
Competence Based Trust and Organizational Performance of Quoted Pharmaceutical Firms in Nigeria.

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Abstract

This study sought to examine the relationship between competence-based trust and organizational performance of quoted pharmaceutical firms in Nigeria. This study adopted a survey study approach with the use of correlation research design, with a population of ten (10) quoted pharmaceutical firms in Nigeria. The entire population was adopted because our sample size was a census study, but for the avoidance of bias and to ensure proper coverage of the firms under investigation, five (5) managers were chosen from each of the quoted pharmaceutical firm as respondents making fifty (50) managers stated. A well-structured, self-administered survey questionnaire was adopted; validity and reliability test were conducted before primary data collection. Data were analyzed using descriptive and inferential statistics. The Spearman Rank Correlation Coefficient and partial correlation were employed to establish the degree of relationship between the variables with the aid of statistical package for social sciences (SPSS) version 25.0. The study concluded that competence-based trust has positive and significant relationship with organizational performance of quoted pharmaceutical firms in Nigeria. We therefore recommended that the firms should employ competence-based trust with their suppliers in order to enhance organizational performance.

Keywords: Competence Based Trust, Organizational Performance.

Introduction

Trust is the willingness to rely on an exchange partner in full confidence with the firm. It is an expectation about an exchange partner that results from the partner's expertise, reliability, and intentionality. It plays a significant role in shaping interaction and long-term relationship building (Kosgei & Gitau, 2016). Thus, it hinges significantly on two performance outcomes: customer performance (satisfaction and loyalty) and financial performance (profitability and financial returns). Also, Trust as one of the key tenets of social exchange theory and relational norms that have develop over time has tend to govern the relationship rather than reliance on written contracts (Heide & John, 1990). However, to effectively manage a supplier, the organization needs to build competent based trust to their supplier about their products which they offered. The suppliers are totally free to choose their preferred organization and no longer cooperate only with the same entities (Pohja 2004). Hence, to manage suppliers in their supply chain, they must inspect other supply chains which may impact positively on the organization (Gadde & Hakansson 2001). Quoted pharmaceutical firms are those firms that are listed on the floor of the Nigerian stock exchange. This firm plays an important role in the health sector of the citizens in the world, and Nigeria as a developing country is not an exception (Obukohwo, Olele & Buzugbe, 2018). However, the pharmaceutical firms are known to be a complex sector considering its importance to the general welfare of the economy. Though, it constitutes many key players such as the manufacturers, wholesalers, retailers, government ministries and agencies, national regulators and many stakeholders to name but a few (Obukohwo, Olele & Buzugbe, 2018).

Organizational performance is simply how well a firm achieved its set objectives as well as having good reputation (Edeh & Nwaji). Besides, organization is striving to improve their performance in response to competitive market situation and the need to efficiently control their day-to-day activities. The purpose of this study was to examine the relationship between competence-based trust and organizational performance of quoted pharmaceutical firms in Nigeria. Thus, the research question is stated as to what extent does competence-based trust relate with organizational performance of quoted pharmaceutical firms in Nigeria?

Competence Based Trust

This type of trust was adapted from MacDuffie & Helper (1997) as cited in Al-Abdallah, Abdallah & Hamdan (2014) who classified trust into three perspectives namely, Competence trust: where supplier believes that the buying firm can perform what it promised to perform. Contractual trust: a belief that the buying firm will continue its contracts. And Goodwill trust: a belief that the buying firm will avoid taking unfair advantage and will always act on mutual benefit basis. As indicated by Wirtz & Lihotzky (2003), the building of trust and convenience is the most suitable approach for trade-based organizations. However, from review of literature, it has been noted that trust essentially contributes to market share, sales growth, and profit. Though, trust plays a key role with the underlining reality that despite the best of intentions, supply chain managers are not all the time able to foster trust in all the partnerships that involve channel members across the supply chain. It is therefore beneficial for researchers to gain an understanding of the importance of trust in a long-term relationship (Kiarie, 2017). Trust is also seen as the extent to which a firm believes that its exchange partner is honest and/or benevolent (Kosgei & Gitau, 2016). Trust is a condition in which each partner is convinced that the other is fully committed to the common goal. In another dimension, trust is described as the perception of one about others, decision to act based on speech, behavior and their decision. The above statement implies that, if an organization wants to improve and be successful, trust should be employed as a strategic element to ensure an organization's existence and to enhance employees' motivation (Annamalai et al, 2010). It can make intrapersonal and interpersonal effects and influence on the relationship inside and out of the organization.

But Moore (2012) acknowledges that when firms have collaborations, the sharing of knowledge and resources is a possible likelihood and as such, trust develops through effective communication while the aspect of information sharing was noted as a prerequisite for trust. Besides, the growing importance of trust in the supply chain has led to the opening of opportunities in for research work since the traditional ways of doing business in most organizations is contradictory to the framework that "trust" offers (Kiarie, 2017). Yet, the stems of supply chain management are built on trust and commitment (Stevens, 2011). Saleemi (2002) as in (Kosgei & Gitau, 2016), in their research study on relationship management and organization performance noted that trust is essential and advantageous to the supplier firm. They added that making efforts to establish, extend, and retain trust in their buying firm (organization) leads to more benefits to the supplier. Knowing that trust building is a costly, difficult, and time-consuming procedure, and leads to strong, successful, and long-term buyer-seller relationships (Kosgei & Gitau, 2016),

Organizational Performance

An organization is a consciously coordinated social unit, composed of two or more people that functions on a relatively continuous basis to achieve common or organizational goals (Oghojafor, Muo, & Aduloju, 2012). Organizational performance is a measure of contribution of an organization's marketing functions to its corporate goals and objectives. The appropriate way of measuring organizational performance has for long remains a matter of controversy in the literature, and as such, scholars were of the view that performance measurement ought to be evaluated based on its importance to the achievement of corporate objectives (Asiegbu et al., 2011). In view of the divergent views of many researchers, which point to the fact that there are several marketing scales of measurements/variables that could be used to measure performance, we base our choice of measuring tools on the statements of Spiegel, (2004) as in Kalu et al (2014), that specific variables that could be applied as measurement instruments for variables should be relevant in measuring what it is supposed to measure. Based on this, organizational performance measuring tools need to be evaluated and determined appropriately based on the formulated framework for the study, as well as the direction of the research (Kalu et al (2014). Organizational performance refers to how well an organization achieves its market-oriented goals as well as its financial goals (Yamin, Gunasekruan & Mavondo, 1999) as in Luis & Vanda (2015).

Empirical Review

The concept of competence-based trust has been expounded both in literature as well as from the empirical studies done on the subject area. It has been found that trust has become a common practice among organizations worldwide and also with various benefits to the organization. The works of Jiang et al, (2011) seeks to present empirical evidence about the effects of trust and dependence in business relationships in the construction industry. In their study, they investigated the extent to which trust and dependence act as antecedents to four dimensions that been identified from the literature as important determinants of relationship quality: commitment, communication, satisfaction, and long-term orientation. From the findings of their research work, they discovered that trust has a significant impact on relationship consequences (commitment, communication, satisfaction and long-term orientation) and dependence. At this stage, trust becomes the leading actor to govern the buyer-supplier relationship, since a sincere desire is required for organization to proceed in trust building activities. Also, a study conducted by Ryu, et al. (2007) investigated the factors that determine long term orientation in inter-firm relationship concluded that existence of trust between buyer and supplier relationship has a positive effect on the long-term orientation. They added that the supplier performance is one of the facilitators of trust.

Furthermore, Luo (2002) in his research work extends his earlier findings by concluding that trust is moderated by contextual variables; in particular, the age of alliance, the level of interdependence on one another's resources and the risk commensuration between the

partners. However, Niculescu (2015) investigated the impact of trust on organizational performance: a study of selected institutions in Romanian financial and banking institutions. Their findings show that if there is a genuine communication between management layers, if realistic objectives are implemented for the employees to be inspired to work at their best potential, and if companies invest trustworthy behaviors, companies will energize their employees and make them feel comfortable with their work, boosting individual and organizational performance. Thus, Connelly et al (2018) investigated on competence and integrity-based trust in inter-organizational relationships. They see trust as an important factor for managing transaction costs within inter-organizational relationships. Research on trust indicates that separate dimensions of trust arise from a partner's competence i.e., technical skills, experience, reliability and integrity i.e., motives, honesty, and character, and that these dimensions have potentially unique effects. Because scholars rarely apply this distinction within inter-organizational relationship research, past studies may have masked important relationships involving competence and integrity-based trust. In response, we build and test theory that explains how competence- and integrity-based trust has asymmetric effects on different kinds of transaction costs.

We build on theory that describes how parties process positive and negative information about others' behavior to predict that integrity-based trust in IORs is more potent for reducing transaction costs than is competence-based trust. We also theorize that building strong IORs requires more up-front investment with competence based but not with integrity-based trust. Interestingly, Mahaputra (2017) investigated on the Influence of Trust and Customer Value to Customer Satisfaction on Bank BRI Branch Soetomo Jambi. The purpose of this study is to analyze the Influence of Trust and Customer Value on Customer Satisfaction at Bank BRI branch Soetomo Jambi, either partially or simultaneously. This was done with a population of 12 975 and 99 customers in engineering sample. Prior to analysis by regression test questionnaire in advance in research to test the validity and reliability as well as classical assumptions. Analysis tools SPSS version 20.0. Analysis of determination value is 0.522, meaning that the percentage contribution of variables influences the trust and customer value on customer satisfaction 52.2%, while the remaining 47.8% is influenced by other variables not included in this model. The result Trust and Customer Value significant effect on customer satisfaction either partially or simultaneously. Also, Utami (2015) carried out a research work on the influence of customers' trust on customer loyalty. The purpose of their study was to prove the study of literature, that there is significant customer trust on customer loyalty. Using the three-dimensional customer trust consisting of expectations, beliefs and attitudes as well as customer loyalty using the three-dimensional comprised of repeat purchase, endurance, and communication by word of mouth. Results of this study indicate that level of trust influences customer loyalty. Likewise, Crossman & Lee-Kelley (2004) explore the role of trust and commitment in the virtual organization. The findings of a case study in an international information technology consultancy indicate that multiple relationships arising from the alliance-based structure require clear commitment to enable the development of trust as a basis for longer-term partnership. Paradoxically, the perceived low level of commitment from the organization does not engender the high level of trust and commitment required from virtual teams to maximize

their performance. However, over time and with extended exchanges, the commitment level and form may evolve, thus necessitating a realignment of existing psychological understanding and trust between the actors. If there is general agreement that an upward shift from short-term to long-term commitment is beneficial to all, then the virtual arrangement will continue to be effective.

H₁: There is no significant relationship between competence-based trust and market share of quoted pharmaceutical firms in Nigeria.

H₂: There is no significant relationship between competence-based trust and sales growth of quoted pharmaceutical firms in Nigeria.

H₃: There is no significant relationship between competence-based trust and profit of quoted pharmaceutical firms in Nigeria.

Methodology

This study adopted a cross-sectional survey research design with the use of correlation investigation with the aim to find the relationship that exist between the independent variable (competence-based trust) and the dependent variable (organizational performance). The population of the study comprised of the ten (10) quoted pharmaceutical firms listed on the floor of Nigeria stock exchange. Based on the assumption that there is homogeneity among the components of the population and the relatively small size of the population, the population was adopted as the sample size of the study being a census study. However, five (5) managers were chosen from each of the pharmaceutical firm as respondents making a total of fifty (50) managers stated. A well-structured, self-administered survey questionnaire was adopted; validity and reliability test were conducted before it was used for primary data collection. The Cronbach's alpha reliability coefficient was employed to test the consistency of the constructs in the questionnaire at 0.7 showing that the requests in the scale are consistent and reliable. Data were analyzed using descriptive and inferential statistics. The Spearman Rank Correlation Coefficient and partial correlation were employed to establish the degree of relationship between the variables with the aid of statistical package for social sciences software (SPSS) version 25.0

Research Findings

H₁: There is no significant relationship between competence-based trust and market share of quoted pharmaceutical firms in Nigeria.

Table 1. Correlation Analysis Showing Significance Relationship between Competence-Based Trust and Market Share

Type	Variables	Statistics	Competence-Based Trust	Market Share
Spearman's rho	Competence-Based Trust	Correlation Coefficient	1.000	.653**
		Sig. (2-tailed)	.	.000
		N	33	33
	Market Share	Correlation Coefficient	.653**	1.000
		Sig. (2-tailed)	.000	.
		N	33	33

** . Correlation is significant at the 0.01 level (2-tailed).

Source: SPSS 25.0 output based on field survey data 2020.

The information in Table 1 shows the Spearman's Rank correlation coefficient (r) = 0.653. This coefficient is high implying that a strong relationship exists between Competence-Based Trust and Market Share. The positive sign of the correlation coefficient shows that there is a positive relationship between Competence-Based Trust and Market Share.

H₂: There is no significant relationship between competence-based trust and sales growth of quoted pharmaceutical firms in Nigeria.

Table 2. Correlation Analysis Showing Significance Relationship between Competence Based Trust and Sales Growth

Correlations

Type	Variables1	Statistics	Competence- Based Trust	Sales Growth
Spearman's rho	Competence- Based Trust	Correlation Coefficient	1.000	.731**
		Sig. (2-tailed)	.	.000
		N	33	33
	Sales Growth	Correlation Coefficient	.731**	1.000
		Sig. (2-tailed)	.000	.
		N	33	33

** . Correlation is significant at the 0.01 level (2-tailed).
Source: SPSS 25.0 output based on field survey data 2020.

The information in Table 2 shows that the Spearman’s Rank correlation coefficient ($r = 0.731$). This coefficient is high implying that a strong relationship exists between competence-based trust and sales growth. The positive sign of the correlation coefficient shows that there is a positive relationship between Competence-Based Trust and sales growth.

H₃: There is no significant relationship between competence-based trust and profit of quoted pharmaceutical firms in Nigeria.

Table 3. Correlation Analysis Showing Significance and Direction of Relationship between Competence-Based Trust and Profit

Type	Variables1	Statistics	Competence-Based Trust	Profit
Spearman's rho	Competence-Based Trust	Correlation Coefficient	1.000	.747**
		Sig. (2-tailed)	.	.000
		N	33	33
	Profit	Correlation Coefficient	.747**	1.000
		Sig. (2-tailed)	.000	.
		N	33	33

** . Correlation is significant at the 0.01 level (2-tailed).

Source: SPSS 25.0 output based on field survey data 2020.

The information in Table 3 shows that the Spearman’s Rank correlation coefficient (r) = 0.747. This coefficient is high implying that a strong relationship exists between competence-based trust and sales growth. The positive sign of the correlation coefficient shows that there is a positive relationship between Competence-Based Trust and profit.

Conclusion and Recommendations

The findings of the data analysis anchored on related literature and the results gotten from the field research reveal that creating and maintaining effective competence-based trust will boosting the market share, sales growth and profit of the quoted pharmaceutical firms in Nigeria. Therefore, the study concluded that competence-based trust has a significant and positive relationship with organizational performance. We recommended that pharmaceutical industry in Nigeria should as a matter of urgency develop competence-based trust with their suppliers in order to enhance better supplier relationship management practice for the achievement of organizational performance. In this vein, the supplier should be willing to rely on the organization (exchange partner) in full confidence and honesty.

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