

THEORETICAL CONSIDERATIONS OVER TRUST

Relevant aspects for organizational behavior

Ana Cristina Costa

Abstract The concept of trust has been studied by a large number of scholars from various scientific backgrounds. Trust has showed to play a major role in social relations, organizations, political systems, economic transactions and even in human-computer interaction. Many scholars appear united with respect to the importance of trust in human affairs. Blau (1964, p. 99) argues that trust is "essential for stable social relationships". Hirsch (Hosmer, 1995, p. 379) refers to trust as a "public good", necessary for the success of many economic transactions. Lewis and Weigert (1985, p. 968) suggest that "trust is indispensable in social relationships". Zucker (1986, p. 56) followed with the statement that trust is "vital for the maintenance of cooperation in society and necessary as grounds for even the most routine, everyday interaction." Luhmann (1980, p. 4) goes further by arguing that trust is necessary to reduce complexity in the social systems, "absence of trust would prevent him (individual) from getting up in the morning". Although the importance of trust has been acknowledged, its study remains problematic for several reasons. Since trust is a basic factor for the understanding of human conduct, its study is not restricted to a particular level of analysis. In the literature we find trust related to individuals, interpersonal relations, organizational structures, economic transactions and societies as a whole. In these contexts, several definitions have been proposed causing considerable confusion among researchers. However the earlier work has not been wasted. Each definition proposed, even with the limitations of its own approach, provides new information, adds insight and understanding to the meaning of trust. The fact that trust can be studied at different levels (individuals, groups and societies) and in different contexts, points out the relevancy of a multilevel analysis as well a simultaneous consideration of the context, in order to develop a meaningful framework for the study of trust (Rousseau, Stikin, Burt and Carmer, 1998).

Key-words Trust; organizational behavior.

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The study of trust in organizations has known different stages. Organizations are considered to be relevant contexts for the study of trust (Morris and Moberg, 1994). Trust has been incorporated in many models of organization behavior in areas such as, communication (e. g. Giffin, 1967), leadership, management by objectives, labor-management relations (e. g. Taylor, 1989), among others, without been explicitly questioned or studied. Only recently, organizational scholars started to show some interest for the nature, causes and consequences of trust (e. g. Hosmer, 1995; Mayer, Davis and Schoorman, 1995; McAllister, 1995; Rousseau *et al.*, 1998). This increased interest is in part due to the recent developmental social and economical changes and de consequent transformations within the organizational environment. Also, because trust is often related to positive outcomes such as organizational effectiveness and performance, several scholars have focused on the mechanisms for creating and developing trust within and between organizations (e. g. Zand, 1972; Lewicki and Bunker, 1995, 1996; Powell, 1996). Others have emphasized the risks of trust, and the mechanisms that avoid self-serving behaviors and potential conflict (e. g. Williamson, 1975).

The aim of this article is to present a general overview of the major conceptualizations of trust, particularly those that are relevant for organizational studies, and to discuss some of the issues concerning the importance of trust in organizations.

Theoretical conceptualizations of trust

In earlier literature reviews (see Hosmer, 1995; Lewicki and Bunker, 1995; Worchel, 1979), definitions of trust have been categorized according to theoretical orientations and or analytical research levels. These diverse perspectives identify a large number of processes that influence trust. However, they differ considerably in the extent to which determinants or conditions of trust they have emphasized. These differences manifest themselves in the kinds of explanatory constructs invoked and the levels of analysis proposed: micro level (cognitive and motivational) vs. macro level (social and institutional). This review will focus on the conceptualizations of trust particularly related to organizational theory.

Macro level approaches

The social and economical theories have essentially focused on trust as an institutional phenomenon. At this level trust can be conceptualized as a phenomenon between and within institutions and as the trust individuals put in those institutions.

Sociology

In this perspective trust is related to relationships between people or institutions rather than psychological states taken individually. Trust is viewed as individuals believe that others will put self interest aside in favor of a collective orientation (Mitzal, 1996). One of the basic assumptions of this perspective is that people are neither self-sufficient nor isolated (Parsons, 1951). Trust is often seen as a form of legitimation which appeals to obligation in terms of sharing basic norms and values, and that can play an integrative role in consensual orientation towards social cohesion. Without trust only individualistic order is possible and systems would be forced to rely only on force and coercion for obedience (Mitzal, 1996).

More recently, Luhmann (1980) refers to trust as social mechanism that able individuals to deal with the increase complexity and contingency of modern life. To this author, trust serves to increase the potential of a system by reducing complexity and increasing tolerance of uncertainty. By going beyond the available information, trust provides generalized expectations of behavior which replace the missing information and grants an internally security (Luhmann, 1980).

In short, trust is seen as a "collective attribute" based upon relationships between people that exist in a social system (Luhmann, 1980; Lewis and Weigert, 1985). From a social point of view trust is social and normative rather than individual and calculative, and therefore requires the existence of prior social relationships.

Economy

The economic theories approach trust in the context of economic transactions. The transaction costs economics (TCE) theory conceptualizes trust based on the assumption that between economical actors the risk for opportunism is high, and therefore they are not to be trusted (Williamson, 1975). Although it is possible that business practitioners often do act on the basis of trust, the difficulty in identifying trustworthy agents is so great that organizations structure themselves as if they could not be trusted (Williamson, 1975). In other words, organizations need to institutionalize formal mechanisms against opportunistic behavior through negotiation and monitoring of detailed contracts as substitutes for trust. The transaction costs inherent to these mechanisms are determinant for the structural formats and strategic options of the firms (Williamson, 1975).

Other scholars, such as Brumley and Cummings (1992), reject the argument that economic actors have an opportunistic nature. They argue that trust not only reduces transaction and monitoring performance costs, but also eliminates the need for installing control systems, designed to obtain short-term financial results which can have undesirable effects such as reducing innovation and cooperation. Also Hill (1990) proposes that transaction costs could be reduced by introducing reputation as a strategy of non-opportunistic behavior. He suggests that in a market system with short-term transactions opportunism might yield some benefits, but in a long term relationship be very costly because it might inhibit future transactions. Reputation, in this view, is considered of great "economic value", playing an important role determining the willingness of others to enter into an exchange with a given actor.

Bradach and Eccles (1989) suggest that trust together with price and authority constitute methods for governing transactions among actors. This suggests the "embeddedness" argument that the production of trust in economic life is affected by networks of social relations and the obligations inherent to them (Granovetter, 1985). When transactions are embedded in personal relationships the hazards of opportunism diminishes and formal elaborated governance structures are unnecessary (Granovetter, 1985).

However, trust should not be seen as replacement mechanism for market or hierarchies forms of transactions. According to Fukuyama (1995) markets and specially hierarchies are necessary to the establishment of communities which depend on mutual trust and the shared ethical norms that underlie it.

Micro level approaches

The micro level perspectives adopt an inter of an intra-personal approach to the concept of trust. Psychological scholars have focused on the interpersonal relationships between individuals and the conditions that serve to create, maintain and

destroy that trust. On the other hand, personality theory has focused on the individual personality differences as conditions to trust.

Psychology

This perspective has a focus on interpersonal relationships. Essentially, trust has been seen as a set of expectations regarding others, taking in consideration the risks associated with assuming and acting on such expectations, and the contextual factors that serve to either enhance or inhibit the development or maintenance of that trust (Lewicki and Bunker, 1996). This research has addressed the cognitive and behavioral antecedents of trust, and has taken a number of different directions. Several studies focus on the individual expectations and attributions and how they affect the development of trust. Researchers have identified three bases upon which expectations about other are formed:

- *character*: the extent to which individuals perceive others as being integer, consistent, loyal and discreet (Gabarro, 1979; Butler, 1991; Smith and Barclay, 1997);
- *role competence*: the extent to which individuals perceive other as having the skills, abilities and knowledge necessary for effective task performance (Gabarro, 1979; Butler, 1991; Smith and Barclay, 1997);
- *motives and intentions*: reflecting the extent to which individuals perceive the purpose or the intentions behind the actions of others as being fair or unfair to the relationship (Smith and Barclay, 1997).

Others such as Deutsch (1962) and Giffin (1967) conceptualized trust as a expectation of interpersonal events: "An individual may be said to have trust in the occurrence of an event if he expects its occurrence and the expectations lead to behavior which he perceives to have greater negative motivational consequences if the expectation is not confirmed than positive motivational consequence if it is confirmed" (Deutsch, 1958, p. 266). According to Deutsch (1972) the individual choice to partly place his/her fate in the hands of others may be based upon situational characteristics rather than upon personal predispositions. Because trust involves granting latitude to others over things that we do not control the decision to trust or not involves more than predictability and expectation: it also involves a certain amount of risk. The risk is considered a requisite in the choice to trust somebody since, when trust is not fulfilled, the trusting individual suffers an unpleasant consequence which is greater than the gain he would have received (Giffin and Patton, 1971). This view suggests a certain degree of vulnerability and uncertainty on the part of the trustor, because trust is unnecessary when the trustor can control or has complete knowledge about an exchange partner's actions.

In connection with problem solving, Zand (1972) explores de vulnerability aspect of trust, considering two aspects: the personal behavior and the individual expectation. In this argument, trust goes beyond expectations of an outcome under

uncertain conditions, it is rather the willingness of one person to increase his or her vulnerability by relying upon the actions of another person whose behavior he or she could not control. Trust becomes the "... conscious regulation of one's dependence on another that will vary with the task, the situation, and the other person" (Zand, 1972, p. 230). Trust can be seen as a individual decision based upon one's confidence about the outcome of an uncertain event, given personal vulnerability and lack of personal control over the actions of others (Hosmer, 1995). Gambetta (1988) agrees that vulnerability and dependence are important moderators of trust but he approaches trust as a condition for cooperation. Trust, he wrote, is "the probability that he will perform an action that is beneficial or at least not detrimental to us is high enough for us to consider engaging in some form of cooperation", (Gambetta, 1988, p. 217). Carnevale, Pruitt and Carrington (1982) also consider trust as an essential asset for achieving cooperation. Meeker (1983, p. 231) stress the importance of the willingness to cooperate in her definition of trust, arguing that "the trusting person expects helpful or cooperative behavior from the other".

By equating trust with cooperation and distrust with competition, researchers focus on situational variables that increase or decrease the level of trust between individuals.

Personality theory

This perspective emphasizes individual personality differences in the readiness to trust, and focus on the specific developmental and social contextual factors that shape this readiness. Here, trust is conceptualized as a "generalized expectancy" (Rotter, 1980, p. 35), deeply rooted in the personality, with its origins in the individual's early psychological development.

One of the supporters of this perspective, Rotter, refers to trust as a "generalized expectancy that the world, the promise, the verbal or written statement of another individual or group can be relied upon." (Rotter, 1980, p. 35). Underlying this definition, is the idea of a social learning process. According to Rotter (1980), trust is a generalized response derived from the reinforcement history of previous interactions. Based on their past experiences and generalizations from other situations, individuals are able to develop a set of personality characteristics of trusting or distrusting others.

Erikson (1963) and Bowlby (1973), both quoted by Hosmer (1995), proposed basic models of personality development where trust is considered as a core personality characteristic and a foundation of healthy personality development. In this perspective trust is shaped by the early relationship between the individual and the caregiver, and the adequacy of this relationship dictates whether an individual develops a core orientation that others can or cannot be trusted, affecting his or her readiness to trust (Ainsworth, Blehar, Walters and Wall, 1978, quoted in Lewicki and Bunker, 1995).

Despite their differences, several common aspects can be found among perspectives concerning the meaning for trust. First, it is acknowledged that trust

involve expectations and attributions about others without having full knowledge of what are the implications for future actions. Second, these attributions influence individuals' beliefs and expectations about the treatment they will receive from others, which in turn is closely linked to their willingness to trust when interacting with others (Deutsch, 1962; Kramer, 1995). Finally, these attributions and beliefs are contingent to a certain context, and tend to be based not only on personal information but also on non-personal information such as, institutional and organizational structures with standardized laws and procedures, technological devices, and other forms of regulation.

Types of Trust

Trust enables individuals to take risks by acting on the basis of the words, actions, and decisions of others (McAllister, 1995). Underlying the decision to trust is the willingness to become vulnerable by relying on the actions of others (Zand, 1972). Also, there is an expectation or belief that others will act in a way that is beneficial or at least not detrimental for the relationship (Gambetta, 1988). Two conceptualizations of trust are evident in the literature: trust as the cognitive expectation or the affective sentiment (McAllister, 1995), and trust as the risk-taking behavior (Mayer *et al.*, 1995) or the willingness to engage such behavior (Cummings and Bromiley, 1996).

Lewis and Weigert (1985) and later Kasperson, Golding and Tuler (1992) argue that cognitive, affective, and behavioral dimensions of trust are present in every instance of trust. The cognitive dimension provides the foundation upon which individuals can discriminate among persons and institutions being trustworthy, untrustworthy, or unknown (Kasperson, *et al.*, 1992). The affective dimension, complementary to the cognitive dimension, refers to the emotional bond between those who are involved in the relationship. Finally, the behavioral dimension reflects variations in relative importance of the earlier dimensions.

The characterization of trust as a complex interaction of cognitive, emotional and behavioral properties provides the grounds for the differentiation of two important subtypes of trust:

- *interpersonal trust*: which refers to trust between people. It is based on the individual and group perceptions and reflects high levels of emotional trust.
- *institutional trust*: refers to trust in impersonal agents. It depends more on the cognitive and rational aspects of trust because of the widespread anonymity of individuals in demographically large and complex social systems.

Several authors (e. g. Morris and Moberg, 1994; Lewis and Weigert, 1985) have supported the distinction between trust in individuals and trust in institutions. Interpersonal trust develops through repeated interactions with others and is based on

familiarity, interdependence, and continuity in relationships (Granovetter, 1985); people will buy from, sell to, and work with those whom they trust. Institutional trust develops when individuals must generalize their personal trust to large organizations made up by individuals with whom they have low familiarity, low interdependence, and low continuity of interaction (Lewicki and Bunker, 1995).

Dynamics of trust

In organizations both interpersonal and institutional trust are present and influence each other mutually. While a considerable number of scholars attempt to explain what trust is, only a few provide insight into the dynamics of trust in organizations. Renn and Levine (1991) argue that trust is related to five analytical levels which vary in degree of complexity and abstraction — trust involves a message, personal appeal, institutional perception, institutional climate and sociopolitical climate. They argue that low levels (i. e. message and personal appeal) are embedded on higher ones (i. e. sociopolitical, institutional perception and climate), and that the conditions that operate on higher levels also affect lower levels of trust. Creed and Miles (1996) and Powel (1990; 1996) also suggest that structural forms and managerial practices are determinant for the development of certain levels of trust in the organization. Different organizational forms have distinct trust requirements and management practices rely on implicit types of trust patterns (Creed and Miles, 1996).

Morris and Moberg (1994) describe several organizational conditions that increase personal uncertainty and vulnerability towards others.

- *Functional dependence*: concerns the extent to which the successful job performance of a given worker directly or indirectly depend on the contributions of another worker (Morris and Steers, 1980). In organizations, tasks are often divided such that efforts of various workers are combined to produce a cumulative product or service. As a result, in order to accomplish their tasks, workers are to a certain degree dependent on one another. This notion concerns not only the achievement of organizational goals but also the need and expectations of the workers themselves such as, a sense of work well-done, appraisal, pay raises, promotion, etc. (Morris and Moberg, 1994). Organizational means for work specification and control, such as well specified schemes of standard procedures, can be used to set expected behaviors that ensure that exchanges of a particular sort will occur, and so, diminish the workers uncertainty about this matters. However, they cannot effectively remove uncertainty concerning the actions of workers who are functionally interdependent (Morris and Moberg, 1994). The workers themselves must become vulnerable to the actions of others and deal personally with this uncertainty.

- *Work-process characteristics*: concerns the conditions which can influence trust between functionally interdependent workers:
 - (1) *task ambiguity*: when neither the organization or colleagues can provide work specifications, standard operating procedures, or definitive expectations about what resources and actions will be required for successful task accomplishment, trust becomes very important. It is necessary trust in both technical competence and fiduciary responsibility of the trustee (Barber, 1983). On the one hand, that the trustee will perform the tasks according to the expectations of competent role performance, and on the other that he/she will preserve the interests of those who have conferred trust.
 - (2) *behaviors that are difficult to observe*: when task behaviors are conducted in social or geographical concealment the behavior of the workers becomes difficult to observe. Even in situations of close proximity it can be difficult to observe task behaviors in a meaningful way, for instance when mental work is involved. Also, there many different ways of performing a task may be appropriate for the objective in hand, and so particular patterns of behavior cannot reliably be linked to results.
- *Organizational control systems*: can be either external or internal. External control systems rely on formal managerial prerogative as the principal means of specifying and controlling behaviors in individual roles and interactions between functionally dependent members (e. g. written job descriptions, rules, policies, standard operating procedures, etc.). Such controls are typically aimed to preserve the inherent trust regarding employment relationship, namely, the meeting of formally prescribed role expectations. External controls alone can neither encourage or maintain interpersonal trust among functionally dependent organization members (Morris and Moberg, 1994). By contrast, internal control systems rely on less on official mandates and surveillance and more on participant self-control and peer influence. Instead of focusing on detection and correction of inappropriate behavior, internal control systems create contexts in which informal impediments for such behaviors tend to arise. In other words, the group uses its social influence to regulate de work activities. The source of control is thus the worker himself/herself presumably motivated by personal commitments to organizational goals and by developing identification with and attachment to a similarly committed team of co-workers.

Organizational settings rely to some extent on formal systems of rules and procedures, supervision, appraisal and reward systems, and other forms of regulation, that structure the conditions under which interpersonal trust occurs. Zucker (1986) argues that such mechanisms create a common ground for understanding actions, and they enhance patterns of behavior that can be generalized beyond individuals or given transactions. However, the decision to trust or not, involves the assessment of risks and the alternatives available to avoid such risks. The contextual factors above mentioned can have an effect on both the need for trust and the trust

level within the relationship, group or organization (Morris and Moberg, 1994). Considering an idealistic extreme where the three uncertainty producing conditions are absent, i. e. when functional dependencies are few or inconsequential to performance, and where formal and external mechanisms of control are effective, the need for interpersonal trust is low and it would be expected that institutional trust would be sufficient to give substantive grantees about relevant future outcomes. However, even if any organization attains this extreme, many daily interactions with colleagues are essentially predicted far more largely on interpersonal trust than on official or formal mechanisms. Interpersonal trust remains an important social currency of any organization (Morris and Moberg, 1994).

The relative importance of institutional vs. interpersonal trust

Without considering an evolutionary approach, Zucker (1986) suggests that in pre-industrial economies, perhaps the most widespread form was the interpersonal trust. Because interpersonal trust is based on interactive processes and on common characteristics, it is more likely to occur within small en homogeneous communities where it was easy to take for granted many facets of social order. In more complex social systems, however, uniformity of expectations are more difficult to achieve and labor force mobility induces social heterogeneity, which rises the need for alternative mechanisms of trust production (Zucker, 1986). In other words, while interpersonal trust can only be generated under special conditions, institutional trust creates a common ground for transactions within and between organizations, and serves the purpose of legitimating the enterprise. Weber, referred to by Hosmer (1995), was the first to suggest that the process of economic development shifted the focus from a interpersonal perspective to an institutional one. Also Luhmann (1980) argues that the shifting nature of trust from interpersonal to institutional based trust is one of the hallmarks of our times. According to Zucker (1986), institutional based trust emerges as a replacement for interpersonal trust, when interpersonal trust relationships can no longer cope with the scale or range of organized activity resulting from technological or societal changes.

In growing but relatively stable markets these mechanisms seemed optimal. However, when confronted with the sharp fluctuations and unanticipated changes of the environment, organizations in order to survive are forced to search ways to create competitive advantage. Change has become the norm, and unpredictability a basic reality of business (Keen, 1991, p. 96). Contemporary organization practices are based on associations in which organizations are permeable, and the sustaining force seems the joint-activity and the mutual learning (Powell, 1996). Consequently, the mechanisms of trust production had to be adapted to the new organizational needs.

Over the past decade, several scholars have documented the wide array of inter-firm relationships, ranging from research partnerships to joint ventures,

strategic alliances and market agreements (e. g. Powell, 1996). This new forms of organization are pressuring the established routines and structures and adopting mechanisms for supporting rapid adjustment to new and unpredictable situations. Within organizations, we assist to the demise of hierarchy and bureaucracy as organizing principles in favor of more flexible structures.

These changes give a new emphasis on interpersonal and intergroup dynamics at the workplace. Instead of being dependent on relative predictable tasks and knowledge, and determined by rank of authority and expertise, work relationships become more horizontal and team centered in the modern organization. Horizontal work relationships require mutual adjustments and tend to be more fragile, interpersonal and not so well defined in terms of roles, tasks or procedures as in vertical structures (Gabarro, 1990; Smith and Barclay, 1997). Because multiple skills and knowledge are needed to complete tasks, and this is contingent to continuing changing demands, to establish work procedures, job descriptions and other formal forms of regulations becomes extremely difficult.

Under such conditions the interpersonal vulnerability among organizational members increases as well as the need for interpersonal trust. Mayer *et al.* (1995) suggest that interpersonal trust provides one mechanism for workers to work more effectively. This does not necessary mean that the importance of institutional trust diminishes. On the contrary, as the amount of exchanges increases, within and between organizations, the need for trust mechanisms that can be generalized beyond given transactions and specific sets of exchange partners increases (Zucker, 1986).

Discussion

Recent discussions by both scholars and business press suggest that trust is a central factor in organizational behavior and organizational survival for both private and public organizations. It has been widely recognized the importance of trust for sustaining effectiveness, and trusts influence on coordination and control on both institutional (Zucker, 1986) and interpersonal (McAllister, 1995) levels of the organization. Although both types of trust are created and maintained through different mechanisms they influence each other mutually. On the one hand the institutional or organizational climate structures the conditions under which the individuals must operate for gaining and sustaining trust, and on the other hand, individual and group perceptions interact with macro institutional forces (Kasperson *et al.*, 1992).

As many researchers note, trust is more than a set of expectations, but rather the confidence in face of risk (Lewis and Weigert, 1985). The situational risk surrounding the trusting choices is another important aspect to consider. As earlier described several organizational conditions can be responsible for the relative importance of interpersonal and institutional trust for the organizational activities. However, in now a days work environment both institutional and interpersonal levels of trust seem crucial to achieve competitive success.

Apart from the general assumption that trust is an important lubricant of the social system, and a facilitator of coordinated action (McAllister, 1995; Smith and Barclay, 1997), some positive outcomes have been found to be associated with trust. Satisfaction and commitment to the organization have been used by many researchers as dimensions of effectiveness predicted by trust. Strong links between intragroup process, including open communication and satisfaction have been found (Gladstein, 1984). Smith and Barclay (1997) reveal that open communication and forbearance from opportunism lead to mutual satisfaction in buying and selling teams. Morgan and Hunt (1984), argue that work relationships characterized by commitment and trust engender cooperation, reduce functional conflicts, tendency to leave and uncertainty.

The influence of trust on performance has been suggested by many authors (e. g. Bromiley and Cummings, 1995; Butler, 1995; McAllister, 1995), however the existing research shows little about this effect. The behavioral consequences of trust (trust behaviors) may provide one line of explanation. Zand (1972) has proven that groups with low levels of trust have less tendency to share information and ideas, are less personally involved, and impose controls when coordination is necessary. Monitoring and defensive behavior, in general represent non-productive activities (McAllister, 1995), because they increase costs, restrict change, and reduce cooperation (Bromiley and Cummings, 1995). On the other hand, groups with high levels trust seem to be more open to discussion, solve their problems effectively, develop more rapidly, increased originality, self-control and decrease of arousal as defense mechanism against treat (Zand, 1972).

There is sufficient literature and research evidence to conclude that trust is central to organizational activity. However it is important to recognize that trust neither trans-situational nor context free, and therefore not static. This means that trust is a mechanism that requires learning and reinforcement through ongoing interaction and discussion (Powell, 1996).

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