

**Proceedings of the**  
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**University of Aveiro**  
**Portugal**  
**20-21 September 2018**



**Edited by**  
**Professor Carlos Costa, Dr. Manuel Au-Yong-Oliveira**  
**and Dr. Marlene Paula Castro Amorim**  
University of Aveiro, Portugal

**The Proceedings of the  
13th European Conference on Innovation and  
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ECIE 2018**

**Hosted By  
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# Role of Trust in Building a Business Network by Entrepreneurs in Russia

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**Abstract:** The literature suggests that interpersonal trust is essential for building effective entrepreneurial networks. According to the 2011 World Values Survey and recent national surveys, more than 60% of Russians believe that caution is warranted when dealing with others. Low levels of social trust may affect entrepreneurs' readiness to build networks based on trust, which is defined as a psychological state comprising a willingness to act based upon positive expectations of other person's intentions or behaviour. This paper addresses the role trust plays in the building of business networks by Russian entrepreneurs. It also considers how trust between network participants changes over time. The findings are based on qualitative data gathered from in-depth interviews of 59 entrepreneurs from traditional, low, medium, and highly innovative SMEs. The paper identifies and compares the mechanisms that Russian entrepreneurs representing SMEs in four innovativeness categories use to build trust in their business networks, especially in terms of the cognitive, affective, and behavioural aspects of trust. It also highlights differences in how entrepreneurs representing SMEs in various innovativeness categories use mechanisms of trust to build and govern their business networks. The derived understanding can help entrepreneurial network participants be more effective, especially in terms of avoiding mistakes associated with the underestimation of the importance of trust in building long-term business relations.

**Keywords:** trust, business network, entrepreneurship, innovativeness, business relationship management, Russia

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## 1. Introduction

The literature accentuates the importance of trust as a driver of networking, where it is seen as a medium through which entrepreneurs gain access to a variety of resources. The essence of networking lies in finding partners and establishing effective ties, thereby allowing companies to achieve their aims in each stage of their development. From this point of view, entrepreneurs' willingness to trust their partners determines how they establish and manage relationships to develop their business. A low level of trust increases operational costs owing to the need to manage threats, verify information, monitor processes and track partners' performance in relation to contractual commitments. A more trusting relationship allows for greater focus on the strategic level and on the opportunities that arise from the relationship. Trust is particularly important for new ventures – in the absence of positive experiences that can serve as a basis for cognitive trust, entrepreneurs must build affective trust with their partners in order to establish good relationships. They can do so by demonstrating a high degree of commitment or by using referrals. Moreover, the literature suggests that trust can develop as a relationship progresses.

However, the extant research does not examine whether the mechanisms of trust vary depending on certain characteristics of the business, such as its innovativeness, or the extent to which the uncertainty associated with the nature of the business affects entrepreneurs' willingness to trust and to accept unstructured, less formal relationships. These issues are particularly interesting in the context of Russia, which is a fast-developing economy. In the span of 26 years, a modest number of small and medium-sized enterprises (SMEs) operating in different markets and with varying degrees of innovation have emerged in Russia, where the economy was previously characterised by a lack of private businesses. The literature emphasises that in developing countries characterised by unstable economic and political situations and by underdeveloped entrepreneurial frameworks, the level of trust in business is generally low. The question is whether it is equally low for various types of business. In other words, does the perceived uncertainty of doing business related to such factors as innovation cause entrepreneurs to treat trust issues differently?

## 2. Conceptual background

As an entrepreneur's business network is a free association of actors, trust is widely assumed to be essential (Hoang and Antoncic, 2003; Glanville, 2016). Trust is understood as a psychological state comprising a willingness to act based on positive expectations of the other person's intentions or behaviour (Weber et al., 2004; Kucharska, 2017). Trust allows network participants to assume that each party will behave in a predictable and mutually acceptable manner, and that they will act with honesty and integrity (Turyakira and Mbidde, 2014). These expectations reduce transaction costs (Dyer and Chu, 2003). For example, they make the

monitoring and renegotiating of mutual arrangements unnecessary, which is important when faced with time constraints and implied conventions (Młokosiewicz and Misiak-Kwit, 2017). This is particularly true given the highly complex tasks usually solved within an innovative entrepreneurial network, as not all aspects of these tasks can be codified.

The literature views trust as an important social mechanism in networking governance that often relies on “implicit and open-ended contracts” (Hoang and Antoncic, 2003; Glanville, 2016). Trust and a commitment to meeting obligations and keeping promises are important mediating factors that may lead to successful networking. A lack of these elements may lead to a loss of reputation and ostracism (Turyakira and Mbidde, 2014). When an open relationship exists among network actors, a loss of reputation has serious consequences for the likelihood of establishing connections in the future (Newell and Swan, 2000). Smith and Lohrke (2008) distinguish between two dimensions of trust: affective and cognitive. The former, which resides at the interpersonal level in the emotional relationship domain, develops when network partners emotionally invest in relationships. Those investments result in genuine concern for the welfare of network members and a belief in the intrinsic value of those relationships. Moreover, affective trust refers to an expectation of a positive network outcome based on the network partners’ constructive attitudes. In contrast, cognitive trust can develop at the interpersonal and organisational levels, and is based on evidence of trustworthiness. This type of trust results from the positive outcomes of repeated interactions.

Trust and commitment should be proactively pursued by all parties concerned in order to ensure the sustainable development of relationships (Turyakira and Mbidde, 2014). When parties trust each other, they are likely to be more willing to engage in network activities through which additional trust may be generated understood as behavioural trust (Newell and Swan, 2000; Gillespie and Mann, 2004). This is particularly applicable in the context of entrepreneurship, where trust serves as an important driver of relationship establishment between entrepreneurs and resource providers because information and evidence regarding new ventures is lacking. Moreover, both parties fear the possibility of risk realisation: entrepreneurs risk losing a viable idea, while resource providers risk wasting resources (Newell and Swan, 2000). However, if relationships are established and go through repetitive stages of negotiation, commitment, and execution, then behavioural trust develops, which then drives the evolution of those relationships (Newell and Swan, 2000). If these interactions occur under the influence of trust and commitment, one could hypothesise that networking evolves due to the entrepreneur’s ability to build relationships based on feedback from previously developed networks. This supposition is supported by research showing that serial entrepreneurs build their networks differently than novices (e.g., Aarstad et al., 2015).

In Russia, which has a long history of state dominance in the economy, trust in entrepreneurship and private initiative are lacking (Kharchilava, 2014). According to the 2011 World Values Survey and more recent national surveys, more than 60% of Russians believe that caution is warranted when dealing with others (Krivopuskov, 2013; Public Opinion Foundation, 2013). Low levels of social trust may affect entrepreneurs’ readiness to build networks based on trust (Trapkova, 2004). Notably, the formation and development of trustful relations in Russia is poorly understood. The literature indicates that the practice of choosing counterparties on the basis of personal ties is still widespread in Russia (Gudkov, 2012). Contacts are sought out based on the recommendations of relatives, friends, classmates and ex-colleagues. In other words, the source of trust lies in close ties rather than in the business reputation of a person or firm (Kharchilava, 2014). According to Kharchilava (2014), when making decisions about establishing relationships with others, most Russian entrepreneurs rely on the recommendations of people whom they trust. However, the basis for the development of trust is personal business experience. If the entrepreneur has positive experiences of cooperation with a person or organisation, he will prefer to continue that relationship even if someone else offers him more favourable terms (Kharchilava, 2014). This paper’s author believes that use of trust by Russian entrepreneurs as a mechanism for establishing and managing business relations is highly complex and largely depends on the type of business and its innovativeness.

### **3. Research method**

To contribute to our understanding of the role of trust as a determinant of the ability and willingness of entrepreneurs to build and manage their networks in Russia, the aim of this research was to identify whether the nature of a business activity (innovative versus conventional) affects the role of trust in creating business networks. To achieve this aim, the following proposition was investigated: entrepreneurs in different



innovativeness categories have different understandings of trust and the mechanisms through which trust can be used as a network-building tool.

Our knowledge of the role of trust in business networks is mainly based on literature focused on Europe and the US. As such, it might be irrelevant in the Russian context, which is characterised by a historically low level of social trust. Therefore, this study started without a clear picture of Russian entrepreneurs' use of trust to build business networks. It was based on a desire to test the proposition using qualitative data collected during in-depth interviews with entrepreneurs. Given this study's interpretive nature, the grounded theory method (Corbin and Strauss, 1998) was chosen. This approach best fits this study, as it allows for insights to be drawn from the data to build an understanding, which then serves as a meaningful guide for additional research-related actions.

The analysis of the qualitative data gathered from about 30 interviews allowed for identification of four patterns of entrepreneurial behaviour (Table 1) based on such criteria as business-model logic, market features, and the scope and characteristics of operating activities. The criteria were adapted from Aulet and Murray (2013), who proposed a set of characteristics differentiating between innovation-driven enterprises from traditional small-business enterprises. Patterns were revealed by comparing the respondents' answers and assigning their firms to the appropriate groups. Notably, each pattern corresponded to a certain level of innovativeness inherent to a particular group's type of business. Thus, four company-innovativeness categories (IC) were identified: very low (pattern 1), low (pattern 2), medium (pattern 3) and high (pattern 4). In the course of additional data collection, interviews were conducted to have at least 10 entrepreneurs in each group.

**Table 1:** General characteristics of business enterprises, by innovativeness category (IC)

Parameter	Pattern 1 (IC-very low)	Pattern 2 (IC-low)	Pattern 3 (IC-medium)	Pattern 4 (IC-high)
Starting point for building a business model	Clients' needs related to the traditional product/service; suppliers or partners selected to address clients' needs	An existing product, and existing relationships with suppliers and partners; value added to augment the quality of the product/service, segment of interested customers is identified later	The company's technological ability to significantly improve the product/service; the segment of interested customers is identified and relevant communication channels are built	A new idea about satisfying clients' (unconscious) needs; leads to the creation of a new product/service; discovery, development and education of the market
Basis of business model	Customer loyalty	Strength of relations with partners	Progressive technologies	Innovation
Degree of novelty	Existing business model to satisfy a particular segment's needs	Incremental innovations	Adaptation of an existing technology, or an architectural or modular innovation; in rare cases, holds a patent for design or useful application	Radical innovation or combination of more than two innovations; holds different patents, sometimes more than one type
Attitude toward technology	Present due to the supplier	Company mostly carries out minor refinements of technology present due to the supplier and partner	Company carries out independent improvements/ adaptations of the technology to create the product/service	Company independently develops the technology and creates the product/service
Market	Traditional, stable market; goods or services for mass consumption, or a niche market requiring customisation	Traditional, stable or weakly growing market; standardised product or service with slightly improved characteristics	Niche market, developing due to technological solutions	Market for a new or highly modified product or service, often accompanied by a new consumption model
Market's geographical range	Local	Regional	Regional, global	Global
Stage of customer-base evolution	Majority; serves customers directly	Majority; a distribution channel for partners	Early adopters and early majority; conducts sales through partners or online	Customer discovery or start of sales
Competitive advantage	Customer loyalty, convenience, quality, individual approach	High-quality services, competitive price, convenient consumption model	Heavily modified, more efficient technology for solving customers' problems	New or radically improved technology

Parameter	Pattern 1 (IC-very low)	Pattern 2 (IC-low)	Pattern 3 (IC-medium)	Pattern 4 (IC-high)
Firm's role in the consumer's value chain	Serves the needs of customers	Links producers of goods/services to clients	Integrates the efforts of a few participants to bring adapted or improved technologies to an existing market	Integrates the efforts of many participants to bring radically improved or new technologies to a new market

As this study was located in the interpretative paradigm, the author was interested in deriving detailed, in-depth answers to the research questions. Thus, in-depth interviews were used as the main data-collection tool.

However, as the study's framework required interviews of a large number of entrepreneurs, a strategy was needed that would reduce the potential for error due to variability in the words used by interviewees, especially in relation to the parameters used for categorisation (column 1, Table 1). Therefore, an interview guide consisting of two parts was developed (Table 2).

**Table 2:** Interview guide structure

	Section 1	Section 2
<b>Aim</b>	Collect data related to control variables to be used for grouping SMEs and understanding the common features of companies in these groups.	Collect qualitative information related to the research questions.
<b>Question type</b>	Semi-structured.	Open-ended.
<b>Content</b>	Factual information about the SME, its products/services, market, development trajectory, perceived innovativeness.	Qualitative information about networking behaviour and perceived role of trust in building business relationships.

The interviews, which took place from April to September 2017, covered 59 Moscow-based SMEs that launched business activities from 2009 to 2017. A snowball sampling approach was used to find respondents.

The author's personal connections with Russian organisations of innovative development, technoparks and accelerators helped in the data-collection process. Although this technique is prone to bias that is beyond the control of the researcher, it is still suitable for answering qualitative research questions in exploratory research. The data characteristics are described in Table 3.

**Table 3:** Data characteristics

Degree of novelty	Total SMEs	Interviewees		Sector				
		Male	Female	Production	B2C services*	IT sector	B2B/B2G services**	Wholesale and retail trade
Very low	20	9	11	4	8	0	3	5
Low	17	13	4	6	5	3	2	1
Medium	12	12	0	6	1	5	0	0
High	10	10	0	7	1	2	0	0
	59 (100%)	44 (75%)	15 (25%)	23 (39%)	15 (25%)	10 (17%)	5 (8%)	6 (10%)

\* Hotel, tourism, education, dental care, restaurant, hookah salon

\*\* Transportation, logistics, legal and accounting, construction, real-estate services

92% of SMEs in the sample were in a "start-of-sales", "market-penetration", "sales-growth" or "scaling and diffusion" stage. In other words, these companies had passed through the initial period of development and were, therefore, able to characterise their networking experiences in various developmental stages. As such, these companies were relevant objects for the purposes of this study.

#### 4. Study results

The study results were obtained by identifying common behaviour patterns in each innovativeness category.

The results of the analysis of respondents' answers regarding proposition are presented in Table 4.



**Table 4:** The role and mechanisms of trust in building a business network

Parameter	IC-very low	IC-low	IC-medium	IC-high
Role of trust	A basic value and a tool for building relationships with customers, suppliers and partners. Needed to simplify the resolution of problems	Organic part of long-term relationships – without trust, there is no relationship. Trust is subject to continuous re-evaluation based on feedback and experience	Measure of perceived risk in building relationships. Trust is a consequence of honest, successful, long-term cooperation	A relationship's intrinsic binding substance through which energy is transferred between partners. Readiness to start building trusting relations as a result of affective trust
Basis of trust	Experience of conducting similar activities, business practice	Aligned, time-tested relationships and partnerships between organisations along the entire vertical of value creation	Proven professionalism of the partnering companies and the people working in them	Personality of people engaged in the relationship; priority given to building personal relations
Trust in relationships at the personal level	Recommendation is key. Quick establishment of a close, highly trusting relationship is risky. Development of trust is based on positive experience with cooperation	Reliability is key; includes the ability to always consider the interests of the other party in interactions and compliance with agreements. Informal relations are less important than formalised relations	Professionalism is key; includes reputation in the professional community, history of personal and professional achievements, positive experience with cooperation in terms of results and ease of communication	Coincidence of personal values is key; includes mutual gravitation in interactions and emerging rapport. Strong personal business reputation and recommendations from trusted people help
Trust in relationships at the organisational level	"Trust, but check" – relations with an organisation are only possible on the basis of reliable information that has been checked through friends and other sources. All statements should be supported by documentation	Formalisation of relations and conclusion of contracts serve as the basis for trust. Honesty in implementation of contractual agreements, reliability and dependability of compliance with obligations are important	Reputation as a reliable partner and professionalism in conducting business are important. Portfolio of contracts concluded with other organisations in the industry indicates trustworthiness	Recommendations, reputation in the market and previous positive experiences are important. Conclusion of a detailed contract to protect against claims of failing to fulfil expectations. Acceptance of the fact that contracts do not always work
Key principles in building relationships	Based on verification by people with whom trust already exists. Trust is a consequence of fair, non-deceiving behaviour of the other party	Based on the calculation and evaluation of benefits. Trust is a consequence of compliance with agreements, which are usually formalised	Based on expectations of long-term synergetic development. Verification through known channels to reduce risk. Agreements not always completely formalised	Based on coincidence of values and attitudes. Willingness to trust even if relations are not formalised. Observing the balance between how much you are trusted and how much you trust
Expectations from partners	Compliance with timing and financial commitments, and verbal promises; respect the interests of the other party	Legal settlement of relations; absence of deceit; honesty, openness; sincerity; symmetry and equivalence of benefits in relationships	Professional, mutually enriching cooperation; respectful symmetrical, honest and open attitude to work; some readiness to go beyond formal agreements	Involvement and synergy in relationships; mutual consideration of partners' interests; honesty; openness and the absence of hidden intent; compliance with obligations and verbal agreements
Willingness to act based on trust	Medium	Low	High	Extremely high
Evolution of trust	Initially cautious; trust grows over time; easily lost if promises and commitments are not met	Rational selection of a partner; strive to build long-term, trustful relationships; relations either become reliable and trustworthy, or cease due to a loss of trust	Initially prefer to check, but ready to take risks given perceived value of relations; some tolerance of the complexities of interactions, provided that the partner wishes to solve problems	Initial sympathy for a person; relations built on the "person-to-person" level; readiness to build friendly business relations; trust gradually grows due to business achievements; if expectations are not met, the relationship is interrupted

When answering the interview questions, respondents in all categories indicated that trust played a key role in building networks and establishing business relationships. Some respondents noted that trust was important in terms of both the external (e.g., clients, partners) and internal networks (e.g., employees, co-founders):

*I think that trust plays a paramount role. For us, this is a basic value in relations with suppliers and with customers. (Vladislav, IC-very low)*

*Trust – it should be part of everything. ... If you have business partners, then you must be sure that the relationships are honest. Employees must be trusted because otherwise you have to do everything yourself... In interactions with co-founders, everything in principle is built on trust. (Vladimir, IC-low)*

*Trust is very important. To be trusted, you must inspire trust. It is not enough to say, “We have installed our equipment everywhere. We already have a reputation in the industry and, therefore, you must work with us”. If partners or customers feel that you are not professional, they will never cooperate with you or order from you. (Andrey, IC-medium)*

*In principle, I do not communicate with people that I do not trust. In my opinion, common values lie at the heart of trust. When I think about whether I should communicate with a person, I just look at his value system. (Arthur, IC-high).*

These quotes show that trust is perceived as a fundamental value by non-innovative (IC-very low) and highly innovative (IC-high) companies. These companies believe that it is impossible to interact with members of their networks without trust. Although this attitude toward trust reflects the uncertainty associated with the specifics of doing business, the reasons for its existence differ for the two categories. In the IC-very low category, the uncertainty is likely to be explained by the small scale of the business, where most issues are dealt with in an informal way for the sake of simplicity. IC-very low companies need to be sure that they will not be deceived and that any problems that might arise can be resolved through negotiations. In the IC-high category, the uncertainty primarily reflects the high degree of complexity of the company's tasks. Sometimes clear expectations for the partner's contribution or the likely costs of these tasks cannot be formalised in a contract. In such situations, there is no fair assessment because the innovative activity is new. Notably, the dependence of entrepreneurs on other participants of their business network is very high in both cases.

Moreover, the transaction and coordination costs associated with finding the right partner and quickly integrating it into the project to unleash business opportunities are perceived as high. Thus, trust acts as a guarantor in terms of optimising costs and minimising the risks associated with opportunistic behaviour, even if the entrepreneur is not aware of this factor. As entrepreneurs in these two categories are accustomed to relying on their own intuitions in making decisions, their answers reveal that affective trust is highly significant for them:

*Trust is very important because it is often necessary to negotiate without signing contracts. Accordingly, it is important to understand that you can trust people and to know that you will not be deceived. (Tatiana, IC-very low)*

*Innovative projects and processes require diverse, multidirectional efforts. We need people who are able to almost instantly integrate into the project, and diverse tasks need to be attacked from different angles. Some type of metaphysical energy should emerge among people if they are to become engaged in something innovative and unpredictable. Trust is a prerequisite for people to exist together in an innovative project. (Dmitry, IC-high)*

For companies in the IC-low and IC-medium segments, trust is necessary for ensuring the effectiveness of key business processes. At the same time, of all of the innovativeness categories, the IC-low segment demonstrated the most rational and prudent approach to all issues, including questions of what constitutes the basis of trust. This type relies mainly on behavioural trust, which suggests that interdependence is not high and that there is a pool of potential partners from which to choose (i.e., transaction costs are not perceived as

very high). However, the reliability and trustworthiness of the partner allow for economising on coordination costs in the long term:

*Trust always plays a role in establishing contacts and building business relations. However, you cannot just trust everyone and everything. Neither intuition nor emotions work. I would say that you must base all of your decisions on rational considerations and calculations. (Pavel, IC-low)*

As technology companies often enter zones of uncertainty and undertake projects that are not always amenable to detailed planning, they are more willing to enter into new relationships based on trust even though they know that they are taking certain risks. While dependence on a business partner can be assessed as average, the high degree of specificity of complementary competencies that the entrepreneur seeks from the relation is an issue. This explains why it is perceived as appropriate to accept risk. An analysis of the generalised answers of entrepreneurs in this category (see Table 4) suggests that they tend to build business relations by relying on cognitive trust (i.e., before entering into relations), and that they try to find some evidence of trustworthiness to minimise risks and costs:

*Trust is a risk that you accept. To manage this risk, you should try to assess how much you can trust the partner. (David, IC-medium)*

Respondents in all categories noted the importance of recommendations and information sources, which allowed for assessments of the possibility of establishing a trusting relationship. At the same time, the more high-tech a company was, the more often the respondents found it difficult to find the necessary recommendations given the novelty of the projects. In general, innovative companies demonstrated a higher degree of openness to building trusting relationships with new partners:

*The most important thing is openness and trust. Without these elements, it is impossible to work in an innovative business. (Artem, IC-high)*

Respondents in all categories indicated that trust grows as relations develop, which emphasizes the role of behavioural trust. In particular, trust grows with the joint acquisition of experience, especially if that experience is gained in difficult situations that can only be solved through the joint efforts of the company and its partners:

*In my opinion, overly close and trusting relations should not emerge immediately. Finally, trust must be based on positive interactions. (Elena, IC-very low)*

If the experience of working together is positive, the degree of trust is enhanced over time. (Yuri, IC-medium)  
If we talk about relationships with new partners that are just joining a project, some kind of sympathy may initially arise, but trust grows gradually and it needs to be won. You have to look at people and try to assess how much you can trust them. There must be a balance between how much you are trusted and how much you trust. I believe that the level of trust in a partner is as high, as the problem that brought the two of you together was important and then you successfully solved it through joint efforts. (Andrey, IC-high)

Respondents in all categories noted that building trusting relationships takes time and that doing so is hard to plan. Not only is a trusting relationship difficult to build, but trust is also easily lost, which can ruin the relationship. Respondents noted that the concept of trust in business includes such factors as fulfilment of obligations, reliability, honesty, openness, sincerity and symmetrical relations. The respondents pointed to deliberate, fraudulent actions as the main reason for loss of trust in a partner. They also highlighted dishonest, unsymmetrical attitudes and a failure to take the mutual interests of participants in the partnership into account:

*If you have a business partner, he should have an honest attitude towards you and should not put his interests above your interests. Your partner must take your interests into account and treat you fairly, equally and symmetrically. (Vladimir, IC-low)*

Interestingly, while non-technological companies viewed the emergence of mutual, material benefits as the main reason for building trusting relationships, innovative companies pointed to possibilities for the mutual enrichment of ideas and mutual development in the innovation space:

*I strongly advise you to carefully plan everything when you intend to build a trusting relationship. Consider in advance what you can give in material terms to someone from whom you want something. (Anna, IC-very low)*

*In general, I build all business relationships as friendly relationships, which, I believe, reflect a higher level of trust – you trust a person unselfishly. There must be some kind of internal chemistry for this to occur. I try to surround myself with people with whom I feel comfortable and who do certain things better than I can. I am better in other ways. We exchange ideas and grow together. (Dmitry, IC-high)*

Non-innovative and low-innovative companies viewed the formalisation of relations in contracts as an important factor in the development of trust:

*You must trust people. However, in business relationships, I do not advise anyone to negotiate verbally. All words must be backed up by signed agreements. (Vyacheslav, IC-very low)*

*In addition to verbal agreements and promises, always sign a contract. This will make your trusting relationship even more solid. (Alena, IC-low)*

In contrast, highly innovative companies felt that formal channels and contractual relations would not work unless contact was established with the right people at the right level. Respondents in highly innovative companies pointed out that business relationships had to be built on personal grounds in order to increase trust. In other words, contact with partners should be established at the person-to-person level. According to innovative entrepreneurs, purely formal relationships do not work in business. This behaviour can be explained by the desire to minimise risks and reduce uncertainty. Personal contacts allow partners to bring relationships that have been created on paper to life:

*We consciously try to transfer communications onto a personal plane. (Arthur, IC-high)*

*A personal component always has a favourable effect on business relations because it helps increase the level of trust. (Andrey, IC-high)*

All respondents pointed out that trust should expand over the course of a relationship through the shared experience of doing business. At the same time, for the overwhelming majority of entrepreneurs, a loss of trust meant the cessation of both personal and business contact.

## **5. Conclusion**

The novelty of this study emerged from the grouping of start-ups into innovativeness categories, and from the identification of common patterns of trust-related networking behaviour in each category and differences among those patterns. This study highlighted the differences in how entrepreneurs in these categories used trust mechanisms to build and govern their business networks.

This paper confirmed the main propositions found in the literature. For entrepreneurs who participated in the study, trust is an important mediating factor that influences networking behaviour. Trust between business participants changes over time, but it does not necessarily *develop* over time. The data analysis also revealed that companies in different categories perceived the basis of trust in different ways and that they had different dynamics when forming trusting relationships. Nevertheless, trustful relations often developed due to interactions aimed at providing mutual assistance, especially in difficult periods. Moreover, relations often faded as a result of a party's failure to live up to obligations. It can be concluded that the level of trust grows when repeated interactions have positive outcomes, thus proving that the behavioural aspect of building trust is important.

The data analysis not only leads to the conclusion that trust is an integral part of professional networking for Russian entrepreneurs, but also highlights different patterns of networking behaviour backed by different attitudes towards trust in the various innovative categories. The highest degrees of readiness to trust and openness to building friendly business relations were demonstrated by innovative companies. For entrepreneurs from this category, the rapport between participants in the relationship, which was based on common values and interests, was of particular importance. These common values and interests related not only to material elements but also to creating something new through joint efforts. The respondents' answers also showed that building trust on the basis of personal relationships was of the utmost importance for innovative entrepreneurs. However, the behaviour of innovative start-ups differed significantly from what is described in the literature. In view of the technological complexity of these businesses, network building cannot be based on recommendations from an individual's close circle. Moreover, professional relations sometimes developed into friendly relations. Thus, for innovative entrepreneurs, the key element in decisions to establish business relations is affective trust.

In contrast, less innovative entrepreneurs are mostly guided by the model described in the literature when establishing and governing new business relations. They rely on the recommendations of those in their close circle as evidence of partner's reliability, try to formalise contractual relations and attempt to rationally assess the benefits of cooperation. In other words, they approach network building from the cognitive side.

The conceptual understanding of the mechanisms of trust used by different types of SMEs developed in this study should be of interest to managers. The discussion of differences in companies' understandings of the appropriateness of trust mechanisms, which give rise to different networking behaviours, should allow managers to avoid common mistakes. Such mistakes often occur because managers fail to consider the possibility that their business partners might be in a different innovativeness category and, therefore, may value different aspects of trust (affective, cognitive or behavioural). As shown in this study, an inability to understand the interests of the other side often creates problems in otherwise trusting relationships. For example, a number of companies belonging to the IC-low category are likely to simultaneously be suppliers for companies in the IC-very low category and distributors for companies in the IC-medium and IC-high categories.

Therefore, an understanding of differences in the mechanisms for building and managing business relationships in all categories can make all value-chain participants more effective.

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