

TRUST IN A STRATEGIC PROJECT: CASE FROM GRAND PARK HOTEL ROVINJ, CROATIA

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Abstract: *Trust is a highly recommended component in the project equation management process. According to Rousseau (1984), there are three types of trust: calculus-based trust, relational-based trust, and institutional-based trust, which are adopted to justify the importance of the existence of trust in a strategic project: Grand Park Hotel Rovinj in Rovinj and ACI Marine, Rovinj. Trust is an imperative condition in the project process, which can secure the achievement of the project. If there is an atmosphere of trust in the process environment, the project is successful. All parties involved in this project had a common vision and acted together, so it was assumed that there were no differences between the groups, corresponding to the trust concept proposed in the main hypothesis.*

A descriptive analysis (cross tabulation and Chi-square) was adopted to investigate the concept of the importance of trust and satisfaction with the working relationship in a strategic project between investors and local government in terms of project outcomes. The project was huge, but we choose to examine only those representatives who matter, with decision-making power and operational chiefs, 20 respondents in total. The sample size was small, but it covered the most important representatives of two groups, and, according to Sandelowski (1995), it could be a covered requirement for validation, despite its size. The project budget was €750 million and the project duration time was two years.

The study results demonstrate that the perception of trust based on relationships and trust on an institutional basis is different between investors and local government, but they share a mutual agreement on the perception of trust based on calculations. In terms of satisfaction with the working relationship and project outcome, their perceptions are likewise distinctive. The study results supported the main hypothesis, but solely in relationship to calculus-based trust construct. The other results revealed a considerable degree of disagreement between two actors' groups, corresponding to the relational-based and institutional-based trust, and to the satisfaction with a work relationship. These results are truly obvious and symptomatic indicators of the complexity which every project process brings with it.

*The concept of trust challenges researchers even now, although there are very many studies referring to it. This concept covers many scientific fields, revealing its complex and challenging nature, and opening a space for deeper exploration. The relationship between the parties in any network includes this concept as a *conditio sine qua non*. Strategic projects are a yet unknown area asking for further scientific debate with the principal objective: successful outcome. This analysis is a limited addition to the strategic project area research offering ample area to investigate a liaison between public and private sector in a specific scheme.*

Keywords: *Calculus-based trust, Relational-based trust, Satisfaction with a work relationship, Project success, Project failure.*

1. INTRODUCTION

Managing a difficult process of reaching the objectives, anticipated in a strategy for the progress of the city in accordance to a sustainable agenda can be a long-term battle that calls for more players to be engaged. The local government owns a constitutional force to manage actions, but

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sometimes it needs capital. Investors have a better financial position, but they lack force of the law to reach their targets in the business agenda or influence outcomes of law. When it comes to tourism in a sustainable paradigm, it is required to secure a significant level of partnership between private and public sector, local government and community. That partnership implies that both parties have a high level of trust with each other. More trust produces better results, easing the process of governing, planning and implementing policies, dealing with issues, solving the problems, etc.

Many scientific researches have been carried out about the concept of trust in local government and its implication on the stakeholder satisfaction in particular destinations with the accent on resident's attitudes and their satisfaction level (Della Corte, Aria, & Del Gaudio, 2018; McComb, Boyd, & Boluk, 2017; Mihalič, Šegota, Knežević Cvelbar, & Kuščer, 2016; Nunkoo, 2015, 2017; Nunkoo & Gursoy, 2017; Nunkoo & Ramkissoon, 2011; Nunkoo, Ramkissoon, & Gursoy, 2012; Nunkoo & So, 2016; Pechlaner, Franch, Martini, & Buffa, 2017; Soulard, Knollenberg, Boley, Perdue, & McGehee 2018; Yodsuwan, & Butcher, 2012) but few have tried to examine the specific relationship between the large tourism enterprises and local government, particularly in a collaboration context. The collaboration between those two important stakeholders is highly recommended as a crucial element in the sustainable development of destination. This research is based on the trust concept (Rousseau et al., 1998) consisted of three different types of trust. Calculus-based trust is motivated by self-interest or economic incentives. Relational trust emerges over time and is related to repeated direct interactions which lead to a greater comfort zone or level of understanding between the parties. An institutional-based trust is the role played by legal institutions, cultural and societal norms in promoting trust within a culture or country.

2. TRUST

Trust is a psychological state comprising the intention to accept vulnerability-based positive expectation of the intentions or behaviors of another (Rousseau, 1998). In the earliest works (Blau, 1964; Butler, 1991; Deutsch, 1962; Gambetta, 1988; Mayer et al., 1995), trust was understood as fundamental to collaborative relationships as well as to the claim that interpersonal trust had significant relationships with organizational variables such as quality of communication, performance, problem solving, collaboration and civic behavior. Rousseau et al. (1998) suggested that the concept of trust consisted of three different types of trust: calculus-based trust, relational-based trust and institutional trust. **Calculus-based trust** is a type of trust which is motivated by self-interest or possible benefits achieved by the parties in a process. **Relational-based trust** emerges over time and is related to repeated direct interactions which lead to a greater comfort zone or level of understanding between the parties. It can be measured by a RELQUAL scale (Lages et al., 2005) which is comprised of four dimensions: amount of information sharing in the relationship, communication quality of the relationship, long-term relationship orientation and satisfaction with the relationship. **Institutional-based trust** is the role played by legal institutions, cultural and societal norms in promoting trust within a culture or country. According to Rothstein and Stolle (2001), actors base their expectations regarding the behavior of others on reliability, impartiality and efficiency of the institutional system. Institutional trust persuades actors to cooperate, participate and communicate in a respectful way even if they are entering in a transaction process for the first time (Rus & Iglíč, 2005).

3. LOCAL GOVERNMENT

Tourism development is well-managed by the principal actor in the political process of it (Bramwell, 2011; Nunkoo et al., 2012). The role of government in tourism development planning has been

the subject of academic interest for decades (Bramwell, 2011; Ruhanen, 2013). Bramwell (2011) stated that politics affect choices in society. Local government, presumably but not yet proven, has more influence over other stakeholders based on power through the four attributes of power (legitimate authority, knowledge, power process area and resource power) (Beritelli & Laesser, 2011; Bramwell, 2011; Nunkoo et al., 2012) and planning (Ruhanen, 2013), but this influence, of course, depends on the degree of trust that other stakeholders hold in them. Confidence is what seems to be the most important element of any social network. Local authorities have the mandate to represent the interests of the local community impartially (Ruhanen, 2013). In other instances, governments have been found to engage in corrupt practices in tourism development and planning (Bramwell, 1999; Morah, 1996). This is probably why some researchers note that public trust in government in the context of tourism development is declining (Bramwell, 2011).

4. STRATEGIC PROJECT – GRAND PARK HOTEL ROVINJ, ROVINJ, CROATIA

This project is a strategic project of interest to the Republic of Croatia which is located in Rovinj, the County of Istria. Reconstruction and extension of the ACI marina Rovinj began in 2017 as a strategic project of the Republic of Croatia with the aim of renovating both the sea and land part of the marina. The total amount of the investment was 154,677,817.22 Croatian Kuna. Following the reconstruction and extension, ACI marina Rovinj has expanded its capacities and raised the quality of its service. During the same period, the hotel company “Maistra” d.d. started the construction of the “Grand Hotel Park Rovinj”. A valuable strategic partnership project was completed through the joint action of the local government under the expert supervision and guidance of state institutions and the hotel company. The result of this association was rated high performance and placed the city of Rovinj on the list of one of the most desirable destinations in the Mediterranean. The hotel project cost was around €95 million, which covered preparation process, land, different types of fees and charges, building, equipment, promenade adaptation and wider surroundings.

5. CONCEPTUAL FRAMEWORK

In this research, a focus was on a two main players group in a particular strategic project with the focus on the relationship between the investors and local government, and Rousseau (1994), with his model, was a perfect pitch. It was assumed that representatives of both parties know each other for a long time because Rovinj is a small city, and this was not the first project where those parties have been cooperating. Despite the fact that both parties may have different goals, community development and success call for a strategic agenda which demands mutual understanding and inter-acceptance about project outcomes. This presumption leads to the following hypothesis:

H1: There are no differences in the perception of trust importance (calculus-based, relational-based and institutional-based trust) in a project between investors and local government.

H2: There are no differences in the perception of satisfaction with the working relationship importance in a project between investors and local government.

H3: There are no differences in the perception of cooperation importance between investors and local government

6. METHODS

The sample for this study was selected from a set of investors and local government representatives included in the particular project (Hotel Park, Rovinj); representatives who matter, with a decision-making power and operational chiefs, 20 respondents in total. The sample size was small but covered the most important representatives of two groups, and, according to Sandelowski (1995), it could be a covered requirement for validation, despite its size. The project budget was €750 million and project duration time was two years. Trust was measured with a 4-item scale, satisfaction with working relationship a 7-item scale, and project outcomes with a 7-item scale

7. FINDINGS AND DISCUSSION

The sample for this study was selected from a small set of local government representatives and investors involved in an important strategic project: Grand Hotel Park Rovinj, in total 20 respondents. All of them were defined as important stakeholders in a project. The breakdown by local government representatives and investors was: 12 investors and 8 local government representatives, 5 of them were females and 15 males. The average respondent reported more than 25 years of work experience, over 15 projects completed, and declared himself as High Management level, 40% of respondents reported middle range income level, 60% reported high range income level, education level showed that 9 respondents held a university degree, 9 of them Master degrees, and 2 of them a Ph.D.

A cross tabulation analysis³ discovered that local government and investors share 100% positive agreement about the importance of individual rights (IBT), respect, communication (RBT), working relationship (SATWR), successful joint venture (SATWR), and long-term objectives (SATWR). There was a lower positive agreement rate ranged from 80% to 100% between local government and investors about the importance of gaining new knowledge, significance of long-term relationship, clear and concise goals and objectives, formal and informal meeting, competence, educated, organized, effective, profitability other than financial, enjoyment in project process, positive effect on users, and project management quality. According to the results of analysis, significant difference between local government and investors was about social status change (CBT), effort (RBT), confidential information (RBT), corruption and bribe (IBT), project on a budget (POUT), and alternative solution (POUT). Chi-square results showed that there exists significant difference between local government and investors regarding confidential information (RBT), strategic question (SATWR), effort (SATWR), corruption and bribe (IBT), project on time (POUT), and project on budget (POUT) (See Table 1). Regarding calculus-based trust, both groups shared a mutual agreement about its importance. Analysis results discovered no differences in the perception of calculus-based trust importance between investors and local government respondents, but differences in the perception of relational-based and institutional-based trust between them. Regarding perception of satisfaction with the working relationship and project outcome, an analysis discovered differences between respondents. The study results supported the main hypothesis, but only in relation to calculus-based trust construct. The rest of the results showed significant level of disagreement between the two players' groups as regard the relational-based and institutional-based trust, and to the satisfaction with a work relationship. These results are very clear and symptomatic indicators of complexity which every project process carries with it.

³ Because of 100% agreement rate between respondents these items were excluded from further analysis.

Table 1. Chi-square results

CHI SQUARE TEST		ASYMPTOTIC		
CONSTRUCT	ITEM	Value	df	SIGNIFICANCE (2-sided)
RELATIONAL-BASED TRUST	BELONGING*CONFIDENTIAL INFORMATION	9.377	1	0.002
PROJECT OUTCOME	BELONGING*PROJECT ON TIME	11.111	2	0.004
PROJECT OUTCOME	BELONGING*PROJECT ON BUDGET	9.762	2	0.008
INSTITUTIONAL-BASED TRUST	BELONGING*CORRUPTION AND BRIBE	6.932	2	0.031
SATISFACTION WITH	BELONGING*STRATEGIC QUESTION	4.432	1	0.035
WORK RELATIONSHIP	BELONGING*EFFORT	4.201	1	0.040

Source: Authors, SPSS Software

8. FUTURE IMPLICATIONS AND LIMITS

The concept of trust is exceedingly complex and delicate to interpret and demands further analysis to clarify the role of the concept of trust in the relations between various players in diverse projects. This research was conducted for merely one specific strategic project with a few respondents, the survey was executed through a questionnaire, running a structured questionnaire, so descriptive analysis alone could be employed, and results could be interpreted very narrowly. Prospective authors should review the elements of analysis used in this research, and the assumption of this study in a comparable environment: strategic project. For prospective research, a greater sample volume, a greater number of distinctive groups within the sample, generalizing project process with no specific one, and the use of different types of data collection and analysis in order to obtain more accurate research results are recommended.

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