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Localised co-ordination and trust

Tentative findings from in-depth case studies

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Abstract
The paper argues that the furniture industry, because it is low-tech, mature, and thus easy to grasp technology-wise, is an excellent case for investigating some basic notions on the rise within the economics of organisation. The paper concentrates on the growing incidence of flexible co-operation arrangements between specialised, localised, furniture firms; the role of informal social institutions (such as norms; conventions; language; and trust) for co-ordination between such specialised firms; and the crucial importance of learning processes for bringing about this economic organisation as well as the social institutions that support it. The paper empirically investigates localised knowledge and competencies amongst Danish furniture producers. Empirical findings are presented illustrating the importance of *geographical proximity* and *trust* for co-operation and co-ordination between specialised furniture producers, and the importance of *learning processes* for the creation of trust.

Key words
Co-ordination; trust; governance; institutional learning; proximity; industrial districts

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Introduction

This paper briefly outlines ongoing in-depth case studies within the Danish furniture industry, and presents some indeed tentative findings.

The European furniture industry is, despite it being low-tech, an interesting case of growth, national and regional evolution and specialisation (for more on this, see Lorenzen 1998). The furniture industry is, exactly *because* it is low-tech, mature, and thus easy to grasp technology-wise, an excellent case for investigating some basic notions on the rise within the economics of organisation[1]. Such are e.g. the alleged "selection fit" between particular market conditions and economic organisation (e.g. between volatile and rapidly changing markets and the growing incidence of flexible co-operation arrangements between specialised, sometimes localised, firms); the role of informal social institutions (such as norms; conventions; language; and trust) for co-ordination between such specialised firms; and the crucial importance of learning processes for bringing about this economic organisation as well as the social institutions that support it.

The case studies providing the background for this paper concentrate on furniture production in the Danish Salling district, and aim to investigate localised knowledge and competencies amongst[2] local producers. The paper leaves out many findings of the case studies in order to concentrate on those preliminary results that illustrate the importance of *geographical proximity* and *trust* for co-operation and co-ordination between specialised furniture producers, and the importance of *learning processes* for the creation of trust. Thus, although the case studies also investigate inter-firm technological learning, in this paper, focus is on inter-firm 'institutional' learning. Albeit it is too early to conclude much from the case studies, I shall nevertheless end the paper by boldly challenging the standard notion of trust within economic theory. The most important conclusions I shall suggest are that geographical proximity plays a major role for bringing time costs down amongst furniture producers in the Salling district, thus allowing flexible co-ordination; that trust plays a huge role for the organisation and co-ordination of some of these producers' activities; and that this trust can be related to the geographical proximity of these firms, partly because a local system of social

[1] By "economics of organisation", I mean the broad range of work on how co-ordination is achieved under different organisational regimes - spanning from hierarchical to market forms. Whereas a dominant body of literature focuses on incentives and contracts, I emphasise the growing number of works focusing on information, knowledge and competencies.
[2] I.e. collective or "higher-order" (Foss 1996).

regulation is at play ('safeguarded' trust), but mostly because the process of bringing 'ascriptive' trust about amongst these producers has been *routinised*, through their frequent face-to-face interactions and learning in the local area.

1. The context: Specialisation and localisation of the European furniture industry

The development within the European furniture industry - an important OECD industry - in the 1990s is a case of both amazing evolution and consistency. Facing intensification of competition from non-OECD countries in the period, the outcome - a shake-out and restructuring - has not been of the scale expected by many researchers and industrialists: The typical furniture producer, whether in Denmark, Finland, or Italy, continues to be small or medium sized. A common explanation for this relative structural consistency emphasises market structure: Furniture markets continue to be fragmented and fluctuating, hence furniture producers are small, producing for market niches. Another explanation emphasises production processes, skills and the managerial style within the industry: Specialisation is prominent amongst furniture firms because the production processes (e.g. cutting, drilling, assembly, upholstering, and painting) are very different in nature, and the skills of producers - much important for manager-owned firms - encompass only few types of tasks. Within the industry, it seems that the manager-owned managerial style reproduces itself, as start-ups often 'gemmate' from existing firms.

In the 1990s, however, nations and regions have embarked on different paths, some (e.g. UK) focusing on following low-cost strategies, while others (e.g. Denmark) strive to upgrade skills and maintain competitiveness in the higher segments of the markets for furniture. Thus, while it seems that the European furniture industry has preserved many of its structural characteristics, a closer investigation reveals an ongoing polarisation between large-scale producers, mainly aiming at achieving internal economies through cost-cutting and automation, and small and medium-sized producers, achieving competitiveness through external economies and localised learning (see Maskell et al 1997).

This following of differing trajectories may be explained by industry policies, but also by developments in the market structures. The growing internationalisation of furniture sales has not significantly decreased the basically *fluctuating volume* of furniture demand. Even if many producers are not any longer producing for a purely local market, the volume of furniture purchases - on both lower and upper market segments, including the contract market - strongly depends on socio-economic features, the development in which is hard to predict, and the volatility of exchange rates further complicates the picture. In addition, there are frequent seasonal fluctuations of demand volumes on most markets. Further, while there seem to be future opportunities for both firms producing design-based, lifestyle-oriented furniture (which according to market analyses may be occupying a future dominating role in the OECD countries) and cheap furniture of the knock-down type (the demand for which is on the rise in the 3rd World or Eastern European countries), a common denominator for most furniture markets is a growing emphasis on time deliveries and thus *shorter lead times.* Customisation of products, previously dominant only in the upper segment, is now beginning to be of some importance in the medium-end markets, and in both the upper and medium-end markets, there are growing demands for *product varieties* and *add-ons*. Finally, it is now expected, even by most low-end retailers, that furniture producers offer new designs at least annually.

In sum, the broad picture is that furniture producers are forced to serve markets fluctuating in volume with still shorter lead times, and growing strains are placed on their ability to offer a broad and continuously shifting range of products and varieties.

Some large furniture producers seek to satisfy such market demands through automation and strong domination (or internalisation) of the value chain. Varieties are achieved by designing standard elements or modules of furniture that can be supplemented by a range of add-ons, and efficient co-ordination (bringing lead times down) between the specialised producers in the value chain is achieved by ownership, strongly codified product specifications, and computer control (such as CAD/CAM and EDI). However, some problems of product quality persist in such production, and even if large producers like NATUZZI (see Lojacono & Lorenzen 1998) seem to succeed, automation of especially upholstered furniture production is notoriously difficult.

Many small and medium-sized producers also adapt to new market conditions. In many countries, specialisation and inter-firm subcontracting arrangements have increased significantly. For end producers of furniture that specialise and partake in flexible co-operative arrangements much like Piore & Sabel's (1984) notorious "flexibly specialised" firms, a huge amount of add-ons are made possible through relations to a range of subcontractors. In addition, it seems that there is a high potential for inter-firm learning (Lundvall 1985) in such co-operative arrangements: Continuous revisions of product designs and features - albeit modest in scale - ensure competitiveness of the furniture firms participating to these specialisation subcontracting arrangements. The disintegrated ownership structure is not mended by a strong degree of formalisation of co-operations. On the contrary, it seems like many specialisation subcontracting arrangements achieve their flexibility and dynamism partly because of a low degree of formalisation (agreements are mostly oral and few safeguards are made). In addition, when such production systems function "just-in-time", it is rarely on the basis of computer control or EDI. Most producers do not utilise such technology, nor the intent to commit themselves to co-invest with other producers. Similarly, the inter-firm innovations as regard product designs do rarely depend on strong codification of product specifications, as design changes are made incrementally, on and off the shop floor.

With no joint ownership; no formalisation; no computer control of deliveries; and little codification of specifications; how do such specialised, small and medium-sized furniture producers achieve co-ordination?

The fact that such furniture producers are often agglomerated, i.e. they comprise Marshallian industrial districts (Marshall 1891; Becattini 1990; Brusco 1992), suggests us where to look for an explanation. The growth of Italian, German, or Danish furniture districts thus corresponds to empirical evidence from studies of other (including high-tech) industries that inter-firm co-operation and co-ordination in many cases are *localised* economic processes, not only in economic space (industries and sectors), but also in geographic space (see e.g. Aydalot 1986; Camagni 1991; Amin & Thrift 1994; DeBresson 1996; Storper & Salais 1997; Lorenz & Lazaric, forthcoming). Below, I shall give a brief theoretical account for the importance of geographical proximity for co-ordination.

2. The theory: Localisation, co-ordination, and trust

While there are many and well explored explanations for the structural developments within the European furniture industry, explanations for the prevalence of the *localisation* of the European furniture industry are, however, less well developed. The localisation degree *per se* may be explained by a high survival rate and high start-up rate of new firms within the furniture districts, but this still leaves us in need of an explanation for the seemingly high efficiency of small and medium-sized firms organised in this particular manner. Why are localised firms particularly able to efficiently meet the demands on the furniture markets? An explanation may be that geographical proximity *lowers co-ordination costs* (here defined as the costs (time, money) induced by transport; communication; and incentive alignment between firms).

First, and rather trivial, transportation costs may be lowered by simple physical proximity. The relationship between “the friction of distance” and transportation costs may be undermined with the rise of new and flexible transportation technologies, but the *time costs* (Hägerstrand 1968; 1975; Pred 1978; 1984) induced by distance seem less affected by such new technologies. On the contrary, in some flexible and highly specialised production systems with final outputs to consumer markets, time deliveries within the system is of crucial importance, and have locational implications (Estall 1985; Sayer 1985; Schoenberger 1988).

Secondly, and less trivial, geographical proximity amongst business firms may give rise to '*information environments*' of communication (information passed on between actors). Particular types of communication (especially when information exchange leads to sharing of non-codified knowledge) depends on face-to-face interactions (Sweeney 1991) and third part relations or "weak ties" (Granovetter 1973; 1982), and is thus most prominent in delimited groups of actors that are likely to meet frequently. The availability of information amongst co-localised firms may lower their search and communication costs (they all "know-who" (Lundvall 1996), as well as how to communicate and "absorb information signals" (Arrow 1973)). Thus, the low information cost within information environments significantly lowers what Langlois & Robertson (1995) have called 'dynamic' transaction costs (the costs of ongoing learning).

Thirdly, a non-trivial notion (the acknowledgement of which has made its way from behavioural and organisation studies into economics), *trust*, may make local co-ordination easy. Trust may be defined as when a manager expects his (potential) business partner not to act opportunistically - even if he does not hold any power over him to ensure that he behaves. In standard economic theory, social institutions like trust are hardly taken into account. For new institutional economics (or transaction cost economics; see Williamson 1975), however, it becomes essential to explain the emergence of trust amongst firms, because it lowers transaction costs (lowers contract and monitoring costs and may provide incentive alignment). Researchers within the transaction cost perspective (e.g. Williamson 1993) retain the neoclassical methodological individualist perspective of maximising behaviour of single managers, and usually perceive trust as based upon sunk costs of some sort. The creation of inter-firm trust is seen as a process of mutual investments over time, in expectancy of benefits. In game-theory, for example, pay-offs in 'next game' are seen as the incentive for trust building. With the (embryonic) resurrection of 'old' institutional perspectives within economics (see Hodgson 1988), it is recognised that trust may be based upon a broader institutional environment. Even Williamson (1993) has conceded that some firms do not have to build trust from scratch, but can depend on some social 'default' trust[3].

Possibly, such institutional environments are *localised*, providing (some) local firms with crucial transaction cost advantages. There are various theoretical explanations as to why this may be so. One explanation, retaining the assumption of maximising individuals, emphasises regulative aspects: Agglomerated groups of firms may be "communities" in Taylor's (1982) sense, in which it is non-rational for actors to act opportunistically - and hence, rational to trust. As evidenced by e.g. Piore & Sabel (1984), in some of the notorious industrial districts, local business is closely interdependent on a civil community. In such communities of

[3] To Williamson, such social trust is a 'sociological' phenomenon, not for economists to explain. As it may be seen below, I strongly disagree.

firms, as amongst other groups of social actors, strong social regulation may be at play against opportunistic behaviour (Lorenz 1992), providing producers with the (feeling of) security to trust each other. Thus, risk (or at least perception of risk), and thus transaction costs may be lowered. Another explanation, relaxing the assumption of maximising behaviour, emphasises cognitive effects of local communities: Local managers may place trust in others according to their ‘social characteristics’. Others are trusted simply *because* they belong to the same community[4]. The degree to which ‘safeguarded trust’ is supplemented (or substituted) by such ‘ascriptive trust’ may depend on local ties of kinship and friendship. Most of what is said about ascriptive trust in local communities takes a somewhat historicist perspective, seeing it as an old (often pre-industrial) institution, which local managers may ‘inherit’ through their exposition to local culture, local conventions and codes of conduct (they may even be born and brought up locally).

The importance of trust is evidenced (albeit for other industries and usually with other scopes) in research of national systems of innovation (Lundvall 1992; Nelson 1996); national business systems (Whitley 1992; Whitley & Kristensen 1996); territorial production systems (Scott 1988; Walker 1988; Crevoisier & Maillat 1991); industrial districts (Marshall 1981; Becattini 1990; Brusco 1992); and localised learning (Maskell & Malmberg forthcoming; Maskell et al 1998; Morgan 1997). In general, there is a growing recognition that trust has a great importance for co-operation and bringing transaction costs down significantly. Thus, trust may constitute a real basis for efficiency of co-ordination in the furniture districts.

3. The case studies: Furniture production in the Salling district

Denmark has for many years been export specialised in furniture production, but the international competitiveness of the Danish furniture producers cannot be related to neither the famous Danish design (as most exports are now of medium-end knock-down furniture), strong market constitution nor advantageous factor endowment (Maskell et al 1998). Rather, the competitiveness can be related to a combination of product flexibility and quality of deliveries (including deliveries on time). Small and medium-sized producers are strongly specialised, and co-operative arrangements of various kinds (spanning from subcontracting arrangements to co-operative ‘networks’ aiming at market development or technological innovation) become still more frequent. The industry is to a high - and growing - degree agglomerated in West Jutland. The regional agglomeration especially applies to producers of wooden furniture of the basic or knock-down type, as these producers seem to be dependent of local suppliers of specialised

[4] Other qualifying characteristics may be to belong to the same religion or political conviction, or being of a specific profession.

goods and, possibly, localised inter-firm co-ordination[5]. Producers of wooden furniture are especially localised in the 'emerging' (i.e., hitherto rural) industrial areas of West Jutland (Sabel 1989; Sweeney 1991; Kristensen 1992). A district around Herning comprises producers of middle-range closets and kitchen elements, a production process characterised by some integration[6]. Further north, in the peninsular of Salling, over a hounded producers of furniture and related wood products have agglomerated over a century. The agglomeration is accelerating, especially from 1970s, since when numerous entrepreneurs have left the crisis-ridden construction industry to start up furniture firms. The agglomeration in the Salling area is remarkable, because the industrial record of the area compared to other 'fairy tales' of industrialisation in the former rural areas is fairly modest. Today, an industrial system is in existence, comprising producers of various kinds of finished furniture products as well as pure subsuppliers. The general degree of inter-firm co-operation is high, and co-operative arrangements are flexible. The co-operativeness - as well as the choice of partners - of the single firms seem to depend to some degree on their participation to the local producers' association (guild). Most producers are members (the association now counts 64 firms), and here, information, gossip, and technological advice is passed on between producers, also between those that do not have direct co-operations in daily production.

The aim of my ongoing (1995-1998) empirical work on furniture production in the Salling district is to investigate whether *localised inter-firm co-ordination* of the furniture producers may explain their competitiveness. Further, to investigate if such co-ordination (if in existence) is based on localised knowledge and skills, and if *inter-firm learning processes* that support such knowledge are *also* localised. Hence, the investigation covers both technological and 'institutional' inter-firm learning. It falls in two main parts:

1. To *illustrate the degree of localisation of economic processes* (specialisation; subcontracting; co-operation; co-ordination; a dominant local 'information' environment') in the Salling district. This is done through *statistics*; sketching out the evolution and specialisation of local furniture production in the area the last 25 years (firms, and, if possible, actors) and through *broad-scope interviews* with key persons about the availability of information, the dominant patterns of information sharing, and the importance of localised institutions (meeting places, various organisations) for information sharing. Some anecdotal evidence from *firm interviews* about their utilisation of local subcontractors and customers will also be presented.

[5] The spatial distribution of the approx. 10% firms that produce high-end design furniture does not show the same tendency towards agglomeration.

[6] It seems that material technology (chip boards and furniture boards are key inputs) constitutes some of the reason for this.

2. To *construct a theoretical explanation for the localisation of particular economic activities in the Salling area.* This means that specific empirical findings about *causal connections* in the Salling district should be sufficiently detailed as to come to some theoretical conclusions[7]. It will be tested whether correlation exists between
   - geographical proximity and efficiency of inter-firm co-ordination (low time costs)
   - 'cultural proximity' (including trust) and efficiency of inter-firm co-ordination (low costs of communication and incentive alignment)
   - a dominant local information environment and local learning processes and the existence of 'cultural proximity' (including trust),

and (if there is any correlation between these traits), what causes this?

Emphasis is on part 2, and it is some findings from this part of the investigation I outline in the present paper. The empirical source for this part is first and foremost *3 in-depth case studies* of different furniture producers in the area. The first two phases of the in-depth case studies included first basic interviews (achieving some basic information on the firm), and second, *time- and information- studies*: Students[8] were sent out into 3 different firms (with different products; sizes; export degrees; modes of sales; and degrees of local co-operation)[9], making account of the hour-by-hour time consumption on various tasks of the owner-manager (or, in one case, the production supervisor) for a period of 3-5 working days. In addition, they made as exact as possible accounts of the inter-firm interactions and information exchanges with extra-firm persons and institutions in which the manager (supervisor) was directly involved. The resulting data includes most common activities and tasks (indicating routinisation); re-occurring problems; most common deadlines and problems of adhering to them (indicating time-dependence and co-ordination); most common contacts to other firms (indicating the nature and degree of routinisation of co-operations); types and topics of information exchange; and used media for various interaction types to different actors and for different types of information (shedding some light on communication). Phase three of the in-depths case studies consisted of semi-structured interviews with the persons that were followed during the time-and information-studies. In these interviews, the students' results were first confirmed,

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[7] Or, more reasonably, sufficiently detailed as to question some conventional explanations for localisation of economic activities and suggest some possible alternatives.

[8] None of the students were from business schools in order to avoid (over-) interpretation of data 'on the road'. However, all the students were local (in order that they 'fit in' more easily than students from Copenhagen, including speaking the local dialect). At the outset, students in kin to the managers were preferred (to achieve a more relaxed and open 'laboratory atmosphere'). In the end, I succeeded in having only two students related to the managers, and not through kinship.

[9] 2 producers of final products (1 small producer of upholstered furniture for the home market; 1 medium-sized producer of pine wood furniture for the German market), 1 producers of semi-finished goods (1 small specialised producer of plywood hidden frames for local upholstered furniture producers). Two of the producers (the producer of upholstered furniture and the producer of hidden frames) are co-operating.

then extensively discussed and used as a concrete platform for the difficult discussion of more abstract notions like trust, institutions, and geographical proximity. The interviews were open-ended, but an interview manual included questions on inter-firm co-ordination, innovation, and communication; the incidence and importance of routines; the importance of transportation and time costs, the importance of various channels and institutions for achievement of technical information and information on suppliers and customers; communication and communication difficulties with other firms; the importance of 'culture' and similarity of routines for communication; the applicability of various communication technologies for communication of various types of information to different actors; problems of deliveries and co-ordination with suppliers and customers; the importance of trust for co-operation, co-ordination, and communication; and the origin of this trust.

This method has some general advantages in comparison to less intensive interview methods, because it provides the interviewer with specific observations (common activities, specific incidents during the observed week, etc.) on which to ground his questions, thus leaving little scope for the interviewee to rationalise or idylise his actions[10]. There are also specific advantages of the method in relation to the topics of investigation. One obvious advantage is that the importance of time costs for co-ordination may be illustrated by real-time studies of co-ordination, and that particular activities may be identified as routines simply by the amount of time spent on them[11]. Further, because two of the firms in question were co-operating, and because the time studies were carried out the same week, it is actually a small "network-analysis" with the unique feature that it investigates different "nodes" (firms) of the network *simultaneously*. It is always difficult to identify trust when you only investigate one part of a co-operation - here, it is possible to investigate two at the same time.

There are, naturally, also significant dangers connected to the method. First, there are the usual problems of validity and interpretation of qualitative methods. What the students listed may be insufficient or wrong representations and interpretations of the activities of the person they followed. The manager may be wrongly chosen as this person (even if the student were allowed to make additional notes of significant activities occurring in his vicinity). The first round of interviews were made partly to ensure that the students were sent out to follow the right person (which for most SMEs is the manager-owner). He may, however, have acted differently because he was studied, or have given misleading or false

[10] The value of single-standing interviews without specific, previous knowledge of the firm, could be questioned.

[11] When evolutionary economists speak of routines that are selected, transmitted, and learned, they may have something more ethereal in mind than activities that dominate an organisation simply because they re-occur, and take up time. But shouldn't we try to identify routines in real life rather than continuing to have a somewhat metaphysical notion of them (like genes and atoms: much important, but never actually seen)?

explanations to the students or in the subsequent interview. Further, the week chosen for the time study could have been atypical (in the subsequent interviews, this was tested). In any case, the quality of these interviews was significantly elevated by the time studies, and even if they should describe an atypical week in the firms, they served as a good basis for discussing aspects of general relevance to the managers (that is, at all times) during the subsequent interviews. In this respect, it was stressed that what was observed during the time studies was not over-emphasised during the interviews, which were kept 'open'.

Secondly, and more importantly, there is a problem of representativity of the conclusions. Is what I can conclude from three case studies not purely anecdotal evidence, possibly with little relevance for other firms in the district, and surely without any implications for general economic theory? First, it should be noted, that I place greater emphasis upon revealing (that is, making a theoretical account of) the causes and mechanisms that lie behind firm structure and actions of managers than upon making generalisations about the structure itself, and that demands digging deep into the single firm rather than making cross-firms surveys or statistics. When it comes to theoretical notions, even the anecdotal results of single cases may prove significant, if they falsify accepted explanations. Still, I hope to find an account of something general by searching in the most specific: The mechanisms behind firm structure and actions of managers may be common to other firms than the three case firms, and that is why I tested the conclusions during *a range of broad-scope interviews* with local managers and key figures (e.g. the managers of the local producers' association, union, and industrial development council) and conducted *a range of less intensive case studies* for which I first and foremost choose *different* firms rather than firms representative to the district. Do the conclusions on co-ordination, proximity, and trust have any general relevance for these firms, or do they perceive their economic conditions very differently? Again, the interviews were open-ended, but included a discussion of the main points from the previous case studies. If similar mechanisms lie behind structure and action in such different firms, there is a strong indication[12] that such mechanisms may be general[13].

In the following, some empirical findings (mainly from the three in-depth case studies) are presented. In the methodological spirit outlined above, some attempts at theoretical interpretation are made, and a short discussion of their possible implications for existing theory is given in the conclusion of the paper.

[12] But, naturally, no proof.
[13] The specific *causes* for the different actions of managers, and the different structures of their firms may be different, but the economic *mechanisms* that ties the causes to their outcomes may be the same.

4. The findings: Examples of localised co-ordination and trust in the Salling district

The findings presented below are, where noting else is indicated, based on both statistics, broad-scope interviews, and the three in-depth case studies. Where indicated, the findings are based only on the three in-depth case studies.

4.1. The nature of the production system

Both statistics and broad-scope interviews indicate that the general degree of specialisation and inter-firm co-operation is high in the Salling districts, and co-operative arrangements are flexible. The 'production system' can be divided into these broad categories of firms:

- *End producers of upholstered furniture.* Some high-end, but most medium end producers of upholstered furniture is a relatively little and stable group of 5-10 firms. Many of these also function as part-time *capacity subsuppliers* for 'competing'[14] firms.
- *End producers of wooden furniture.* Some, notably high-end producers of design furniture for the domestic and overseas markets have existed for over 40 years, but dominant since the 1970s are producers of medium- or low-end pine wood furniture for the export markets. Many of these also function as part-time *capacity subsuppliers* for 'competing' firms.
- *Specialisation subsuppliers* of hidden (often plywood) frames to upholstered furniture producers. Remarkably few of these subsupply to non-local producers of upholstered furniture.
- *Specialisation subsuppliers* of visible wooden frames for upholstered furniture producers and specialised wooden parts or add-ons for wooden furniture producers. Most of these firms are actually end producers at almost the same horizontal level as their customers, acting as part-time subsuppliers. There are surprisingly few firms that concentrate on only supplying semi-finished goods.

In general, only few very specialised goods, such as foam or metal frames, are purchased out of the district. The producers achieve various capabilities though their local flexible co-operations: First, the expenses of demand fluctuations are lessened for many firms, because they utilise a part of their production capacity subsupplying in order to spread market risks and achieve full utilisation of capital equipment. When demand is low for one producer, he subsupplies, and when he receives an order that he cannot fulfil, he outs out work. Secondly, widespread specialisation subcontracting (task division) makes it possible for producers of final products to offer a range of product varieties, and through inter-firm product innovations, to shift designs frequently. In addition, horizontal sales and export co-operations have increased in importance, making it possible for producers to

[14] Most firms in the Salling district perceive each others as 'colleagues' rather that competitors.

offer customers in still new markets whole categories of products with matching designs (e.g. 'total dining-room solutions').

These capabilities are created through *efficient inter-firm time co-ordination*; high *information availability*; and social institutions that support co-operation (*trust*). In the following, more detailed findings on these traits will be presented.

4.2. The importance of geographical proximity, an information environment, and trust for co-ordination

Case study 1 was carried out at an *end producer of upholstered furniture* (sofas and footstools for the middle-end home market). The firm was started up in 1946, and the present manager took over from his father in 1985. Today, the firm has 21 employees, 19 of which are trained (only the owner-manager and the production supervisor are skilled upholsterers). The firm is smaller than during the boom in the 1950s and has experienced market problems, but during the last 2-3 years, it has experienced stabilisation and growth. It achieves its present competitiveness through time deliveries (max. 4 weeks) and customisation of single products. Most common activities[15] of the owner-manager in the week of study were packing of finished products (29.6% of the observed time); visiting suppliers of wooden frames of and collecting last-minute supplies (9.6%); shipping products and making last-minute deliveries to the nearby freight terminal (6.9%); and in-house meetings with suppliers of foam and textiles (7.3%). The interview confirmed that these activities were representative and routinized. The manager spends much of his time packing because this is a stand-alone activity which can be paused if anything urgent comes up. Something always does: Everyday at noon, a carrier collects products, each day for different Danish destinations, and if supplies are late, or there have been last-minute specification changes, the manager has to collect the supplies personally, so products can be finished for delivery. Foam and textiles are to a degree kept in stock, but there are considerable co-ordination (time) advantages to the wooden suppliers being local. Of the visits to other firms[16], all were to Salling suppliers of wooden frames. In total, this interaction activity took up 32.6% of all the time the manager spent in extra-firm contact (including phone calls). About his product flexibility and relationship to local suppliers, he says[17]:

> "We have 24 models, and 54 varieties… If a customer calls and asks for cherry wood or teak, or a special colour, I say 'Yes!' and call one of my supplier of visible frames and pay him extra to do it, and the customer pays extra to get it. When I ask the supplier if the frame is ready…it never is until the next day at 10 AM…but the next day, it should be shipped at 1 PM! Then, I go and collect it myself…My supplier, he

[15] Besides pauses (9.6% of the observed time) and phone conversations (7.3%).
[16] Besides making last-minute deliveries to the freight central (23% of the observed time spent in extra-firm contact).
[17] My translation from Danish.

knows that customers from far away cannot come and collect it. But I have a 15 mins. ride…"

According to the evidence from case study 1, local firms seem to have a high access to information on each others. Of his daily contacts to other firms, 77.4% of the contacts to customers (mainly non-local Danish chain stores) were by fax or phone and encompassed mainly specifications and figures[18]. His daily contacts to local suppliers and 'colleagues', however, encompassed a broader range of information (including personal gossip and advice) and was carried out through means of both meetings, phone and fax[19]. Of his total number of contacts in the studied week, 70% of the personal visits, 33.3% of the faxes, and 27.8% of the phone calls were local (this means that, in total, 41.5% of his number of extra-firm contacts are made within the Salling district). There are evident co-ordination advantages to this local 'information environment': When his main supplier of hidden frames (which is case firm 2 - see below) is busy, he knows, and he allows the supplier to fulfil his deliveries in between other, more urgent, deliveries, thus supplying only a necessary part of what was ordered on time. At the other hand, this supplier knows the seasonal fluctuations for each of his local customers, and so he can level out his own slow periods:

> "…when he has nothing to do, he comes to me and ask: '[name], don't you need some deliveries next month?' Then I say that I do, he may go ahead and make 100 of a kind for me - 'but I don't want them before 3 weeks!' The he makes them, and then he realises: '[first name], they're are kind of in the way at my place, don't you want them now?'… We both know that even if there is a slow period in May, I need some deliveries by August. Then, he makes it in advance. He knows that about me… you have to say to your suppliers: I have a huge order coming up - do you want *your* order now?… but you can't do that with people from far away…"

Trust plays a central role for such local co-ordination. Firm 1 writes no contracts, and when orders are sometimes faxed and not delivered per phone, it is for practical more than security reasons. In the case of advance orders, credit is often counted only from the original day of delivery (some weeks ahead). In the case of the '100 of kind'-arrangement, case firm 1 only received the invoice (with 30 days credit) 3 weeks later.

> "That's how good friends we are… [the firms in the Salling district] only talk and give handshakes, we never get anything in writing…that's how we do in this area … [my suppliers and I] go to parties at each other's, we go to anniversaries together… we're almost too good friends, and owe each other money…"

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[18] Personal contact to and information transfer form customers is significant, but on a non-daily basis. Once in a year or two, the manager goes to meet most of his customers, to maintain sales relations, and to achieve market information.

[19] Frequently (3 time during the studied week), local 'colleagues' drop by in order to borrow materials or gossip. Sometimes, local firms are also used as capacity subcontractors.

When products are not finished in time for the daily deadlines (the arrival of the carrier), there are also considerable advantages to proximity and information sharing: Because of the local agglomeration of furniture firms, there is ‘always’ a carrier in the vicinity, and the manager knows how to reach it and maybe squeeze some products in[20]. If this is not possible, the freight central is 10 kms. away in the nearby provincial town, and he goes and deliver the last items in the afternoon. According to him, many producers use the same technique:

> “…everytime I’m there, by God, there are at least 3 others in line…”

Case firm 1 is not involved in any joint sales activities with other producers. Thus, the firm’s products are not co-ordinated to other producers, and product designs are continually changed. Minor design changes are mostly self-invented, whereas more substantial ones are outsoursed to professional designers. Of crucial importance for both these innovation processes are the role of the suppliers of wooden (and especially hidden) frames. They are the ones who ultimately decide if the design is feasible, and give advice as to how minor changes can be made. Here, proximity and trust again play a significant role for co-ordination: Ongoing joint product developments are carried out as a hands-on activity, which requires frequent user-producer meetings, and in the case of the main supplier of hidden frames (case firm 2), the product developments are carried out at the supplier’s expense - as a personal favour:

> “… if I have a special task, he [case firm 2] has nothing against working Saturday morning. So, we may be there and help each other designing a new product. That’s it! And it doesn’t cost me anything. He does it for free. [Another, non-local, supplier], he charges me for it. Last time I had this supplier develop a new product of mine, I paid 9.000 DKK[21], just for two sofas! With [case firm 2], it’s free! And in that case, I’m participating to the process myself. And that’s because we know each other so well, and I do things for him as well…”

In case study 1, there are also several examples of how initiation of new co-operative relations are propagated by a local information environment and trust. For example, another local producer of upholstered furniture, who uses one of the same suppliers as case firm 1, got a agreement with IKEA about deliveries of sofas. His production processes were however not suited to these products, and through their common supplier, this firm and case firm 1 have now arranged that the latter produces the sofas, which are sold under the first firm’s name[22]. After initiating this arrangement, case firm 1 has as a spin-off effect begun to utilise the other

[20] And vice versa: The freight company may ask if they can collect several times one day, in order to achieve better co-ordination of their carriers.
[21] Approx. 1300 USD.
[22] IKEA knows of this, but prefers to keep its network of suppliers as simple as possible. Thus, the firm originally in this network functions as a middleman. And as the two producers of upholstered furniture have the same supplier of hidden frames, quality control is easier for IKEA.

firm's agent in order to start up an export to the growing Norwegian market[23]. This happens with the other firm's blessing - he trusts firm 1 in not to force him out of the co-operation with the agent, nor to imitate his products, which sell well in Norway.

Case study 2 was carried out at a *specialised supplier of hidden frames* (for upholstered furniture like sofas and chairs) for a range of mostly local producers. The firm was started up in 1988, when the owner left the furniture firm where he was a supervisor and started up as a pure subsupplier. The start-up was trust-based, as he got oral agreements with other firms - amongst these case firm 1 - that they would support and use him, when he started up. Today as well, all sales are performed by the firm itself, and the rare contact to a new customer is usually made trough hearsay. Today, case firm 2 employs 17, mostly trained, workers, and has experienced stable growth since its initiation. It achieves its competitiveness through short and flexible delivery times (up to 5 weeks shorter than its larger competitors) and a willingness and ability of the manager-owner in participating to joint product development and design changes with his customers. Most common activities[24] of the owner-manager in the studies week were control and production work (45.1%); product development and design changes (24.2%), and product adjustments (10.1%). The manager-owner confirms that the co-ordination to his customers is highly flexible and based on trust. He emphasises that trust relations are most easy to achieve between local firms, and that a the main reason for him to keep 3 out of 4 of his customers local is the ability to flexibly shift between orders and be granted to postpone orders to some customers if others make urgent changes in specifications. The local information environment (83.3% of his extra-firm contacts were local) helps him in 'keeping an eye on customers'. Lack of information is partly the reason that he does not to the same degree trust non-local customers in paying on time and keeping agreements. Partly, it is also "a cultural thing". In any case, local, well-known customers are granted considerably longer credit. He also emphasises some co-ordination advantages to utilising local suppliers of raw materials: In order to assure supplies, he has made a long-term co-operation with a local supplier, who functions as a out-house stock of wood and plywood.

Case study 3 was carried out at an *end producer of wooden furniture* (shelves and bureaus) for the German market. All sales take place through a sales network of 5 producers, the central agency of which now performs all sales and marketing activities and distributing orders to all 5 producer's orders once a week. Case firm 3, originally a construction company, started furniture production in 1979, as a

[23] It is notoriously difficult for Danish producers of upholstered furniture to both produce for the home and export markets, because of the differences in styles. The Scandinavian markets are an exception from this rule - but in the last few years, exports have been hampered by exchange rates. For wooden furniture styles, it is easier to penetrate foreign markets. The German example is notable in this respect.

[24] Besides pauses (7.5%) and phone calls (5%).

response to the 1970s crisis in the construction industry, has experienced considerable growth for a prolonged period (mainly due to the success of the sales network), and now employs 35 workers. Case firm 3 aims at achieving competitiveness though being one of the quality-leading producers of *non*-knocked down shelves, and in order to ensure quality, most production processes are now internalised. The firm has considerable proximity- and trust-based co-ordination to other local firms, however. Firstly, as drawers at present cannot be produced with sufficient quality in-house, a local end producer of wooden furniture functions as part-time supplier to case firm 3. Actually, this firm developed a product series together with case firm 2 and a third, also local, firm, and this series was the basis for their joint membership of the sales network. There are advantages to this supplier being local: It is difficult to co-ordinate the colour of the lacquering between drawers and the chest of drawers, and this demands frequent plant visits. Meetings on product designs and strategies also benefit from low time costs between the producers that both participate to the sales network. Occasionally, some capacity subcontracting is put out to other firms, and there are examples of case firm 3 helping other firms performing some processes during busy periods, or, in one particular case, because the other firm had a fire. Case firm 3 insists on keeping all these contacts to other firms local, if possible. This is partly due to the co-ordination advantages achieved though proximity, partly, it's a "cultural thing" due to a 'local spirit'.

All the broad-scope interviews carried out at six local firms confirm that the interviewed managers utilise trust in their daily co-ordination. These interviews and the broad-scope interviews at seven local institutions further cross-confirm each other in stories of other producers that do likewise. Similarly, most of the broad-scope interviews provide examples of time- and cost-advantages to geographical proximity. One interview carried out at an extremely innovative firm as regards inter-firm co-operations about market penetration confirms the findings: This firm is central to inter-firm information sharing in the Salling district; highly 'philanthropic', utilises local suppliers; and bases all of its local co-operations on trust.

4.3. The emergence of trust

As indicated above, there is a widespread degree of co-operation between producers in the Salling district. Naturally, the degree to which the single producer co-operates with others depends on his products and production processes. But broad-scope interviews indicate that there is a group of producers that do not co-operate with others to the same degree, even if their scope for co-operation (as determined by technology or product designs) is just as high as the more co-operating firms. First, there are some high-end producers of design furniture. For some such producers, production processes are so automated or components so specialised that outsourcing of production is no option. For most of them, however, there is nothing wrong with the quality of local subsuppliers, and outsourcing is a real option. The fact that they have chosen to produce almost all components in-house has more likely to do with their managers being of another training and managerial style than the younger generation of wooden furniture producers that have started up during since the 1970s. Secondly, even within this latter group of wooden furniture producers with offspring in the 1970s, there are those that do not specialise and have little co-operation with others. Broad-scope interviews and the less intensive case studies indicate that this is “a cultural thing”: Some of them originate from without of the district and have not (yet) made co-operative or social ties to other local producers; others just seem to isolate themselves, and are seldom seen in the local producers’ association (a much important forum for making subcontracting arrangements, social ties, and sharing information).

Possible causes for these differences in degrees of co-operation can be found through the three in-depth case studies outlined above. All of the three case firms are from within the group of much co-operating firms. Now, does their trust emerge, because they expect advantages from it and make deliberate investments in it? Is it ‘safeguarded’, because strong social regulation is at play (possibly in the local producers’ association); or have they - being brought up in the local area - inherited an ‘ascriptive’ trust, or is there another explanation?

It is clear that they have all considerable advantages from their trust, as it helps them achieving benefits from flexible specialisation as well as it make them pay each other reciprocal favours. Case firms 1 and 2 co-ordinate their deliveries with a flexibility that arguably would be impeded by written agreements and always having to pay on time, and both benefit from this, as they level out slow periods. Case firm 3 also benefits from favours exchanged with other firms, and its basis for success is actually the joint trust-based application to the sales network made with two other local firms. Although the sales network is now highly formalised, the ongoing subcontracting co-operation with one of these local firms is still based on trust. At the time when the case firms made their investments, however, they all took considerable risks. In other words, they did not know at the outset that their trust would pay off, this is only what they have learned later. Thus, expectancy of pay-offs must be ruled out as a too functional explanation for trust, and all three case firms confirm that they do not conceive trust as a matter of investments.

The local producers’ association (guild) is both a professional ‘employer’s union’ and a social meeting place, of central importance to social coherence between local producers. The manager of case firm 1 claims that if a member firm acts opportunistically, he is ruled out of the community of the guild. He cannot, however - as can none of the case firms nor the less intensive case firms - give any examples of producers that have acted in this way, nor of anyone who has been punished. Broad-scope interviews confirm that local social regulation may actually play a minor role as a basis for trust; and that gossip and warnings against local firms that did not perform well in a co-operation or acted less decently is surprisingly modest (and often, not listened to). The chairman of the guild adds that there is no formal way of punishing any member of the guild for non-collegial behaviour, simply because there has so far never been a need for it.

All case firms agree (and broad-scope interviews and less intensive case studies confirm), that trust is "just there", "something we has always had" (case firm 3), "just the way we do it in this area" (case firm 1), "a cultural thing" (case firm 2). This "culture" allegedly prescribe that opportunism from a partner is not likely (although it may be, if you think hard enough, it is not something you spend too much time pondering on, and not a thing you plan against), and even less so for a local partner. This is what I have referred to as 'ascriptive trust' in section 2. That some producers ascribe trust to a group of others may partly be local 'heritage' (rooted in the agricultural past: Many of the producers have parents or family in agriculture). If it is so, this has not always given rise to the same degree of co-operation as the present. On the contrary: The frequent co-operations is mostly a new thing, prominent amongst the new generation of firms started up (or managers that have taken over firms) since the 1970s. This generation of firms seems to - partly due to technology and product designs - have higher degree of and co-operation than the earlier generations of producers, and have through the 1980s and 1990s experienced several export booms that allowed them to expand their operations and degree of co-operations. Broad-scope interviews confirm that ascriptive trust is a "new thing", most prominent amongst the younger generation of producers. My interpretation of this is that these producers have been through an intensive *learning process* since their inception, with two prominent results.

Firstly, they have learned that is pays to trust. Even if the producers did not know from the start that trusting is something that pays off, their co-operations and the resulting competitiveness has certainly given them the opportunity to learn later that it does.

Secondly, they have learned a way of trusting. If they have had repeated positive experiences with ascriptive trust, this way of placing trust is possibly seen as the most efficient way towards co-operation. Even if a firm's positive experiences with ascriptive trust stems from his interactions with particular other producers, his way of trusting is 'recycled' and used on still new co-operations. Thus, the local firms *may* have initiated some co-operations on an 'inherited' ascriptive trust based on their relations to the rural past of the area or ties of friendship or kinship. However, their present way of ascribing trust is something they have learned through repeated interactions with other firms, and is not particularly connected to ties of family or kinship. The trust which the three case firms seem to ascribe is not reserved for particular firms, it encompasses a whole *group* of firms, including firms that the case firms have not so far have co-operated with, maybe not even met yet. This group seems to be defined by specific parameters; mainly the local aspect. Even if its emphasised by two case firms that non-locals may be trusted, if they have the "right chemistry", the availability of information about local producers does that it is much easier (for e.g. case firm 2) to assess whether a local firm is of the right chemistry. Thus, local firms are easier to trust. Case firm 1 re-used his way of trusting in his new co-operation with a local producer he hadn't worked with before about deliveries to IKEA; case firm 3 finds new capacity subcontractors on the basis of them being local[25]; case firm 2 selects customers on the basis of them being local. The carried-out less intensive case studies provides one even better example of how producers re-use a particular way of placing ascriptive trust when initiating new local co-operations. The manager of this firm uses the criteria of whether a supplier is a local to decide whether to write a contract, and says about an initiation of a local subcontracting arrangement:

> "...at a point in time, he made tables for me for a value of 7 millions DKK[26] a year ... we didn't get two words on paper! The only things we wrote down were delivery notes, invoices, and cheques. There has never been a contract. The agreements on prices have been oral ... we never made a contract obliging him to deliver to me and me to buy from him with this and that quality, and so on ... he didn't want a contract, and that was OK with me, because it is a serious firm, and I knew the guy..."

The supplier the manager refers to actually put himself in a vulnerable situation, but still insisted on writing no contract:

> "...it grew to me buying 3/4 of his output, he was deeply dependent on me in that period ... at a time, I said to him that he should remember to find other customers as well, because maybe one day, I, myself, would have problems in selling the tables. If so, it would be stupid of him to base his entire future on me... The reason that we made no contract was 'once bitten, twice shy'. He had been in a sales co-operation where contracts were made to cover this and cover that... and he was probably cheated anyway in the end. Maybe he was a little naïve and signed a contract of which he couldn't see the consequences. So he never wanted to write up a contract ever again!"

Obviously, issues of power or inequality were not considered much by the supplier. Rather, he preferred to design this co-operation relying on his previous experience, now preferring ascriptive trust to safeguards or contracts.

For all the firms, there are considerable advantages to repeatedly placing ascriptive trust in this way, without pondering too much on its origin nor consequences. The manager from the less intensive case study goes on:

> "...it's going to be hard to make the firms [in the Salling district] write up contracts ... we have never had any problems about it [having no contracts] ... there may come a conflict, that is hard to avoid. But then I think that most of us are capable of settle the

[25] The son of the original manager-owner is on the verge of taking over business: His father has learned him to trust other local firms, he claims.
[26] Approx. 1 million USD.

> conflict just as efficient [as it would have been done in court] without bringing in an arbitrator, which costs 50.000 DKK[27], and lots of time...”

The re-use of the trust building process seems, quite logically, to be most frequent in the type of activities through which it has been learned. In subcontracting, a frequent activity, and often one that has to be carried out under some time pressure, it is a great advantage to re-use one’s experience with trust. Broad-scope interviews confirm that the trust building process is re-used for many furniture firms in Salling making new subcontracting arrangements. Some broad-scope interviews indicate that re-use of the ascriptive trust building process may be *reserved* for the type of activities through which it has been learned. For example, one producer, basing all his daily co-operations, even to local producers with whom he had no previous experience nor personal relations to, on trust (with no contracts and with considerable sharing of information), closed his firm to outsiders (including locals) for a short period when he developed new strategic products. As there can be given few examples of locals that have actually imitated product designs (and none of imitation before a product was marketed), and as the producer couldn’t pin down the reason for his sudden lack of trust, it might be suggested that this lack of trust was caused not by greater risk, but by the producer in question engaging in a non-routinised activity (product development), for which he cannot build trust the same way as he usually does. In his daily interactions (subcontracting) with other firms, ascriptive trust building is re-used, and he needs it to be, because such interactions are under considerable time pressure. Strategic product development is not.

5. The theoretical relevance: Learning to trust?

Above, I have given sketched out some empirical findings. First, they indicate, that local user/producer interactions between SME furniture producers are co-ordinated in a flexible manner due to low time costs. This is interesting, but it only confirms what to some extent has been common theoretical wisdom within economic geography since the mid-1980s. Second, they indicate that local sharing and availability of information of other producers is of great importance for these furniture producers. That may be of greater theoretical interest, partly because the notions of information and knowledge and their importance for rationality, action, and co-ordination has been re-addressed within the economics of organisation during the latest years. The third major finding is that trust is of great importance for co-operation and co-ordination. Trust is a non-trivial notion, but is has to a

[27] Approx. 7200 USD.

growing degree made its way into mainstream economics[28], so this empirical finding of mine is not groundbreaking. What I have suggested, however, is that trust should be perceived in a *dynamic* perspective: It is not the question whether economic actors basically trust each other or not, it is the question whether they have been through an inter-firm l*earning process* that allows them to place trust in a particular way. If this particular way of building trust is repeated and supported by feed-back from the environment, and continuously (albeit sometimes unconsciously) re-applied by firms, we can say that the process of building trust is *routinised* (Lorenzen 1997; 1998).

Even if I suggest that the process of building trust can be routinised, theoretically, it is not feasible (and empirically, not reasonable) to maintain that managers do not - at least in the long run - act rationally. Thus, routinisation of the trust building process is strongly *context dependent*. In strong regulative social environments, managers may learn that trust can be based on law; contract; or social conventions. In less regulated markets, managers have most likely learned to place trust on the basis of sunk costs (carefully planned investment activities). In contexts where managers frequently meet face-to-face, they have the possibility of learning to place ascriptive trust. Thus, which process of building trust is routinized in which context *partly*[29] depends on its economic efficiency in the context. Producers will hardly continue acting irrationally (at least in business life) - or they will be out of business. Thus, naturally, ascriptive trust cannot survive in the long run if it is proven wrong or dangerous, and in the cases where it exists, it seems that firms can actually "trust trust" (Gambetta 1988). But this is proven through trial-and-error, feed-back processes, not though a priori expectations of efficiency. The way firms build trust is not "planned" (Langlois 1995), it "emerges".

This theoretical perception of the process of trust building as learned and routinised contrasts to standard economic treatment of trust (as an asset in which firms deliberately invest in order to achieve co-ordination), as well as the historicist or 'sociological' notion of trust (as originating from without of the economic sphere, a 'civil' social institution that business firms may utilise, but have little effect on). The routinised nature of the trust building process explains why it is only re-used in particular contexts, for particular activities.

Research, e.g. the prominent cases of national systems of innovation, national business systems, territorial production systems, industrial districts, and localised learning, suggests that social trust is strongly context-dependent and possibly *localised*. That trust seems to depend somewhat on geographical proximity may be

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[28] By "mainstream economics" is meant the orthodox neoclassical tradition dominant within economics since the Second World War.

[29] Naturally, cases may exist where people place trust on inefficient grounds, or where they - without rational reason - refuse to trust others.

due to the importance of information environments and face-to-face interactions. In local contexts, it is easier to achieve information about other actors, to see if they "fit" into the category of those that, according to the routinised process of placing trust, can be trusted. Thus, even though all those available potential subcontractors that are of the "right chemistry" are not local, only the local ones are identified because of the low search costs: It is much easier to assess whether a local firm is of the right chemistry.

A such system of localised trust, when in existence, may be strongly self-reinforcing, because it furthers local co-operation and co-ordination (it may also have strong implications for communication, which is not discussed in this paper). Hence, it makes ongoing inter-firm learning (and thus a strengthening of the coherence of the system) possible[30]. At the other hand, a group of actors that do not interact and learn how to trust, may also be locked into a path: If building trust depends on keeping oneself in contact with many other producers, keeping oneself out of the trust-creating professional co-operative arrangements and social ties may be self-reinforcing.

Conclusion

With the growing importance of flexible subcontracting arrangements in many industries, social institutions that facilitate widespread and flexible co-operation and efficient co-ordination amongst firms is a significant factor of competitiveness. Even if transportation and communication technologies is on the verge of minimising the costs of physical distance as regards transportation, there is little evidence that technological developments should lessen the importance of localised trust for bringing transaction costs down significantly.

Thus, research of how such localised trust emerges is much needed. What I have outline above, is only tentative findings from ongoing studies, and they offer, so far, mostly anecdotal evidence. However, what such studies may offer, eventually, is not just a historical account of how trust arose in particular societies - such stories have been told many times before - but also inputs to a theoretical account for how trust building processes are *learned* and *routinized.*

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[30] Little research has concentrated on whether this cumulative relationship can ever break down. Are there cases where localised social trust has been lost, and what did it take to reverse the virtuous circle?

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