TRUST AS BASIS FOR DEVELOPMENT OF RELATIONSHIPS BETWEEN PROFESSIONAL SERVICE PROVIDERS AND THEIR CLIENTS

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Abstract
In the world professional services dominated by knowledge represent a large and rapidly increasing sector of the economy. Professionals have the scope to focus their resources on narrow fields of expertise, gain experience across diverse range of clients, and innovate in the process of their engagement. Because of reason that knowledge and relationships are being the true sources of sustainable competitive advantage, professional service providers and clients need continually to enhance the development of their relationships. Knowledge-based relationships can be deepened by mutual trust. The aim of this paper is to point up the importance of trust in professional service providers’ and clients’ relationships dynamics. The paper is divided in three parts. First part addresses for conceptualization of professional services, second one reveals the nature and dimensions of trust; and the third part examines the different trust dimensions in dynamics of relationships between professional service provider and client.

Keywords: trust, trust dimensions, professional services, development of relationships.

Introduction
Professional service provider’s knowledge (Gao et al., 2008) and close cooperation with firms help them to develop competitive products or/and services. According to NACE (Statistical classification of economic activities in the European Community), professional services involve business and management consulting, engineering services, legal, accounting and advertising services, market research and others. This group of services is individualized and focused on solution of specific client problem (Maister, 1993), often has delayed and difficult to predictable consequences, requires high competence of service providers (Thakor & Kumar, 2000; Mills & Moshavi, 1999; etc.); and in critical and/or substandard business situations, experts providing them, otherwise than corporate executives and professionals, can help find and implement innovative solutions (Löwendahl, 2005). While providing professional services, the most important role falls not to the technology, but to staff competence, experience, insight, creativity, and etc. In the process of professional service provision, it is not enough knowledge of service providers; in service provider’s collaboration with the client, processes of creation, development, exchange and dissemination of new knowledge, that is necessary to solve the problem (Koch & Strotmann, 2004; Stahlecker & Koch, 2004), are performed. Client is interested in preserving the knowledge and information, as well as data confidentiality, to protect them from competitors, so it is necessary to trust in the service provider (Christopher et al., 2002; Morgan & Hunt, 1994; Liljander & Roos, 2002; Sharma & Patterson, 1999). Trust in service provider determines if client maintains relationship with provider in the future (Doney & Cannon, 1997) and what will be the value of the relationship (Gounaris, 2005).

As it is known, many services are based on human relations. However, the provider and client relationship intensity, duration and characteristics of its development vary in different services. Hence, the importance of trust also varies. Thus, problem of the paper may be identified in the following: how trust affects dynamics of professional services provider and client relationships. In theoretical level, the problem is analyzed through knowledge intensity of professional services, client involvement, the importance of confidentiality and other features of these services, revealed by Miles et al. (1995), Toivonen (2004), Stahlecker & Koch (2004), Doloreux & Muller (2007), Koch & Strotmann (2004; 2005), Gebert et al. (2003), Barnhoorn (1995), Jaakkola & Halinen (2006) and other researchers. Viewpoints of Ford et al. (2003), Ford (1980), Dwyer et al. (1987) and Grönroos (1994) help to highlight development stages and distinctive features of relationships. Trust as catalyst for human cooperation is revealed by Patton & Jösang (2004), multidimensity of trust – by Svensson (2004), Hacker et al. (2001), spectrum of trust dimensions – by Lewicki et al. (1998), Sitkin & Roth (1993), Mayer et al. (1995), Coleman (1990), Dasgupta (1988), Eriksson & Lindvall (2000), Gillespie & Mann (2004), trust as key factor for relationship continuity and its success – by Doney & Cannon (1997), Sharma & Patterson (1999), Kramer & Tyler (1995). Our access to the issue is new by the fact that we are linking three key constructs of
identified problem – professional services, to be precise, their features, the dynamics of provider and client relationships and the trust.

The aim of the paper is to reveal the importance of trust in professional service providers’ and clients’ relationship dynamics. Research methods: scientific literature, and comparative analysis, analogy, and generalization methods.

Concept of professional services

Service concept, according to Cowel (1984), reflects the provider’s proposed value to client, and it correlates with the service offering, providers’ and clients’ relationships, service provision system and process. Roth & Menor (2003) highlight, that the service concept is created for a target user, and combines the integrity of only for him/her important elements of the service. Professional services as a knowledge intensive business services (Miles et al., 1995; Toivonen, 2004; Stahlecker & Koch, 2004; Doloreux & Muller, 2007; Koch & Strotmann, 2004, 2005; Mills & Moshavi, 1999; etc.) are designed to institutional clients, mostly businesses, but also to a non-profit operators. It should be noted that some of the professional services, such as employment services, may be directed to the individual client needs. Thus, the variety of professional services are also associated with the different target segments and the differences of their needs, which in turn leads to different service providers’ value dimensions offered to clients: the level of quality, price, complexity of service, amenities, etc. As a result, professional services are complex and heterogeneous (Jaakkola & Halinen, 2006), and their providers do not have a standardized and pre-prepared solutions. Each problem requires individual client access. In other words, the service is highly customized (Jaakkola & Halinen, 2006). But in any case of creation of professional service value, service provider’s human resources, specifically, its competence, experience, insight, creativity, and etc. play the crucial role. Jaakkola & Halinen (2006) highlight the characteristics of professional services as expert (specialist) knowledge, autonomy in decision-making, altruism, self-regulation and a high degree of client participation and customisation. As it can be seen, professional service features mainly are identified to employees’ individual and their work outlined traits. Talking about the process of service provision, it should be noted that during service provision mutual learning process between service provider and client is established, their existing and new knowledge are combined, and dissemination of these knowledge is performed (Koch & Strotmann, 2004; Stahlecker & Koch, 2004). According to Gebert et al. (2003), in the process of professional service provision, knowledge provided to clients (e.g., about new technologies), knowledge about clients (e.g., providing knowledge of the client’s reputation to potential business partners), and knowledge from clients (for example, about the intention to invest) are circulated. Miles et al. (1995), Miles (2003) emphasise that the professional services usually provided on the base of contract between the service provider and the client, communication is performed on parитети basis, knowledge and expertise are shared between parties; so the relationships are sparring. Professional services may be characterized by close contact between provider and client, high level of client engagement in the process of service provision (Barnhoorn, 1995; Jaakkola & Halinen, 2006). This means that professional service providers need not only technical, related to solution of the problem, but also communication skills. Thakor & Kumar (2000) argues that the service provider’s relationships with the client are the only and most important factor for the quality of professional services as a component of value assessment. We would consider that uncertainty and information asymmetry determine such emphasis of the relationships between service provider and client. Uncertainty means that often it is difficult to anticipate all unexpectedness of service provision and possible consequences (for example, a broker’s advice on investments into bonds); information asymmetry means the fact that the service provider and the client have not only different information, its amount, but it may be understood differently as well. As a result, clients often characterize the problem with difficulty, they can not exactly explain what they want from professional service providers, and usually they are not able to evaluate benefit received from services objectively. Mills & Moshavi (1999) argue that only qualified professionals can objectively assess what services are required by the specific problem. All of this leads to long-term perspective of relationship between service provider and client (Halinen, 1997) and these relationship would be based on mutual trust.

The nature and dimensions of trust

The trust defines one party’s optimistic expectations from the other party’s behaviour (Lewicki et al., 1998). Suh et al. (2006) points out, that expectations are always associated with positive behavioural outcomes. Cowles (1996) argues that trust occurs when one party, seeking target and putting something valuable for
him/her, assume that it may be relied on other party’s knowledge, competence and motives, which encourages associate relationship. Svensson (2004) notes, that trust is a multidimensional concept, and has summarized the various dimensions of trust researched by scientists. The researcher divides them into five groups: dependability/reliability (confidence, consistency, faith, loyalty, predictability, respect and security), honesty (fairness, motivation to lie, and openness of management), buyer/seller orientation (altruism, business sense and judgement, congruence, intention and motives) and friendliness (acceptance, benevolence, and liking). Trust dimensions also may be expressed as hope, faith, confidence, assurance, initiative (Lewicki et al., 1998), ability and congruence (Sitkin & Roth, 1993), benevolence (Mayer et al., 1995), predictability (Coleman, 1990; Dasgupta, 1988), common values (Eriksson & Lindvall, 2000); Gillespie & Mann, 2004). Hacker et al. (2001) argues that the trust consists of 3C: consistency, commitment and capability. They insist on the fact that trust might not be, if at least one of these items does not exist. The more service provider and client trust in one another, the more they appreciate their relationships. Trust becomes a key condition for the continuity of relationships (Doney & Cannon, 1997; Sharma & Patterson, 1999) and their success (Kramer & Tyler, 1995). According to Smaliukienė (2005), trust encourages open communication between partners, the exchange of ideas and the sharing of resources. Business relationships between client and service provider based on trust often degenerated into personal relations. This is even more increases the likelihood that the service provider and the client relationship will have long-term perspective.

**Trust dimensions in dynamics of relationships between professional service provider and client**

The relationship is process of mutual understanding and value creation in cooperation (Schurr, 2007). They are based on the understanding, cooperation, commitment and adaptability (Kasper et al., 2006, p. 149), personal contacts, communication (Castro et al., 2005) and trust (Fullerton & West, 1996; Kasper et al., 2006, p. 149). Trust as the basic construction in most of the long-term activities, especially for professional services, is described by Jaakkola & Halinen (2006), Sharma & Patterson (1999). Trust in professional services means the client’s faith in good intentions and understanding that at first service provider tries to meet client’s needs, and not seeks for personal gain. Galbreath (2002) notes, that only case, when associated parties believe that everyone will do what is owned and both parties will benefit, turn into the reliable relationships. This is basis for win-win relationship development strategy. The relationships are dynamic, and, over time, they evolve. Ford et al. (2003) point out four stages of relationship development: pre-relationship, exploratory, developing and stable. Although Dwyer et al. (1987) mark out 1) full mutual awareness, 2) exploration, 3) expansion, 4) commitment and 5) dissolution stages. Ford (1980) and Dwyer et al. (1987) approaches to the last stage of relationships are different: the first researcher explains that at the final stage relations are institutionalizing, the other group of researchers highlight the break of the relationships. Grönroos (1994) refers to three stages of the process of relationship development: 1) initiative, 2) purchase, and 3) use of the product. Despite of the diversity of relationship development stages, all the scientists distinguish pre-relationship and developing stages. It is understandable, that each stage of relationship development differ by different dimensions of trust. Figure provides a model which links the stages of relationships between professional service providers and their clients, spectrum of behaviour while maintaining relationships, and dimension of trust. Let’s discuss it in detail. At first, it should be noted that trust in relationships between professional service providers and clients depends on importance of risk, vulnerability, dependency (Svensson, 2004) and uncertainty (François & Goolen, n.d.). Ford et al. (2003) stress that clients have uncertainties (difficulties in spec. of requirements), market uncertainty (nature of supply market) and transactions uncertainty (cost, skills). The dependence, according to Svenssson (2004), could be technical, time, knowledge, social, economical/juridical, market and information technology. Hence, the trust is necessary in risky situations; if there is no vulnerability and uncertainty as the dependence, trust is unnecessary.

**Pre-relationships stage and trust.** Client is an incapable of autonomously managing the increasing level of environment complexity, requires for a specialization in the production of knowledge and need to integrate the competences and to expertise with potential service provider (Castado, 2008). Faced with the problem, client looks for professional service providers, that could help him/her find a solution. Before the stage of pre-relationship stage everything, that could help the client to evaluate potential service provider (Ford et al., 2003), is important; so client carefully screens provider’s qualifications (Green, 2005). Creed & Miles (1995) describe it as institutional-based trust. This form of trust is tied to formal social structures and firm-specific attributes, e. g. certification as an account. Ford et al. (2003) state, that evaluation of potential relationships depends on social, cultural, technological and time distance. According to Thakor & Kumar (2000), reputation and experience prompt the trust. The choice of service provider for the first time is significantly influenced on other
client experience and oral recommendations. Thus, it is essential for client to find a reasonable service provider, to predict the behaviour of co-operation and etc. In our opinion, it is important to know how much the client is willing to trust in service provider.

**Exploratory stage and trust.** At this stage the first contact with a potential provider is established. Addressing service provider, client wishes not only solving a problem and services with certain features, but also expect a business partner whom could trust (Green, 2005). Thus, the client is concerned on the fact, how the potential professional service provider will be oriented to its needs, benevolent, and etc., but the relationships between the client and the provider has still the distance, limited mutual experience and obligations (Ford et al., 2003). We consider that at this stage clients significantly influence staff of the professional service firms. They should not be only experts in their field, but be good at understanding of client psychology, have excellent communication abilities.

**Figure.** Model of relations among stages of relationships between professional service provider and clients, importance of relationships and trust dimensions (according Ford et al. 2003; Mayer et al, 2007; Donaldson & O’Toole, 2007; Svensson, 2004)

**Developing stage and trust.** As Hill (2007) notes, many service industries, especially the professional ones, such as legal or management consulting, rely almost entirely on their relationships with their clients to get business. This stage is characterized by the fact, that both sides have embraced the importance of bilateral relations, trust in one another grows, and use of services intensifies. In the continuity of relations, importance of trust is also emphasised by Fullerton & West (1996), Dwyer et al. (1987), Ganesan (1994), Morgan & Hunt (1994), Selnes (1998), Laing & Laine (2005). However, due to scale of activities uncertainty and risk may increase, so at this stage, particularly need of trust, based on common values, increases as well. Importance of similar values, which prevents one of the partners to gain an advantage for deceiving another, as well as importance of effective communication to trust, is accented by Christopher et al. (2002). Seeking for long-term relationship, the client and the provider should have a common understanding of problems and opportunities. It could not be achieved soon. The client and service provider should see to each other as a partner. In the development of relationships between professional service provider and clients a significant role falls to sharing of functions and, in particular, assistance to the clients that the uptake of their own. According to Gouthier & Schmid (2003), the service provider must specify the client’s functions. Client functions can differ due to the nature of the service. If it is focused to the partnership, the service provider expects the client’s commitment, trust and loyalty; good awareness of the service provider and offered services; willing to continue to use the services and recommend them to others, to work, so that consequently, the economic and non-economic results would be positive. Many clients, who trust in the service provider, are prepared to allocate more financial
resources and are more likely to recommend this provider to others (Weatherill, 2006). But as Eisinger & Bell (2008) notice, firms that provide professional services have not always been eager to invest in client education initiatives. But efforts to enhance client’s service knowledge had a positive and strong impact on client trust. Its efforts can help service providers to differentiate their service offerings and provide a strong foundation on which to build trusting relations with clients. Service providers should become more transparent with clients and to avoid tendency protecting “black box” methodologies and processes. In turn, this will allow these providers to trade upon their levels of client service quality, to develop and nurture trust-based relationships. Gittell (2002) highlights, that the knowledge-sharing, common goals and mutual respect are key elements of effective relationships. But the closeness of the relationship sometimes becomes the challenge for professionals: they are intimately involved in the business but must retain full objectivity (Heatcote, 2006).

Stable stage and trust. Maintaining long-term relationships is the key to growing the service provider’s long-term sales performance (Hill, 2007). It may be argued that client and service provider, reached this stage of relationship, are earned trust in one another, one accustomed to another way of thinking and action (Caniëls & Romijn, 2005). Creed & Miles (1995) note, that trust enables effective investments in assets by assuring both parties there will be no abuse of bargaining power after making an agreement. However, at this stage the risks and uncertainties, which may adversely affect trust, are inevitable. For instance, a client can change the field of the business. Even the long-term partnership must be based on high level of trust; indeed, if managers attempt to operate in setting with low level of trust, failure appears almost certain. Tyler & Kramer (1995, 4 p.) maintains, that if the trust declines, people are increasingly to take risks, to demand greater protections against the possibility of betrayal, to insists on costly mechanism to depend their interests. Social institutions can exert both formal and informal control over the behaviour of individuals making untrustworthy behaviour costly (Tyler & Kramer, 1995, 4p.). The most desired relationships belong to developing and stable stages where trust is on the highest level. However, service provider’s and client’s mutual trust in each other helps to create innovative products or services and to enhance competitiveness of both professional service provider and client.

Conclusions

Knowledge and relationships are not inseparable in today’s economy. Together they are the most important source of sustainable competitive advantage. Professional services are one’s activity where the knowledge and relationships are integrated for solution of specific client problem. These services are complex and heterogeneous, therefore these service providers do not have a standardized and pre-prepared solutions. During professional service delivery mutual learning process between service provider and client is established, their existing and new knowledge are combined, and dissemination of these knowledge is performed. But the most important distinguishing feature of professional services is the fact that confidential information is available for providers of these services. Therefore, trust anticipates the continuity of relationships and its success.

Trust is a multidimensional concept. The researchers distinguish various dimensions of trust. But it is clear that more service provider and client trust in one another, more they appreciate their relationship and it leads to long-term perspective.

Development of relationships between service provider and client requires continuous evolution though its stages (pre-relationships, exploratory, developing and stable). The most desired relationships belong to developing and stable stages where trust is on the highest level. Risk, vulnerability, uncertainty and dependence taking mostly affect relationships in pre-relationship and exploratory stages. Development of relationships between professional service providers and clients depends on various trust dimensions. In other words, trust is basis for long-term relationships that usually is beneficial to all participating parties. This helps to enhance competitiveness of both professional service provider and client.

References