LEIBNIZ INSTITUTE OF
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IN CENTRAL AND EASTERN
EUROPE





Is Trust Necessary in Supply Chain Networks?

- first impressions of Hungarian examples

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Consumers need for 'New quality' Vertical coordination Need for vertical cooperation Supply chain networks Importance of cooperative interfirm relationships Role of trust **Example of Hungary** Lack of trust



Is trust the only influencing factor of a successful cooperation?

Investigation on influencing factors of the decision to cooperate

- expectation
- confidence
- cooperativeness
- trust

Preliminary work - based on literature review



DECISION TO COOPERATE

EXPECTATION

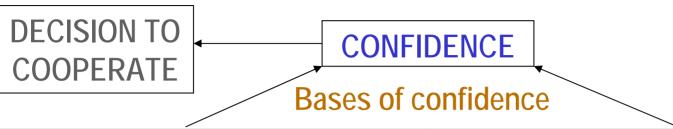
Bases of expectation

CALCULATION

- Reduce the need for costly direct monitoring
- Lower resource demands than full ownership
- Have access to complementary assets
- Reduce transaction costs
- Build a brand name, design products, learn
- Reveal information for example new technology from partners and to develop new product
- Comply with external pressure

Theoretical background

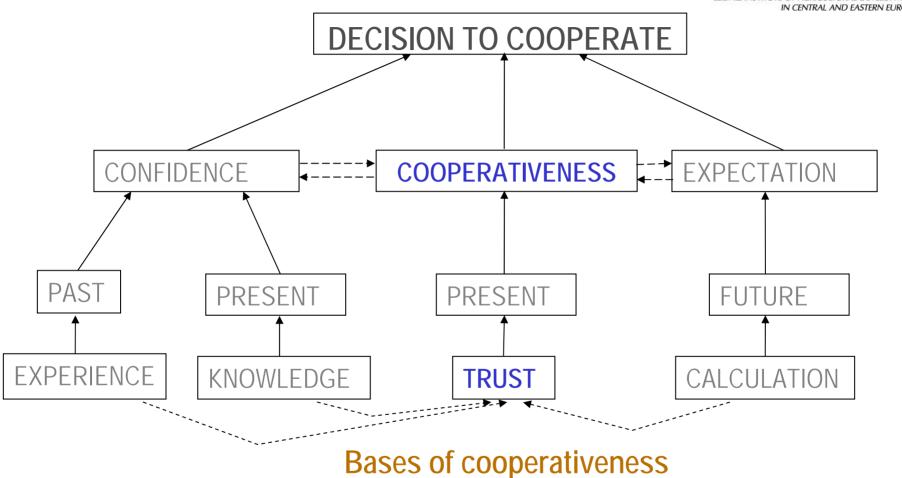




EXPERIENCE	KNOWLEDGE
 Satisfaction with past outcomes If the partner firm fulfills positive expectations Experience or evidence Past performance 	 Clearly defined roles and responsibilities Shared experience Clarified expectations Formal mechanisms of coordination Control Shared values Defining system of role expectations Reciprocal or joint commitment inputs Institutions designed to constrain future performance

Theoretical background





Hungarian examples



	Confidence		Coomerative	IN CENTRAL AND EASTERN EURO
	Based on Experience	Based on Knowledge	Cooperativeness	Expectation
AVIUM Agricultural Cooperative and AVIUM 2000 Poultry Processing Cooperative	Members all knew each other through professionally and enjoyed good personal relationships	 Integrity of the president and his personal and professional connections Restricted circle of management controls 	Mutual trust and interest	 More favorable producer prices Sales security Reduction of transaction costs
Mórakert Cooperative		 Filter rules Strict coordination of quality and quantity of products. The ability of cooperative leaders 	Trust in leader	 Reduction of transaction costs Solve the problems from incomplete pricing mechanisms
Hajdú Gazdák Cooperative	In producingIn knowledge about other people especially about the leader	Communication	Trust between members and the leader	Reduction of transaction costs

Summary



Increasing need for cooperation in the recent agri-food business

Investigation on key elements in the decision to cooperate -> expectation, confidence, cooperativeness, trust

Elaborating case studies about Hungarian cooperatives, conducted by Juhász and Kürthy (2006), Bakucs et al. (2007), Forgács (2008)

- Main expectations -> to secure the market and to decrease transaction costs
- Significant confidence level of members -> based on their experience with other members and/or the leader, on the clear rules, and on knowledge about members' mutual interest
- Trust in the leader of the cooperatives can be integrated into cooperativeness of the members



Thank you for your attention!