and A. Théorêt (1976). "The Structure of 'Unstructured' Decision Processes." *Administrative Science Quarterly*, 21, 246–275.
- PMB. (1987). *The role of the potato marketing board in Great Britain*. Oxford: Potato Marketing Board.
- Porter, M. E. (1996). What is strategy? *Harvard Business Review*, 6, 61–78.
- Rademakers, M. F. L. (1998). Market organization in Indonesia: Japanese and Chinese family business in the Jamu industry. *Organization Studies*, 19, 1005–1027.
- Rademakers, M. F. L. and P. J. McKnight (1998). Concentration and Inter-firm Co-operation in the Dutch Potato Supply Chain. *Supply Chain Management*, 3, 203–213.
- Renia, H. (1997). *Agricultural and Economic Impact of True Potato Seed Technology on the EU Potato Industry: an Ex-ante Assessment*. Ph.D. Thesis: Edinburgh University.
- Schmitz, H. (1997). *Collective Efficiency and Increasing Returns*. IDS Working Paper 50. Brighton: University of Sussex.
- Smith Ring, P. (1998). "Processes Facilitating Reliance on Trust in Inter-Organizational Networks." Pp. 113–145 in: M. Ebers, ed., *The Formation of Inter-Organizational Networks*. Oxford: Oxford University Press.
- Smitka, M. J. (1991). *Competitive ties: subcontracting in the Japanese automotive industry*. New York: Columbia University Press.
- Van Waarden, F. (1992). Emergence and development of business interest associations: an example from the Netherlands. *Organization Studies*, 13, 521–562.
- Wester, F. (1987). *Strategieën voor Kwalitatief Onderzoek*. Muiderberg: Couthinho.
- Whitley, R. D. (1999). *Divergent capitalisms: the social structuring and change of business systems*. Oxford: Oxford University Press.
- Yamazaki, H. and M. Miyamoto, eds. (1988). *Trade Associations in Business History*. Tokyo: University of Tokyo Press.
- Yin, R. K. (1994). *Case study research: design and methods* (2nd ed.). London: Sage.
- Zucker, L. (1986). The production of trust: institutional sources of economic structure 1840–1920. *Research in Organizational Behavior*, 8, 53–111.