Inter-O rganizational Trust: Conceptualization and Measurement

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Abstract

The role of trust has been studied extensively and in different contexts. It has often been argued that trust is essential for successful cooperation and effectiveness in organizations. The purpose of this article is to analyze how the concept of trust is approached and defined in various disciplines, in order to reach a generally acceptable definition that could be used in business research. A brief summary of related research done on Polish enterprises is provided.

Keywords: Organizational trust; Trust theory; Polish enterprises.

1. Introduction

Trust has been a topic of research in numerous disciplines for many years. Streams of research on trust can be found in the fields of psychology, philosophy, sociology, economy and management. There is an extensive amount of literature on trust; however, because trust has been studied in a variety of disciplines, each has produced its own concepts, definitions and findings. In fact, even within a given field, there is often a lack of agreement on the definition of trust (Lewicki and Bunker, 1995). The outcome is a multi-dimensional family of trust concepts, each with a unique focus. Despite the eclectic nature of trust research, researchers from every discipline have acknowledged the value of trust. Trust enables people to live in risky and uncertain situations (Mayer et al., 1995). It also provides the means to decrease the amount of complexity in a complex world, by reducing the number of options an individual has to consider in a given situation (Lewis and Weigert, 1985). It has often been argued that trust is essential for successful cooperation and effectiveness in organizations (Lane, 1998; Lewis and Weigert, 1985; McAllister, 1995; Nooteboom, 2002; Rousseau et al., 1998; Zand, 1997; Zucker, 1972).

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 inter-firm exchanges (Bharadwaj and Matsuno, 2006), and even resolves international political conflicts (Kelman, 2005). It is a fundamental ingredient of any positive and productive social process. Within an organizational setting, trust has been

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demonstrated to be an important predictor of outcomes such as cooperative behavior (Zalabak et al., 2000), organizational citizenship behavior (Van et al., 2000), organizational commitment (Aryee et al., 2002), and employee loyalty (Costigan et al., 1998).

The purpose of this paper is to analyze how the concept of trust is approached and defined in various disciplines, in order to reach a generally acceptable definition that could be used in business research. This paper first reviews empirical research on trust between members of an organization, between an employee and his/her direct supervisors, and on organizational trust. It also presents the opinions of polish managers about trust. This research is connection with the research project titled “Orientation on trust and organizational performance”.

2. Trust in various fields

The concept of trust appears in many disciplines. In this paper, the concept is reviewed from the perspectives of social psychology, philosophy, sociology, economics and management.

2.1 Trust in social psychology

Trusting behavior, as seen in social psychology, implies allowing oneself to be in a potentially vulnerable position relative to another, while possessing some knowledge of the other that inspires trust in his/her goodwill, i.e., a belief in his/her good intentions (Luhmann, 1979). Thus, risk and information about the potentially trusted person or situation are seen as necessary conditions for trust to exist. Numerous psychologists have defined trust as a personal trait (Rotter, 1967), while other researchers have stressed its social aspects (Blau, 1964). The psychologist J.R. Gibb (Gibb, 1978) stated that trust is instinctive, and as a feeling, it is close to love. Trust in everyday life is a mixture of feeling and rational thinking.

Personality psychologists, such as Wrightsman (Wrightsman, 1966) and Rotter (Rotter, 1967), have viewed trust as a personality trait that reflects the general expectancies of the trustworthiness of others. These expectancies are relatively stable dispositional characteristics that depend on personal experiences and previous socialization.

According to Six (2007), interpersonal trust is a psychological state comprised of the intention of an individual to accept being vulnerable to the actions of another party, based upon the expectation that the other will perform a particular action that is important to an individual.

2.2 Trust in philosophy

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The great philosophers have written very little about trust. For example, Plato and Aristotle indirectly implied trust while discussing cooperation, friendship and the virtues of the human being (Baier, 1986; Hosmer, 1995). Philosophers see trust in a variety of forms and versions. For example, Herzberg (1988) stated that trusting another person means having a trusting attitude towards the other person, without specifying where he is trusted, as could be said that after judgment somebody is relied upon certain aspects. Trust is therefore implicit, is not given on certain grounds, and is never a rational option. Herzberg, similar to Baier (1986) and Lagerspetz (1992), drew attention to the implicit nature of trust, which is not given on certain grounds and is not a rational option. Philosophers have emphasized the trusting attitude, often unconscious, as being part of the basic conduct of life. Reliance is seen as a narrower concept that might be relied upon in certain respects. Reliance is therefore also viewed as an outcome of grounded expectations and is separate from trust.

2.3 Trust in sociology

In the sociological literature, it has been emphasized that trust comprises not only individuals’ beliefs about others, but also their behavior and their willingness to use knowledge to influence future action. In the literature, two principal forms of trust have been distinguished (Chowdhury, 2005; Lewis and Weigert, 1985; McAllister, 1995). First, cognition-based trust is based on individual thinking about and confidence in the other, using “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 et al. (1995) distinguished 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) recognized trust as “faith in the trustworthy intentions of others” and “confidence in the ability of others”.

2.4 Trust in economics

The field of economics has paid little attention to the role of trust in market exchanges. The neo-classical ideal market, with its perfect information and pure competition between independent and faceless traders, does not view trust as a central concept, since a competitive market is supposed to control any deception. Also, rational choice theory excludes differences among actors, which means that no one individual is more or less trustworthy than any other. That is to say, if all of the actors were perfectly honest and doing their best to fulfill their commitments, there would never be a problem of trust (Blomqvist, 1997).

The shifts in focus towards imperfectly competitive markets, in which a small number of traders build long-term relationships and make relation-specific investments, has drawn attention to this issue. The economists who view the notion of trust as relevant and useful regard it as mutual confidence, whereby an individual or firm trusts a second individual or firm to do what it has promised to do (Zucker, 1986). For example, according to M. Sako (1992), trust can be treated as a state of mind, or an expectation
held by one trading partner toward another, that the other will behave or respond in a predictable and mutually acceptable manner. Arrow (1974) considered trust as a basic element not only for organizations, but also for the economy in general, affirming that trust is a lubricant for economic exchange.

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2.6 A review of approaches in the measurement of inter-organizational trust

Until now, most studies on organizational trust 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 et al., 2002; Deluga, 1994; Dirks, 2000; Dirks and Ferrin, 2002). The literature also has examples of studies of trust in an organization (Creed and Miles, 1996; Huff and Kelley, 2005; Kelman, 2005).

2.7 Trust among members of an organization

Trust among members of an organization has been examined by numerous studies (Chattopadhyay and George, 2001; Dirks and Skarlicki, 2004; Ferres and Connell, 2004; Festinger, 1954; McAllister, 1995) (Figure1).
According to Sonnenberg (Sonnenberg, 1994), trust increases when individuals are perceived as being competent. If employees believe that they can depend on their coworkers to produce a quality piece of work that will affect their job in a positive way, they will be willing to trust the judgment of those coworkers. The employer, as the “trustee” in the relationship with the employees, can develop and sustain a high level of trust by improving the employees’ confidence in the organization and increasing the employees’ indebtedness to the employer through certain human resource management practices, such as extensive welfare benefits or investments in the employees’ careers (Creed and Miles, 1996).

Wintrobe and Breton (Wintrobe and Breton, 1986) argued that there is a potential conflict between vertical trust (trust between the employer and the employees) and horizontal trust (trust among the employees), stating that when employees do not trust management, they will band together for collective action.

A number of studies have found positive relations between trust and team performance (Costa, 2003; Costa et al., 2001; Klimoski and Karol, 1976); however, other studies have found trust in team members to be unrelated to team performance (Aubert and Kelsey, 2003; Porter and Lilly, 1996). A study by Langfred (2004) on self-managed teams even showed that trust can be negatively related to performance. He found that in teams with a high degree of individual autonomy, high trust leads to a reduction in team monitoring, which leads to a lower level of performance than in teams with high individual autonomy and a high level of monitoring.
2.8 Trust between an employee and his/her direct supervisor

Most of the work on trust in specific targets has focused on trust in a direct leader, such as a supervisor, manager, or work-group leader (Aryee et al., 2002; Butler and Cantrell, 1984; Deluga, 1994; Tan, 2000; Tan, 2000) (Figure 2).

![Diagram of Trust between an Employee and his/her Direct Supervisor](image)

**Figure 2. Trust between an employee and his/her direct leader (supervisor)**

Source: Author’s proposition

Immediate supervisors often have frequent and direct contact with their subordinates in daily work. Supervisors’ actions and behaviors, which are essential in determining the subordinates’ attitudes, provide the foundation for trust (Whitener et al., 1998). Supervisory support is a strong indicator of the quality of the relationships between employees and supervisors (Stinglhamber and Vandenberghe, 2003). When supervisors express concern for their employees’ wellbeing, help them with career development and value their work, they send a signal to their subordinates that they are interested in a close social exchange relationship. To equalize or ensure a balance in their exchanges, employees will feel obligated to reciprocate the good deeds and goodwill of the supervisor. By discharging their obligations for the services provided, they demonstrate their trustworthiness and the gradual expansion of mutual services (Blau, 1964). Wayne, Shore, and Liden (1997) suggested that employees often generalize their experiences with their supervisors to the organization. Indeed, it has been observed that employees’ trust in their supervisors is associated with their trust in the organization (Wong et al., 2003). As their trust in the supervisor increases, their favorable perceptions of the organization will also increase (Pearce, 1993). Thus, as supervisors build a social exchange relationship with their employees and fulfill employee perceptions of the organization’s obligations through providing social support, employee trust in the organization increases (Whitener, 1997).

3. Organizational trust

Organizational trust has also been studied among many researchers (Salancik and
According to Zucker (1986), organizational trust can stem from the owner’s personality (small firms) or from a strongly centralized decision structure and organizational culture, which causes the organization to regularly interact in a particular, “trusting” way. Barney and Hansen [6] noted that the organization’s values and beliefs may be supported by internal reward and compensation systems, together with decision-making systems that reflect the 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, which is based on a company’s good reputation or resources.

Trust in an organization involves the 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 is largely comprised of his/her coworkers 61. According to the social information-processing theory (Salancik and Pfeffer, 1987), 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 similar to himself 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 coworkers whom they perceive as similar to themselves. Then, individual employees will regard the attitudes of coworkers as socially acceptable and model their beliefs according to those of their coworkers (Salancik and Pfeffer, 1987). 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 will likely be influenced by this same belief, and will subsequently construct similar perceptions of the organization’s trustworthiness. Studies have shown that employees who communicate with one another frequently share similar interpretations of organizational issues (Schmitz and Fulk, 1991).

3.1 The concept of trust in the opinion of polish managers

The research subjects of this study were enterprises from Mazovia Province, which is the most developed area of Poland. A questionnaire was released to 368 managers from 189 companies from November 2010 to February 2011. These enterprises were rated as the best enterprises in Mazovia Province by Forbes. The aim of the survey was to understand the opinion of polish managers about trust.

The questionnaire items, as shown in Table 1, are based on a 5-point scale, where 1 denotes strongly disagree and 5 denotes strongly agree. Thus, the rating of 4 or 5 is regarded as a positive answer (P), 1 or 2 is regarded as a negative answer (N), and 3 means that the respondent is unsure (0).

Table 1. Trust: managers to subordinates (answer in %)

<table>
<thead>
<tr>
<th>Nr</th>
<th>Questions</th>
<th>P</th>
<th>0</th>
<th>N</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>In dealing with people never be too careful</td>
<td>72</td>
<td>16</td>
<td>12</td>
</tr>
<tr>
<td>2.</td>
<td>You should not trust other people until you do not know them well</td>
<td>51</td>
<td>19</td>
<td>30</td>
</tr>
<tr>
<td>3.</td>
<td>Most people will lie if it will then be able to get something</td>
<td>38</td>
<td>26</td>
<td>36</td>
</tr>
<tr>
<td>4.</td>
<td>Employees in your company wish others the best</td>
<td>53</td>
<td>36</td>
<td>10</td>
</tr>
<tr>
<td>5.</td>
<td>Employees in your company when the opportunity arises to gain something will be dishonest</td>
<td>13</td>
<td>24</td>
<td>63</td>
</tr>
<tr>
<td>6.</td>
<td>In these days in your company you can only count on yourself and only trust yourself</td>
<td>17</td>
<td>20</td>
<td>62</td>
</tr>
<tr>
<td>7.</td>
<td>Contacts between the employees in your company are mainly based on struggle and rivalry</td>
<td>6</td>
<td>9</td>
<td>85</td>
</tr>
<tr>
<td>8.</td>
<td>In your company employees can openly talk about what they do not like, or how something should be changed</td>
<td>75</td>
<td>18</td>
<td>7</td>
</tr>
<tr>
<td>9.</td>
<td>In your company your employees feel accountable for their tasks and do not have to be monitored</td>
<td>52</td>
<td>33</td>
<td>15</td>
</tr>
<tr>
<td>10.</td>
<td>In your company staff for most of the time trying to be helpful to others and do not care only about self-interest</td>
<td>58</td>
<td>32</td>
<td>10</td>
</tr>
<tr>
<td>11.</td>
<td>I allow subordinates to make decisions within defined limits</td>
<td>92</td>
<td>5</td>
<td>3</td>
</tr>
<tr>
<td>12.</td>
<td>I trust my subordinates</td>
<td>84</td>
<td>13</td>
<td>3</td>
</tr>
</tbody>
</table>

Source: Author’s research

The responses to the first and second items indicated that most of the managers tried to be very careful when they met new people, among those, 38% agreed with the statement, “Most people will lie if it allows them to get something”. Most of the managers (53%) claimed that employees generally wish others the best, 62% disagreed with the statement that “You can only trust yourself”, and 63% disagreed with the statement that “People will be dishonest when they have the opportunity to gain something”. These findings confirmed that the atmosphere in the researched companies
was good. The high organizational culture was also confirmed by the responses to the items about contacts between employees, in which 85% of the managers disagreed that they are mainly based on rivalry. The responses to the following items were also very positive:

- 75% agreed that employees can openly talk about what they think.
- 52% agreed that employees do not have to be monitored; they are responsible for their tasks.
- 58% agreed that employees are helpful to others.
- 92% of managers allow subordinates to make decisions within defined limits.

The response to the last item, “I trust my subordinates”, confirmed the good situation connected to the level of trust in the researched organizations.

Several limitations to the proposed theory should be recognized. First, the theory presented in this paper was limited to the trust declared by managers to their subordinates. Further research is needed to extend this to other forms of trust, such as trust in organizations or trust among all members of an organization. A second limitation was that this research focused on work relations within organizations, and the scope was limited to the so-called best enterprises, which could explain why the managers presented such high scores and showed a high level of trust.

4. Practical implications

In an era of immense competition, organizational resources are precious and limited, and opportunities for an organization to improve the effectiveness of its people or reduce its impediments are limited. Because of the significance of an individual’s trust in his/her coworkers in determining organizational trust, as well as in important outcomes such as organizational commitment and performance, it is reasonable for organizations to develop and embrace a climate of trust among their employees. The findings of a number of studies suggest that the insecure future of an organization, inadequate working conditions, poor treatment or job insecurity could lead to employees’ distrust in the organization, and that organizational factors such as company structure, human resource policies and procedures, and organizational culture, could affect the employees’ perceptions of trust. As part of the implications of the present study, organizations should cultivate cultures that promote trust among coworkers, trust between managers and employees, and organizational trust. Due to the significance of benevolence and integrity as factors of trustworthiness, organizations can promote, through the company vision and campaigns, the need to be benevolent to fellow coworkers and to exhibit high levels of integrity. Stable intentions for behavior can be stimulated by durable policies, structures and contextual settings. In order to promote interpersonal trust building in an organization, a combination of three types of organizational policies can be effective:

(1) Creating a culture in which relationships are important and in which showing care and concern for other people’s needs is valued (a relationship-oriented culture).
(2) The use of normative control rather than bureaucratic control, because acting appropriately is the goal of normative control.

(3) The use of explicit socialization to help newcomers understand the values and principles of the organization (“how we do things around here”).

5. Conclusion and direction for further research

The theory of trust is still being developed, and researchers continue to disagree on the nature and definition of this complex concept. The studies conducted so far have taken very different theoretical backgrounds and chosen empirical contexts.

This paper provided an overview of the range of approaches that have been used in investigating trust in different settings. Various disciplines have different basic assumptions about trust. For example, economists’ rational and calculative view of trust contrasts strongly with philosophers’ attitudinal and ethical view. Social psychologists underline the reliability of one’s word or promise and the fulfillment of obligations, whereas economists see trust as a response to expected future behavior and recommend the use of hostages to ensure rational behavior. Social psychologists and philosophers emphasize the personal and inter-personal aspects, while economists and most management researchers emphasize inter-organizational trust.

This investigation showed that most employers would be eager to cultivate employees’ trust in their organizations. The benefits of trust should be obvious to all, but how to develop such trust remains a challenge to most employers. Three main factors that make it difficult to build trust in organization were identified. First, trust building is an interactive process that involves (at least) two individuals learning about each other’s trustworthiness. Second, trust is built up gradually and incrementally, and it is reinforced by previous trusting behavior and previous positive experiences. Third, there is no absolute certainty that the trust will be honored. 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. These findings are useful for human resource management practitioners in firms. This study also contributed to the accumulating evidence that the mutual investment of an organization in employee relations may be a wise human resource management tool for many, if not all, employers.

Trust is measured mainly according to how much, if any, an individual trusts the other party. However, this does not increase the understanding of what trust really is. Individuals may easily ascribe various meanings and contents of trust. It could well be argued that existing attempts to measure trust are unable to capture the whole phenomenon, as trust is both context and situation specific and is perceived subjectively by separate individuals with distinct histories.

It will be a challenge to future research on examining how trust is assessed, signaled and created. The findings of this research reveal the possibility of studying the question further.
Reference


