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THE COMMITMENT-TRUST THEORY: KEY INSIGHTS AND CONTEMPORARY APPLICATIONS

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Abstract

Morgan and Hunt's (1994) "The Commitment-Trust Theory of Relationship Marketing" is a pivotal work in marketing literature, recognized for its significant impact and extensive citations. Ranked first by ISI Essential Science Indicators SM in Economics and Business, this paper has been cited approximately four hundred times over a decade. The theory emphasizes the crucial roles of commitment and trust in developing and maintaining effective business-customer relationships. This paper revisits the commitment-trust theory, delving into its core principles, influence on subsequent research, and practical implications for contemporary marketing strategies. The analysis highlights the theory's enduring significance and continued relevance in understanding and enhancing relationship marketing across various contexts.

There are many examples in the literature of articles which, due to their inherent message, have merited further attention from peers, in the form of article reviews or commentaries. One such example in "marketing" is Morgan and Hunt (1994), a highly cited paper. Morgan and Hunt's (1994) "The commitment-trust theory of relationship marketing" was actually ranked at number one by ISI Essential Science Indicators^{SM} in the field of Economics and Business, having been cited approximately four hundred times in a decade (in-cites, 2003). Morgan and Hunt (1994) is similar to Lee and Yu (2010) in so far as both articles are about relationships and both articles are about cooperation and trust. The purpose of the article being reviewed (Lee and Yu, 2010), a survey by questionnaire with 182 valid responses, is to analyze "how different relationship styles of employees in the hitech industry influence innovation performance" (Lee and Yu, 2010: 1703) and indeed its conclusions are that "the relationship style of an organization has a significant positive effect on innovation performance" (Lee and Yu, 2010: 1707). But what is innovation performance and why is it so important to organizations? The economists' point of view is that innovation has to do with a new development and how it is (successfully) diffused (Knight, 1967). Certainly, new products and services "can transform industries and companies" (Kotler and Keller, 2009: 605) and in so doing can change lives, both of those introducing the innovation (Schumpeter, 1950) as well as of

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those adopting the new approaches. Kotler and Keller (2009: 605) state simply that "new-product development shapes the company's future." Adis and Jublee (2010: 91) stated further that "new product success is a crucial business consideration for both small and large firms".

As concerns "marketing", innovativeness and team work are crucial as "marketers are playing a key role in the development of new products by identifying and evaluating new-product ideas and working with R&D and other areas in every stage of development" (Kotler and Keller, 2009: 606).

The article being reviewed (Lee and Yu, 2010) comes at a crucial time as we are experiencing a global financial crisis with "no industry untouched by its effects" (Sinha and Ahmad, 2009: 184) and which, accordingly, many companies are having difficulty in surpassing. Examples at the time of writing are companies in Greece, Portugal and Spain. In these countries in particular, experiencing difficulty, a positive rebound from the crisis is needed in order to avoid deep-felt long-term negative effects on the European Union and innovation ("the adoption of new approaches for an organization and suitable environment" (Lee and Yu, 2010: 1704) and "the manipulation of new knowledge to provide consumers with new products and services they need" (Afuah, 1998) as quoted by Lee and Yu, 2010: 1705)) is seen to be one avenue out of the crisis as innovation "may consequently create various economic performances" (Mansury and Love, 2008, as quoted by Lee and Yu, 2010: 1705). In countries such as Greece, Portugal and Spain power distance (or PDI, "the extent to which the less powerful members of institutions and organizations within a country expect and accept that power is distributed unequally" (Hofstede, 2001: 98)) is high (House et al., 2004: 539) and so employees "are afraid to express disagreement with their managers and tend to prefer managers with autocratic decision-making styles" (Çakar, 2006: 11; Oliveira et al., 2008). This is far from the ideal environment in which to produce innovation, as suggested by Lee and Yu, and so managers in these cultures will do well to adapt their approach following Lee and Yu's findings. It is possible for companies to adapt their organizational practices, "the process by which certain means are achieved" (Adis and Jublee, 2010: 91) to go against national cultures as "a nation is not an organization, and the two types of culture are of different kinds" (Hofstede, 2001: 393). In contemporary organizations "social understandings" (Wilkins and Ouchi, 1983: 479) are not "immutable" (Wilkins and Ouchi, 1983: 479) and may be altered if Lee and Yu's suggestions are followed. Other countries in which PDI is high include Morocco and Nigeria (which had the two highest scores for this construct in House et al.'s (2004) study), as well as Zimbabwe, Zambia and Namibia – all "Category A" countries in terms of "power distance scores" (House et al., 2004: 539) and scoring low on the latest Global Competitiveness Index (World Economic Forum, 2010). Firms in these countries thus need to pay increased attention to organizational culture, to the fostering of intimate relationships, where disagreement can occur and differing opinions are valued, in order to increase innovation output. A preference for consultation (or participative decision-making) is found in low power distance cultures such as the USA and the Netherlands (each high scorers on the aforementioned Global Competitiveness Index, ranked 4th and 8th respectively) and indeed Lee and Yu prove that "the better an employee of a hi-tech company gets along with the organization, supervisor and colleague, the higher the organization's innovation performance due to its high cohesiveness" (Lee and Yu, 2010: 1707).

In sum, implications for management practice are that the individual-group emotional connection needs to be taken into account by a company and positively influenced to ensure good innovation performance in the organization. This can be achieved, according to Lee and Yu, through organizational culture. "Organizational culture is responsible for maintaining the social structure within the organization (and), it also generates the organization's identity and characterizes it from other organizations" (Kwantes et al., 2007: 98), including "the accumulated shared learning of a given group, covering behavioural, emotional, and cognitive elements of the group members' total psychological functioning" (Schein, 1992: 10) and "company-member interaction modes" (Lee and Yu, 2010: 1707). The importance of Lee and Yu's findings and suggestions cannot be underestimated, suggestions along the lines that improving "the intimacy among organizational members can increase the level of innovation performance" (Lee and Yu, 2010: 1707), especially the relationships between an employee and the organization, an employee and his or her supervisor and an employee and his or her colleague. Management tools which can be used involve recruiting talents "with values close to the company" (Lee and Yu, 2010: 1707) but these authors also suggest having unhindered communication channels to build up mutual trust, bonuses linked to performance, and developing conflict-removing measures. Furthermore, the implementation of a mentoring system should be adopted (such as that used by global management consultancy firm Accenture), as should a participative decision-making process and praise in public to increase employee fulfillment. Teamwork opportunities should also be encouraged.

Lee and Yu indicate other studies which support their findings on relationship style and innovation performance, studies such as those by Dickinson and McIntyre (1997) and Harvey and Speier (2000). We have found similar results through our qualitative research effort at a software manufacturer, in Portugal. Quantitative studies can be refined with qualitative research, which can supply more detail concerning the way things happen. After listening to our interview audio recordings, we applied Graphviz software to the key words and patterns we identified and Figure 1 is a result of this analysis. Figure 1 tells a story "of how the themes are related to one another" (Bernard, 2006: 451). As we can see, cooperation and collaboration, which are types of relationships, are also major factors leading to the innovation phases NCD (new concept development), COM (innovation commercialization) and NPD (new product development). The process starts with patterns such as character development, team development and constructive play, and has results including knowledge of customer relationships (CR) and creation related to the value proposition (VP) of the firm.

SoftwareOne, a fictitious name given to our case study, which prefers to remain anonymous, is a very good case of collaboration and co-creation, which are "new platforms for marketing and innovation" (Bhalla, 2011). Verhoef and Leeflang (2009: 14) are concerned with "the decreasing influence of the marketing department within firms". According to Verhoef and Leeflang the innovativeness of the marketing department in particular represents a major driver of its influence and so this department's "pattern of beliefs, values and learned ways of coping with experience that have developed during the course of an organization's history" (Brown, 1995: 32) will be especially important for an organization to thrive. The best performers, according to Deshpande et al. (1993: 32) "have a market culture and are both highly customer oriented and innovative". Companies will do well to follow Lee and Yu's suggestions towards achieving increased innovation performance, especially first and foremost in the selection and recruitment of employees who share the desired values, as Lee and Yu suggest, but also by implementing other tools as their article's important message conveys.

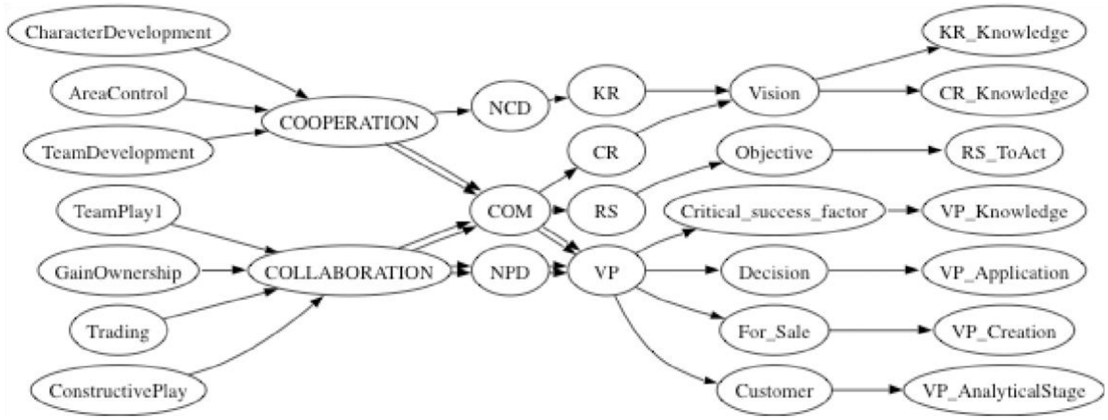

Figure 1. Key words and patterns identified during qualitative research at a software manufacturer.

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