1. Introduction

Trust is considered to be important for successful cooperation by many – both scholars and practitioners – so why do we not see predominantly high-trust work relationships? Part of the explanation, this book argues, is that trust is difficult to build and maintain in work relations. The purpose of this book is to find out more about how the trust-building process operates in work relations within organizations, including how trouble influences trust building and what the impact of the organizational context is on the trust-building process. Few sources in the literature have addressed this process or that of dealing with (perceived) trust violations (McAllister, 1995; Lewicki and Bunker, 1996) and even fewer have incorporated the reciprocity of the trust-building process (Zand, 1972). Furthermore, few sources have explicitly and systematically investigated the link between interpersonal trust and organizational context (Lindenberg, 2000). The motivation for the present study is that it is worthwhile investigating trust and trouble within organizations because it can be assumed that the effectiveness of trust-building co-varies with the level of cooperation and the effectiveness of cooperation.

THE IMPORTANCE OF TRUST

Many authors have emphasized the importance of trust for achieving organizational success. The literature overview presented in Table 1.1 shows that many see trust as necessary in contexts of high ambiguity and uncertainty and in contexts of high complexity. Trust, on the one hand, can provide a sense of security that will help survival in these contexts, and on the other, it can help with the risk taking necessary for survival in complex environments. Trust, when present, is said to enhance the ability to change and to support (radical) change. This is because trust is said to assist in learning, creativity and innovation. Furthermore, it is a lubricant for social relations which improves efficiency, or as John Locke declared, trust is ‘the bond of society’, the vinculum societatis. Trust is also seen to foster and maintain cooperation, as it encourages information sharing, enriches relationships, increases openness and mutual acceptance and enhances conflict resolution and integrative problem solving. The presence of trust, it has been argued, reduces...
The trouble with trust

the need for detailed contractual and monitoring devices and is thus important in governance. And taking it one step further, in complex environments, detailed contracting and monitoring are often undesirable since they may constrain the scope and motivation for quality and for innovation based on individual variety and initiative. Finally, trust can have extrinsic value, as a means to achieve social or economic goals, and it can have intrinsic value, as a dimension of relations that is valued for itself, as part of a broader notion of well-being or the quality of life. People may prefer, as an end in itself, to deal with each other on the basis of trust.

These different reasons why trust is important, as found in the literature, overlap and some are related. Many of these authors argued that the interest in trust has surged recently because of changes in the economy and society at large, and thus also in contemporary organizations. The degree of ambiguity and uncertainty is said to be increasing, thus increasing the need for change, innovation, learning and risk taking. These changes have triggered the development of new forms of organization and styles of management, with more emphasis on mutual dependence, individual initiative and discretion.

Table 1.1  The importance of trust: literature overview

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**THE TROUBLE WITH TRUST**

If trust is as important for organizational success as so many claim, why do we not see predominantly high-trust work relations? The explanation proposed is that trust is difficult to build and maintain. Four key characteristics of trust that...
hinder its building and maintenance have been identified. First, there exist misunderstandings and confusions about what trust is. Many perspectives have been taken and definitions abound (Nooteboom, 2002). The focus of the present study is on interpersonal trust as it can occur between colleagues (at and across all levels) in an organization. This interpersonal trust, when considered in an organizational context, is also linked to trust at the organizational level and more indirectly to other system levels, such as institutional and societal ones. In Chapter 2, the definition used in this study is formulated, but for now the observation suffices that trust requires dependence, vulnerability and optimism about a positive outcome, conditions that give some indication of why many people may be hesitant to actually engage in it.

The second characteristic is that interpersonal trust-building is an interactive process involving (at least) two individuals learning about each other’s trustworthiness. This has several implications. First, trust-building can only occur when one individual is open to social influence from another, or when a third party with whom both individuals are open to social influence intervenes to mediate (Zucker et al., 1996). Second, trust-building within work relations is a reciprocal process; it takes two to tango. It would be very difficult to build trust unilaterally if the other individual never reciprocates. Thus, out of the four theoretically possible situations (A = willing to build trust, B = willing; A = unwilling to build trust, B = unwilling; A = willing, B = unwilling; A = unwilling, B = willing), only one will provide the necessary condition for trust-building to stand a chance. Third, trust requires action. By acting trustingly, the individual makes him-/herself vulnerable to abuse by the other individual and communicates his/her intention to trust and his/her own trustworthiness (Zand, 1972, 1997). Furthermore, trust appears to need regular, if not constant, nurturing and tending. You cannot ‘install’ trust in a relationship and then assume it will remain there and forget about it. In fact, the supply of trust appears to increase rather than decrease with use (Pettit, 1995). Also, if not used, trust can become depleted (Powell, 1996). Finally, trust is best understood from a learning perspective; trust has to be learned (Luhmann, 1979). Hardin (1993) argued that excessive trusters, those who err on the side of too much trust in others, will enter far more interactions than the distrusters, who err on the side of too much distrust, and will therefore have many more direct opportunities to amend their judgement of the ‘correct level’ of trustworthiness. He concluded that, even in only modestly supportive worlds, adopting not only the attitude but also the behaviour of an optimistic trustor may be beneficial, since that behaviour opens up the possibility of discovering the trustworthy. The dynamic that he described makes sense; his recommendation, however, appears to ignore the costs involved in getting hurt while learning. How many of us are actually able to live like this all the time?
Probably not that many. This implies that there will be relationships in which the level of trust is lower than the trustworthiness of the parties involved actually warrants, because one of the players is hesitant to trust.

The third characteristic showing trust’s complexity is that several asymmetries are involved. First, both trust and distrust are contagious, but with an important asymmetry. The underlying system dynamics of both are based on positive feedbacks, reinforcing the initial behaviour (Zand, 1972, 1997; Deutsch, 1973). However, trust builds up gradually and incrementally, reinforced by previous trusting behaviour and previous positive experiences (for example, Zand, 1972; McAllister, 1995; Lewicki and Bunker, 1996); and distrust is more catastrophic (for example, Lewicki and Bunker, 1996; Lane, 1998). Part of the explanation for this lies in the fact that experiences of betrayal are usually more vivid and thus easier to store and retrieve than experiences of trust (Ross and LaCroix, 1996). As the Dutch statesman Johan Thorbecke formulated: trust comes on foot, but leaves on horseback. Furthermore, one of the most powerful ways to show your own trustworthiness is to trust the other (Zand, 1997). However, we like to be trusted, yet having to trust other people is often problematic (Kipnis, 1996). We generally hate to be hurt and to trust implies making yourself vulnerable to someone else.

The fourth characteristic that makes trust difficult to build is that there is no absolute certainty that the trust will be honoured. It is easy to find evidence of untrustworthy behaviour, but practically impossible to prove trustworthiness (Luhmann, 1979; Gambetta, 1988). Gambetta commented:

Even if people have perfectly adequate motives for cooperation they still need to know about each other’s motives and to trust each other, or at least the effectiveness of their motives. It is necessary not only to trust others before acting cooperatively, but also to believe that one is trusted by others. (ibid.: 216, italics in original)

Furthermore, as Lewis and Weigert (1985: 970), referring to Georg Simmel, observed:

[T]rust involves a degree of cognitive familiarity with the object of trust that is somewhere between total knowledge and total ignorance. That is, if one were omniscient, actions could be undertaken with complete certainty, leaving no need, or even possibility, for trust to develop. On the other hand, in the case of absolute ignorance, there can be no reason to trust. When faced by the totally unknown, we can gamble, but we cannot trust.

And last but not least, trust is to an important extent based on the predictability and perceived consistency of behaviour. Yet, however well intentioned we are, virtually no one ‘walks his talk’ all the time in all respects. And in the eye of the onlooker our ‘walk’ is often perceived as even less consistent than our ‘talk’ (Weick, 1995). Also, trust deals with expectations, not probabilities.
Probabilities are related to the interpretation of risk as the variance of a distribution (density function) of probabilities attached to alternative outcomes. Beyond this type of risk there is radical uncertainty, which entails that we do not know the complete set of alternative outcomes of a particular choice, nor do we know the full range of alternative options from which we can choose (Knight, 1921). This leads to an important argument in this book, which is that in (organizational) life, trouble is inevitable because of the presence of radical uncertainty. Most organizational and social theories are based on the implicit assumption that the challenge of organizing – turning interdependence into effective cooperation – is to design and introduce the correct rules, thus preventing problems (Wittek, 1999). In many organizations this has led to an obsession with control, which in most cases is no more than an illusion of control (Mintzberg, 1994). Yet, since trouble is inevitable, we have to address the question of ex post dealing with experiences of trouble. Why is it important to be good at dealing with trouble? Is it not more effective to (continue to) focus our energy on improving our ex ante prevention of trouble? Those who support this view probably hold the (implicit) assumption that, if only we have enough information, the world is predictable and individuals behave rationally. Yet convincing arguments have been put forward to show that social systems and the world in general are inherently unpredictable. Organizing is thus about managing the tension between innovation and control (Weick, 1995). Too much ex ante prevention of trouble reduces the number of surprises, including the pleasant ones that will lead us to the novel resource combinations needed for value creation (Moran and Ghoshal, 1999). However, too few rules make it difficult for relationships to develop the trust necessary for effective cooperation to take place, because there is too much chaos. We need to find the appropriate balance, which, in my view, for most contemporary organizations implies strengthening the circumstances for dealing effectively with trust and trouble. In fact, cooperation and conflict go hand in hand: ‘Cooperation creates conflict, cooperation ends conflict and cooperation provides the context in which conflicts can be resolved constructively’ (Johnson and Johnson, 1995: 242). The more you care about what you share, the more frequent and intense the conflicts can be.

In conclusion, there appear to be many mechanisms and conditions that make the successful building of trust difficult.

EXISTING EXPLANATIONS

Several perspectives have been taken in theorizing about trust. The first involves authors giving different classifications of trust either by level of analysis (for example, Luhmann, 1979; Lewis and Weigert, 1985; Lane, 1998;
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Zaheer et al., 1998) or basis for trust (for example, Zucker, 1986; McAllister, 1995; Lewicki and Bunker, 1996; Ross and LaCroix, 1996; Rousseau et al., 1998; Nooteboom, 2002). Given the complexity of trust and its different manifestations, this is an important first step in understanding trust. Several levels of analysis can be distinguished. First there is system trust, or ‘trust in the reliable functioning of certain [abstract] systems, which no longer refers to a personally known reality’ (Lane, 1998: 16); it can be closely related to societal trust. According to Luhmann (1979), in this trust the system can be both the object and the source of trust. In comparison, at the next level of analysis, institutional trust, the institution acts as a source of trust (Lane, 1998). Institutional trust exists when people rely ‘on formal, socially produced and legitimated structures which guarantee trust’ (ibid.: 15). And finally there is interpersonal trust, which is defined by Lane (ibid.: 14) as ‘trust between individuals … based on familiarity, developed in previous interaction or derived from membership in the same social group’. This distinction is analytically useful and necessary because the way in which trust works varies by level; in practice, however, the distinctions can become blurred as in any particular interaction several levels are usually involved. Many different bases of trust have been formulated, ranging from a distinction between cognitive or rational and affective or emotional (Lewis and Weigert, 1985; McAllister, 1995), through a distinction between calculus or deterrence-, knowledge-based trust and identification or relational-based trust (Lewicki and Bunker, 1996; Ross and LaCroix, 1996; Rousseau et al., 1998) or a distinction between process-, characteristic-based trust and institutional-based trust (Zucker, 1986), to a $2 \times 2$ matrix with some 14 bases (Nooteboom, 2002).

In another perspective, explanations of trust are sought through the formulation and testing of hypotheses. Much research in this perspective has addressed and tested partial explanations for the relationship between trust and a limited number of antecedents or outcomes at different levels of analysis in particular situations, either through experiments (for example, Deutsch, 1958; Zand, 1972; Sato, 1988) or through surveys (for example, McAllister, 1995; Sako, 1998; den Hartog, 2003). Sometimes, more complete models for trust have been built (for example, Mayer et al., 1995; Ross and LaCroix, 1996), but these have not been (fully) tested empirically. Many of the theories of trust formulated so far have stayed within rational choice theory (RCT) as their theoretical framework. RCT applies several principles which are considered valuable, such as the use of clear analytical assumptions about personal goals and restrictions on the actions of participating actors, and the use of analytical methods that are unambiguous and precise.4

Despite these advantages of the RCT approach, a growing number of authors have pointed out that the more orthodox forms of RCT were not able to give satisfactory explanations of trust (Tyler and Kramer, 1996; Hollis...
1998; Lindenberg, 2000; Nooteboom, 2002). These more orthodox forms have worked with assumptions that, on the one hand, allow for neat and elegant formalization, but, on the other, are too obviously not in line with social reality. Extensions to these orthodox forms have been formulated which include new assumptions about rationality (ranging from perfect rationality via bounded rationality to procedural rationality), preferences (whether self-interested or altruistic and whether pursuing material gain only or also social gain) and social embedding (ranging from none via structural to normative) (Wittek and Flache, 2003). Wittek and Flache distinguished six forms of RCT with different core assumptions. Agency theory comes closest to the orthodox form of RCT with the most ‘objective’ core assumptions of perfect rationality, preferences based on maximization of self-interested material gain and no social embedding. Shapiro (1987) is an example of research on trust based on agency theory. Williamson’s (1993) transaction cost theory approach to trust is often referred to in efforts to show RCT’s inadequacies and is also a more orthodox form since only the assumption of perfect rationality is replaced by a bounded rationality assumption, while self-interest maximization and opportunism are still assumed together with no social embedding. The next two forms of RCT differ from the first two in the assumption of structural embedding, which implies that influences of the social network within which the individual acts are taken into account. In reputation models the social networks act as a mechanism for disciplining opportunism, an example of which is Burt and Knez’s (1996) research on third-party effects on trust. In reward models, social gains, including status, friendship and social recognition, are also recognized in the preference assumption. The works of Deutsch (1973) and Coleman (1990), often referred to in trust research, are examples of this form of RCT. No notable example for trust was found of the linked utility theory form of RCT. Finally, relational signalling theory as proposed by Lindenberg (2000) is an extended form of RCT which assumes that rationality is bounded through framing, preferences are partially guided by altruism through the distinction between foreground and background goals and an individual’s action is guided by the normative embedding in which the individual operates. Of these six theories, relational signalling theory appears to provide the most appropriate foundation for explanations of interpersonal trust-building that incorporate the characteristics of trust mentioned earlier.

RESEARCH QUESTIONS AND DESIGN

Thus, an important gap in the trust research to date has been identified, because no comprehensive explanation of trust has been found that can explain how trust works as an interactive and asymmetrical process how trust
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is built up against the inevitable occurrence of trouble and how organizational policies and settings affect the generation and maintenance of trust. This study aims to contribute to existing trust research by filling this gap. The rest of this book addresses the issue of formulating and testing a theory of interpersonal trust-building in work relations within organizations by answering three research questions:

1. How is interpersonal trust built in work relations within organizations?
2. How does trouble influence this process?
3. How does the organizational context influence these trust and trouble processes?

Theorizing starts within relational signalling theory, because the concept of relational signals has deep implications for a theory of interpersonal trust-building. As the theory of trust-building is formulated and assumptions need to be extended or changed, this is done explicitly.

Given trust’s complexity, testing the theory requires a multi-method approach, using several sources of data and several types of analysis. A multiple case study strategy was applied covering two organizations. Embedded within this strategy, a multi-method approach was used with interviews, observations, a questionnaire survey, documents and verification meetings as instruments for three types of analysis: a quantitative trust and trouble event analysis, a quantitative survey analysis and qualitative analyses.

In this study, organizations in general are seen as groups of people who come together because they are interdependent on one another to achieve what they aspire to and need for survival; together they can achieve more than alone or in another combination. Many organizational forms are possible and not all necessarily need trust to be present to the same degree. However, as argued above in the section on the importance of trust, due to recent changes in the economy and society at large, organizations are increasingly faced with a need for continuous change, innovation, learning and risk taking, which usually requires organizational forms with more emphasis on mutual dependence (interdependence) and individual initiative. For this to work effectively, trust is seen as important (for example, Creed and Miles, 1996). This study focuses on organizations with these characteristics, which are referred to as ‘contemporary’ organizations.

PLAN OF THE BOOK

The remainder of this book is organized in six chapters. In Chapter 2, the foundations for a theory of interpersonal trust-building are developed.
chapter begins with a description of relational signalling theory and then applies it to interpersonal trust-building. For trust to be built between two individuals, their behaviour needs to be guided by a stable normative frame, and stabilizing normative frames becomes the joint goal. Four strategies for stabilizing normative frames are identified, two operating at the contextual level and two at the individual level. These strategies are subsequently tested in empirical research. Chapter 3 describes the research strategy and analyses, and sets the scene with a characterization of the two case study organizations. In Chapter 4 ‘Creating a trust-enhancing organizational context’, the two strategies at the contextual level are taken together because in real life it is difficult to distinguish between the two. The brief theoretical sketch provided in Chapter 2 is extended, and 11 hypotheses are formulated and tested using predominantly qualitative analyses in which the two organizations are compared. In Chapter 5, ‘Building interpersonal trust’, the first strategy operating at the individual level is examined and tested. In the theoretical section, actions that are considered to be trust building are identified and categories are formed based on the type of relational signal they contain. The empirical research was aimed at testing the hypothesis formulated about the occurrence of each of these actions and at testing the categorization of the actions using the results of the questionnaire survey. Chapter 6, ‘Dealing with trouble’, examines the fourth strategy by investigating the impact of a trouble event on trust in the relationship. Hypotheses about a trouble model are formulated and tested using the quantitative trust and trouble event analysis. Finally, the findings and implications of the results are summarized in Chapter 7, which also draws some conclusions with regard to the strengths and limitations of the theoretical approach used in this book. Furthermore, some methodological and practical implications are addressed and several avenues for further research are suggested. Background information is provided in two appendices. Background data regarding the research design are provided in Appendix A, while additional data about the building of trust are provided in Appendix B.

NOTES

1. Note that the term ‘organizational context’ is used in this study to refer to the organizational level within which individuals interact, and not to the larger societal or business context within which the organization operates (societal level).
2. Weick therefore suggested that we should focus on ‘talk our walk’ rather than the usually preached ‘walk our talk’.
3. These perspectives do not exclude each other, for example, Nooteboom has empirically tested hypotheses using an earlier version of his bases for trust (Nooteboom et al., 1997).
4. At least, that is the aim.