INTERPERSONAL TRUST AND RELATIONAL SWITCHING COSTS: EVIDENCE FROM OIL-FIRM HOST COMMUNITY RELATIONS IN NIGERIA

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ABSTRACT

This study aims to examine how interpersonal trust generates relational switching costs that sustain relationships between oil firms and host communities in Nigeria. Two theories (Relational Exchange theory and Social Capital theory) used in the development of this study conceptualize trust as relational assets, inducing the belief that disengagement during conflicts or dissatisfaction would result in switching costs. The study is a qualitative study involving a purposive sampling method. Semi-structured interviews were conducted with 20 respondents of the study (middle-level managers from oil companies and host community leaders in Rivers State Nigeria) and data analyzed using a thematic approach. Two themes emerged regarding trust-based switching costs; loss of privileges/special advantages and loss of beneficial/valued relationships. This enables relationships from deteriorating amidst problems to maintain continuity. The study also found that interpersonal trust between persons serves as an informal mechanism for relationship management and serves to reduce instability and enables relationship continuity in areas that are conflict-prone. The implications of this research are that the switching costs associated with relationships, besides economic costs, have social and emotional dimension that discourages a termination of relationships by the community.

Keywords: *Interpersonal Trust; Relational Switching Costs; Host Community Relations; Stakeholder Governance; Social Capital; Oil and Gas Industry*

INTRODUCTION

Relationships between oil firms and their host communities in weak institutions can be volatile and uncertain, with both parties lacking stable legitimate ground to support continuing collaboration. Given that formal agreements and the institutional framework to uphold it are often unreliable in such contexts, relationships are more often based on informal processes of interpersonal trust. This informal governance mechanism allows both parties to better coordinate expectations and mitigate the risk of opportunism and disruptions in operation (Bachmann et al., 2015; Poppo & Zenger, 2002), crucial for preventing potential conflict between oil firms and host communities that can lead to protests, facility closures, reputation loss, and economic loss (Gborogbosi & Onuoha, 2024; Stuart et al., 2023). Despite wide acceptance of trust's role in maintaining cooperation, little has been documented about its ability to keep relationships together even when they begin to break down.

A core tenet of much trust research focuses on its tendency to facilitate cooperation. Nevertheless, there has been comparatively little exploration of trust's ability to deter parties from disengaging from relationships by creating relational switching costs. Specifically within firm-community relations and weakly institutionalized contexts such as Nigeria's oil industry, explanations abound for why trust may help start and maintain collaboration, but far less has been said about its capacity to create substantial costs- material, social and emotional - that prevent exit even when grievances arise (Clauss & Ritala, 2023), an unanswered theoretical question that weakens the understanding of trust and managers' attempts to secure lasting relationships with their communities.

A second related issue involves the theoretical framing of the switching-cost theory. Original works have originated mostly from studies of consumer markets and business, in which switching costs have mainly been conceptualized as the costs to the consumer of any financial loss incurred by abandoning one supplier to adopt another, the cost associated with searching, learning and decision making, or the perceived risk of switching providers (Burnham et al., 2003). Though applicable, this perspective fails to take fully into account socio-political dimensions involved in firm-community relationships where the continuation or termination decision of such interaction can be based on accumulated trust, reciprocal obligations, access to benefits, reputation, and interpersonal relationships (Clauss & Ritala, 2023; Evanschitzky et al., 2022). Therefore, applying a conventional explanation for switching costs without adapting it might oversimplify and fail to fully address what maintains firm-community relationships.

The third limitation concerns research on oil producing regions in Africa. Existing work on oil-producing areas has tended to focus more on macro-level considerations such as resource governance, political economy, environmental conflict, and CSR (Crane, 2020; Idemudia et al., 2022). While these themes are undoubtedly important for understanding issues in these regions, such an emphasis on the macro-level has led to a relative lack of study of the micro-level interpersonal processes that mediate the continuity of relations in these areas. Day-to-day operations in the oil sector, for instance, largely depend on face-to-face interactions between middle managers and local leaders as they interpret events and mediate grievances (Meribe et al., 2021), but these interactions remain largely unexamined in the literature.

Furthermore, mainstream research on trust has typically focused on the dynamics of trust in intra-organizational settings such as between supervisors and subordinates, team members, or among companies in alliances (Fulmer & Ostroff, 2017; Parker et al., 2023). Very little attention has been paid to the role of trust (Han et al., 2025), across boundaries between firms and host communities. These cross-boundary trust relations differ from internal ones since identity differences, historical conflict, and weak institutional framework shape their interactions, giving rise to relationships in which trust becomes more of a resource and losing it brings both economic and social/emotional costs (Zou et al., 2023).

This study extends this research by examining how interpersonal trust may generate relational switching costs to explain the maintenance of firm-community relationships in Nigeria. Guided by Relational Exchange theory and Social Capital theory, this study conceives trust as a relational resource that ties individuals together over time and leads to costs associated with existing relationships. In essence, this study theorizes that switching costs arise out of two interdependent mechanisms: those related to the loss of preferential treatment such as employment, contracts, or development projects, and those tied to the potential loss of desired interpersonal relationships, social ties, reputation, goodwill, or emotional attachments acquired over time.

This study makes three important contributions to research and practice. Firstly, it moves beyond a transactional focus on switching costs in marketing and customer contexts by examining relational and socio-political switching costs in the specific context of the extractive industries (Gborogbosi & Amah, 2025; Klemperer, 1995). Secondly, it adds to the study of trust by highlighting its potential to function as a binding factor and prevent relationship disengagement as much as a factor promoting cooperation. Lastly, this study offers empirical evidence and theoretical insight specifically for the context of Nigeria's oil sector, where strong interpersonal relationships have been found to matter much more than weak formal institutions.

Therefore, the research asks three questions: how does interpersonal trust help oil firms to sustain their relationships with their host communities? Through what material, social or emotional switching costs does trust sustain relationships? And how do these trust-based constraints affect the maintenance of relationship in contexts with weak institutions? This research answers these questions providing both theoretical insight into the workings of interpersonal trust and practical suggestions for strengthening sustainable firm-community relations in high-risk sectors.

LITERATURE REVIEW

Trust in interorganizational relationships from interpersonal view.

Trust has been established in academic literature as a relational mechanism for cooperative outcomes in uncertain and informal institution environments (Crane, 2020; Khaile et al., 2022). In general, it can be understood as the set of perceived ability, integrity, and benevolence that reduce the uncertainty in relationships characterized by repeated interactions (Hancock et al., 2023; Li et al., 2024; Mayer et al., 1995). However, trust literature often treats it only as a positive governance mechanism, without considering its paradox and dual nature.

According to literature, trust leads to increased coordination and decreased transaction costs (Kwon & Kim, 2024), yet there exists a less established stream that suggests trust has the power to create relational lock-in or interdependence by binding agents in embedded relationships, making them vulnerable and accountable for any departure from the relationship due to social and reputational concerns (Gillespie & Dietz, 2009; Zhang et al., 2025). Hence there is tension between its enabling and restraining role but most empirical work on trust assume its enabling property.

The same dual role of trust is also evident in extractive sectors in Nigeria in which firm representatives and community leaders develop trust relationships that can lead to enhanced cooperation in distribution of benefits and implementation of projects and negotiation on conflicts (Meribe et al., 2021; Uduji et al., 2024), but these trust relationship may also evolve to dependency structures where actors feel compelled to stay due to potential relational loss and reputational damage rather than the continued belief in partners good will (Ari et al., 2024) and this paradox is rarely researched upon.

Switching Costs: From transactional to embedded views

While the literature on switching costs originally started with economic assumptions in a transactional view (Burnham et al., 2003; Klemperer, 1995) in terms of financial, procedural, risk and cost aspects it gradually evolved to a richer understanding that is more appropriate to interorganizational relations embedded in social contexts. The later view addresses how trust affects relations by emphasizing emotional attachment, reputation losses and restricted access as switching costs, though not always addressing how they originate (Bitektine & Haack, 2015; Evanschitzky et al., 2022). Most switching cost studies, thus, underplay the transformative nature of interpersonal trust which is able to create relational stakes even during the times of conflict in a socio-political setting of the Niger Delta region where relations influence access to opportunities (Castanha & Gasparetto, 2024; Daniel and Ezeamuzie, 2024).

Relational exchange and social capital theory in context

Relational exchange theory argues that trust is built over repeated interactions in order to prevent transaction of opportunities whereas Social capital theory explain the development of relational exchange as a way to facilitate access to certain benefits through the creation of obligation and network ties that foster relationship persistence due to concerns of reputation loss upon departure (Badrinarayanan & Ramachandran, 2024; Jackson, 2020; Nahapiet & Ghoshal, 1998).

When such theories are used in explaining relationships in the African extractive sector, they suggest that while relational ties might produce strong linkages, they hinder actors' mobility and create interdependence due to social/community obligations. In such socio-political settings where the resources are accessed through relation ties, a social capital built can translate into a structural switching cost and inertia (Radley, 2022). This indicates that while RET and SCT explain how relations come about, they may fail to specify the dynamics by which they turn into a commitment from which it becomes too costly to exit.

Trust as a constraint mechanism in institutions weakness context

Trust provides an alternative governance mechanism for many in areas with fragile formal institutions (Uduji et al., 2024), but as it replaces the latter, it introduces new patterns of social obligations based on morality rather than strict rules and regulations (Cropanzano et al., 2017; Zhang et al., 2025). Trust thus has the dual role of enabling cooperation and becoming a structurally embedded restraint on individuals as well as organizations due to moral constraints and expectation based on its breach (Gillespie & Dietz, 2009; Daniel and Ezeamuzie, 2024).

Evidence suggests that firm-community relationship persisted in the Niger Delta even amidst conflict because parties were afraid of losing benefits, status, access to resources and most of all reputation due to relational switching costs created by their interdependence and embedded relationships (Uduji et al., 2021; Mohammed & Daniel, 2024). Yet, how interpersonal trust creates switching costs is not adequately studied and it lacks a thorough explanation of how a relationship that is beneficial to individuals also binds them through implicit socio-emotional and material obligations (Clauss & Ritala, 2023; Evanschitzky et al., 2022).

Claimed Lapses and Justification for the Study

The following are the three major gaps the study aims to address:

i. Switching cost theory continues to maintain its economic and transactional paradigm even when dealing with extractive companies in a field setting with inadequate analysis on its adaptation to the social and political reality that determines choices. In this context of the Niger Delta where choices are shaped by trust, obligation, socio-political factors such as status and identity, a purely economic perspective of switching costs is limiting.

ii. Although it is evident in literature that interpersonal trust promotes cooperation, a clear mechanism to explain how this is transformed into relational switching costs through social capital formation and emotional involvement is not sufficiently theorized (Crane, 2020; Mohammed & Daniel, 2024). This leads to gaps in understanding the actual mechanism underlying the creation of switching costs.

iii. While there have been micro and macro studies focusing on the governance and CSR performance aspects of Nigerian extractives sector, a micro-level investigation of the relational dynamics between the representatives of the firm and community leaders, where switching costs actually occur, has been neglected (Kasimba & Lujala, 2022). This indicates that the study of interactions should also be framed around switching costs and their production in socio-political relationships.

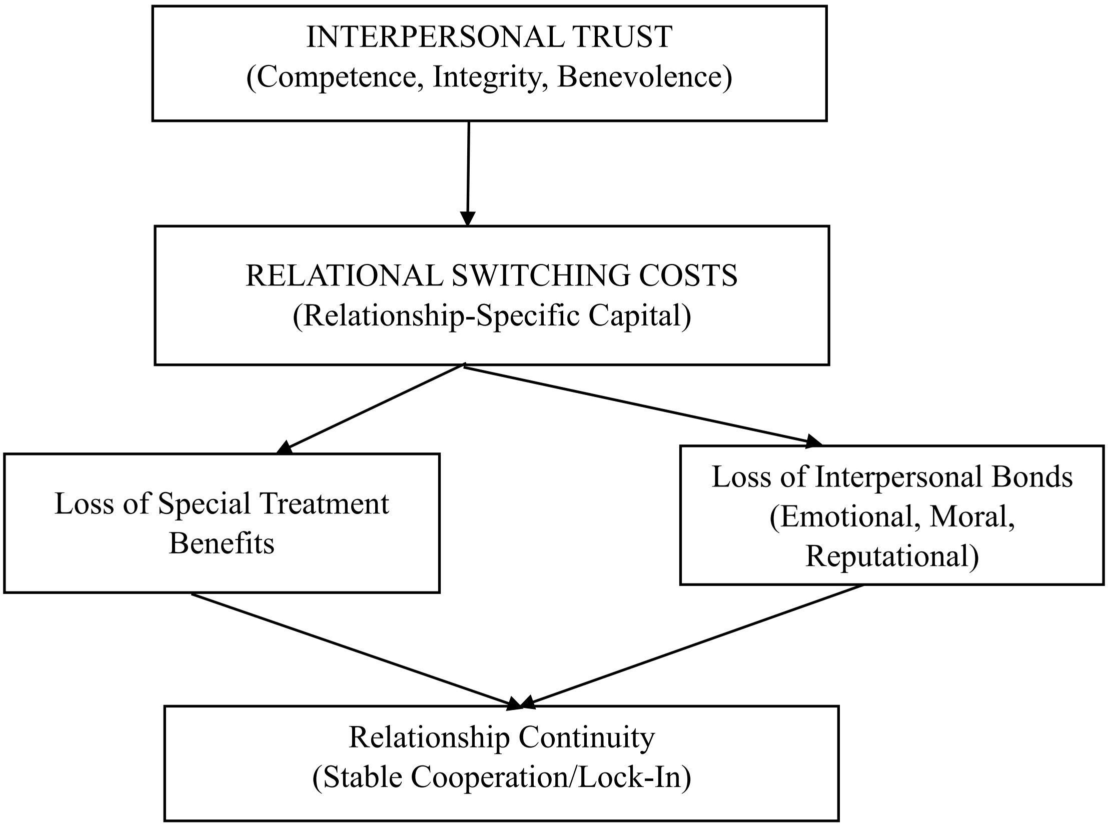
These gaps strongly suggest the need for a qualitative investigation focusing on micro level relational process of switching cost production and development of the micro-level switching cost theory in this context, focusing on the experiential dimension and subjective interpretation by the individuals involved in the interorganizational relationship (Ekpo & Udofia, 2023; Spadaro et al., 2020).

Conceptual Framework and Theoretical Positioning

The study will employ the framework below to theorize that interpersonal trust develops relationships which produces relational switching costs: it integrates the literature on RET, SCT and switching costs to specify how a relational attribute of trust produces switching cost.

Figure 1

Interpersonal Trust and the Generation of Relational Switching Costs in Oil Firm–Host Community Relationships



Note. The framework integrates Social Capital Theory, Relational Exchange Theory, and switching-costs research to explain how interpersonal trust perpetuates relationship continuity in settings characterized by weak formal governance.

Proposes a mutually reinforcing process: interpersonal trust leads to relational embeddedness, relationship embeddedness results in the establishment of relationship specific capital, and the capital brings about switching costs which hinder exiting from relationships within weak institutional environments (Badrinarayanan & Ramachandran, 2024; Granovetter, 1985).

The Relational Switching Cost Mechanism.

Two related dimensions constitute the construct of relational switching costs. The first dimension refers to loss of special-treatment benefits (employment, contracts, projects) which accrue from established trusting relationships. Second dimension relates to the loss of personal relationship (emotionally tied, moral obligations, reputations) gained over time. Both these dimensions are responsible for the switching cost, even in the context of complaint and discontent.

Proposition Development.

Proposition 1: The higher the interpersonal trust between representatives of firms and community leaders, the higher is the frequency and quality of their co-operative interaction.

Proposition 2: The positive effect of interpersonal trust is on the quality of the firm-community specific relationship-specific capital developed between firms and communities.

Proposition 3: The more is relationship-specific capital, the higher are relational switching costs.

Proposition 4: Special-treatment benefits forgone (opportunity for job, contract or project), arising from relationship specific capital, has a positive association with the extent of relational switching costs incurred.

Proposition 5: The positive relationship between switching costs and relationship-specific capital works through loss of emotional connections and interpersonal relations.

Taken together, these propositions explain how trust has led to relational embeddedness, development of relationship specific capital, and subsequently to switching costs, maintaining firm community relationships when the institutional environment is weak.

METHODOLOGY

An exploratory qualitative case study research design is employed in this research (Mtisi, 2022) in order to understand the relational switching costs derived from interpersonal trust in firm-community relationships in Nigeria. A case study approach is selected as the phenomenon studied is context-specific, social in nature and involve complex human interactions that cannot be sufficiently quantified. The qualitative method is chosen to deeply explore the social constructions of reality based on the perspectives of actors rather than measuring and quantifying variables objectively (Creswell & Poth, 2016).

The study is underpinned by the interpretivist philosophical. This research orientation posits that social reality is a construction shaped by meanings that individuals attach to their everyday lived experiences framework (Pervin & Mokhtar, 2022). Unlike positivists, who emphasize measurement and testing of objective hypothesis, this perspective permits thorough understanding of the middle managers' and community leaders' construction of meanings associated with trust, relational dependence, and disengagement within their own social-political environment. Trust is considered not as objective attribute but socially constructed relational property created within an interaction history.

The study was undertaken in Rivers State, the epicenter of oil producing region in Nigeria, which is marked by persistent firm-community conflicts, dependence on oil, and lack of effective enforcement mechanisms. Rivers State is an analytical appropriate context because it's a site where effective institutional control mechanism is largely missing so trust is relied upon as informal coordination device (Uduji et al., 2024; Daniel and Ezeamuzie, 2024). The nature of the firm-community relationship in Rivers State is much determined not just by economic transactions, but by social ties, historical experiences, political negotiations, which therefore make it a perfect site for studying the embedding of trust, and decisions about continuation of the relationship.

Purposive sampling is employed to select information-rich participants who are directly involved in firm-community relations. Participants are selected based on their active participation in the interaction processes of negotiation, conflict resolution, community liaison and local development.

Two sets of participants were involved: Middle managers in oil firms responsible for community relations, implementation of CSR policies and business engagements with communities. Community leaders engaged in negotiation, lobbying, community interests defense, and local development agenda setting and implementation with the firm. There were 20 interviewees in total; 10 middle managers from oil firms and 10 community leaders. This is an appropriate size for a qualitative case study in which the researcher's aim is not generalizability of results in terms of statistical representation, but depth of understanding and ability to capture meanings from a few case (Creswell & Poth, 2016). Data collection stopped at saturation which means no new concepts were being discovered through the additional interviews.

Data were collected by means of semi-structured interviews that enabled the exploration of the experiences of the participants while keeping the themes related to trust and switching costs in focus. Interview questions were formulated as open-ended to allow for the narratives and meanings of the participants to be extracted on issues such as: Trust formation and development processes; Experiences of collaboration and disputes between managers and community leaders; Benefits derived from their relationships; Social and psychological costs of the interruption of firm-community relations;

Circumstances under which switching could occur.

Participants were encouraged to narrate their specific stories about successful collaborations, breakdowns in trust and choices to maintain the existing relationships. Interviews were conducted in English language, recorded using digital devices and transcribed verbatim to ensure fidelity.

The data collected were analyzed using a thematic analysis approach (Byrne, 2022) following an iterative coding process that combines both deductive and inductive reasoning (Pearson et al., 2025). Deductive coding was drawn from literature related to relational exchange, social capital, interpersonal trust and switching cost concepts and theories while inductive coding provided space for themes to emerge from the participants' narratives.

The analysis stages were: Immersion and reading through the interview transcripts in order to familiarize with the raw data; Initial coding for meaning; Development of codes into themes based on relations between and similarity among codes (related to relational trust and switching costs); Higher order thematic analysis that identified the social mechanisms embedded in the relationships; Cross-case analysis of themes across different participants' data.

Two dominant themes were evident throughout the interviews: Privileges forgone/lost (special benefits); Interpersonal relationships lost. These themes were then put into one overarching construct, 'relational switching costs in firm-community relationship'.

To meet the qualitative research trustworthiness criteria: Credibility: Achieved through triangulation of multiple perspectives (managers and community leaders). The finding of two differing but complementary perspectives enhance credibility; Member check: Some findings were presented to a selected number of interviewees to test validity and confirm their meanings; Dependability: An audit trail is maintained on how the data was collected, processed, coded, and how themes emerged. Confirmability: Researcher's reflexivity on own background knowledge about the oil and gas industry in Nigeria is employed to minimise bias and ensure results are derived solely from the data (Ekpo & Udofia, 2023; Spadaro et al., 2020).

The themes identified were synthesized to form an argument on how interpersonal trust generates relational switching costs. Findings demonstrated that trust generates switching costs through two pathways that are often simultaneously experienced by middle managers and community leaders; the social/relational pathway (interpersonal relationship based on trust, feelings of belongingness, goodwill, reputational interdependence) and the material pathway (economic gains or benefits such as opportunities for contracts, job creation, provision of basic amenities).

These two processes influence the relationship to endure despite any eventual disappointment thus building up the switching costs which may deter managers from terminating relationship with communities in the oil producing Niger Delta region (Uduji & Okolo-Obasi, 2019) due to institutional weak control mechanism.

RESULTS AND FINDINGS

The analysis of semi-structured interviews (Wong et al., 2023) conducted with 10 middle managers and 10 community leaders in Rivers State, Nigeria reveals that interpersonal trust plays a central role in generating relational switching costs in oil firm–host community relationships. The thematic analysis produced two interrelated dimensions: (i) loss of special-treatment benefits (material dimension) and (ii) loss of interpersonal relationships (social/emotional dimension) (Huifeng & Ha, 2020). These dimensions jointly explain why firm–community relationships persist even under conditions of dissatisfaction and grievance.

Trust as an Enabler of Special Treatment Benefits (Material Dimension)

Findings indicate that interpersonal trust facilitates the flow of tangible, relationship-specific benefits between oil firms and host communities. These benefits include employment opportunities, contracts, infrastructure development, and empowerment initiatives.

Middle managers consistently noted that trust-based relationships enable smoother implementation of community development agreements and operational cooperation. As one respondent stated:

"They get to be given many contracts as a way of economic empowerment." (*MM1*)

Another manager emphasized that trust enables structured development engagement through formal and informal arrangements:

"We have been collaborating with the host communities… through community contracts and empowerment programmes." (*MM8*)

Community leaders confirmed that these material benefits create dependency and expectations of continuity:

"We can earn a living working with them… they provide infrastructure, electricity, and social amenities." (SM2)

These findings show that trust creates anticipated economic and developmental gains, which communities are reluctant to lose. Even when grievances arise, the fear of losing these benefits discourages disengagement.

Managers further highlighted that breakdowns in trust result in operational disruptions, reinforcing the cost of relationship termination:

"When the relationship is not good, there is more agitation, more delays, and more costs." (MM1)

Thus, trust generates material switching costs by embedding communities into benefit-dependent relationships that are costly to abandon.

Enhancing Interpersonal Relationships (Social and Emotional Dimension)

Emergence of Relational Switching Costs

The integration of both themes reveals a dual mechanism through which interpersonal trust generates relational switching costs:

i. Material mechanism: Trust enables access to employment, contracts, and development benefits that are lost upon disengagement.
ii. Relational mechanism: Trust fosters emotional bonds, social legitimacy, and reputational ties that increase psychological and social costs of exit.

Together, these mechanisms create relational embeddedness, where both firms and communities become locked into continued interaction despite tensions or dissatisfaction.

As one respondent noted:

The second major finding shows that interpersonal trust also produces strong social and emotional bonds that reinforce relational stability.

Middle managers described trust as being built through continuous engagement, active listening, and joint problem-solving:

"Genuine listening strengthens long-term personal relationships." (*MM10*)

"Joint problem-solving builds trust over time." (*MM7*)

Community leaders confirmed that even in the presence of dissatisfaction, emotional and social attachments reduce the likelihood of disengagement:

"The entire community cannot just decide to end cooperation." (*SM2*)

Another respondent explained that relational ties influence decisions even when alternative opportunities exist:

"We are not keen on upsetting relationships that provide jobs for our youths." (*SM6*)

These accounts demonstrate that trust extends beyond functional cooperation to include emotional attachment, social identity, and reputational considerations.

However, respondents also acknowledged that severe trust violations may still trigger switching intentions, particularly when alternative firms offer better terms:

"If another company offers better support, the community may consider switching." (SM5)

This indicates that relational switching costs are strong but not absolute.

> "Even when there are complaints, relationships continue because too much has been built over time." (*SM1*)

Table I summarises the thematic structure and supporting evidence.

Table I

Relational Switching Costs - Themes, Propositions, and Illustrative Quotes

Themes	Propositions	Illustrative Quotes	Source
Trust as an Enabler of Special Treatment Benefits (Economic/Material Dimension)	**P1:** The increased interpersonal trust develops cooperative interactions. **P2:** Trust has a positive effect on relationship specific capital. **P4:** Relationships of high-trust create switching costs due to the special-treatment benefits loss. .	"We have been collaborating with the host communities as far back as I can remember. They get to be given many contracts as a way of economic empowerment." (MM1) "It is because we believe that working with them, we can earn a living and…they can develop us. Developments like road network…electricity, pipe borne water and other social amenities." (SM2)	Middle Manager Interviews (MM1); Community Leader Interviews (SM2)
Enhancing Interpersonal /Relational Interpersonal bonds (Social/Emotional Dimension)	**P1**: High levels of trust enhance cooperative interactions. **P2**: Relational embeddedness is enhanced through trust. **P5:** Intimacy-based personal relations generate switching costs brought about by losing interpersonal relationships. bonds.	"Genuine listening to the demands from the community…strengthens long-term personal relationships." (MM10) "Like on my own, I will not like them to switch to any other company because our boys are supposed to work with them." (SM6)	Middle Manager Interviews (MM10); Community Leader Interviews (SM6)
Emergence of Relational Switching Costs (Integration of Economic + Social/Emotional Dimensions)	**P3:** Relationship-specific capital is associated with relational switching costs. **P4:** Switching costs arise from loss of special treatment benefits. **P5:** Switching costs arise from loss of interpersonal bonds.	"If we have any oil company that can cover us…we would switch immediately." (SM5) "When they don't fulfill their promises." (SM1)	Community Leader Interviews (SM1, SM5)

Note. The results are that interpersonal trust is a precondition as well as a mediator of switching costs. The nature of trust creates anticipations of the persistence of utility and relational permanence, which society takes into serious consideration in alternatives. Notably, trust is dynamic and contextually entrenched depending on the history of the past experiences, behaviour, and social-political standards. Violation of trust is thus not only economically but also socially and emotionally, which is a manifestation of the complexity of relational dependency.

Summary of Key Findings

Overall, the findings demonstrate that interpersonal trust in oil firm–host community relationships operates as a dual-function mechanism:

i. It creates access to material and developmental benefits that increase exit costs
ii. It strengthens emotional and social bonds that reinforce relational dependence

As a result, relational switching costs emerge not only from economic considerations but also from embedded social and emotional structures, explaining the persistence of relationships even under conflict conditions.

DISCUSSION, THEORETICAL CONTRIBUTIONS, AND IMPLICATIONS

Summary of Argument

The core argument of this research is that interpersonal trust can perform more than simply facilitating cooperation in oil firm–host community relations; it can also increase perceived costs of disengagement, thereby stabilizing relationships in uncertain environments. This is significant, as earlier literature has often treated trust merely as a precondition for cooperation, reducing the cost of monitoring and improving transaction quality (Morgan & Hunt, 1994; Poppo & Zenger, 2002). This research suggests that trust also serves as a retention mechanism by anchoring actors in relationships whose exit has considerable costs.

First is the material aspect of trust. Contracts, employment, local development initiatives, and privileged treatment were linked with trusted relationships, suggesting that switching costs are not simply financial or contractual in the Nigerian context, as usually considered in mainstream switching-cost models (Burnham et al., 2003). Instead, these costs are relationally produced through sustained interaction which creates access to scarce opportunities. Consequently, trust has an economic dimension as it shapes access to benefits that may not be easily transferable.

Second is the socio-emotional aspect of trust. Repeated interactions forged familiarity, reputation, and a sense of obligation that inhibited quick disengagement. This goes beyond traditional switching-cost theory to show that not just money but also a loss of identity, legitimacy and social consistency influence decisions to leave relationships. This study is therefore consistent with social capital approaches, which view relationships as sources of value acquired over time (Adler & Kwon, 2002; Nahapiet & Ghoshal, 1998).

Third, and importantly, the study shows that trust is contextual rather than universally applicable. In the absence of formal institutions, trust serves as an effective substitute, thereby enhancing predictable outcomes and ensuring effective cooperation. However, an over-reliance on trusting relations may sometimes cause a relationally locked-in scenario where the community accepts an uncomfortable relation since exit is expensive, or firms may resort to relying on personal ties instead of fair and formal systems. An obvious boundary condition exists: trust ensures relation continuity when accompanied by reciprocity and credible behaviour but erodes otherwise.

Thus, the study contributes to the existing literature by extending prior work on relational governance, confirming its view on trust's ability to alleviate opportunism, while adding the element of trust's role in building costs of existing relationships. This directly contradicts simple economic explanations of switching costs, demonstrating that material, social, and relational considerations can be equally crucial, especially in politically volatile relationship dynamics.

The specific context of the Nigerian oil sector contributes to the theoretical importance of the findings. In a sector characterized by negative historical experiences, uneven development and institutional weakness, actors use broader parameters than the economic benefit and cost to assess relationships, hence linking trust with security, legitimacy and access. This explains the survival of some relationships despite underlying conflict; such relations are preserved not just by satisfaction, but also by the multi-dimensional costs of terminating them.

Theoretical Contributions

This study can be seen to have four theoretical contributions. First, interpersonal trust is re conceptualized as a mechanism that not only enables but also constrains relationships by helping to build costs to exit. In other words, interpersonal trust may not only build relational glue but can be seen to generate relation inertia.

Second, the research broadens switching cost theory beyond its applications in traditional transactional contexts to socio-political exchange relations such as the firm-community relationship in the oil sector. Transactional, operational and learning costs were usually considered the only switching costs, but this paper argues that these costs are complemented by loss of privileged access, reputation and social ties when one abandons a relationship.

Third, it enhances the literature on informal governance by demonstrating the mechanism through which trust replaces formal institutions. It highlights that the relationship does not necessarily collapse due to perceived risk and that formal mechanisms that impose penalties, financial and social, on breaking ties do have a significant impact on sustainability.

Fourth, it offers a boundary condition perspective that trust plays a more significant role when institutional weakness is apparent, where there is politicized resource access, and where relationships are sustained by the necessity of repeated interaction. It shows that with formal structures in place that offer transparent guarantees of enforcement and lower levels of dependency, trust's role as a binding mechanism may be considerably weaker.

Managerial Implications

The findings suggest that a proactive approach to trust is essential for managers operating within extractive industries, instead of making it a symbolic gesture. It is only by meeting commitments consistently, maintaining transparent dialogue, having formal procedures for dispute resolution and visible deliverables that community trust is secured, which in turn ensures operational stability. It is not enough to maintain personalistic relationships, especially with few key intermediaries, as trust built upon this foundation can become unstable if relations sour or leaders change. The key is to have a combination of formal procedures and informal ties and ensure early identification of trust degradation signs (Nicotera, 2025). Preventive approaches are generally cheaper and more effective than post crisis response. Furthermore, community development initiatives must be presented in a context where communities feel they are fair, believable and ongoing to successfully build trust.

Policy and Regulatory Implications

The research shows that in unstable contexts susceptible to conflict, formal regulation alone is insufficient. Policymakers need to ensure that governance frameworks complement regulation, improve fairness and strengthen accountability through effective relation management. Structured tri-party platforms should be adopted between public sector institutions, firms and the community, so as to facilitate communication, share information and build mutual trust. Monitoring systems should be adapted to include social indicators such as timely resolution of grievances, citizen participation and delivery on social promises. Local development policies encouraging local hiring, local content and equitable sharing of community benefits are required to prevent exclusion that damages trust. Broad community representation, rather than depending on small elite groups, is important in managing communities, so as to not exacerbate the gap in power structures within the local community.

Concluding thought

In sum, this paper explains how interpersonal trust can induce multi-dimensional switching costs which ensure stability in oil firm-host community relations in Nigeria. It is significant because not only can trust foster cooperation, but also the cost associated with the termination of a relationship makes it stable, particularly when formal institutions are weak. Trust in these situations is therefore both a powerful yet fragile form of governance.

CONCLUSION, LIMITATIONS AND FUTURE RESEARCH

Conclusion

This article analyzed the ways in which interpersonal trust induces switching costs in the firm-host community relationship in the Nigerian oil sector. This study finds that there are two interdependent mechanisms by which trust fosters continued commitment to the relationship: material dependence (access to jobs, contracts, developmental projects and other preferential benefits) and socio-emotional attachment (reputation, acquaintance and moral duty). Taken together, these mechanisms raise the stakes of relationship termination, regardless of conflict or discontent in the relationship.

This work makes theoretical contribution by showing that trust is not merely a means of cooperation but also a source of the constraint to exiting the relationship. This extends conventional switching-cost theories that focus on contract or economic sacrifices by adding the realization that the costs in terms of social, relational and reputational sacrifices might be greater in environments characterized by weak institutions (Burnham et al. 2003, Poppo and Zenger 2002). The implication of this finding is that, in such unstable settings, relationships are more likely to endure on the basis of the strength of social relationships. Trust, is indeed a powerful but fragile governance resource.

Limitations

Some limitations to this study must be acknowledged.

First, the research adopts a qualitative case study approach with a sample size of 20 participants in Rivers State, Nigeria. Whilst this method was appropriate for capturing deep contextualized insights, it limits generalizability across different settings and industries.

Second, although interpersonal trust is at the core of this article's explanatory framework, it does not exhaust all of the relevant factors in an firm-host relationship. Other issues that affect relationship continuity such as corporate strategy, quality of governance, changes in leadership, the overall security situation and community internal heterogeneity were not investigated as comprehensively.

Third, the study uses information obtained directly from interviewees that is subjective in nature. Potential biases could be stemming from imperfect recall, selective responses or social desirability responses. Though the interviewees were sampled from two sides of the firm-host relationship to ensure corroboration, perceptions might not wholly reflect actions.

Fourth, the different dimensions of relational switching costs were developed inductively from the information elicited from the participants. These constructs have not yet been formally tested in the literature.

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