Trust Management: Literature Review

JOANNA OLGA PALISZKIEWICZ
Warsaw University of Life Sciences, Poland

The concept of trust has become popular in public debate and academic analysis. In high income countries this interest is associated with concern for the decline of trust in governments and professionals, and in developing countries has been prompted by debates around the motion of social capital. Trust has been identified as a major factor influencing such things as capital investment, relationship marketing, cross-cultural communication, learning and various types of cooperation. Trust management is becoming also very important inside the organization. The study will review empirical research on organizational trust. The purpose of the study will be also evaluation of the advancements and setbacks in current empirical research in terms of management organizational trust. This paper will analyze the theoretical approach, the conceptualization and the measurement issues covered in studies on management organizational trust. Although trust has emerged as an important factor in organizational relationships, there are still major conceptual and methodological challenges to be met when studying this complex concept.

Key words: trust management, organizational trust, building trust

Introduction

It has often been argued that trust is essentially important for successful cooperation and effectiveness in organizations (Zand 1972; Zand 1997; Lewis and Weigert 1985; McAllister 1995; Lane 1998; Rousseau, Sitkin, Burt, and Camerer 1998; Nooteboom 2002). Trust is important in all spheres of social life. It binds friendships (Gibbons 2004), facilitates bargaining and negotiations (Olekalns and Smith 2005), reduces transaction costs in interfirm exchanges (Bharadwaj and Matsuno 2006), and even resolves international political conflicts (Kelman 2005). Trust also affects investment decisions. Lorenz (Lorenz 1988) argues that trust enables effective investment in assets by assuring parties there will be no abuse of bargaining power.

Article prepared in connection with the realization of a research project entitled 'Trust and organizational performance' (No. N N115 549238) financed by the Ministry of Science and Higher Education in Poland.
after making agreement. It is a fundamental ingredient in any positive and productive social process. Within organizational settings, trust has been demonstrated to be an important predictor of outcomes such as cooperative behavior (Zalabak, Ellis, and Winograd 2000), organizational citizenship behavior (Van Dyne, Vandewalle, Kostova, Latham, and Cummings 2000), organizational commitment (Aryee, Budhwar, and Chen 2002), and employee loyalty (Costigan, Ilter, and Berman 1998). To build employees’ trust in an organization should be a desirable goal for all employers. Yet, how to develop and maintain employees’ trust in the organization remains a challenge for most employers (Zhang et al. 2008).

Three factors can be identified that make it difficult to build trust. In the first place, trust-building is an interactive process that involves (at least) two individuals learning about each other’s trustworthiness (Zand 1972; Zucker et al. 1996). The second factor is that the underlying systems dynamics of both trust and distrust are based on positive feedbacks, reinforcing the initial behaviour (Zand 1972) but with an important asymmetry. Trust is built up gradually and incrementally, reinforced by previous trusting behaviour and previous positive experiences (Zand 1972; McAllister 1995; Lewicki and Bunker 1996); whereas distrust is more catastrophic (Lewicki and Bunker 1996; Lane 1998). The third factor is that there is no absolute certainty that the trust will be honored (Möllering 2001). To date, no satisfactory explanation has been offered to account for these factors in the process of trust-building or of the possibility of trust management. There is a need for more knowledge of how trust-building works as an interactive process, of the way trust is built up in a context of problems and adversity and how organizational policies and settings affect the generation and maintenance of trust. The purpose of this article is to lay the foundations for a theory of trust management and interpersonal trust-building that will explain these characteristics. In the article the definitions of trust are presented and the organizational trust is described. The author also includes information on how to build trust inside organization.

**Definition of Trust**

Trust and trust relationships have been a topic of research in many disciplines for many years. Streams of research on trust can be found in the fields of philosophy, sociology, psychology, management, marketing, ergonomics, human-computer interaction, industrial psychology and electronic commerce. When one considers these multiple disciplines together, the literature on trust is quite extensive.
Trust Management: Literature Review

However, although trust has been studied in a variety of disciplines, each of these disciplines has produced its own concepts, definitions and findings.

There are a lot of definitions of trust, most of which treat trust as a state, belief or positive expectation. Sztompka (1999) defines trust as: the expectation that other people, or groups or institutions with whom we get into contact – interact, cooperate – will act in ways conducive to our well-being. Because in most cases we cannot be sure of that, as others are free agents, trust is a sort of gamble involving some risk. It is a bet on the future, contingent actions of others. According to Six (2007) interpersonal trust is a psychological state comprising the intention to accept vulnerability to the actions of another party, based upon the expectation that the other will perform a particular action that is important to you. In the literature, two principal forms of trust are distinguished (Chowdhury 2005; Lewis and Weigert 1985; McAllister 1995). First, cognition-based trust is based on individual thinking about and confidence in the other and based on ‘good reasons’ as evidence of trustworthiness. The second type, affect-based trust, is grounded in the emotional bonds between individuals involving mutual care and concern. Similarly, Mayer, Davis, and Schoormann (1995) distinguish between benevolence, which has a large affective component, and competence, which places emphasis on the cognitive component, as two key dimensions of trust. Likewise, Cook and Wall (1980) recognize trust as ‘faith in the trustworthy intentions of others’ and ‘confidence in the ability of others.’ Arrow (1974) considers trust as a basic element not only for organizations but also for the economy in general, affirming that trust is a lubricant to economic exchange.

In the literature we can find also different models of trust, a lot of which are static or take the perspective of the trustor only (for example, Mayer, Davis, and Schoormann 1995). Zand (1972) is one of the few who propose a truly interactive model: ‘Let P denote one person and O the other. If (1) P lacks trust, (2) he will disclose little relevant or accurate information, be unwilling to share influence, and will attempt to control O. (3) Assume O also lacks trust, (4) perceives P’s initial behaviour as actually untrusting, and (5) concludes he was right to expect P to be untrustworthy; then (6) he will feel justified in his mistrust of P. Since (7) P sees O’s behaviour as untrusting, he (8) will be confirmed in his initial expectation that O would not be trustworthy and (2) P will behave with less trust than when he entered.’

Creed and Miles (1996) present trust as a simple function, with the amount of trust varying as the result of some combination of char-
acteristic similarity and positive relational experience, with broad societal norms and expectations setting a baseline or intercept – the initial expectations of general trustworthiness.

\[ \text{Trust} = f(\text{embedded predisposition to trust, characteristic similarity, experiences of reciprocity}) \]

This function presumes that trust can be influenced by increasing perceived similarities and the number of positive exchanges. Clearly, educational programs designed to enhance acceptance of diversity aim at improving trust by reducing the barrier of characteristic dissimilarity. Similarly, efforts to build relational experiences are undertaken with the intent of improving trust (Creed and Miles 1996).

After the literature review, some of the features of the concept of trust were founded:

- It is interpersonal: between concrete individuals and connected with communication.
- Situational rather than global: trust is placed in one particular person.
- Voluntary: trust must spring from choice and cannot be compulsory, sometimes it is experimental.
- Committed, since each party depends on the other (without being able to control him/her).
- Conscious: each party is aware of the other party’s trust.
- Relevant, in the sense that the consequences of breach of trust by one of the parties cannot be considered insignificant by the other.
- Dynamic or temporal, because it evolves over time: trust is established, grows, diminishes and dies.
- Action oriented, implicit in the goal of the relationship.
- It is not a linear process. If damage to the relationship is suffered then trust is likely to decline. Trust may evolve through a process, but it may also devolve.

Paliszkiewicz (2010) sees trust as the belief that another party: (a) will not act in a way that is harmful to the trusting firm, (b) will act in such a way that it is beneficial to the trusting firm, (c) will act reliably, and (d) will behave or respond in a predictable and mutually acceptable manner. Trust can be seen as a bridge between past experiences and anticipated future.
Organizational Trust

Up till now, most studies on trust in organizations have focused on trust among members of an organization, such as trust between an employee and his/her direct supervisor or the organizational leader (Aryee, Budhwar, and Chen 2002; Deluga 1994; Dirks 2000; Dirks and Ferrin 2002) or between peers (Dirks 2000; Langfred 2004). Also in the literature we can find studies of trust in an organization as a system ( Creed and Miles 1996; Huff and Kelley 2003; 2005).

Gills (2003) defines organizational trust as the organization’s willingness, based upon its culture and communication behaviors in relationships and transactions, to be appropriately vulnerable, based on the belief that another individual, group or organization is competent, open and honest, concerned, reliable and identified with common goals, norms, and values.

According to Zucker (1986) organizational trust can stem from the owner’s personality (small firms) or from strongly centralized decision structure and organizational culture, which makes the organization regularly interact in a particular, ‘trusting’ way. Barney and Hansen (1994) note that the organization’s values and beliefs may be supported by internal reward and compensation systems, together with decision-making systems reflecting culture. This organizational trust can also be called routine trust, and it comes up especially in connection with long term, institutionalized relationships. In an organization there is also general trust at the company level, and that is based on a company’s good reputation or resources.

Lee and Stajkovic (2005) tested Mayer, Davis, and Schoormann’s (1995) model of organizational trust and found that trust in a specific team member led to great cooperation in work teams, a likely result of accumulated social capital. Chattopadhyay and George (2001) found that temporary workers scored lower on trust than did internal workers in temporary worker-dominated groups, but they found no parallel effect in the internal worker-dominated groups, and that difference is likely to be a result of differential work status.

Trust in organizations involves employees’ willingness to be vulnerable to their organization’s actions. This willingness can be rendered only when an organization clearly communicates its actions to its employees through informal and formal networks. An important source of information is the employee’s immediate social environment, which largely comprises co-workers ( Tan and Lim 2009). According to the social information-processing theory (Salancik and Pfeffer 1978), the social environment provides cues that employees
can use to construct interpretations and model their attitudes and behaviors. Festinger (1954) suggested that information from the social environment is salient and relevant particularly when the receiving employee regards the individual sources as very similar to him- or herself. Also, Festinger argued that if information from formal channels is absent or ambiguous, employees will start to rely on the social environment to derive interpretations. Therefore, individual employees’ impressions can be influenced by the attitudes and behaviors of those co-workers whom they perceive as similar to themselves. Then, the individual employees regard the attitudes of co-workers as socially acceptable and model their beliefs according to those of their coworkers (Salancik and Pfeffer 1978). Thus, it is reasonable to suggest that employees’ trust for their coworkers influences trust in their organization, because employees who trust their coworkers are likely to regard their coworkers’ perceptions as relevant and socially acceptable. Hence, when these trusted coworkers perceive that the organization’s actions are beneficial, the employees are likely to be influenced by this same belief and subsequently construct similar perceptions that the organization can be trusted. Studies have shown that employees who communicate with one another frequently share similar interpretations of organizational issues (Schmitz and Fulk 1991).

The literature review shows that trust in an organization is a very important topic for workers and managers, which it influences the performance and the atmosphere of work. Interpersonal trust is considered as an important mechanism to stimulate satisfaction and commitment of members and enhance organizational effectiveness.

Building Interpersonal Trust within an Organization

Interpersonal trust building is an interactive process in which individuals learn or unlearn to establish and maintain trustworthiness, under given organizational (contextual and structural) settings, and subject themselves to policies directly or indirectly, positively or negatively sanctioning the building of interpersonal trust. Stable intentions for behaviour can be stimulated by durable policies, structures and contextual settings (Six and Sorge 2008).

Trust is highly relevant when the trustor depends on the trustee’s future action(s) to achieve his/her own goals and objectives (Lane 1998). For trust to develop, it is required that the trustee does not indulge in opportunistic behaviour, so that the trustor can put himself/herself in a vulnerable position with regard to the action(s) of the trustee. This requires a stable normative frame. In other words,
for trust to be possible, the trustor needs to believe that the trustee wishes to continue the relationship into the future (Lindenberg 2000; Hardin 2002).

According to Sonnenberg (1994), trust increases when people are perceived as competent. If employees believe that they can depend on their coworkers to produce a quality piece of work that would affect their job in a positive way, they will be willing to trust the judgment of those competent coworkers.

For interpersonal trust to be built in long-term work relations, both individuals need to have their actions guided by a stable normative frame. According to Six (2007, 292), there are four operative conditions that play an essential role in stabilizing normative frames:

1. the suspension of opportunistic behaviour, or the removal of distrust;
2. exchange of positive relational signals;
3. avoiding negative relational signals, i.e., dealing with trouble;
4. the stimulation of frame resonance, or the introduction of trust-enhancing organizational policies.

An organization needs to ensure all four conditions, but depending on the particular environment it operates in, the emphasis may differ. The more an organization meets all four conditions, the more likely it is that interpersonal trust can be built successfully in the work relations within it (Six 2007, 292).

According to Six (2007, 292), if an organization’s management wishes to promote interpersonal trust-building in the organization, then a combination of three types of organizational policies can be effective:

1. By creating a culture in which relationships are important and in which showing care and concern for the other person’s needs is valued (relationship-oriented culture);
2. Through normative control rather than bureaucratic control, because acting appropriately is the goal in normative control;
3. Through explicit socialization to make newcomers understand the values and principles of the organization and how ‘we do things around here’.

Bidault and Jarillo (1997) argue that trust can be based on different sources. Contract and establish a foundation for developing trust; ethics provides rules and values for actors to behave in different circumstances; the role of time and experience is important because trust increases with the number of transactions made by participants.
while familiarity relates to participants knowing each other before a transaction. Bidault and Jarillo (1997) consider trust as a coordinating mechanism that can make transactions cheaper, in the sense that, once trust has been established, contracts will not be needed between participants.

Trust is not static; it is a dynamic process that evolves according to the development of the relationship (Porras 2004). Lewicki and Bunker (1996) established a model of trust at three levels linked in a sequence where, once trust has been established at one level, it moves to the next level. Those levels of trust are calculus-based, knowledge-based, and identification-based. At the calculus-based level, parties fear punishment, but also anticipate the rewards from preserving trust; in other words, trust is based on a calculus of costs and benefits. Knowledge-based trust develops over time in the permanent contact between participants; it is ‘grounded in the other’s predictability-knowing the other sufficiently well so that the other’s behaviour is anticipatable. Knowledge-based trust relies on information rather than deterrence’ (Lewicki and Bunker 1996, 121). Identification-based trust is ‘based on identification with the other’s desires and intentions’ (Lewicki and Bunker 1996, 122). At this stage, parties know each other and may anticipate the reactions of the other participant; thus, they can act for the other. Ultimately, high trust implies an expectation that a relationship will continue in the future.

There is significant overlap between the stages of development of organizational trust. Each stage precipitates the next through action typically of its nature. Calculus-based trust is driven by the gathering of knowledge to make a decision as to how to act. This knowledge lays the foundation for knowledge-based trust. In knowledge-based trust, individuals continuously strive to learn about the other. As this learning increases, so does the identification with the other party increase. When this identification becomes the basis of the relationship, then the transition to identification-based trust has been made. The change from one stage to the next is characterized by a paradigm shift. For example, the change from knowledge-based trust to identification-based trust is located in a shift ‘from extending one’s knowledge about the other to a more personal identification with the other’ (Lewicki and Bunker 1996, 125).

In order to place trust in a potential partner, one must first establish his/her trustworthiness (and, in the case of organizations, the trustworthiness of the bosses of the other person and, at the end, of the whole company). However, this is a necessary but not a sufficient
condition in granting one’s trust. Ultimately, trust must be based on a series of personal characteristics of the potential partner, such as for example: loyalty, predictability, accessibility, availability, integrity, consistency of behavior, openness, competence, fairness, the ability to keep promises (Aragnona 1999, 222). To these characteristics can be added also benevolence and history of interaction.

Within organizations, managers obviously play a central role in determining both the overall level of trust and the specific expectations within given units. Managers initiate most vertical exchanges; thus, whatever level of trust or mistrust is evident in their actions may well be reciprocated. Moreover, managers design rewards and control systems that are visible displays of base levels of trust or mistrust within departments or the organization as a whole. In addition, managers control the flow of certain types of information and the opportunities to share or not share key information in ways that influence the level of trust between or across organizational levels or units. Finally, managers are the primary designers of the total organizational form employed – the combination of strategy, structure, and internal mechanisms that provide the overall operating logic and resource allocation and governance mechanisms of the organization. Managers affect trust levels in several ways that work along the lines of the three-factors economics, from a position of distrust, emphasizing the likelihood and/or potential for opportunistic behavior (Creed and Miles 1996, 19).

According to Covey (2009, 14), effective leaders use 13 behaviors to build and maintain trust: talk straight, show respect, create transparency, right wrongs, show loyalty, deliver results, get better, confront reality, clarify expectations, practice accountability listen first, keep commitments, and extend trust first. However, these behaviors need to be balanced (i.e., talk straight needs to be balanced by show respect). Any behavior, pushed to the extreme, becomes a liability.

Even though trust in the leader has been found to correlate with organizational trust (Aryee, Budhwar, and Chen 2002), the antecedents of trust in the organization are different from those of trust in the leader (Tan and Tan 2000). Findings from some studies suggest that the insecure future of the organization, inadequate working conditions, and poor treatment (Kiefer 2005) or job insecurity (Wong et al. 2005) could lead to employees’ distrust in the organization. Whitener et al. (Whitener, Brodt, and Korsgaard 1998) suggested that organizational factors such as structure, human resource policies and procedures, and organizational culture would affect employees’ perceptions of trust.
A trust-enhancing organizational context stimulates and guides behavior that will help build trust, but cannot guarantee such behavior. Several authors have discussed actions that have been shown to help build interpersonal action. Six (2005, 82) brings together these ideas as follows:

1. **Be open**
   - Disclose information in an accurate and timely fashion
   - Give both positive and negative feedback
   - Be open and direct about task problems
   - Be honest and open about your motives

2. **Share influence**
   - Initiate and accept changes to your decisions
   - Seek and accept the counsel of other people
   - Give and receive help and assistance
   - Recognize the legitimacy of each other’s interests
   - Show a bias to see the other’s actions as benevolently intended
   - Show care and concern for the other

3. **Delegate**
   - Make yourself dependent on the other person’s action
   - Delegate tasks
   - Give responsibility to other people
   - Take responsibility rather than make excuses

4. **Manage mutual expectations**
   - Clarify general expectations early on and explore specific expectations in detail
   - Surface and negotiate differences in expectations
   - Process and evaluate how effectively you are working together

In the literature there are distinguished three types of trusting behavior: how information is disclosed; how influence is shared; and how control is exercised. An individual increases his/her vulnerability to another individual when he/she reveals information about his/her goals, alternatives and intentions and when he/she discusses problems, because information is power. The other individual may use this information to block or undermine the first one’s plans. For example, giving feedback to another individual implies discussing your assessment of the other with him/her. Positive feedback increases the wellbeing of the other individual and critical feedback given constructively is also aimed at helping the other, but is more
difficult to execute properly. Giving negative feedback constructively implies that you show respect and regard for the other person and truly intend to help him/her while expressing displeasure about a particular behavior that the other individual can influence. By being open in these ways, the first individual increases the other one, while increasing his/her own vulnerability towards that person (Six 2005, 83).

Influence refers to sources of information and how that information alters the first individual’s behavior. When individuals seek and accept the counsel of others, initiate and accept changes to their decisions or receive help and assistance, they increase their vulnerability in several ways. They may be seen as weak because they consulted others; they may be misled by their counselors who may be misinformed or have poor ideas or who may be deliberately misdirecting them. Recognizing the legitimacy of each other’s interests also implies that you let the other person’s interests influence your behavior, which may demand a sacrifice on your part and increases the well-being of the other person. Finally, showing a bias to see the other person’s actions as well intended and showing care and concern for the other person both show regard for the other person and imply accepting influence on your behavior. Individuals increase their vulnerability when they delegate and choose not to control another’s behavior in order to protect their own interests. They can do this by making themselves dependent on the other person’s actions, for example, by delegating tasks to that person or when giving responsibility to him/her (Six 2005, 83).

Gabarro (1978) suggested a fourth category of trust-building actions – managing mutual expectations – and these actions imply that the behaviours of both the individuals involved may be influenced. Actions in this category are to clarify general expectations early on and explore specific expectations in detail, to reveal and negotiate differences in expectations, and to process and evaluate how effectively you are working together. These actions imply both the disclosure of information and the sharing of influence and thus make the first individual vulnerable while increasing the well-being of the second.

Conclusions
The best leaders frame trust in economic terms. In a low-trust culture, leaders can expect negative economic consequences. Everything takes longer and costs more because of the steps people need to take to compensate for the low trust. When these costs
are counted, leaders recognize how low trust becomes an economic matter. The dividends of high trust can also be quantified, enabling leaders to make a compelling business case for building trust, even making the building of trust an explicit objective. Like any other goal, building trust should be focused on, measured, and tracked for improvement. It must be clear that trust matters to managers and leaders, that it is the right thing to do, and the smart economic thing to do. One way to do this is to make an initial baseline measurement of trust, and then to track improvements over time. According to the literature review to build interpersonal trust:

1. distrust situations must be removed;
2. both individuals must regularly perform actions that convey positive relational signals;
3. both individuals involved in a trouble situation must at least act in ways that are not perceived as negative relational signals;
4. organizational policies must stimulate frame resonance.

Individuals can take several steps to strengthen another’s trust in them, for example:

• *Perform competently.* Individuals should continuously strive to demonstrate proficiency in carrying out their obligations.

• *Establish consistency and predictability.* Individuals can enhance the degree to which others will regard them as trustworthy when they behave in consistent and predictable ways.

• *Share and delegate control.* Trust often needs to be given for it to be returned. Likewise, when control is hoarded and others feel that they are not trusted (such as with monitoring and surveillance systems), they may be more likely to act out against this with behaviors that reinforce a distrustful image.

• *Share and delegate responsibility.* Give responsibility to other people and take responsibility rather than make excuses.

• *Communicate accurately, openly and transparently.* Individuals should act openly, that is, be clear and honest about the intentions and motives for one’s actions. This helps the other party calculate somebody’s trustworthiness accurately.

• *Show concern for others.* Acting in a way that respects and protects others people. Show care and concern for other. Give and receive help and assistance.

• *Manage mutual expectation.* Clarify general expectations early on and explore specific expectation in detail. Surface and negotiate differences in expectations.
After the literature review we can find that the insecure future of the organization, inadequate working conditions, wrong human resources policies and procedures, poor treatment or job insecurity could lead to employees’ distrust in the organization.

The theory developed in this study requires empirical testing to further deepen our understanding of the dynamics of interpersonal trust-building and the role of trust management. In the course of this study, several propositions have been formulated as a foundation for further research to test the validity of the theory. The first stage would be to develop reliable and valid instruments for each of the actions connected with trust building. When actions are interpreted, the perception of the receiver, as well as the intentions of the actor, should be studied.

References


Schmitz, J., and J. Fulk. 1991. ‘Organizational Colleagues, Information


Trust Management: Literature Review