Trust and Distrust in the Relationships between Construction Firms and Real Estate Agents: Empirical Evidence from Italy

Oronzo Trio¹ & Antonio Iazzi¹

¹ Department of Management, Economics, Mathematics and Statistics, University of Salento, Italy

Correspondence: Oronzo Trio, Department of Management, Economics, Mathematics and Statistics, University of Salento, Italy. E-mail: oronzo.trio@unisalento.it

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Abstract
The aim of this research is to study the characteristics of the relationships between construction firms and real estate agents in order to understand the nature and the role of trust.

In the construction industry trust plays a fundamental role as consequence of the long-lasting nature of the residential product, the big investment made in transaction specific assets, and the overlapping roles and responsibilities of the parties involved.

Real estate agents are the connecting element between the firm and the market and represent a kind of intermediary between buyers and builders.

Since they could assume an opportunistic behavior, in contrast with the builders’ interest, the construction firms need to keep the control over the internal or external sales force.

At this end we represent, through 30 in-depth interviews to builders and agents that operate in the Italian residential market, the actors’ points of view on their relationship and on the role of trust for a good relationship with potential customers.

Starting from the assumption that the main relevant theoretical dimensions of trust in this field are competence, affective and reputational trust, the research reveal a very low level of trust, both for the insufficient mutual recognition and for the scarce level of perceived transparency in the behavior of the counterpart. The builders and agents have many difficulties in their mutual relationship. There is no collaborative approach. The opportunism affects the behaviors both for the builders’ criticality in selling and for seeking a royalty on the agent’ side.

Keywords: trust, construction industry, real estate agents, house, builders

1. Introduction
The starting point of this research is the complex nature of the house, seen as a product (Tidd et al., 1999). Buying a house is a complex decisional process, cause of the high financial risk and the time you need in choosing it (Abis, 2009).

The house is made up of different materials and attributes (functional, social and symbolic utilities) (Levitt, 1980; Lambin, 2008).

These characteristics make the purchasing process very hard and imply many difficulties in understanding the customer needs (Gameson, 1991; Loe, 2000).

Real estate agents are the connecting element between the firm and the market (Milgrom and Roberts, 1994; Grandori, 1999; Boyd and Chinyio, 2006) and represent a kind of intermediary. Their role consist in providing “building solutions”. In order to obtain a competitive advantage they must offer a wide assortment in terms of number and variety of the solutions for the customers.

The real estate agents are very important for the buyer. This latter’s choice is affected by them. Since they could assume an opportunistic behavior, in contrast with the builders’ interest, the construction firm need to keep the control over the internal or external sales force.
This work is structured as follows: after the Introduction a literature review on trust is presented. Then we show the methodology. In the fourth section we illustrate the findings and, finally, the conclusions and managerial implications are discussed.

2. Definitions of Trust

Trust is the variable most universally accepted as the basis of any human interaction or exchange (Gundlach & Murphy, 1993) and can be seen from different theoretical perspectives: contractual relations theory (Macneil, 1980), interaction theory (Hakansoon, 1982), organizational theory (Bradach & Eccles, 1989), psychology (Rushton, 1980), social psychology (Blau, 1964), transaction cost economics (Nooteboom et al., 1997), trust theory (Gambetta, 1988), and in the study of online exchange (Lynch et al., 2001; Stewart, 2003).

According to the early definitions that come from psychology literature, trust is a generalized expectancy held by an individual that the word, promise, oral or written statement of another individual or group can be relied upon. It is a key factor, in the exploration of the marketing relationships, that is presented as a risk/cost set against the benefits of interacting (Barber, 1983).

We can articulate it in terms of assessment of others’ reliability and integrity, reliance and willingness to act in your interest (Morgan & Hunt, 1994; Rotter, 1967; Anderson & Narus, 1990).

Some authors conceptualize it as the confidence of the exchange actors in the goodwill of each other. It is a non-calculative reliance in the moral integrity and goodwill of others on whom the exchange actors depend (Ndubisi, 2011).

2.1 Trust in the Marketing Relationships

The wide literature on marketing channels has shown that trust has a positive influence on performance in distribution channels leading to satisfaction on both sides of a channel relationship (Nevins, Henson, & Money, 2008; Grewal et al., 1999).

According to the resource-based view perspective (Barney, 1991), trust helps firms in their relationships with suppliers and customers because it is an essential resource which enables firms to gain competitive advantage in the marketplace. In the supply chain, characterized by cultural differences and complexity of products, relationship learning is difficult to achieve and necessitates collaboration between partners (Jean et al., 2010; Ueltschy, 2013). A high level of trust between partners leads to cooperative behavior because confidence in and reliance on the other partner promotes flexibility, solidarity, and information exchange between them (Lui et al., 2004).

Another reason that explains the importance of trust concerns the long term orientation of vertical relationships between manufacturers and retailers (Ganesan, 1994). In effect, trust is relevant because it reduces the perception of risk linked to opportunist behaviors by the supplier, increases the assurance for both parties that short-term difficulties and inequalities will be resolved in the long term, and reduces transaction costs in a business relationship (Abbad et al., 2013).

Recently, the literature has focused on the role of trust in the relationships between the enterprises and the

Figure 1. Conceptual framework
consumers, especially in the web context, in the field of the mobile commerce and of the online stores. These contributions highlight the importance of information sharing, the presence of trust in the social media context, the influence of trust in the adoption of the mobile wallet (Chai et al., 2015; Nilashi et al., 2015; Ogonowski et al., 2014; Shaw, 2014; Premazzi et al., 2010).

Through these researches we can argue that trust is often the outcome of consumption experience and of the evaluation of cognitive, affective, goodwill and competence trust.

**Cognitive trust** is based on the consumer’s confidence in the service provider’s competence and reliability. It enables the consumer to make a conscious decision. It arises from accumulated knowledge from observation, reputation of and even personal experience of the service provider (Eastlick & Lotz, 2011).

**Affective trust**, which refers to a consumer’s confidence in a service provider, is emotional in nature and arises from an individual’s emotional experiences (Abosag & Lee, 2013).

**Goodwill trust** is “the expectation that some others in our social relationship have moral obligations and responsibility to demonstrate a special concern for others’ interests above their own” (Barber, 1983; Das & Teng, 2001).

**Competence trust** is based on the extent to which one party believes that its exchange partner has the required professional expertise to perform the job effectively so as to achieve relationship benefits (Xie & Peng, 2011; Twing-Kwong et al., 2013).

Another important dimension which affects the direction and linkages inside a marketing relationship is power, defined as the ability of the parties involved in a working relationship to control the other party. Power could reduce the level of trust between the parties and increase conflicts, e.g. between sellers and buyers (French and Raven, 1959; Leonidou et al., 2008).

### 2.2 Trust in the Construction Industry

In the construction industry trust is essential to overcome control problems, to facilitate information exchange and to bring about a reduction in control and its associated costs (Mayer et al., 1995; Chow et al., 2012). Trust plays a fundamental role as consequence of the long-lasting nature, the big investment made in transaction specific assets, and the overlapping roles and responsibilities of the parties involved (Coote et al., 2003).

The two most important characteristics of the industry are the custom-made nature of the product and the involvement of numerous value-adding organizations (the main participants to the planning and building phases are the architect, the different consulting engineers, the contractor and sub-contractor and also the client). All these participants are organized hierarchically.

In order to gain an adequate level of trust and to obtain real cooperation within the team project, partnering is needed.

A critical success factor for a good project is “mutual trust” between the members, which implies that: (i) partners are highly trustworthy; (ii) we want to establish a relationship of trust with our partners; (iii) we believe that trust established between organizations is critical to the partnering relationship; (iv) we trust that our partners’ decisions will be beneficial to our business; (v) partnering relationship is marked by high degree of harmony (Cheng et al., 2000).

Many publications have been devoted to gaining a better understanding of trust in the context of construction partnering (Black et al., 2000; Harback et al., 1994; Wong & Cheung, 2004; Wong et al., 2008). In particular Smith and Rybkowski (2012), identified 15 characteristics relevant for the construction industry, according to the main theoretical contributions.

Trust has been mainly investigated with regard to the relationships between the actors that participate in the planning and production phases while a few researches have emphasized its importance for the final customer, despite the relevance of some factors (e.g. uncertainty, imprecise and incomplete information, the impact of the purchase on the buyer’s economic situation), that make the decisional process very complex.

Roulac (1999) identified the most important dimensions of trust for buyers in their relationships with people and organizations involved in the selling process. These are: professionalism, passion, commitment, involvement, learning initiative, expertise, experience, authenticity, reliability, brand identity, responsiveness and emotional intelligence.

All these factors affect the behavior of people who have to decide which house is preferable, who is, between builder and real estate agent, the most affordable partner, how opportunistic both are.
3. Objectives, Design and Procedure

The research was carried out in Italy in 2015, at the end of a recession period that has affected particularly the construction sector.

The number of the construction enterprises decreased from 2008 (629,000) to 2012 (572,000). From 2004 the gap between the availability of houses and the number of families increased, with a difference of 700 thousand units unsold.

An unperceivable growth of the main indicators was registered only in 2014. The transactions expanded by 3.5%. The confidence index increased from 91.4 (2013) to 103.8 (2014). The estimated turnover for 2014 reached 72.1 billion euro, an increase of 4% (equivalent to EUR 800 per unit).

In Italy there are 572,000 construction companies. Of these, 96% have less than ten employees. If we add those which have a number of employees between 10 and 19, the proportion of firms reaches 98.9%.

The real estate agents are a total 42,000, of which 37,700 are independent, while 4,610 work in franchising.

The sample consists of 15 construction companies operating in Puglia, a region situated in the far south of Italy, and 15 independent estate agents. All units have a provincial dimension of the market and belong to the size bracket of 10 to 19 employees for construction companies and less than 5 employees for the estate.

The aim of the research is to study and analyze the characteristics of relations in the construction industry in order to understand the nature and the role of trust in determining their adversarial or cooperative direction.

At this end we try to define what is the builder’s and the agent’s perspective on their relationship with each other and how trust affects and improves it. We show the results of previous research which involved 15 Italian entrepreneurs in some in-depth interviews (Trio, 2014).

Secondly we provide the results of the present research which are based on the same number and kind of interviews with Italian real estate agents operating in the same geographic area.

We have used the multiple case study approach in order to obtain a large quantity of qualitative information (Yin, 1984; Malhotra, 1993; Johnston et al., 1999; Gummesson, 2000; Dubois & Gibbert, 2010; Easton, 2010; Piekkari et al., 2010; Dubois & Gadde, 2013).

We think that the multiple case study is more effective method than a single case study, since the results are more solid (Eisenhardt, 1989; 1991). Using a certain number of cases, the researcher can realise an elaborated theory, draw a more comprehensive theoretical framework and develop a well-founded, accurate and generalizable theory (Eisenhardt & Graebner, 2007; Yin, 2012).

Through interviews the researcher can understand the people’s perceptions and opinions, their point of view, their mood and their orientation, that otherwise it could be problematic to analyze.

We have interviewed real estate agents who operate in the same market as the construction managers interviewed in order to obtain useful and comparable information. In this way we are able to match both points of view and try to elaborate some recommendations for the distribution policies in the construction industry.

The draft of the interview contains the following questions:

a) What is, in your opinion, the role and contribution provided by the agent/builder in the relationship with the final customer?

b) Are you satisfied with your previous experience with them?

c) Are they trustworthy?

d) What are the main problems you have faced in the relationship?

e) How are you perceived by the customers?

4. The builder’s Approach toward the Real Estate Agents

In the first stage of our research, we investigated the builders’ point of view on the role of the real estate agents and their contribution to the relationship with the final customer. In particular, we aimed to discuss the potential and the obstacles of this relationship and its effects on making it collaborative or adversarial. Specifically, we investigated the role of trust trying to explore, through the answers, how it is perceived by the builders.

With regard to questions a), b) and c), the first aspect that emerges in the assertions of builders concerns the approach of agents toward the product. In the builders’ opinion, the agents consider the building product as a commodity, setting up their shop window similarly to that of a supermarket. For them, a house purchase is a
normal purchase and not “a project for life”.

“The agents don’t give the best of themselves for the customer, to learn his preferences and needs and for building a project around him”.

The agent doesn’t assure the availability of complete information for the customer and isn’t able to make him feel at ease. Further, the agent doesn’t provide the necessary information. For this reason the customer often prefers to meet the manager personally and talk to him, rather than just to the agent.

Some builders argued that the agents don’t have the necessary knowledge about the characteristics of the houses. They don’t learn the technical aspects and aren’t really interested in knowing their customers’ preferences.

In the builder’s opinion their reputation is the most effective driver for the clients in choosing the counterpart.

Regarding the question d) the prevalent attitude depicts an agent that isn’t “willing to run a risk”, namely a partner who will commit to an exclusive mandate for carrying out a selling plan, with a true guarantee to sell a certain number of houses:

“When we make this proposal the agents often refuse and don’t want to take charge of this kind of mandate.”

Finally, as regards the question e) (How are you and the agents perceived by the customers?), the builders argue that the customer trust in them rather than in the agents for the direct knowledge and contact. Some aspects like the presence of managers on the building site where they start work with the workers from early morning, or the assistance are essential. This latter is a real driver for competitiveness and an effective source of competitive advantage compared to other enterprises that instead “delegate many functions to the technical staff.

5. The Agents’ Approach toward the Builder

With regard to questions a), b) and c), the answers give a negative and problematic picture. The agents consider the builders to be unsuitable partners for the agents’ role. Many participants argue that they have a low managerial culture as a consequence, from their point of view, of the impetuous growth of the building market in the previous decade.

“The majority of builders used to be employees of a construction company in the past. They have become entrepreneurs in a short time, during the economic boom.”

Without a managerial culture, the builder thinks that he is able to do everything. He concentrates on all the decisional power. He doesn’t delegate any function:

“Builders do all the activities in the building site. They are construction workers, designer, architect, surveyor, at the same time.”

“I think that a skillful entrepreneur doesn’t do all these activities."

“The builders are incompetent! In their vision, we don’t sell anything and we only want to earn the commission by persuading the purchasers.”

In order to understand what the builders’ characteristics are that would cause a relationship to be so unstable with the agents, we asked them what the agents provide to the customers that builders don’t have. What are their strengths and their weaknesses? Another discussion point concerned the nature (cooperative or adversarial) of the relationship between builder and agent.

According to the prevalent tendency, the builder is not perceived as a partner but as an opportunistic counterpart that takes advantage of his position, imposes his conditions and ignores the agents, their know-how and abilities.

“The builder says: “You need me, I don't need you” When one of us introduces himself to a builder, the latter thinks “I'm able to do your work without you”. The real problem is that he doesn’t know what an agent does.”

“We should ask him: do you want an agent or a seller? I'm sure he is not aware of the differences.”

With regard to the question d) the prevalent builders’ opinion has been confirmed. They feel they are not adequately considered by the builder. Even though builders can suggest the most appropriate product that meets the purchaser’s need, they are often ignored. In this way builders don’t take advantage from their knowledge about the market and customers’ preferences:

“...if they turned to us, we would suggest a product coherent with the requests of the purchasers, from the construction starting point.”
'At the project stage, when the builder designs the houses, when he decides the buildings characteristics, their sizes, the balconies dimensions etc., you need an expert who knows the market, the potential customer, his needs, and understands how his home has to be.'”

“The builders overvalue their own managerial abilities and, as consequence, they don't assign us any importance.”

“They don’t consider the agent as a professional partner. In their opinion, we only introduce them to the customer. For them we are not an estate service provider, a consultant for the market analysis.”

“The most important problem concerns the lack of trust. We are perceived as ‘those who work just for gaining the commission’.”

In the agent’s perception, the builders are suspicious and opportunists. Due to this approach, the relationship cannot be stable and cooperative.

For the builder the most important aspect in the relationship is to save the commission. Paradoxically, in some cases, it seems that he prefers not to sell the building in order to save the commission. He regards the agent as an ‘enemy’…

“…we are a ‘life preserver’ for them because when they start to build, they try to sell directly. When they realize the difficulties they turn to two or three agents. They ask to be helped in selling activities, but under their conditions…”

According to these answers, there could be a wrong idea about the agent because this figure is often confused with the vendor’s one, namely the person who wants just to earn from the transaction, without providing any service.

“The entrepreneur/builder has an ‘own vision’ of the world. We have to transfer to him (and to his consultants) the sentiments of the territory.”

The agent must use the most appropriate communication tools and strategies in order to improve the perception of his role for representing himself as a trustworthy and expert subject in the commercial operations. He must to make his offer more competitive in terms both of content and professionalism:

“Let's try to explain to them that management as an enterprise is a different thing from building. Let's try to make their enterprises more efficient”.

“But we must make a breakthrough too. For example, just a few colleagues participate in training activities, while it should be a fundamental part of our job”.

“We can't just accuse them without an impartial analysis that also includes our own limits.”

“If we engage to have a deeper knowledge about the builders, and about ourselves too, we will be in a position to gain a better knowledge about the causes of this distance between us and them.”

“We must promote the change, in order to walk together and to make alliances, sharing the goals.”

Finally, as regards the question e), in the interviews the agents argue that a personal relationship with the builder and the perception of better treatment that the purchaser thinks he will receive, affects his approach despite (the agents say):

“We know perfectly his needs and preferences. This is our capability that the builder doesn’t have.”

“The real estate market has changed. The customer is scared. The commission is not the main problem, the real needs are the guarantees. He wants to be safe. Builders don’t give him the perception of financial safety. The agents do.”

6. Conclusions and Managerial Implications

We have identified two drivers that characterize the relationships between builders and real estate agents: the mutual recognition of skills, and transparency.

The characteristics of the construction industry and the need for transparency in the information exchange, make the mutual acknowledgement of the competencies essential and vital for obtaining a stable relationship.
The results revealed that a low level of trust exists, both for the low mutual recognition and for the low level of perceived transparency in the behavior of the counterpart. This means that builders and real estate agents are positioned on the left side of the model, and that their relationships have a conflictual nature.

Both the builder and the agent consider the counterpart to be incompetent and regard his behavior as opportunistic.

The builders and agents have many difficulties in their mutual relationship, as the previous work showed. There is no collaborative approach. The opportunism affects the behaviors both for the builders’ criticality in selling and for seeking a royalty on the agent’s side.

The main theoretical dimensions of trust that are relevant in this field are competence, affective and reputational trust.

In order to improve the quality of the relationship, we have to consider the points of view expressed by the interviewees.

**Competence trust.**

The agent perceives that his competence and expertise are not adequately valued by the builders and by the purchasers.

Statements such as “they do not consider us to be specialists”, or “you need me” highlight a negative approach of the builders toward them that we already noted in a previous research. In that case, when we analyzed the in/outourcing determinants, the builders said: “The real estate agents have little knowledge about how buildings and facilities are made up...because...they don’t read up, they don’t have the humility to learn, to ask us, to make any check on site in order to understand.”

Equally, the agents show no confidence toward the builders since, in their opinion, “they are workers who have become entrepreneurs in too short a time”, and they are without a managerial culture that would enable them to understand the nature of the agent, the added value he provides, the contribution in researching done by the purchaser and in commercial transactions.

**Affective and reputational trust.**

The research confirms the purchaser’s attitude toward the builder. The agents recognize the need to intensify their own efforts in order to improve the ability to “transfer the emotions” of a complex product such as a house.
The purchaser “chooses the builder because he already knows him” and for the better treatment he thinks he will receive (even though this is not always true). The notoriety, reputation, direct and personal knowledge of the builder and of his brand in the local market, are the determinant factors for the buyer.

The agents are aware that in the builders’ opinion for the agent “the only important thing is the commission”, but the agents argue that opportunism is a common characteristic (both for the builders and for the buyers). The agents argue that they are a “life preserver” for the builders when they aren’t able to sell through their own sales force. As consequence, the builder is not a partner but an opportunistic subject who tries to impose his conditions on the agent, ignoring his competence and experience in the estate industry.

Therefore, trust is the great absentee in the builder-agent relationships. For this reason some important managerial implications emerge.

As regard the agents, they need to manifest their managerial competencies, their market and the customers’ knowledge, their ability to manage the relationship with the clients and the builders. This approach is determinant where the dimensions of the market are higher and when the builder-client relationship is less important. In this context the consultant role of the agents emerges. The agents have to improve their communication strategies in order to transfer the meaning of their corporate culture and of the business strategy (Steyn, 2003; Hallahan et al., 2007).

To this end, they can operate at two distinct levels:
- At a professional category level, to communicate the real value of their contribution, namely the strategic consultancy, by choosing a better real estate solution;
- At an enterprise level, in order to highlight their own commercial and selling competences, for supporting the construction firms.

They could also use the web 2.0 tools and the CRM systems, for interacting, at a low cost, with potential clients (Trainor et al., 2014).

They must intensify their own efforts to explain the clear differences between an agent and a vendor.

References


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