

UNKNOWN TERRITORY – HOW SMES MANAGE TRUST WHILE DOING BUSINESS INTERNATIONALLY: CASES FROM 18 SMALL AND MEDIUM SIZED SWISS ENTERPRISES

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Abstract

The decision to enter a new international business venture often depends on the level of trust between the potential business partners. The level of trust can also pose challenges at the beginning of any new business relationship, especially international ones, as partners have little or no experience of each other.

This research explores whether having trust in one's business partner is a mandatory precondition for Small and Medium Sized Swiss Enterprises (SMEs) to undertake international business opportunities (ex-ante trust). The research also considers if the SMEs would rather follow an effectual approach, in which trust formation is an ongoing process, being built ex-post after contracts are signed (ex-post trust). The research looks at the procedures Swiss SMEs implement to examine the trustworthiness of their potential new business partners, in the early stages of the formation of international business partnerships.

Eighteen in-depth interviews were conducted with Swiss SMEs that have engaged in international operations. Results show that Swiss SMEs do not act opportunistically, but instead rely on detailed consideration to ascertain whether a potential partner is the right match, and whether the potential partner is trustworthy, by implementing systematic and objective methods prior to entering a contractual agreement as an assurance of ex-ante trust.

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INTRODUCTION

The internationalization process of SMEs can be quite challenging, both mentally and physically (Galkina and Chetty 2015). SMEs have very limited resources in comparison to larger international corporations. SMEs are faced with capital and funding constraints, lack of knowledge (e.g. in foreign languages, culture, customs regulations, and laws) and are limited in their access to qualified labor (Udomkit and Schreier, 2017).

Current research highlights the importance of social networking, resource scarcity, and serendipity in international entrepreneurial processes (Chandra, Styles and Wilkinson, 2009; Crick and Spence, 2005; Jones, Coviello and Tang, 2011; Prashantham and Birkinshaw, 2015). Sarasvathy (2001) embraces the uncertainty inherent in the creation and development of entrepreneurial opportunities and highlights the importance of partnerships in entrepreneurial decision making.

Johannisson and Mønsted (1997) explained that social networks, especially in relation to personal ties, play a crucial role in helping SMEs to overcome entry barriers or gain access to new markets. These personal ties consist of relationships between the individuals of a firm (management and employees) and its customers,

suppliers, competitors, governments, distributors, bankers, families, or any other party which enables the firm to internationalize its business activity effectively (Zain and Ng, 2006). Zain and Ng (2006) point out that network relationships minimize the risk and cost of the internationalization process, and help to “establish initial credibility” which is a critical success factor when entering a new international market. One well known example of a social network construct is “guanxi”, which is widely seen as a critical success factor in China, Taiwan, and Singapore. The concept of guanxi is based on knowing and understanding clients before trying to do business with them (Cooper et al, 2008). To get to know clients, Chinese entrepreneurs activate their guanxi networks, which consist of family ties, business ties, and community ties, to acquire information and resources for new ventures (Chen et al, 2015).

Here trust can be clearly seen as a very important factor linking network partners. Pages and Garmise (2001) emphasized that networking is not just about making contacts, but is also about relationship building in terms of creating a bond of trust. However, most SMEs lack trusted international partnerships at the beginning of the international entrepreneurial processes (Kalinic and Forza, 2012). Galkina and Chetty (2015) pointed out that it is hard ‘to

commit to new partners without established trust or any track record of doing business together' (p. 667).

The question that then arises, is how SMEs deal with situations in which there is a lack of trust when getting to know new network partners. At the point of an initial interaction with an unknown international business partner, it is hard to imagine how mutual trust could already exist between them, since no prior business activities have taken place. It is a typical "chicken and egg" situation, without prior interaction there can be no trust-building, and without prior trust there is no interaction.

REVIEW OF LITERATURE

Trust is widely regarded as a precondition for success, and a high level of trustworthiness increases the probability of entrepreneurial success; as it might provide access to resources and leverage the strength of networks and relationships between crucial partners in the creation and management of new ventures (Goel and Karri, 2006; Sabel, 1993). Trust is seen as an asset for any organization, as it reduces the complexity of business operations, it lowers transaction costs, and facilitates network collaborations (Welter and Smallbone, 2006; Zaheer et al, 1998). Trust also helps to reduce uncertainty. Perceived trustworthiness also correlates with greater information sharing (Bigne and Blesa, 2003; Brenkert, 1998; Child and Hsieh, 2014; Gambetta, 1988).

A number of scholars have attempted to explain trust and the process of trust building in a business context. According to Dyer and Chu (2000), intrafirm trust is based on three related components: reliability, fairness, and goodwill or benevolence. McKnight and Chervany (2001) proposed four categories of trust characteristics, namely benevolence, integrity, competence, and predictability. It is a common belief that in a business context, both competence and goodwill are necessary components for trust to develop (Blomqvist, 1997).

A study by Udomkit et al. (2019) also explored the key characteristics of trusted business partners, looking at how trust is built in the context of international SMEs. These characteristics were grouped under the headings "competence and professionalism", "honesty and integrity", and "empathy and caring" (Table 1).

Udomkit et al.'s research proposed that a business relationship starts with a belief in the competency and professionalism of the other business partner. It includes components such as accessibility, the convenience of the website, and providing full contact information. Furthermore, being a member of a trade or industry association, provides verification from a third party. This is supported by the findings of Blomqvist and Ståhle (2011), which determined that relevant competence (comprising of technical capabilities,

Table 1: Key characteristics of trusted business partners and the components of trust

No.	Key Characteristics of Trusted Business Partners	Components of Trust
1	Global presence	Competence and Professionalism
2	Ease of contact	
3	Being verified by third parties	
4	Experts in their field	
5	Innovative	
6	Provide high quality products/services	
7	Competitive prices	
8	Excellence after sales service	
9	Taking responsibility for mistakes	
10	Delivering as was promised	
11	Punctuality	
12	Responsiveness	
13	Effective communications	
14	Face-to-face communications	
15	Having close contact with customers	
16	Being culturally sensitive	
17	Knowledge of the local language	
18	Honesty	Honesty and Integrity
19	Ethically minded	
20	Sincerity	
21	Empathy	Empathy and Caring
22	Willingness to help	
23	Caring	

Source: Udomkit et al. (2019)

skills and know-how) is a necessary antecedent and base for the formation of trust in professional relationships within a business context.

Furthermore, the honesty and integrity between business partners are both assessed over time through the promises and commitments made. The connection between trustworthiness and honesty and integrity has been confirmed in the emotional intelligence framework of Goleman (1998), who describes trustworthiness as the ability to maintain high standards of honesty

and integrity. Blois (1999, p. 209) also values the reputation and trustworthiness of the organization as crucial, stating that:

“Probably more important than demonstrating capabilities and entering into contracts is an organization's reputation for trustworthiness. Given the costs and difficulties of creating a “water-tight” contract (if there is such a thing) it can be attractive to deal with a firm which has a reputation for being a “good supplier” or a “good customer” as

one has the confidence that, almost whatever the contract says, they will be anxious to treat you fairly”.

Blois (1999, p. 209)

Finally, empathy and caring is another important trait of a trusted business partner. This becomes paramount when firms experience difficult circumstances in times of crises. Ashraf et al. (2006) analysed situations in which an emphatic and caring trustor offers the help needed by a trustee and how trust in such situations is based on the belief of trustworthiness and on unconditional kindness. In the event of such situations arising, business partners show empathy and provide the necessary assistance, within their capacity. By doing so, the relationship reaches a higher level of trust.

According to Udomkit et al. (2019), the relationship between business partners starts from being competent business partners, then evolving into trusted business partners (in which the honesty and integrity of the business partners are consistently maintained), and finally developing into a relationship of sustainable trusted business partners (when empathy and caring exists between the business parties).

Ex-ante or Ex-post Trust

Reliable and trustworthy business partnerships that are based both on mutual trust and ex-ante trust are desirable preconditions when entering a new business partnership

(Sabel, 1993; Gehani 2000; Blomqvist and Ståhle 2011). However, trust does not come by luck, it must be built up over time. Effective trust develops when individuals emotionally invest in relationships (Smith and Lohrke, 2008). Trust building is formed over a period of time and depends on the actions of the partners. It can be clearly seen that international SMEs must deal with a lack of trust in the initial stages of a new international business venture (Kalinic and Forza, 2012).

As mentioned earlier, previous research has pointed out that SMEs utilize their personal networks, especially their families and close friends, to assist in the process of internationalization, as it provides an assurance of trust (Brenkert, 1998; Child and Hsieh, 2014; Leyden et al, 2014; Prashantham and Birkinshaw, 2015). Exercising personal networks to gain initial trust is particularly prominent in Asia (Chen et al, 2015). The key reason for this being that the trust level within this form of networking is initially high. This is especially important in developing countries, where legal contracts are often poorly enforced (Udomkit, 2017; Udomkit and Schreier, 2017). Additionally, referrals from existing networks, such as through trusted business partners, can ensure an increased level of initial trust towards potential business partners (Udomkit and Schreier, 2017). Schreier et al (2019) concluded that most of the entrepreneurs interviewed in their study were only willing to interact in a business context with network

partners who had attained a certain level of trust; entrepreneurs follow their belief that ‘if there is no business without trust, there will be no business’.

The effectuation approach, on the other hand, argues that the condition of trust, required for the initial commitment, may not exist in many cases; and that in practice entrepreneurs do not need to evaluate the trustworthiness of their potential business partners. Galkina and Chetty (2015) even stated that entrepreneurs are not able to determine whether interested stakeholders can be trusted. Instead the approach applies a concept of “affordable loss”, which means only investing what the firm can afford to lose (Goel and Karri, 2006; Karri and Goel, 2008; Sarasvathy, 2001). Karami et al (2019) describe entrepreneurs’ behavior in dealing with uncertainty as working with what they have and networking whilst undertaking a “journey” in which partners begin to trust each other whilst learning through their experiences together. The process of undertaking the journey generates new business opportunities. Entrepreneurs following the effectuation approach grasp these new business opportunities, no matter whether any prior level of ex-ante trust exists. In so doing, they develop trust bit by bit, ex-post, as long as any losses do not exceed the affordable loss that can be borne (Galkina and Chetty, 2015).

In conclusion the question that arises, is if an initial basis of trust is required upfront for a commitment of

doing business, or if SME entrepreneurs don’t evaluate the trustworthiness of their relationships. In other words, the question is, whether trust is a mandatory precondition for entrepreneurial SME decision-makers to start new international ventures or whether an effectual approach can be followed, with trust being slowly built-up ex-post. Furthermore, it is of interest to know how Swiss SMEs manage the lack of trust in the beginning stage of the business relationship, when exploring new business opportunities with potential international partners. It is also important to know what methods and criteria the decision-makers of Swiss SME’s apply when testing the trustworthiness of new international business partners?

METHODOLOGY

Qualitative research approach: This research employed an exploratory research approach. Empirical evidence was gathered through qualitative, semi-structured, in-depth interviews. The semi-structured interviews followed a predefined guideline, but also allowed the interview partners to talk openly regarding the firm’s decisions regarding the internationalization processes and their emerging relationships with international business partners (deductive coding, Miles et al., 2014, p.81).

The interview comprised of three parts. The first part explored the background of the business and the roles and responsibilities of the key

informants. The second part explored the SMEs international business networks utilizing the following questions: How do they view mutual trust between their partners? How do SMEs build up trust? What does mutual trust consist of in business relationships? How do they maintain and enhance their international network? The third part explored the acquisition of new international business partners using the following questions: How are potential international partners found and the partnerships formed? What are the common procedures? What criteria are used? Are there any internal guidelines regarding the criteria for what a potential business partner should fulfil?

Sample frame: A convenience sampling method was applied to a chosen strategic sample using the following criteria:

- (1) Business Entity: the business must be classified as a small or medium sized enterprise (SME), which employs no more than 250 employees (the definition for an SME in Switzerland according to the Bundesamt für Statistik, 2019).
- (2) The SME must engage in international operations, such as, but not limited to, exports, imports, joint ventures, or any form of foreign direct investment.
- (3) The key participant must be a crucial decision maker in the SME's international operations and their

involvement in internationalization decision-making.

Eighteen SME decision makers were interviewed during August 2020. A summary of the SME profiles is presented in Table 2.

Analysis Procedure: The data analysis consisted of four stages (Miles et al., 2014): (1) Data collection and transcription, (2) data condensation, (3) data display, and (3) conclusion drawing and verification. As a first step, all 18 conducted interviews were recorded and then transcribed. As the second step, the transcribed interviews were analysed for similarities and patterns among the different respondents. Nine different categories were consequently identified. Thirdly, for each defined category, a “brief definition”, “distinguishing marks”, “exclusions”, “examples”, and a “code” were generated. The final step of the analysis consisted of the synthesis of explanations for the displayed findings.

ANALYSIS

1. This research confirms that trust between business partners is a desired quality for business relationships with Swiss SMEs. SME 6 highlighted the fact that “Trust is a must, ‘primus inter pares’ – no trust, no business” (Interview, SME 6). However, the decision makers of Swiss SMEs admitted that they also use their gut feeling and the presence of “personal chemistry” in the

decision-making process (SME 1, 2, 7, 8 and 16). SME 2 stated that:

“In the end, people are doing business with each other, therefore, it is very beneficial if the personal chemistry matches,

as this is more likely to lead to a real collaborative business relationship.”

(Interview, SME 2).

Table 2: Summary of SMEs’ Profiles

Key Informant No.	Position	No. of employees	Internationalization Mode	Industry
1	CEO	20	Import	Professional fireworks display organizer and fireworks importer
2	Head of Export	50	Export	Cheese manufacturing
3	CEO	20	Export	Producer of straightening machines
4	Head of Sales	30	Export	Producer of food forming- and portioning machines
5	CEO	40	Export	System construction for the paint industry
6	Head of Sales	100	Export	Robotics and AI engineering
7	CEO	5	Import	Producer of wood briquettes and wood importer
8	Head of Sales	110	Import/ Export	Spirit distillery
9	Head of Procurement	50	Import/ Export	Custom built automation machines
10	CEO	7	Import/ Export	Designer furniture producer and wood importer
11	Head of Sales	60	Export, Joint Ventures	Engineer of adhesives and bonding technologies
12	Head of Sales	50	Export	Manufacturer of dispensing systems and components
13	CEO	20	Export	Food and beverages manufacturing
14	Head of Marketing	30	Export	Toroidal transformer producer
15	CEO	10	Export/ international services	Consulting and Event Management
16	Head of Sales	200	Export	Producer of water measuring systems
17	Head of Sales	200	Export	Producer, service provider of water leak detectors
18	CEO	50	Export	Customer-specific special crane systems producer

Source: Prepared by the authors

However, it was made clear that all of the Swiss SMEs in this research did not start doing business with an unknown business partner, based purely on blind trust. They actively gathered information about a potential business partner before starting any business together.

Based on the interviews, it was clear that SMEs put a great deal of effort into building trust proactively, and that the trust building process begins at the very first moment of their pre-business interactions. It was highlighted that the process of trust building takes place automatically whilst getting to know each other, and that trustworthiness cannot be determined in a single meeting (Interview, SME 15 and 16).

2. It is also important to note that the origins of the first contact could have a positive or negative effect on the level of initial trust towards the potential business partners. Two key sources were mentioned. First, if potential business partners are recommended or referred by other trusted business partners, it results in a higher level of confidence in the potential business partner, as with existing business partners within a trusted network. Additionally, it is common practice to collect market insights, and to cross check information received about the reputation of the firm. SME 1 explained:

“Information on LinkedIn, company websites, or Facebook is not enough. Deeper information, for example, about a

potential partner’s soft skills cannot be found on internet websites. Existing networks may provide the necessary information. Phone calls with existing network partners could also provide this kind of information”.

(Interview, SME 1)

Also by utilizing the partner network, information can be obtained about “how” the potential partner is doing business. SME 5 elaborated that “When hearing something negative about a potential business partner, the partnership might be already off the table before it has started” (Interview, SME 5).

Other sources are reputable international trade fairs and exhibitions. More than fifty percent of the respondents (10 out of the 18 SMEs) perceived prominent trade fairs and exhibitions as a notable source for new business contacts; these are a trusted environment and venue for firms to meet up. It was pointed out that if a potential new partner is active, organizes a great booth, and exhibits their products in an established trade fair, it creates a certain level of trust beforehand (Interview, SME 3). SME 4 even stressed that if a company does not attend such events, rumors could spread that the company may be experiencing difficulties and that it is not willing to invest money for the event (Interview, SME 4).

It can be seen that networks are key sources of referrals for potential new customers, and that they can help

to promote the credibility of companies in foreign markets. The high number of trade fairs and exhibitions that SMEs utilize to meet potential customers, and the finding that these trade fairs are seen as a source of maintaining and building networks supports the findings of Udomkit and Schreier (2017).

3. Swiss SMEs highly value open and transparent communications, especially regarding business facts, results, and changes, as they are linked to reliability, honesty, and trustworthiness. It is of utmost importance to inform a business partner immediately if plans are changed. Swiss SMEs appreciate business relationships in which partners are honest and open; all interviewees agreed that transparent communication leads to trustworthy business relationships. SME 1 emphasized the importance of open and transparent communications:

“Trust means that everything can be discussed, especially in the case of partners’ problems and needs. ... A sustainable business relationship can be achieved when the business partners are able to talk freely about anything, especially if something is not proceeding as planned.”

(Interview, SME 1)

Similarly, SME 6 explained,

“A trustful communication is not just about the type of information that is shared, namely information that the other party would like to hear, but being

honest with the other party if something is wrong. This also includes admitting that they don’t know the answer to certain questions.”

(Interview, SME 6)

Moreover, all Swiss SMEs viewed regular and reciprocal information exchange as a very important factor in a trusted business relationship. It was emphasized that if important information is available, it must be shared immediately with other business partners.

4. This research also found that Swiss SMEs actively apply certain methods and procedures to ascertain whether their potential new business partners are trustworthy, before committing themselves on a contractual level:

Evaluation of a potential business partner’s financial situation. When entering a new business relationship, Swiss SMEs actively gather information about the credit rating of potential new business partners (SME 1, 2, 8, 12, 14 and 18). There are several techniques which can be implemented. SME 12 usually contacts the local authorities in the potential business partner’s home country, which is time and cost intensive, but produces results. The interviewee of SME 1 explained that internationally, it is quite difficult to check the credit rating of a business, especially if the business partner is an SME too. If no official credit rating exists, he usually contacts a trusted network partner who has already

worked or is currently working with the prospective business partner, for information about the performance and reputation of the new business partner.

Some SMEs delegate or outsource credit evaluation tasks. For example, SME 8 delegates this work to their attorney's office. This attorney's office then researches the potential partner through its own international network of attorneys' offices. On the other hand, SME 18 requests their key bank (Credit Suisse) to check the credit rating of potential foreign business partners.

Evaluation of the partner's market position. Several SMEs mentioned that information on the new business partners market visibility and the public availability of the company's specific business information is checked. A potential partner must offer a coherent market presence that is consistent with what they claim. Their portfolios and market position should match. This is one of the important judgements on trustworthiness of the potential business partners (Interview, SME 3, 8, 12, 13, 17).

Evaluation of organizational culture, values, and work ethics. The importance of similarities regarding corporate cultures and values were mentioned by many interviewees as a crucial factor in starting a trustful business partnership. The organizational culture, values, and work ethics, of the potential business partners must be taken into account and evaluated objectively; these include professionalism, reliability,

competence, reachability, a good command of English, orderliness, and stability. Both SME 4 and SME 10 explained that they look for partners who have a profound understanding of all business matters and the partner must have excellent "know-how" in their field. SME 13 stressed that if these values do not match, then the partnership would most probably not come to fruition.

SME 2 and 16 shared similar points of view, in that they were generally interested in long-term business relationships with trusted business partners, and for that reason a common understanding of how to do business in the long term was of utmost importance.

Evaluation of a willingness to meet face-to-face. All interviewees stressed that a willingness to meet each other face-to-face is one of the criteria they use to judge the level of determination and seriousness, which indicate motivation for doing business together. They confirmed that face-to-face meetings are mandatory before entering a "serious business relationship" with a new business partner. SME 17 stated that:

"We do not enter a new business relationship if the partner has not yet personally visited our factory plant. We want to know who we are dealing with".

(Interview, SME 17)

SME 9 explained in detail that, especially when dealing with partners from Europe such as Italy, France, and Germany, a personal meeting is often needed before a deal is really

approved and signed. Similarly, SME 3 explained that:

“A first business deal could easily be around 100,000 Swiss Francs or more, while the costs for a personal meeting in comparison are very low. To refuse a personal meeting would not be an encouraging start”.

(Interview, SME 3)

Interviewee 10, 13, 15 and 16 stated that a face-to-face meeting provides an opportunity to learn more about each other. Voice, expressions, verbal and non-verbal communication can be observed. If a potential business partner meets us informally e.g. for dinner in a restaurant, it provides an opportunity for us to get to know them better, and to get an idea of their personality. SME 10 elaborated on the importance of meeting up through an informal occasion:

“If someone is willing to meet outside of a business setting, such as for a drink, or dinner, one has a chance to get to know the real person behind the business person. It is important for SMEs to understand how a business partner thinks, and how he or she behaves”.

(Interview, SME 10)

Evaluation of the process of formalizing the business. This is the process in which both parties finalize the scope of the work and activities, and proceed further with a contractual agreement. For SME 8, 9, and 16, during the formalization process, a list

of questions, requesting information about the company, references, turnover, number of employees, divisions, and so on will be sent to their potential business partner; the answers are considered in a serious evaluation. SME 8 commented on his own experiences:

“Surprisingly many potential international business partners are not willing or not capable of delivering basic information on my request, and therefore, starting a business relationship just won’t happen”.

(Interview, SME 8)

It should be noted that when Swiss SMEs enter a new business relationship, clear regulations about what must be performed are clearly defined. Contracts are set up in which the purpose is clearly defined, as are the timeline, and prices. At the beginning of a new business relationship, a contract (usually called a “letter of intent” or a “letter of appointment”) which includes a trial period of 12 to 18 months, is usually implemented. Once this period has passed, the collaboration between the two parties is evaluated (Interview, SME 8 and 13).

5. Swiss SMEs commonly apply measures for financial risk mitigation with their new international business partners. This allows SMEs to commence doing business, despite questions about uncertainty and the trustworthiness of their new business partners. Approximately seventy percent (13 SMEs) of the interviewed

SMEs mentioned that some form of prepayment is a vital procedure applied with new or unknown business partners from abroad, especially in cases where there is a lack of credit rating information. It was explained that situations in which the business is dealing with new partners, are seen as “trail periods”, during which, prepayments are required to ensure that any risk is mitigated.

Prepayments are usually divided into stages in a fair manner. For example, SME 4 applies a fifty percent payment requirement once the contract is signed, and the remaining fifty percent payment is due once the machine is manufactured and delivered to the client. SME 5 applies four payments; the first payment when the deal is signed, the second payment when the machine is delivered; the third payment when the machine is installed at the client’s site; and the last payment when the machine is approved as fully functional by the client.

On occasions in which the payment is a very high figure, a “letter of credit”, which stipulates the term “documents against payment”, combined with an insurance certificate may be required (Interview, SME 6).

6. Swiss SMEs evaluate the trustworthiness of their business partners by looking objectively at the level of their accomplishments in order to ascertain whether the partner is able to fulfil exactly what they have

promised. For example, it was stated by the SMEs interviewed that:

“One must have proof of performance before trust can be built between partners.”

(Interview, SME 5).

“With every successful order, the level of trust is being built upon.”

(Interview, SME 9).

“The business partner must fulfil their promise one hundred percent, to ensure trustworthiness can be built upon.”

(Interview, SME 10).

“Once the first shipment arrives, the product is inspected, and evaluation of the partnership can be carried out. If both turn out to be satisfactory, business continues.”

(Interview, SME 7)

Other elements to build up trust with new business partner were mentioned, for example regular information exchanges and regular customer visits (Interview, SME 1 and 16).

It is interesting to note that Swiss SMEs tend to have a clear boundary between “good business partners” and “good friends”: A certain distance must always be kept between business partners. SME 5 stated that “There are partners who build up trust in an informal manner, leading to a friendship kind of trust. This is a pseudo trust, and after a short amount of time, such people ask for personal

favors and may try to take advantage based on this trust”.

SME 9 agreed that some partnerships might turn into a friendship, but this can lead to false expectations and disappointments. Therefore, it is important to keep a healthy distance between business partners. SME 14 emphasized that “Even if the relationship developed into friendship, at the end of the day, business is business”.

Interestingly, the interviewee of SME 18 shared his past experiences in the automobile industry, stating that “The automobile industry actively replaces employees in the procurement divisions annually. The goal of this action is to prevent strong relationships forming between the buyers and the suppliers in an industry in which there is a high level of price competition”.

CONCLUSION

Entering a new international business venture with new international partners can pose challenges regarding judgements on the trustworthiness of new business partners, in situations where little or no experience with the partner exists (Kalinic and Forza, 2012; Galkina and Chetty 2015; Udomkit and Schreier, 2017).

This research explores whether having a trusted international business partner is a mandatory precondition for Swiss SMEs considering whether to undertake business opportunities internationally (ex-ante trust), or would they rather follow an effectual

approach, in which trust is being built up after contracts are signed (ex-post trust). Results show that Swiss SMEs do not act opportunistically, but instead, consider whether a potential partner is the right match and also whether the potential partner is trustworthy. Swiss SMEs do not over-trust or blindly trust a potential international business partner, but implement systematic and objective methods prior to entering a contractual agreement. They evaluate the trustworthiness of their potential business partner as an assurance of ex-ante trust, and evaluate their achievements through their work processes after entering a contractual agreement. Good performance builds up trust levels bit by bit (trust ex post). In other words, Swiss SMEs believe that “trust is good, but a controlled process is the best approach”.

Open, transparent styles of communication, and clear information about expectations are highly valued by Swiss SMEs. With a new international business partner, in situations where trust is not well established, Swiss SMEs may implement strategies to minimize their business risks. For example, utilizing existing social networks to gather information about a new business partner’s past performance, trustworthiness, and reputation; or using a prepayment method to minimize their financial risk.

These research findings are somewhat in line with Udomkit et al, 2019, who identified competence and professionalism as crucial elements in establishing ex ante trust in the first

stage. If business partners do not show a certain level of competence and professionalism, business transactions will not take place. However, it was noted that the existence of competence and professionalism are not always enough to proceed in a new venture with Swiss SMEs. They also place a great emphasis on the components of honesty and integrity, and they apply several methods to check on this quality before entering a contractual agreement.

Interestingly and not fully in line with the model from Udomkit et al (2019), the researchers did not find any strong evidence to support that the interviewees screen their business partner's empathy and caring. Also in contrast to Ashraf et al. (2006), this research could not find evidence for the interviewees trying to evaluate trust based on unconditional kindness. In other words, the third stage of trust (Udomkit et al, 2019), whereby empathy and caring are shown, when firms have encountered and passed through difficult circumstances, experienced crises, and have worked hand in hand to get through tough times together, was not mentioned by any Swiss SME in this research. This could be because the time frame between the first interaction and the venture-creation does not allow enough time to evaluate empathy and caring, as such evaluation requires a longer time span. Alternatively, it could be because the evaluation of a potential business partner's "kindness" as well as their capability for empathy is difficult to evaluate.

THEORETICAL AND MANAGERIAL IMPLICATIONS

Theoretical implications: While the fundamental importance of trust between network partners is hardly questioned, little attention is paid to the development of trust between partners. Sarasvathy and Dew (2008), argued that the entrepreneurial process does not require trust ex-ante, but rather suggests that ex-post trust is a natural outcome of the development of network partnerships (p. 667) which then further facilitates international activities. In other words, the effectuation theory suggests that entrepreneurs involved in internationalization would not invest important resources (e.g. information gathering) in developing trustworthy relationships before engaging in entrepreneurial opportunities together. If entrepreneurial activities exist without the existence of ex-ante trust, this can be perceived as a situation of *over-trust*. Accordingly, Goel and Karri (2006) argue that effectuation processes risk creating situations of 'over-trust' which may endanger the success of the international endeavor. This research confirms that trust among entrepreneurs and their network partners plays a key role in the early stages of the formation of a new cooperation. On the other hand, the researchers could not find any indications of an attitude of possible "over-trust". Instead, there were indicators that decision makers involved in internationalization,

regularly reflected upon the trustworthiness of potential partners, either actively or intuitively. As a main theoretical implication, and contrary to Galkina and Chetty (2015), who stated that entrepreneurs are not able to determine whether interested stakeholders can be trusted (p. 653), this research can postulate that Swiss entrepreneurs are only willing to interact in an international business context with network partners who have attained a certain level of trust.

Managerial implications: Trust and trustworthy network partners are the focus in this research paper. SMEs entering international operations should be explicitly aware of the importance of trust and trust building activities. Furthermore, SME entrepreneurs should not be surprised about the intensive activities of new business network partners aiming to establish trust, as this is necessary in the proper selection of trustworthy partners, and can help to mitigate some risks associated with the transactions between network partners. In other words, from a managerial aspect, the trust building activities of new business partners should be supported and not perceived as signs of mistrust.

LIMITATIONS AND RECOMMENDATIONS FOR FUTURE RESEARCH

This study contributes to a deeper understanding of how international SMEs handle new business opportunities with unknown

international business partners, and other situations in which trust has not yet been established. The findings bring fruitful discussions on the subject of trust in international business settings, and show how trust is built up and maintained between business partners.

As is the nature of in-depth qualitative research, the findings of this research should not be taken as a generalization, due to the relatively small sample size. The results are influenced by the key participants' backgrounds and working experiences. Another limitation relates to the industries of the SMEs in this research; 11 of the total 18 SMEs belong to the engineering sector. Their work is often project-driven and perceptions of trust and trust building may differ from other industries.

Future research could be undertaken that is a more industry-specific, such as focusing on SMEs working specifically in imports or exports, or on the roles and responsibilities that SMEs serve, such as sole distributors. This most probably will provide more in-depth results. More specifically, this research may encourage researchers to explore the relevance of trust, which is based on situations where business partners depend on each other's empathy and caring during a perceived situation of crisis. Last but not least, comparative research based on international SMEs in other countries, will lead to an even deeper understanding of how international SMEs deal with trust issues.

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