Establishing and increasing the credibility of a start-up company in construction industry

A case study of Ltd. “Mana ranga”

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Abstract

This research aims to explore the importance of new company’s (startup’s) credibility in construction industry while research questions tries to identify essential aspects and processes which affects the startup credibility in construction industry. Further, rigorous analysis of literature review is done. In order to understand and apply various theories and concepts as source and corporate credibility theories, relationship marketing, etc. It is qualitative research and a case study. The case company – Ltd. “Mana ranga” is a new construction company situated in Lithuania. Moreover, its current situation is presented. Furthermore, the interviews were conducted in order to achieve the objective of the study, thus 22 participants completed the interviews. Further, in analysis section findings from literature and empirical data are put together, and main results are provided. It comprises key aspects that are affecting startup’s credibility, as well as processes, in order to look how the credibility of a company can be increased are identified. Finishing with answers to the research questions and suggesting future work.

Key words: Credibility, new company’s credibility, construction industry, relationship marketing, increasing credibility, key credibility factors
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1. Introduction

In this chapter, the background of the research is presented. Following, the research aim and research questions are introduced as well as the scope of the study. Lastly, ideas of the remaining chapters are shortly described.

1.1 Background

Nowadays millions of various companies scattered throughout the globe surround people. Market became extremely competitive and the competition is growing year after year. Therefore, all firms have to be highly organized and prepared from the get go in order to catch the interest of the consumers and make them their customers. Thus, one of the attributes that defines the potential of being selected by the customer is company’s credibility. In general, the notion of credibility is vast. Word credibility has the same root origin, as credo, which means, “I trust or believe” (Kouzes & Posner, 2011). Noticeably, one would like to deal with credible firms, especially if the product or service you are looking for is expensive or lies among your priorities and suppose to serve you for a long period.

The credibility of a company, however, is not just about the customers. MacDougall and Conrad states that “without credibility, everything you say to investors, potential partners or even your employees can be questioned.” (MacDougall & Conrad, 2009). Consequently, establishing credibility of a company can serve you well in the relationship with different actors. For example, a firm can get bigger project or generate more money from the investors, acquire better deals with potential partners. Therefore, you need to identify key attributes of it as well as ways to establish and raise a credibility of your business.

Nevertheless, notion “new company’s credibility” is not clearly defined in the literature. Because in every case the subject can develop differently and have various implications. Yet, literature provides exhaustive explorations on “source credibility theory” and “corporate credibility concept”, which were derived from it later on. These theories give the understanding of different perspectives on credibility and identifies its attributes. Moreover, “relationship marketing theory” is closely related with previous ones. These theories dominate in the literature review and are significant in the course of the research.

A case company Ltd. “Mana ranga” is a relatively new construction company based in Lithuania (operating for around 8 months), thus will be referred as start-up in this research. For a new company entering one of the biggest industries such as construction can be challenging. There are some particularities as project-based work, having close relationship with your customers, recruitment of employees etc. In addition, the fact that the company cannot boast of their previous projects. Therefore, the credibility of a company is significant. In this research, customers’ and employees’ perception of credibility will be investigated. Moreover, how a company in these or similar settings can increase their credibility. Theories and empirical data will be combined and analyzed in order to achieve the objective of the research. Despite that, the research focuses in this particular environment whilst investigating company’s credibility, the findings can be applicable and useful in other situations and different industries as well. Since the base of the credibility stays the same.

In the following sections of introduction research aim and research questions will presented. Moreover, delimitations of the study will be discussed. After that, the research outline briefly presents the contents of whole study.
1.2 Research objective and Research questions

The objective of this research is to understand the importance of credibility and explore what hides behind establishing and increasing the credibility of a new Lithuanian company in the construction industry. This qualitative study tries to touch upon different concepts and theories in order to describe and identify various aspects, which influence a credibility of a start-up company. Moreover, using the case company’s example discuss the processes which leads to greater company’s credibility in the eyes of both – customers and employees. Therefore, two research questions emerged:

- What are the key factors that affect the startup company’s credibility?
- How can the startup company establish and increase their credibility?

1.3 Delimitations

The scope of this research is to explore the business credibility subject and its attributes. Since it is such a broad topic, it was narrowed down by selecting the type of business and the current settings of the case company – Ltd. “Mana ranga” which is based in Lithuania. Although, the investigation and comparison of numerous companies and different industries would be very interesting. This research focuses on a credibility of the startup company in construction industry. Consequently, the study intended to cover identification of main factors and activities of the company’s credibility enhancement in these settings. In addition, the generality of this research explores business credibility in an environment of particular startup company in a construction industry in Lithuania. Nevertheless, concepts and theories analyzed as well as the expertise interviewees taking part in this study, allows the researcher suggest that this research can be applicable to many cases throughout the world, especially Europe. Moreover, the researcher selected an interpretivist approach while conducting the research.

1.4 Research outline

The structure of the study will be delineated as follows:

Chapter 2

*Literature Review* – in this chapter theoretical framework of the study is described. Chapter aims to provide necessary theoretical background about credibility and its different perspectives for this study. Furthermore, chapter comprises relationship marketing theory and its attributes in relation with the credibility. Construction industry’s features and its importance will be discussed as well.

Chapter 3

*Methodology* - chapter is based on a description of the research methodology, which was used in the study. Identification of the study design as well as points leading to it. Various approaches of data collection and analysis will be defined, together with the research paradigm and implications of ethics.

Chapter 4

*Empirical data* - chapter presents the information gathered from a case company. This comprises the overall situation in the company as well as its place in the market. Additionally, Porter’s five forces and SWOT analysis are applied in order to reveal more rigorous situation of the case
company. Most importantly, the qualitative data is presented - the results of the interviews from different personnel, which comprises high expertise managers in construction and real estate industry along with managers, site workers and shareholders of the case company.

**Chapter 5**
*Analysis* – this chapter comprises the analysis of the collected data. The theoretical implications are merged with the qualitative data with the purpose of answering the research questions.

**Chapter 6**
*Conclusion* – in this chapter findings of the research and answers to the research questions will be provided.

**Chapter 7**
*Recommendations and future work* - chapter will provide a brief summary of the findings that could be applied by case company or any other business existing in similar conditions, in order to enhance their processes of establishing firms credibility. As well as the implications for the future research.
2. Literature review

Different concepts and theories are explained as well as the theoretical framework provided in the following sections. The researcher explores and tries to identify the most significant topics in relation with the aim of the study. The researcher also provides necessary data/literature, which leads to the answers of the research questions.

2.1 Theoretical framework

The subject of credibility has many different angles and theories that are researched by scholars. There are implications about the importance of credibility since the ancient Greek times (McCroskey & Young, 1981). Although, the credibility point of view as in relation with businesses was introduced not so long ago. As far as today, there are few researches investigating credibility from this point of view and connecting it with real life situations. Therefore, this literature review consists of what the researcher consider as the most relevant subjects considering this study. Firstly, touching upon the various perspectives of credibility in general. With the researcher’s intent to extending the knowledge of the topic. Following this, the source credibility theory, which is mostly investigated, considering this study field, will be discussed. It allows understanding key aspects, which are the most influential whilst shaping a source credibility. Later, corporate credibility concept, which in a way has derived from the source credibility, is reviewed. It provides the implications of credibility from the business/corporation point of view. Then the relationship marketing will be explained since it has related ideas and frameworks with the credibility of the company. Mentioned constructs were used to build up the base and exploit its connections with the objective of this study. Additionally, these theories help to enhance and complement the empirical findings as well as achieve more reliable conclusions to the research questions. Finally, the construction industry and its specifics should considered. The purpose is to provide the context and environment of this industry since the research is focused in this field.

Numerous researchers have used these mentioned constructs, but mainly, theories are used separately as the topic of the research itself. The researcher believes that credibility of company is an overlooked attribute of business. Moreover, just few researches were found which are investigating credibility from this perspective. Especially, implications of achieving credibility from the perspective of new business (startup) could be explored more while connecting it to real cases. As in this study it is applied in construction industry with the example of a case company. Nevertheless, the studies about corporate credibility have quite a few similar and beneficial aspects as for this particular study. However, looking into these different theories together, and (most importantly) connecting them with the empirical findings have led to achieving the answers to the research questions.

2.2 What is Credibility? Different perspectives and its importance

In general, credibility is broad and intuitive conception. The academic considerations of a subject of credibility goes as far back as the beginning of rhetorical debates of it. Starting with the initiation of this topic with ancient Greeks (McCroskey & Young, 1981). If you look at the word itself, Latin word ‘credo’ which means “I trust or believe” has the same root origin as Credit or Credibility (Kouzes & Posner, 2011). Moreover, according to one of English dictionaries, someone who is credible is “plausible”, “believable” and “reliable” (Newell & Goldsmith, 2001). There are many different views and conceptualizations of credibility as well as the studies while trying to identify them (Eisend, 2006). Mainly, all of the concepts are related with trust, believability and reliability of various things (Jiang, et al., 2011). According to Jiang (2011), - “Credibility is the belief that the partner keeps its word and fulfils promised role obligations”. Another definition, as Maathuis (2004) suggests - “Credibility is a concept which is linked to the sender and refers to the degree to which an object is considered to be a reliable source of information, products, services, and other
matters”. Moreover, in the literature, the credibility of source, corporation, company, academic research etc. can be found.

In this research, the perspective of company’s credibility is investigated. As it consists of many different aspects (Birley & Norburn, 1985), MacDougall & Conrad (2009), discuss the importance of credibility in a business. It is worth mentioning that they explores different industry than is in this study, but the significance of credibility stays the same. Company’s credibility is the parameter on which others judge you and your company. Moreover, MacDougall and Conrad (2009), argue that “Without credibility, everything you say to investors, potential partners or even your employees can be questioned” (MacDougall & Conrad, 2009). Adding that it is so important to maintain company’s credibility in order to sufficiently manage the expectations of different actors as shareholders, customers, partners, investors, employees, etc. (MacDougall & Conrad, 2009). Therefore, if suddenly the changes occur and the initial goals become unachievable, you have to immediately communicate this kind of information to all related actors (MacDougall & Conrad, 2009). Right and fast communication can add credibility from the view of various actors. In addition, avoid setting up too ambitious terms and goals. Since you as a company have the understanding of the industry and its specifics, you might be able to foresee in which situations and periods difficulties can happen. After this evaluation, you can publicly set the milestones of different projects while avoiding both breaking promises and, consequently, damaging your credibility (MacDougall & Conrad, 2009). To sum up, MacDougall & Conrad (2009) suggest the “Do’s and Don’ts list” in order to reach high-level credibility. (See Appendix 2)

Furthermore, Birley and Norburn (1985) are debating about the importance of credibility in the connection with establishing new business. It is argued that the biggest strength of a new business, especially in the start, is the owner (founder) himself. He has the knowledge about product/market fit, vision, strategy, etc. Without the right knowledge, firm would have difficulties of accelerating the business (Birley & Norburn, 1985). Moreover, in order to be successful at the start, entrepreneur must gather all the resources that would allow the development of both viable and credible plan (Birley & Norburn, 1985). Credibility is essential, in order to have a success with various actors. Figure 1, ‘the credibility merry-go-round’ shows different actors and their interconnections. Without credibility, you will have difficulties of getting investments and loans, hiring professional employees, signing agreements with the suppliers, acquiring the premises, etc. Many entrepreneurs fail to make into ‘merry-go-round circle. According to Birley and Norburn (1985), - “The only way to break the circle is to establish personal credibility in the eyes of at least one of these groups.” Then it will be easier to establish yourself among all the actors. After, as the company grows, personal credibility will be replaced by corporate credibility (Birley & Norburn, 1985).

![The Credibility Merry-Go-Round](image)

*Figure 1, (Birley & Norburn, 1985).*
Later on, Rehme and Svensson (2011) used the research implications of Birley and Norburn (1985), while exploring their study on credibility-driven entrepreneurship. They investigated subject of credibility and its importance in relation with new companies (startups). It is argued that startup companies earn their credibility through various types of activities, such as social, technical, commercial and operational (Rehme & Svensson, 2011). Activities, which can strengthen the credibility of company or venture, can be: having a competent, well known team, partnering with an influential investor, showing your capital publicly, etc. (Rehme & Svensson, 2011). Credibility is a prerequisite for a new company in order to stay in the market. Further, it is noticed that having many different relationships before establishing a startup can be a key in order to overcome a big obstacle, getting the first deal, the first successful reference (Ostgaard & Birley, 1996). Moreover, new companies often are unable to gather enough information and make a reliable market analysis (Ostgaard & Birley, 1996). Startups have to establish their credibility as Rehme & Svensson (2011) suggest, “by providing some proof of concept, proof of market or customer acceptance, plus proof of the commitment of their stakeholders.” Therefore, making the first deal with clients successfully is essential for new businesses, with the intent to obtain these proofs. Thus to be seen as a viable player in the market (Rehme & Svensson, 2011). Furthermore, as already mentioned, entrepreneurs have to create and develop business plans that would be feasible and credible (Birley & Norburn, 1985). By just giving a unique offer can be seen as tool little in order to complete your sale with a new client, a company needs credibility as well. Additionally, other than large corporations, new companies do not have a track of completed sales, which shows their corporate credibility, thus it crucial for the entrepreneurs (founder, CEO) to establish their personal credibility. The lack of credibility results in previous paragraph introduced ‘credibility merry-go-round’ (Birley & Norburn, 1985; Rehme & Svensson, 2011)

The ‘merry-go-round’ framework was used and adjusted in order to emphasize the importance of credibility for the first sale and first customer (Rehme & Svensson, 2011). See Figure 2.

Figure 2, (Rehme & Svensson, 2011).

It is debated that the qualities of top management (owner and active stakeholders) such as technical skills, experience, etc. and economic position have a big impact while acquiring the first sale/customers. Both internal and external credibility between the actors can help to tie the gap between companies and their new clients. Interactions with various actors and possible clients can, hence lead to increased personal credibility and ultimately to the sale (Rehme & Svensson, 2011). Furthermore, credibility and social activities are vital, in order to bridge the credibility gap and go into business with your first client (Birley & Norburn, 1985).

Receiving a good referral is of a primary importance for start-up expansion – that is the reason why firms have to be determined to act professionally and fulfill all possible technical, commercial expectations to satisfy the customer. This leads to:

- Increased credibility in any business model.
- Positive referrals for new customers, which is considered as a strong marketing tool for any start-up business.
Obtaining accurate assessment of the technology.
(Rehme & Svensson, 2011)

Generally, start-up companies can act more leeway in terms of mistakes in other activities if they are considered to be credible and have good social skills. Additionally, relationships develop over time and credibility must be nurtured continuously. As Styhre (2010) states “It is never given or ensured, once and for all, instead being, on the contrary, accumulated and maintained through specific legitimate behaviors” (Styhre, 2010). As well, it is significant to comprehend that credibility alone does not lead signing of a contract and completing the first sale. Startups have to all the other activities and improves all the time. Without proper processes it is difficult to hope for success (Rehme & Svensson, 2011).

2.3 Source credibility and Corporate credibility theories

Source credibility theory

The source credibility theory is widely researched by numerous scholars during the years. “Source credibility” goes back, beginning with the Aristotle (McCroskey & Young, 1981). There were many scholars interested the source credibility concept. However, J.C. McCroskey is probably the most known as he is the most referenced author in numerous types of literature. McCroskey and Young (1981), debated that majority of contemporary writers defines source credibility as the “attitude toward a source of communication held at a given time by a receiver” (McCroskey & Young, 1981). In the further research, McCroskey and Teven (1999) state, “Messages are interpreted and evaluated through the filter of the receiver’s perception of the message’s source. No message is received independently from its source.” Moreover, source credibility are multidimensional. Throughout the years, various researchers have been identifying the most important dimensions. According to McCroskey and Teven (1999), source credibility consists of three dimensions: competence, trustworthiness, and goodwill. Different writers have different terms for these dimensions but theorists decided to agree on two of them. “Competence” which means qualification, expertness, intelligence and authoritativeness and “trustworthiness” which signify character, sagacity, safety, honesty (McCroskey & Teven, 1999). The third dimension “goodwill” or sometimes described as “perceived caring” varied from time to time but McCroskey and Teven (1999) defined it as understanding, empathy and responsiveness. Furthermore, source credibility is key aspect in the communication process, whether the purpose of communication effort would be persuasion or the generation of understanding (McCroskey & Young, 1981). Additionally, source credibility takes part in multiple subjects. For instance, the source credibility of corporate entrepreneur is seen as significant element in the process of obtaining the resources for various corporate entrepreneurial ventures (Pepper & Anderson, 2009). Alternatively, for example, it has been proposed that source credibility is an important antecedent to attitudes toward advertisement and ultimately, advertising efficiency (Lafferty, et al., 2002).

Kouzes and Posner (2011), in their book talks about the credibility as the foundation of leadership. Their discussed role of credibility is closely related with the source credibility. As it is debated that those who are highly rated on the characteristics of trustworthiness, expertise, and dynamism, are perceived to be credible, believable sources of information (Kouzes & Posner, 2011). It can be all sorts of people, for instance, CEO of the company, president of the country, spokesperson, etc. Furthermore, after their research, it was found out that people, despite all the things, want to have leaders who are credible (Kouzes & Posner, 2011). It is argued that credibility is the basis of people (leaders and citizens) and help to shape the dreams of the future. As Kouzes & Posner (2011) stated, “Without credibility, dreams will die and relationships will rot.” While identifying the top qualities of the leaders people expect them to be – honest, inspiring, forward-looking and competent (Kouzes & Posner, 2011). Nowadays, having the credibility (being credible) is a prerequisite in order to be competitive. Moreover, if it is a new business, the credibility of the owner (or founders) becomes crucial. Men (2012) did a research about CEO credibility and its
effects. Numerous employees from the biggest companies were participating in the study. The results revealed that CEO credibility is positively associated with perceived organizational reputation and employee engagement. Perceived organizational reputation significantly and positively affects employee engagement. (Men, 2012).

*Corporate credibility theory*

Source credibility and corporate credibility are intertwined together, since source credibility is the antecedent of corporate credibility. According to Newell and Goldsmith (2001), corporate credibility is theorized as the type of source credibility, focused on a particular corporation, which manufactures a product or provides a service. Specific Corporation is perceived as the source of communication (Newell & Goldsmith, 2001). Another definition is that - “Corporate credibility is the extent to which consumers feel that the firm has the knowledge or ability to fulfill its claims and whether the firm can be trusted to tell the truth or not.” - (Newell & Goldsmith, 2001). Furthermore, it is noticed that concept of corporate credibility has received little attention in the business research (Newell & Goldsmith, 2001). This may be because of the fact that scholars lack a valid and reliable tool in order to measure corporate credibility (Newell & Goldsmith, 2001). Moreover, as Newell and Goldsmith (2001) states “both practitioner-oriented business publication and academic research stress the importance of the credibility of the firm, usually as a part of discussions of the image or reputation of a firm” (Newell & Goldsmith, 2001). Moreover, Lafferty (2002) noticed that corporate credibility is seen as significant part in shaping attitudes and purchase plans (Lafferty, et al., 2002). In addition, LaBarbera (1982) states, “A firm without a reputation has a problem with credibility; that is the firm which is lacking in trustworthiness and expertise. In turn, this credibility deficit is likely to influence persons receiving the message to respond unfavorably.” (LaBarbera, 1982). Additionally, it is worth noticing that corporate credibility as a concept was called differently, depending on the various scholars. One of the names was “company reputation” which is noticeable in the literature as well (Newell & Goldsmith, 2001). Corporate credibility is acknowledged a vital aspect of corporate image and reputation (Lafferty, et al., 2002).

Continuing, a corporate reputation is a general attribute, which reflects the extent to which various actors (customers, potential employees, etc.) see the company as considerably “good” or “bad.” (Dowling, 2004). According to Dowling (2004), corporate reputation can be divided into two parts: Corporate image, which described as a person’s beliefs about a company, and corporate identity, which is the attributes, used to describe a business (Dowling, 2004). The framework used by Downing, Figure 3, comprises most of the factors in order to achieve positive reputation of a company. The reputations of the corporation are significant because of the fact that it as a sufficient way to influence the expectations of various actors (as stakeholders and competitors). More importantly, it is a help for customers and employees in order to identify if they would like to associate themselves with one or the other enterprise (Dowling, 2004). Besides corporate credibility play significant role in determining corporate identity. Consumers, who sees a company as credible, are more likely to believe in various aspects of the company and perceive it as trusted business (Lafferty, et al., 2002). As Dowling (2004) concludes, “Corporate reputation reflects the organization’s strategy, culture, and values. A good corporate reputation signifies trust in the company; creates an emotional and intellectual bond with employees, target customers, and other important stakeholders; and acts as the source of authority and credibility for all the organization’s dealings” (Dowling, 2004). It can be added that companies have to monitor and follow the consumers’ perceptions of corporate credibility. By doing that, manager can detect mistakes or notice decisive changes and take corrective measures if needed (Lafferty, et al., 2002).
2.4 Relationship marketing theory

Relationship marketing is argued to be a new paradigm of marketing (Gronroos & Ravald, 1996). The concept of relationship marketing emerged in the beginning of 1990’s and is widely researched among the scholars. Gummensson was one of them as he has done many studies on relationship marketing. While discussing different definitions introduced by numerous scholars. Gummensson (1994) uses the definition, which states “Relationship marketing is marketing seen as relationships, networks and interaction.” (Gummesson, 1994). Moreover, it is noticed that Grönroos (1990), contributed with an overall definition of marketing with a relationship-marketing angle by stating that “Marketing is to establish, maintain, and enhance relationships with customers and other partners, at a profit, so that the objectives of the parties involved are met. This is achieved by mutual exchange and fulfilment of promises”. (Gummesson, 1994). In addition, the authors debated that there is a shift occurring from the process of attracting customers to the activities which concern putting customers and their needs as the main focus as well as taking care of them (Gronroos & Ravald, 1996; Gummesson, 1994). The essential idea behind relationship marketing is relations. Accordingly, Gummensson (1994) identified as much as thirty different relationship forms. Furthermore, the maintenance of relations between the focal firm and the actors in its microenvironment, which is suppliers, market intermediaries, the public and understandably the customers as most important actor. Firstly, the idea is to create customer loyalty in order to have stable, mutually profitable and long-term relationship (Gronroos & Ravald, 1996; Rehme & Svensson, 2011). Gummesson (1994) adds that relationship marketing assumes goodwill from all included actors, however, it is emphasized that in real situations power and cunning takes part in a process (Gummesson, 1994).

Moreover, Hunt and Arnett (2006) did a research about the explanatory foundations of relationship marketing theory. In order to show various forms of relationship marketing they uses the framework (see Appendix 2) which was introduced by Morgan and Hunt (1994). In addition, all of the forms are related with “commitment-trust” theory of relationship marketing explored by Morgan and Hunt (1994). Which is seen as the main theory in relationship marketing (Morgan & Hunt, 1994; Giannakis, et al., 2015). Morgan and Hunt (1994) classify “relationship benefits” as a significant antecedent of the type of relationship commitment which illustrates customers who engage in relational exchange. Furthermore, consumers wish relationship partners which could be
trusted. It is very important for the reason that a trusted partner limits the risks connected with relational exchange and because the trust is interconnected with a partner’s reliability, integrity, and competence (Morgan & Hunt, 1994). Lastly, Morgan and Hunt (1994) propose that “consumers are motivated to engage in relational exchanges with partners with whom they share values.” That means, they want to do business with the firms that agree upon the same values with them, for instance, what is important vs unimportant, right vs wrong and etc. For example, some customers would involve in relational exchanges only with those organizations that they consider to work with is socially responsible (Morgan & Hunt, 1994; Hunt & Arnett, 2006). Returning to the research of Hunt and Arnett (2006), it considers the implications of commitment-trust theory of relationship marketing and develops it further by identifying “relationship benefits” which accordingly includes: “the belief that a particular partner can be trusted to reliably, competently, and non-opportunistically provide quality market offerings; the partnering firm shares values with the consumer; the customer experiences decreases in search costs; the customer perceives that the risk associated with the market offering is lessened; the exchange is consistent with moral obligation; and the exchange allows for customization that results in better satisfying the customer’s needs, wants, tastes, and preferences.” (Hunt & Arnett, 2006).

Additionally, Hunt & Arnett (2006) defines and presents the most significant factors in order to achieve relationship-marketing success, see Figure 4 below. Nine types of factors are identified. As mentioned before, all of them relate with commitment and trust, thus credibility is debated to be of the key attributes in order to fully maximize various factors. Additionally, some types of factors are distinguished as directly affected by credibility. Such as relational, internal, historical or even IT. For instance, internal factor as employees are seen as marketers because clients can draw conclusions about the business and its credibility just by having an experience with one worker and it could be any worker. It is important to have competent worker, know who they are, and be sure that they know how to behave (Hunt & Arnett, 2006). Moreover, relationship marketing signifies that everyone involved (employees) is perceived as a part-time marketer as in the first line with your customer (Giannakis, et al., 2015). In addition, it differs from ordinary marketing; in this case, you do not need to have marketing department or special marketers (Gummesson, 1994). More importantly, it is because, people (employees) are the ones who truly learn about the customers and the opposite, customers creates an impression of the company according to their employees. It is the people from whom the customer expects (and sometimes gives to) loyalty, trust and commitment (Giannakis, et al., 2015). In addition, such attribute as trust, can facilitate the buyer-supplier relationship. Since, if buyer trusts the supplier, it makes it easier for supplier to execute the work, as the buyer does not interfere in the process all the time and lets supplier to do its job. Consequently, that usually results in desire to continue the relationship in the future (Jiang, et al., 2011). Moreover, trust is seen as main antecedent of satisfaction. As Jiang (2011) states “When there are high levels of trust, the buyer tends to be satisfied with the relationship because of the strong belief that actions of the supplier will lead to positive outcomes for both parties.” (Jiang, et al., 2011).
2.5 Construction industry

In literature, construction industry is widely investigated since it is one of the largest industries in the world. According to the Construction Intelligence Center the Global construction industry is projected to reach US$10.3 trillion in 2020 (Market Reports Store, 2015). While in Lithuania, GDP of construction sector is 1.93 billion euros and GDP of real estate sector is 2.32 billion euros, in 2016 (National Department of Statistics). Moreover, construction industry is crucial to the economy since it creates the demand of numerous products and services from other connected industries. In addition, it is vital for achieving fundamental goals as providing people with homes, creating infrastructure as well as employment (Styhre, 2010; Stasiak-Betlejewska & Potkany, 2015). It is discussed that construction activities affect almost every part of economy and is one of the driven factors toward the growth of economy (Stasiak-Betlejewska & Potkany, 2015). The construction industry can be considered as dynamic, competitive, and challenging (Leung, et al., 2015) Generally, the construction industry’s primary activity is creating new buildings or renovating existing ones for all sorts of customers (Kagioglou, et al., 2001). In addition, it is debated that success or failure of construction projects are determined by the client’s evaluation and satisfaction on cost, timeframe and quality of a finished project (Kagioglou, et al., 2001).

Furthermore, most industries have their specifics - construction industry is not an exception. A construction project is specific work, which comprises various goals and intentions of numerous stakeholders (Leung, et al., 2015). Additionally, Olander (2007) states that “During the different stages of a construction project, from initiation to handover of completed construction, a vast number of interests will be affected, both positively and negatively.” In addition, notices that the project’s stakeholders are the ones who are affected the most when changes occur (Olander, 2007). Ones that are responsible for the project have to deploy number of resources (labor, materials, equipment and capital) in order to deal with change and uncertainties whilst completing the job within the timeframe and specific scope (Leung, et al., 2015). Because, for instance, facing the
delay in a project would cause severe consequences on majority of the project objectives (Arditi, et al., 2016). Usually detected causes of delay in construction industry are delays in owner payments to the contractor, design changes during construction, incomplete or improper design, and shortage of materials/equipment/manpower etc. (Arditi, et al., 2016). Such problems/causes cost a lot of money, thus different parties in construction industry do not want to take responsibility for it. Therefore, often everyone blames everything on each other (Smyth, 2004).

Another attribute of construction is that ordinarily, construction personnel working in different organizations (such as clients, government departments, consultancy companies, contractors, subcontractors and suppliers) need to work hand in hand in order to guarantee the success of a project (Leung, et al., 2015). As Leung (2015) describes, there are two main group of suppliers-materials and equipment. Both are very important in order to succeed (Leung, et al., 2015). In many cases, the material flow can be a headache for the construction company. Thus industrial management concepts of material planning are often used. Moreover, if the project is not private, in order to get it, the contractor need to win a contest while facing fierce competition. Since no one want to miss market opportunities (Leung, et al., 2015). The selection criteria consists of factors as price, experience, reputation (track of previous works), professional qualifications, etc. What is more, it is noticed that interest in tacit knowledge in construction industry has increased in the last twenty years, as its importance in order to have high performance and competitiveness throughout all organizational levels has been understood. Its significance for construction is proved by the extent to which the industry relies on skills and the need and capacity to gather different knowledge and qualities (Addis, 2016). Furthermore, one of the key aspects of construction companies is site-specific, project-based activities (Dubois & Gadde, 2002). The organizations need to have high-level project management and be agile. Since, construction is mostly about managing various tasks and coordinating specialized routines at the site level (Dubois & Gadde, 2002). In addition, the project may well be considered as a particular temporary network within broader, more “permanent” network (Dubois & Gadde, 2002). What is more, in construction industry, the same team rarely (and then rather by accident than by mindful planning) works together in more than one project, and even if some of the employees/workers meet in another project, their roles regarding one another could be different (Dubois & Gadde, 2002).
3. Methodology

In the following chapters, the selected study design and research paradigm is presented and justified. The processes of data collection takes part as primary and secondary data are explained. In the end of the section, limitations and ethics of the study are introduced.

3.1 Study design

3.1.1 Qualitative research

The approach used for this study is qualitative method since the core of qualitative research is to identify the characteristics and structure of phenomena and events examined in their natural context (Jonker & Pennik, 2010; Yin, 2011; Ary, et al., 2010). In addition, according to Yin (2011), the qualitative research has the ability to signify the perspectives and perceptions of the participants in the study. As in this study, the researcher subjectively decides different aspects, as someone else would interpret same things differently. In qualitative research is that knowledge about reality can only be seen through “the eyes of someone else” (Jonner & Pennik, 2010; Bryman & Bell, 2015). Moreover, this research investigates specific subject about which the researcher can learn more from qualitative data than literature. As Creswell (2012) suggests: “The literature might yield little information about the phenomenon of study, and you need to learn more from participants through exploration”. In addition, in order to complete this study and answer research questions, it was a necessity to interview experts in the field.

The study can be seen also as exploratory research because according to Collis and Hussey (2013), it is conducted into research issues when there are few studies done on the same topic that we can refer to. Additionally, techniques of the data collection are flexible and has few constraints on the nature of activities used or on the type of data is collected (Collis & Hussey, 2013). Also, “The research will assess which existing theories and concepts can be applied to the problem or whether new ones should be developed” – Collis and Hussey (2013).

3.1.2 Case study

The case study method is selected for this qualitative research since it is used to investigate a single settings and phenomenon (Collis & Hussey, 2013; Eisenhardt, 1989) using various data collection methods with the purpose to obtain in depth knowledge (Collis & Hussey, 2013). Some writers even define qualitative research and case study as synonyms (Bryman, 1989). Thus, the inductive approach is employed in regard between the research and theory when the qualitative approach is dominant (Bryman, et al., 2010). Another beneficial aspect of the case studies is its numerous use as testing theories, providing descriptions or generating theories (Eisenhardt, 1989). Furthermore, the data collection methods in case studies ordinarily comprises archives, interviews, questionnaires and observations (Eisenhardt, 1989). Accordingly, many scholars identifies that such researches are enriched with quotations from significant informants, interviewees and various supportive indications. However, the mistake would be to forget that the research empirical evidence should be intertwined with theoretical implications in order to properly fulfil the study (Eisenhardt & Graebner, 2007).

3.1.3 Sampling and interviews

In this research, interviews are the main source of primary data, since it is one of the most frequently chosen method for conducting qualitative data (Ary, et al., 2010). Moreover, as Bryman (1989) states, the main sources of data in qualitative study: “participant observation, unstructured and semi-structured interviewing and the examination of documents”. In the study, researcher used semi-structured as it was the most appropriate type. In semi-structured interview, the majority of the question needs to be open-ended (Creswell, 2012) with the intent of having broader answers and possibility of having a discussion with an interviewee (Creswell, 2012; Collis & Hussey,
2013). It does not matter what type of interview: face-to-face, online etc., the questions as advised by various authors should be open-ended (Creswell, 2012). In addition, the order of the questions asked is flexible (Collis & Hussey, 2013), also the follow up questions are taking place. In general, the format of a semi-structured interview can be modified by the researcher (Ary, et al., 2010). Moreover, interviews were conducted in Lithuanian and transcribed, thus the transcripts are available upon a request.

The selection of the interviewees in this study has features of three different types of sampling: Purposive, Typical and Convenience. The aim of purposive sampling as Yin (2011) suggests, is to choose the particular study units that will benefit the research with the most relevant data and information, regarding the topic of research. Moreover, “researchers intentionally select individuals and sites to learn or understand the central phenomenon” – Creswell (2012). Secondly, the typical sampling can be related to the purposive since sampling selects are seen as typical of the topic which is being studied (Ary, et al., 2010).

Thirdly, convenience sampling can be considered as used in this study just because that the sample was based availability, time, location, or ease of access (Ary, et al., 2010). Although, it was unavoidable since the case company is situated in Lithuania. When considering the amount of interviewees chosen, Yin (2011) states that, there is no formula for defining the desired number of instances for each broader or narrower unit of data collection in a qualitative study. However, it means, the subjectivity occurs as it is of the qualitative research.

3.2 Research paradigm

Throughout the research, the interpretivist is predominant paradigm. It was defined during the study, since the cornerstones of the interpretivist occurs in the research. Interpretivist is supported by the belief that social reality is not objective, but highly subjective because it is shaped by our perception- according to the Collis and Hussey (2013). Following - “Interpretive research is any type of research where the findings are not derived from the statistical analysis of quantitative data. Instead, the findings are derived from qualitative methods of analysis, which are based on the interpretation of qualitative research data” - Collis & Hussey, (2013). Furthermore, interpretivism can be relied on small sample size along with the fact of providing individual, qualitative data. The study tries to explore and understand the subject field more willingly than get a validation of it.

3.3 Data collection

3.3.1 Primary data

Empirical data was conducted by using semi-structured interviews. The situation and the introduction of the topic were presented before starting the interview. Various questions were designed according to the guidelines which were presented in 3.1.3 section, also the additional literature as Martin (2006) and similar were helpful in order to develop appropriate interview questions. During the interviews, everything went smoothly while keeping the flexible format of it. There was three different sets of questions developed. All three contained many questions that were the same, the most important ones. One for the site workers of the case company Ltd. “Mana ranga” which were based in a construction site, second for stakeholders and managers and the third one for the high-level expertise, which are managers or owners of the construction or real estate companies. Consequently, they have all kinds of implications regarding the research. (The main Interview questions can be found in the Appendix 1)

In total, 22 interviews were obtained by using the types of sampling presented in 3.1.3 section. Among the 22 interviewees, there are 8 construction site workers, 2 project managers of construction site, 3 stakeholders of Ltd. “Mana ranga” - one of them is the CEO of the company as well, 9 high-level expertise personnel with the 5-25 years of experience in the businesses of construction industry or real estate field, both are very closely related. The interviewees were
founded with the help of various networks as online sites, family, friends etc. It was just second time when the researcher was in the position as the interviewer but it was not a problem. On average, the face-to-face interviews lasted for approximately 25-40 minutes. Although, some of the interviews were conducted via online tools, for instance, email or Skype. To sum it up, as mentioned before, the time constraint was 11 days which researcher spent in Lithuania, therefore, the span of the empirical data is as presented. Nevertheless, in the researcher believes it was enough data in order to investigate the issues of the research.

3.3.2 Secondary data

The purpose of the research led to the investigation in which secondary data was one of crucial components. Additionally, was prerequisite in order to support primary data and complete the research. With the aim to avoid non-conformities and achieve the best results, only reliable and justified information sources were used. Moreover, KTH online library; Google scholar; Mendeley program and Science Direct search were used as the main platforms while gathering the numerous sources for the research. The two dominating information sources in the research were scientific articles and books. Both of these sources have many real life examples and overview of different cases. Moreover, the web search was done as well. In order to find different views and broaden the span of literature. Overall, it took a lot of time since the secondary data (literature review) is broad, considering the fact, that there was a constraint of a timeframe and the researched objective was not widely exploited in a previous studies and literature.

3.4 Limitations

There are some weaknesses, which must be noticed. The major limitation of the research was the time constraint. The research had to be gathered in around two-month period. Therefore, it was difficult to fulfil plan and collect primary data such as interviews, sampling etc. In addition, another little obstacle was that the case company of the research is based in Lithuania. Eleven days were spent there in order to conduct all the interviews face-to-face. Apparently, the selected timeframe was limited, thus the researcher was required to use different conducting methods as email, skype etc. Furthermore, the analysis and interpretation of the secondary data was time consuming and proved to be difficult, the secondary data sources were limited. In the view of latter and evaluating the fact that interpretivist paradigm was taken, the reliability of the research cannot be fully guaranteed. As Collis and Hussey (2013), suggest that if the research were repeated the result should be the same, in this case if one repeated the research the outcome might differ. Although, this particular research would have a chance of having similar results since the topic is specific and narrow.

3.5 Ethical considerations

The qualitative research process requires adequate amount of trust while maintaining high-level disclosure of participants (Creswell, 2012). There are many issues that can be faced (Creswell, 2012) and research integrity is one of the most significant aspects (Yin, 2011). During this research, the ethical norms and sensitivity has been sustained. Privacy and anonymity of the participants were respected (by coding the answers: Interviewee1, 2, 3, etc.) Regulations and explanations of the interviews were introduced before the start of the interview. As well as the interview questions. Moreover, interviewees were allow to take their time and speak freely, whilst respecting their opinion. If the interview was being taken during the working hours, the superiors of the interviewees were informed. In addition, the location of the interview was chosen in coordination with the interviewees. It needs to be mentioned, that the interviews with the construction site workers where conducted at the construction site. Some authors argue that because of this, the responses to the questions could be affected. However, it is doubtful since knowing that, the researcher comfortable and furthest place from the working site. Moreover, the case company was informed in detail about the study and will have the access of the research paper
before it is sent for a final submission. Overall, during the whole study, researcher maintained ethical norms and objectivity as well as the responses and requests of the participants.

### 3.6 Sustainability

Nowadays sustainability is considered by many different businesses around the globe. It has become inherent aspect of businesses, although in construction industry, companies are introducing its importance slowly. For example, the case company has other priorities than being sustainable since the benefits for a new company in construction industry would be insignificant. However, sustainable materials are emerging all the time and technologies are as advanced as have ever been. In addition, equipment, which is used at construction sites, could be generated with renewable energy sources. Together, it could lower down the pollution that is coming out of construction sites as well as show that the company is environmentally friendly and innovative. It is just the matter of time until all the companies will be focusing on sustainability and its significance.
4. Empirical Data

In this chapter the case, company and conducted data from the interviews will be presented. The environment as well as current situation of the company will be explained.

4.1 Case company

First of all, it needs to be mentioned, that with the intent of having better understanding of the company, the SWOT analysis and Porter’s five forces frameworks were applied. The full data of it can be found in Appendix 2. Thus, in this chapter, the researcher presents only the current issues and implications of the company’s credibility and case company as well. It is done in order to have a compressed information about the objective of the research, instead of exploring all sorts of aspects in the case company. The CEO of Ltd. “Mana ranga” was used as the main source in Chapter 4.

Lithuanian company Ltd. “Mana ranga” is a relatively new construction company situated in the second biggest city – Kaunas. The business was started about 8 months ago; hence, in the research it is called start-up. Since, in the construction industry it is comprehended as very short period. The firm was founded by young (27-40 years of age), well-educated and experienced men who are also the shareholders of the company. They saw an opportunity of exploiting a particular market segment – renovation, which is the main activity of the case company. It can be illustrated as, for example, turning a 2000 square meter, old building into 30 modern apartments whilst renovating the building itself. Currently, they are very successful but it is worth mentioning that there is a lack of competition for them. Moreover, the company is rapidly growing. At the moment, according to the last data from work and social security institution, company has around 65 employees, although the fluctuations of the amount workers (see Appendix 2) occurs all the time. Furthermore, the net worth of case company is approximately 1 million euros. Already, it is an insured contractor and has the approvals from the required institutions. Nevertheless, company’s management are not overwhelmed with successful start of the company and are determined to achieve much bigger goals. That is one of the main causes why company’s credibility is an issue and the case company is trying to come up with the solution for it. Following, current situation concerning the credibility of a case company is discussed.

The importance of company’s credibility was realized whilst seeking to sign a contract for a project, which valued around 2-3 million euro. The case company was rejected and did not get the project. As customer told to the CEO of Ltd “Mana ranga”, “you have great prices, and you had chances to win this contractor agreement, but our board declined you as a partner, because you lack credibility and there is trust issues as you are a new company”. According to the CEO, these words lost a case company about 500 thousand-euro profit in half a year. Moreover, another eye-catching issue in market is that people are more likely to choose a bigger, well-known company as an employer. People do not trust new companies and thinks that they are not credible enough. Despite the fact that in many cases offerings are better than in the firms seen as, so say “Old Wolves” of the in industry. Having all the things in mind, shareholders of the case company are searching for the ways in order to raise their credibility. This became a necessity because goals of the company are to expand, become competitive player in the construction industry (not just segment of renovation) and even start partnerships with foreign businesses.

4.2 Data of the interviews (summarized)

In this section, the qualitative results will be presented. The responses conducted by interviews were gathered and vital data, regarding the research questions and objective of the study, is summarized and discussed in this chapter. Participants are coded by names: Interviewee 1, 2, 3 etc. Most important questions of the interviews and list of participants and their codes can be found
in Appendix 1. Moreover, the overall information about the interviews is presented in 3.3.1 section of the research.

### 4.2.1 Defining the credibility of a company and key aspects of it

In this section, different meanings of the company’s credibility and the identification of the most significant factors are presented. Understandably, it is discussed together since both are intertwined while complementing each other. Many responses of the participants were similar, thus making it easier to comprehend these subjects.

To begin with, one of the participants described the company’s credibility in detail, according to the Interviewee10: “The credibility of a company - is the fulfilment and execution of company’s liabilities (verbal and oral). That comprises contracts with clients (pricing, terms, quality assurance), suppliers (fulfilling the payment terms), employees (assuring the agreed working conditions, paying agreed salary, especially the compliance of agreed motivational system principals). Moreover, the natural resources conservation policy increases the modern company’s credibility (for example: construction company is recycling while working on site or the usage of ecological resource while building the object of real estate). Social policy of a company can define and improve company’s credibility as well. Customers and employees selects the company which gives a lot of attention to complying their activities with interests of the society (for example, invest in work safety, employs students, etc.)” This answer comprises most of the things, which were mentioned by other participants. Also, shows that the credibility of a company is broad subject and needs to be seen from different perspectives. Furthermore, many of respondents stated that credibility could be seen as accountability. Before making any kind of deal or even starting negotiating, clients are checking if the company is accountable and creditworthy. More often than not, this information is available online, if the case is different, customers tries to confirm this information through their own channels and networks. Interviewee4 mentioned another thing: “In the job interview you are meeting with CEO of the company. So alone, he is seen as the whole company. I was looking, what is his appearance, if he is honest, reliable etc. In such situation, the credibility of a company can be seen as the credibility of the CEO.” Other respondents touched upon this thought as well. All of the participants agreed upon the fact that credibility is significant for businesses. As Interviewee12 emphasized: “Company’s credibility is reputation and reliability, it is the most important feature in real estate and construction business. One mistake, if not fixed, could end the company. Even rumors of bad reputation should be managed...” Complementing this, the interviewee1 said, “Credibility of a company determines the success rate of your project. It is extremely important”.

Many various factors are intertwined together when we talk about the business credibility. Most of them were mentioned above. Nevertheless, almost every respondent agreed that reputation (previously realized objects and projects) and recommendations are crucial in order to be seen as credible company and attract many customers. Especially, in the construction and real estate industry. However, these two aspects were identified as more for matured companies. If a company is new (as is the case company), key things are knowledge and experience of the top management, the composition of construction team and qualifications of the employees. Moreover, company needs to be honest, as Interviewee8 noticed, “you need not just to say you are honest but actually prove it. That the principles of working with various actors would be based on honesty and trust” and try to have no debts. As the participants mentioned it, they would immediately check this kind of information. On the other hand, from employees’ perspective, the most important factor by far, was fulfilling and executing the agreed terms. Most importantly, paying salary on time.

### 4.2.2 Establishing and increasing company’s credibility

In this chapter, the data about how the new company should establish and increase their credibility or prove that they are credible, in the eyes of the customers/clients as well as employees is
presented. In addition, the participants were asked to share their experiences about which methods are the most effective ones.

Firstly, the responses are reviewed from the perspective of the customers/clients. Mostly suggested method was by having competent, educated and qualified employees throughout the whole company chain. Starting by top management and finishing at the very end. As Interviewee8 stated: “Often practice is when commerce/sales manager beautifully and professionally are selling his service, but after the contract is signed, at the other execution links of the company, the competence, qualifications and morale norms of the employees significantly lower (this situation should not occur)” . Moreover, establishing a relationship between company and the client can be extremely helpful. Looking to every client seriously and thinking of a long-term perspective. Since it is a new company, close interaction with your customers and showing them that they are very important to you, can have significant impact on company’s credibility. Accordingly, right communication is inherent aspect of well-established relationship. For instance, signing a perfectly good contract for both sides (and executing the terms in it) and giving valuable advices as well as clearly communicating what is happening during the stages of a project (being transparent) could result in major increase of new company’s credibility. Furthermore, successful previous projects and recommendations are very important. It was mentioned that collaborating with a well-known (credible) company should be considered as well. It could be one of the fastest ways of establishing company’s credibility.

Next, the methods are presented from the perspective of employees. To start with, everything begins with the top management of the company. The personnel needs to trust their superiors, thus top management needs to be well educated, have the achievements in the past and right, required qualities. If they are credible in the eyes of the (potential) employees so is their company. Most of the respondents emphasizes the importance of signing the contract, where all of the terms are indicated point by point, and executing it. Things like working conditions, all kinds of guarantees, on time salary (despite expectancies in the company), showing the working capital and resources are very important while trying to establish and increase business credibility. Moreover, as Interviewee11 suggested: “Form a structure, behave honestly, share the future vision with your employees, and show that you want to grow a company with them. Especially, when company is in the initial stage, it is important for employees to the growth of the company and top management should encourage employees to be a part of it and accordingly motivate them.” Moreover, transparency and treating people equally (letting them feel on the same level) were mentioned as well.

Thirdly, participants were asked to share the most effective ways that they have encountered in order to increase the credibility of a new company. The answer of Interviewee8: “In the first meeting with the company’s employees (top management) you evaluate their behavior, competence, communication, knowledge and make the first impression. Usually first impression leads to a decision if you select this company or skip it and pick the next one. In order to increase company’s credibility, it could offer their services without advance payment, with better payment conditions. When you figure out client’s demand, you can offer additional services and guarantees (added value for the customer)” comprises many aspects mentioned by other participants as well. However, it needs to be stressed that the first impression and the first project for the customer are extremely important. If you are successful the first time, customers will hire you again, possibly increasing the value of the projects. Additionally, happy customers spread the message, that this company is credible and managed to do everything on time as noted in the contract, so to say, mouth-to-mouth marketing is happening on its own. Also, successfully realized real estate objects are marketing the company and increasing its credibility themselves. Furthermore, because of the fact that it is a new company, the insurance of your work needs to be provided as well as free fixing services if something goes wrong after your company have finished the work. In addition, keeping your word and showing to the clients that he is the most important one. All in all, as Interviewee2 said: “working hard from the first minute (whilst providing high quality, completing
the project in agreed timeframe, competent workers) is best way to send the message that this is credible, serious company”.

4.2.3 Experiences while working/managing in startups

This section presents the takes on new companies in construction industry. Moreover, if participants would consider choosing a startup company as their contractor (final selection). In addition, experiences (related with company’s credibility) of working in a startup or managing it will be discussed.

The majority of participants states that they would consider selecting a new company for the job. Young company has many advantages. For instance, Interviewee7 thinks that “…new companies with professional team are much needed. Because most of the old companies, big players of the industry are reluctant while dealing with their clients and they have long execution terms”. Another benefit is considered cheaper price and determination to work. These are required elements since a new company wants to stay in the market. One of the respondent stressed that “new companies are very good thing because it increases the competitiveness in the market. Makes old companies to improve in order to keep up with competitors.” Some of the participants concludes that new companies can be easily assessed. By giving small, simple project while closely following their work. It depends purely on shoulders of the company, if they show the competence fulfils the requirements of the client and even gets a new job or it is opposite. Others emphasize that young companies are usually by far more innovative and motivated. To sum up, new companies are considered as an option but have to make an attractive offering.

Respondents described their experiences (related with company’s credibility) of working in a startup or managing it. The answer of Interviewee10 touched upon many significant subjects. “It is very important to manage the legal aspects of the company. Relationships with employees who forms the image and credibly of a company (could be all employees). Moreover, the recommendations of experts, influential people, etc. are significant. But the most important thing is the feedback of first clients, later- subcontractors and suppliers.” Many agreed that the key resources are people while they represent the company. It does not matter in which spot of the business your customer will appear, all employees have to be professionals. Then the chances of making good first impression is on your side. Furthermore, as Interviewee8 identified: “The biggest issue was to prove clients and investors that you can deliver. We had to cover losses from our own budget, which were incurred not because of our fault, but this helped us save reputation and reliability.” To conclude, there many things to considered if you managing or working in a startup company, but almost all the problems can be solved.
5. Analysis

In this chapter, combined ideas and information of the results from the literature review and empirical data will be analyzed and structured. With the purpose of providing the answers to the research questions as well as knowledge and explanation of the study objective.

To start with, the subject of credibility is widely known in various contexts. Although, as the one of the attributes in business field it is little discussed. This research focuses on the importance of credibility in business area, while trying to explore the factors, which affect the credibility of a business. Particularly, exploring new business-startup in the construction industry, with the example of the case company. Accordingly, investigating how can a startup company increase its credibility and be perceived as credible in the eyes of customers and employees.

It is clear that company’s credibility is very important attribute and has big impact to the success of business. Accordingly, company’s credibility is the parameter on which others build up their judgement about you and your company. Without it, problems can arise while communicating with various actors as investors, customers, employees, etc. As Interviewee8 defined: “The credibility of a company - is the fulfilment and execution of company’s liabilities (verbal and oral). That comprises contracts with: clients (pricing, terms, quality assurance), suppliers (fulfilling the payment terms), employees (assuring the agreed working conditions, paying agreed salary, especially the compliance of agreed motivational system principals).” Although interviewee was asked to explain what is company’s credibility in construction industry. It can be concluded that business credibility comprises many aspects and is significant to the business.

In the beginning of a business, top management - founder/CEO, first shareholders of the company are crucial. Their competence, knowledge, experience, etc. are the factors, which directly influence the firm’s credibility. Since the start, credibility of a new company is the credibility of initial people of the business. When a company is barely known, the representatives and their qualities shape the view of different actors: investors, clients, suppliers, partners, towards their credibility, thus the company’s credibility. Moreover, in such cases the representative of a business can be seen as a “source” and related to the source credibility theory. In addition, it is based on competence, trustworthiness and goodwill (McCroskey & Teven, 1999), stressing the fact that qualities of business representatives strongly influence the credibility of the company. Furthermore, in the eyes of potential employees as the business is growing, all of these qualities are plays significant role in increasing company’s credibility. As Interviewee4 noticed: “In the job interview you are meeting with CEO of the company. So he alone is seen as the whole company. I was looking, what is his appearance, if he is honest, reliable etc. In such situation, the credibility of a company can be seen as the credibility of the CEO.”

Significantly, facing first contact with different actors lead to making the first impression, which is vital for the company and is closely intertwined with the representatives’ qualities. As Interviewee8 illustrated: “Usually first impression leads to a decision if you select this company or skip it and pick the next one”. Consequently, it leads to getting a job/project for your company. Moreover, as discussed in the literature (Birley & Norburn, 1985; Rehme & Svensson, 2011) as well as defined in empirical data, first project sale is extremely important in construction industry, in order to establish and increase your company’s credibility. During the first project, customers evaluate your company from all angles. The first project is of a smaller scope since you are a startup, but in construction business it is enough to see if company can deliver on agreed terms (time, price, quality). Therefore, successful first project gives you credibility and recommendations. As founded out, recommendations are crucial factor of firm’s credibility. It can be seen as mouth-to-mouth marketing, which can be powerful tool in increasing company’s credibility. Especially in a relatively small market in which case company operates. Such findings emphases the importance of first successful project even more. Accordingly, it usually guarantees future projects and helps to establish relationships with various industry actors.
Further, since the interactions with various actors (for instance, customers) are very close, it is more like a relationship. It was learned that some of the ideas behind relationship marketing theory could be applied in order to increase a credibility of the company. There are many different factors identified in order to achieve relationship-marketing success (Hunt & Arnett, 2006). Moreover, relationship marketing signifies that internal factor as employees of the company (everyone involved) is perceived as a part-time marketer as in the first line with your customer (Giannakis, et al., 2015). As well, it noticed that there are no marketing department or special marketers (Gummesson, 1994). This is exactly the case in construction industry. Therefore, all of your employees should be competent and professional, since in the eyes of the customer they are seen as parameter of company’s credibility.

In parallel, by having competent, qualified, educated, knowledgeable staff throughout the whole company chain and fulfilling expectations of the different actors, results in building up company’s credibility. Moreover, that ends up in developing trust and loyalty. As (Jiang 2011) suggested – “Trust is satisfaction”. Therefore, clients and other related parties are not questioning firm’s credibility when they can trust and rely on it. Thus, as the amount of workers in construction constantly fluctuates, therefore many contemporary workers occurs. Human resource processes become crucial, because, as mentioned, any employee could be an indicator of credibility while interacting with the customers.

Furthermore, communication and honesty affects one’s credibility and are influential aspects of company’s credibility. It seems easy to accomplish, but reality reveals that it is not. Agreeing on terms and signing a win-win contract can be more difficult than delivering construction projects itself. Company needs to communicate constantly – throughout all the stages of a project, even when something goes wrong, because often, in difficult, unpleasant situation contractor starts lying to its customers, while trying to hide its mistakes. However, as it was found that being honest and informing real situation to clients and related actors gives more credibility to the company than one could think. The quote of business author - Brian Koslow, illustrates described situation - “The more you are willing to accept responsibility for your actions, the more credibility you will have.” Moreover, as mentioned by many interviewees, in construction, ability to evaluate your company’s capacities, manage your working capital and deliver the project on agreed terms (timeframe, price, quality) is crucial, especially for new companies. Accomplishing that will boost company’s credibility and success in the future.

As it was found out, one of the fastest ways to establish and increase startup’s credibility can be collaborating with one of the well-known, credible players of the market/industry. Alternatively, adding famous and respected personnel (investors, etc.) to the company. As a result, new firm automatically acquires the customer base and network of added actor. As discussed in literature review, having influential partner, investor allows you to break in the circle – “credibility merry-go-round”, and importantly, increases the credibility of a company.

Furthermore, establishing new company’s credibility in the eyes of employees (potential employees) is another important aspect. It was concluded, that signing a proper contract and realizing the agreed terms gives credibility to a company from their perspective. As indicated by case company’s workers most important aspect is paying salaries on time (no matter the situation company is in). Understandably, it is related with the fact that this is new company. Moreover, other participants showing company’s capital and future finance plan can be a proof of firm’s credibility and assuring factor for employees. What is more, motivating employees and making them feel as part of the company can be significant in order to raise the credibility of a company. Additionally, social responsibility of a company is an important factor these days. Showing values, providing social benefits help to increase credibility and be perceived as credible by both customers and employees.
6. Conclusion

Concluding, the importance of new business’s credibility is undeniable. It should be seen a business’s attribute which improvement is significant to new company’s success. While in construction industry, it is almost impossible to expand your business without establishing company’s credibility. After this research, it is clear that credibility of new business comprises many various aspects. In fact, more than one would think. Therefore, the study provides and signifies key factors and processes in order to increase and establish new company’s credibility in construction industry.

It was found that knowledge, competence and qualifications of people play a crucial part in relation with new company’s credibility. Starting with the top management (founder, CEO, etc.), as in the beginning they are representing the company alone, which lead to the fact that their credibility become company’s credibility. Following, the same qualities should be maintained throughout whole company chain, from the top management to the simple construction site worker. Since company’s workers are the marketers and can be the first line of interaction with the customers. Leading to the client’s perception of company’s credibility, basing it on employees’ behavior. Moreover, first customer/first project is emphasized to be extremely important. Success of the first project results if the company will be selected for future collaboration. As well, this leads to getting the recommendations and automatically marketing yourself as credible company. Furthermore, communication and honesty/transparency gives you credibility. As indicated, reporting the situation during all stages of the project as it is, also following the agreed terms and conditions leads to being trusted. Thus, increasing your company’s credibility.

Furthermore, as a result of this study, the processes in order to improve new company’s credibility can be provided. Firstly, creating a human resource management and focusing on the selection of employees, especially on site workers. Secondly, looking into relationship marketing and trying to adapt its ideas, or even implementing it. Moreover, introducing well-known investors to your company or collaborating with big player in the industry can accelerate your business as well as vastly increase credibility of your business.
7. Recommendations and future work

This research has explored the topic of credibility as a business attribute while discussing its importance to a new company (startup) in the construction industry. Moreover, it has investigated key aspects and processes which leads to establishing and increasing new company’s credibility. While using various theories and concepts of credibility and empirical data from high-level expertise of construction industry. Additionally, this study contributes to both practice and general knowledge. Different factors and processes are identified in order to increase company’s credibility in construction industry. Thus, could be helpful for numerous companies while dealing with similar situations. As well, this research can be used as summary of the main credibility theories or provide directions for getting more information. However, study focused on one country, therefore the findings could be different depending on various circumstances.

A recommendation for future work could be the study of providing quantitative data and expanding its scope. For instance, by surveying vast amount of random people in different countries. Moreover, trying to identify what percent of projects, which are lost because of the poor credibility of a company. While providing quantitative data on what aspects made to do not select one or another company.
Bibliography


Appendix 1

List of interviewees

Lzd. “Mana range” shareholders (3 out of 5) and employees:

1) *Interviewee 1.* A Shareholder and CEO of the company. Bachelor of ISM (a subsidiary of BI Norwegian Business School) - economics and international business, Master degree in international business (Vilnius University). Working in the construction field for 7 years.

2) *Interviewee 2.* A Shareholder and CFO of the company. An economist, SSE graduate, working in the construction field for 7-8 years.

3) *Interviewee 3.* A Shareholder. Graduate of Kaunas KTU university - engineering. Working in the construction field for 13-14 years.

4) *Interviewee 4.* A construction site manager. 15 years of experience in construction field

5) *Interviewee 5.* A construction execution manager. 10 years of experience in construction field.

Here are eight construction site workers:

6) Wide range construction worker, helper. 1 year of experience.

7) A tiler/roofer. 30 year of experience.

8) Wide range construction worker also was construction project manager some time ago. 40 years of experience.

9) A painter, helper. 3 years of experience.

10) A bricklayer. 15 years of experience.

11) A tiler/roofer. 30 years of experience.

12) Wide range construction worker, helper. 10 years of experience.

13) A decorator. 5 years of experience.

High-level Expertise:

1) *Interviewee 6.* A construction project manager. 15 years of experience while working with different objects. Medicine shops, Shopping malls, offices.

2) *Interviewee 7.* An operating manager. 5 years of experience in real estate and constructions companies. Finished projects so far: four self-operating car washes, hotel and administrative building complex.

3) *Interviewee 8.* A construction project manager. 18 years of experience whilst working in contractor organizations as well as in project development companies. Planning and organizing construction works, managing project teams. On the other hand, represent clients while designing and realizing real estate objects.

4) *Interviewee 9.* An architect, project manager. 20 years of experience, in 1997 established a design company.

5) *Interviewee 10.* A construction engineer, construction manager. 20 years of experience, managed construction as well as real estate companies.


7) *Interviewee 12.* A construction project manager, an operating director. 14 years of experience. Was a construction project manager, in 2005 launched the real estate consulting and development company.
8) Interviewee 13. A construction project manager, manager of construction technical maintenance, construction engineer. 22 years of experience.
9) Interviewee 14. An operating manager. 15 years of experience. Was operating manager in Lithuanian and Norwegian construction companies.

The main Interview questions
Note: All interviewees were informed that all the questions are asked with the context of construction industry.

What is the credibility of a company? What does it mean to you?

If you are selecting a company yourself, which factors you consider as the most important ones? For example: when you are building your house, apartment, etc.

In your opinion, what are the most significant factors for a young company in construction industry?

How can a new company show to the clients that it is credible?

How can a new company show to the employees that it is credible?

In your opinion and considering your experiences, what are the most effective ways in order to increase new company’s credibility?

What do you think about new companies (startups) in construction industry? Would you consider them as your final choice for the work/project?

Have you ever worked/managed/started a new company? What was your experience related with company’s credibility? What problems did you have (if you had)?

What are the biggest problems while establishing and increasing new company’s credibility? In regard with current and future employees, current and future clients.

How important is the credibility for new construction company? And what affect can it have on the company?

What do the customers think about new company’s credibility?

How do you think, should new companies invest and do everything it takes to increase and establish their credibility? Explain.

Which factors of the company (“Mana ranga”) you considered as the most significant, before you became an employee?

Was the credibility of a company one of them? Explain.

Company is new/young so its credibility can be low. How does it influence your opinion about the company?

How can “Mana ranga” increase its credibility? What actions should they take?
Appendix 2

Credibility “Do’s and Don’ts list”. (MacDougall & Conrad, 2009)

<table>
<thead>
<tr>
<th>Do</th>
<th>Don’t</th>
</tr>
</thead>
<tbody>
<tr>
<td>Communicate openly with audiences</td>
<td>Stretch promises</td>
</tr>
<tr>
<td>Acknowledge your weaknesses</td>
<td>Fail to maintain an outside perspective of your company</td>
</tr>
<tr>
<td>Set short-term promises and long-term goals</td>
<td>Stall on communicating delays or setbacks to key audiences</td>
</tr>
<tr>
<td>‘Sandbag’ corporate milestones</td>
<td>Publicly announce ‘binary events’</td>
</tr>
<tr>
<td>Communicate a consistent message</td>
<td>Change your goals based on what is ‘hot’ at the moment</td>
</tr>
<tr>
<td>Develop a crisis plan</td>
<td>Be reactive, rather than proactive, during a crisis</td>
</tr>
<tr>
<td>Make key people available during a crisis</td>
<td></td>
</tr>
<tr>
<td>Draft a publication plan for your science</td>
<td></td>
</tr>
</tbody>
</table>

Figure 5. Forms of relationship marketing, (Morgan & Hunt, 1994).

The number of employees in Case Company. Period: 2016-08/2017-05 (Source: Business news. Official data base of Lithuanian companies)
SWOT Analysis of the Case Company:

Strengths:
- Management (young, innovative ‘using apps, smart technologies and so on.’ well educated).
- Timing, deliveries are on time. Very important in construction industry.
- Quality.
- Pricing (the best prices in town).
- Completing the whole process from the beginning till the end. From start to the door keys.
- Network. Co-operations.
- Knowledge.

Weaknesses:
- Young company, relatively young top management.
- Credibility of a company. In the eyes of different actors. It is the cause of many various problems.
- Working capital, it could be more, not enough.
- Operating in one city so far.
- Big staff turnover. Staff is changing a lot.

Opportunities:
- Expansion to whole Lithuania.
- Getting more projects.
- Start working with foreign suppliers.
- Have bigger market share.
- Buy projects. Make investments themselves.

Threats:
- Occurring competition.
- Market credibility. Construction sector could go down since now it is booming.
- Customers will not pay for work that is done. Working capital will be missing.
- While expanding, the qualified workers can be a problem, having enough of them.
- The cost of Labor. Growing economy can lead to jump of salaries.
- New Laws and regulations. For instance, A-class of all the houses will be required.

**Porter Five Forces. Case Company analysis.**

**Competitive rivalry:**
- In Kaunas are maybe 10-15 competitors, in Lithuania maybe 50-60. But if we look just at renovation- Ltd “Mana ranga” is almost the only one with this type of business model.
- Quality is similar, but when we look to delivering time – Ltd. “Mana ranga” is a leader. (from the groundwork to the door key)
- Loyal customers depends on the quality, the services provided before, they will not switch then. It depends on your credibility sustainment with your customers.

**Threat of New entry:**
- Entry time depends on how fast you can find the workers of all different specialties.
- Cost of entry is quiet high since it is construction, also equipment is very costly.
- If the workers are young and unexperienced then it will be hard to enter. You need to have also experienced ones and it is really difficult to find.
- The more projects you have the cheaper it becomes, reaching economies of scale. But for a new entry it is difficult to do that.
- New entry cannot get cheap prices or discounts for materials, equipment etc. from a supplier (it is usually the case).
- There is no technology protection as such. It depends on your specialists (depends how much you invest). Also, tacit knowledge is crucial in construction industry.
- You must have orders/projects before you start, it is construction start-up. Firm has to have all the documents, be certified, need to have technical engineer and etc.

**Supplier Power:**
- There are around 8 large suppliers (big in Lithuania and they are competitors) and then the little ones.
- Just 2-3 suppliers can deliver huge amounts of materials and anywhere in the country.
- Very easy to substitute.
- Cost of changing is 0. Just the time which takes to do it.

**Buyer Power:**
- Unlimited amount of customers. All the people or firms. B2B, B2C.
- From 100 thousand euros to millions of euros, it depends.
- At this moment there are no substitutes, it will be big difference if you are looking for different firm. Only few companies do the full work from ‘0 to the door keys’
- Very sensitive price. Price is very important.
- It depends if the company started building or not. If customer does not care who will be doing certain thing then it is easy to substitute. Or work has started and other company is taking over. Depends.

**Threat of Substitution:**
- There are no companies that do the same at the moment. Unless you look for completely finished projects, not from the contractor not from somewhere but just fully finished.