

# Trust: What It Is And What It Is Not

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## Abstract

*Trust, whether it is interpersonal trust, organizational trust, or trust in exchange relationships, has drawn great attention from both business practitioners and scholars in recent years. Numerous studies have been done, but the meaning of trust seems to remain elusive. Few constructs have been defined in so many different ways resulting in much confusion. This research attempts to improve our understanding of the nature of trust through reviewing existing business literature on this construct. By comparing and contrasting different perspectives of defining trust, the paper argues that trust is not a calculated probability of the behavior of the party to be trusted, and neither is it one's willingness to risk vulnerability. Emphasizing the social or relational nature of trust, this paper defines trust as a choice, a decision to place one's confidence in others. Cognitive expectation (the calculated probability) and behavioral intention (the willingness to be vulnerable) are conceived as an antecedent and a consequence of trust respectively. Defined as such, the construct embraces trust at both personal level and the institutional level, including trust in organizational or exchange relationships; it is expected that this endeavor should contribute to our understanding of trust in both marketing and management fields.*

## 1.0 Introduction

In recent years, trust has become a central issue in many areas of business research, including teamwork, leadership, organizational relations, buyer-seller relationships, strategic alliances, and organizational governance, and so on. Drawing on research findings in other social sciences such as economics, psychology, and sociology, researchers in business generally agree that trust is critical to an effective, long lasting business relationship (Morgan & Hunt, 1994; Sirdeshmukh, Singh, & Sabol, 2002) as well as organizational governance (Powell, 1996). As a fundamental social force (Lewis & Weigert, 1985), trust enable cooperative behavior (Gambetta, 1988), promotes adaptive organizational forms in network relations (Miles & Snow, 1992), decreases transaction costs (Meyerson, Weick & Kramer 1996), facilitates and enhances strategic partnerships (Shapiro, Sheppard, & Cheraskin, 1992), and provides an important mechanism for control (Nooteboom, Berger & Noorderhaven, 1997).

Despite great efforts made by scholars, trust seems to remain an intractable concept. Trust has been defined in many ways and little consensus has been achieved among scholars. Some examples:

“Trust is defined as a willingness to rely on an exchange partner in whom one has confidence.” (Moorman, Deshpande & Zaltman, 1993, p. 82)

“We define trust in terms of confident positive expectations regarding another's conduct” (Lewicki & Bies, 1998, p. 439).

“An individual may be said to have trust in the occurrence of an event if he expects its occurrence and his expectations lead to behavior which he perceives to have greater negative consequences if the expectation is not confirmed than positive motivational consequences if it is confirmed” (Deutsch, 1958, p. 266).

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*Readers with comments or questions are encouraged to contact the authors via email.*

Trust is “a particular level of the subjective probability with which an agent assesses that another agent or group of agents will perform a particular action” (Gambetta, 1988, p. 217).

“Interpersonal trust is defined here as an expectancy held by an individual or a group that the word, promise, verbal or written statement of another individual or group can be relied on” (Rotter, 1967, p. 651)

“Interpersonal trust is an attitude in the classical sense; determined by a generalized affective component towards the class of which the trust object is a member. Then it is modified by the cognitive component which narrows the scope of the attitude to a specific trust object with unique characteristics within the class. Finally, it is acted upon in a certain way depending upon the importance of the situation, the stakes or consequences, timing, etc.” (Scott, 1980, p. 811)

“A definition of interpersonal trust as the extent to which a person is confident in, and willing to act on the basis of, the words, actions, and decisions of another” (McAllister, 1995, p.25).

“We define trust in terms of feelings that an authority made a good-faith effort and treated the parties involved in the conflict fairly” (Tyler & Degoe, 1996, p. 335).

There are several potential reasons for such drastically different definitions of trust. First, trust can be examined at multiple levels of analysis. Understandably, different forms of trust may exist at different levels. It can be analyzed at individual, group (team), organizational, inter-organizational, or societal levels. Significant differences in the nature of the construct exist between the levels. For example, at the extremes interpersonal trust is dyadic in nature while societal trust is holistic (Powell & Heriot, 2000).

The second reason is that various research perspectives can be assumed within each level of analysis. It has long been recognized that disciplinary disparities may entail divergent assumptions in treating trust. For instance, economists tend to view trust as calculated probability of an event given their commitment to the agency theory (Williamson, 1993). Psychologists commonly consider trust as a personal trait or a psychological state such as attitudes or tendency to take risk (Rotter, 1967). Sociologists often regard trust as a social force (Luhmann, 1979), an institutional phenomenon (individuals’ trust in institutions or trust between institutions), or socially embedded properties of relationships among people (Granovetter, 1985; Zucker, 1986). Social psychologists focus on the interpersonal transactions between individuals at both personal and/or group levels regarding trust as the expectation of the other party in a transaction and the risks associated with assuming and acting on such expectations (Deutsch, 1960).

The third reason is that trust is a multidimensional construct. Trust in a person could have various meanings simultaneously. It could indicate one’s confidence in the person’s behavior: what is expected to happen. It could also mean this person is trustworthy - being competent in playing her assumed role, and/or benevolent in terms of behavioral intention. It may also imply the person is a reliable or dependable person. Importantly, trust may exist in terms of one aspect but not in terms of another dimension. Trust in a mother’s benevolence may not have anything to do with her competence to perform a particular task to help. We can have complete trust in a bank clerk in her competence in role performance without any knowledge of her or any attention paid to the nature of her intention.

Still another reason is that trust can be built on a variety of bases. For instance, past interactions and the knowledge/familiarity resulting from repeated interactions are essential for interpersonal trust. People do not place their trust in a stranger very often. However, knowledge may not be so critical for role-based trust or societal trust. We don’t have to know a service provider well before we initiate a business transaction. We have confidence in our legal system without knowledge of the parties involved. Those various bases may result in different forms of trust, such as Deterrence-based trust, knowledge-based trust, identification-based trust (Shapiro, Sheppard & Cheraskin, 1992), institution-based trust (Shapiro, 1987) calculus-based trust (Lewicki & Bunker, 1995), and identity-based trust (Kramer, Brewer & Hanna, 1996).

Despite great variations and disparities in defining trust, some convergent views have emerged. For instance, scholars generally agree that trust is a relational construct that involves at least two parties. Thus, we believe some commonality can be identified through thorough review of the construct. In this paper we will take steps towards establishing a general conceptualization of trust. We accomplish this by first identifying incompatible assumptions and conceptualizations, thus determining what trust is not. We follow this by identifying common elements of conceptualizations of trust, thus determining what trust is.

## **2.0 What Trust is Not**

*Trust is not trustworthiness.* Trustworthiness refers to the characteristics of the trustee, which consists of perceived competence, reliability and benevolent intention, and so on. However, trust is trustor's characteristics and it may or may not be based on his/her perception of the trustee. In other words, perceived trustworthiness is a belief about the trustee; thus, trust is not such a perception.

*Trust is not expectation.* Expectation is a belief about what is to happen. Many definitions, especially those that focus on future events, view trust as expectation of the trustee's future behavior. Lewicki and Bunker (1995) define trust as a state involving confident positive expectations about another's motives regarding oneself in situations of risk. These expectations may be based on the rewards or punishments that guide the others' behavior (i.e., calculus-based trust), the predictability of the other's behaviors (i.e., knowledge-based trust), or a full internalization of the other's desires and intentions (i.e., identification-based trust). Perceived trustworthiness of the trustee may affect one's expectation, but expectation is not about the past but about future. However, like perceived trustworthiness, expectation is a cognition of the trustor, while trust is a relational construct in nature. Apparently, trust is more than just a cognitive expectancy. Many scholars have argued that a behavioral dimension is essential for trust, in that one party does not trust another until a personal relationship is established (Barber, 1983).

Understandably, many researchers suggest that expectation itself is not trust but an antecedent of trust. Expectation that the trustee will behave in a benevolent manner, or that the trustee will perform her role competently will certainly contribute to one's trust. However, trust involves behavioral component and is not merely judgment or an expectation of the other party's future behavior. For example, Lewis and Weigert (1985) argue that trust is not mere predictability of the other's behavior, but confidence in the face of risk. Deutsch (1960) consider trust as a decision made in situations in which the following situational parameters exist: (a) there is an ambiguous course of action in the future, (b) outcome occurrence depends on the behavior of others, and (c) the strength of the harmful event is greater than the beneficial event. For those researchers, trust exists when resulting behavior of the trusting person demonstrates reliance on this uncertain information.

*Trust is not willingness to take risk.* Previous research suggests that risk is a condition for trust to exist. Luhmann (1979) maintains, trust is about risk, and risk is about the choice to expose oneself to a situation where the possible damage may be greater than the advantage that is sought. This stipulation is crucial because, without it, whatever risks one faces are within the acceptable limits of rational choice, and trust plays no part in the decision to proceed. Deutsch (1960) suggests that a decision to trust is made in situations characterized by a course of future action that is ambiguous, outcomes that depend on the behavior of others, and greater consequences of a harmful event than of a beneficial event. More recent conceptualizations of trust holds that without a situation in which the possible damage may be greater than the advantage one seeks, it would simply be a matter of rational calculation where the risks remain within acceptable limits. "Without vulnerability, trust is unnecessary because outcomes are inconsequential for the trustor" (Moorman, et al. 1992, p 82.)

Thus, trusting a person means believing that when offered the chance, he or she is not likely to behave in a way that is damaging to us. Trust will typically be relevant when at least one party is free to disappoint the other, free enough to avoid a risky relationship, and constrained enough to consider that relationship an attractive option. You can avoid taking the risk, but only if you are willing to waive the associated advantages. In short, trust is "an attitude" that allows for risk-taking decision". Without trust, risk is avoided (Meyerson, et al. 1996). Secondly, willingness to take risk may have no bearing on trust. There are many risks that do not involve the indeterminacy

arising from not having foreknowledge of another's actions. Without the involvement of others in the risk, there is no one to trust.

Risk-taking is relevant to trust, but trust itself is not the willingness to take risk. In contrast, it serves the purpose of reducing uncertainty and facilitating decision making in a risky situation. Individuals make a trusting choice when they confront an ambiguous choice situation in which the negative consequences are stronger than the positive consequences, but individual believes that the probability of the positive consequences outweighs the probability of the negative ones.

*Trust is not a calculated probability.* Economists focus on the expectation of future behavior, especially the outcomes of the expected behavior. Given the assumption that each party to the exchange aims to maximize self-interest (gain), the dominant view of trust in economy conceives trust as a calculated probability. Gambetta (1988) argues, trust is a particular level of the subjective probability with which an agent assesses that another agent will perform a particular action, both before he can monitor such action and in a context in which it affects his own action (p. 217). Deutsch (1973) proposed that decisions to act trustingly could be accounted for by understanding the relative strengths of positive and negative motivational consequences (outcomes) that would derive from choices in an ambiguous situation and the subjective probabilities that those consequences would actually occur. Similarly, Williamson maintains, "At this level trust is an ongoing, market-oriented, economic calculation whose value is derived by comparing the outcomes resulting from creating and sustaining the relationship to the costs of maintaining or severing it. This transactional view of trust is based on concepts used to describe the economic behavior of actors in a firm (Williamson, 1975). The transactional view suggests that trust, precisely calculus-based trust, may be derived by determining benefits and costs to be derived from 1) staying in the relationship; and 2) cheating on the relationship.

Although certain formal or contractual relationship is economically driven and calculation of the benefits and costs may provide basis for trust, such a concept of trust is not adequate. Even in commercial relationships a social element to such relationships typically evolves. Social exchange theory argues that in a social exchange one individual voluntarily provides a benefit to another, invoking an obligation of the other party to reciprocate by providing some benefit in return. Thus, trust may be generated through regular discharge of obligations (i.e., by reciprocating for benefits received from others) and/or through the gradual expansion of exchanges over time.

### **3.0 What is Trust?**

*Trust is a psychological state.* Despite divergence in particular conceptualizations, most authors agree that, whatever else its essential features, trust is fundamentally a psychological state. Recall the common usage of the word "trust." When we say that we have trust in someone or something, we refer to a psychological state of ours that may involve cognitive, affective, and behavioral components according to the understanding of trust furnished by the current literature.

As we discussed above, many theorists conceive trust as expectancy about other people and their behavior; thus, it is primarily viewed as cognition by nature. Barber (1983) characterized trust as a set of "socially learned and socially confirmed expectations that people have of each other, of the organizations and institutions in which they live, and of the natural and moral social orders that set the fundamental understandings for their lives" (p.164-65).

Although acknowledging the importance of cognitive correlates of trust, other researchers also regard trust as having affective and motivational components (McAllister, 1995; Lewis & Weigert, 1985). The affective component embodies aspects of the "world of cultural meanings, emotional responses, and social relations... one not only thinks trust, but feels trust," (Fine & Holyfield, 1996, p 25)

*Trust is relational.* Trust entails perceived vulnerability that is derived from one's uncertainty regarding the motives, intentions, and prospective actions of others (Kramer et al., 1996). Without the involvement of others trust would not come into play. A number of researchers have suggested that an adequate theory of trust must incorporate systematically the social and relational dimension of trust (Mayer et al. 1995, McAllister, 1995, Tyler &

Kramer, 1996). We adopt this relational view of trust. We agree with Kramer et al. (1996), research on trust should place emphasis on social rather than purely instrumental motives driving trust behavior, including consideration of how actors' self-presentational concerns and identity-related needs and motives influence trust-related cognition and choice. In addition we argue that trust comes into play when and only when relationships with others are involved. That is the relationship itself should be the focus when it comes to studying trust, not the particular discrete transaction, whether it be economic or social.

*Trust is a choice.* Think of how we use the word "trust" again. Often time, we use the word as a verb rather than a noun; thus, we refer to something we do that involves a decision or choice among potential alternative course of actions. You may or may not buy a used car that may turn out to be a lemon. You may or may not hire a baby-sitter for the evening and leave him or her unsupervised. You may or may not agree to be operated on by a doctor with whom you are least familiar. When we choose to "trust" or "not trust" in a person or an organization, we are making a choice, a decision and in most cases the choice manifests itself and can be observed.

Viewing trust as choice behavior has its support in the extant literature. For example, many researchers argue for the usefulness of conceptualizing trust in terms of individuals' choice behavior (Kreps, 1990; Miller, 1992; March, 1994). An advantage of conceptualizing trust in terms of choice is that decisions often involve observable behaviors. In fact viewing trust as rational choice has become the dominant perspective in the economic and sociological literature. As Williamson (1993) argues, decisions about trust are similar to other forms of risky choice; individuals are presumed to be motivated to make rational, efficient choices (i.e. to maximize expected gains or minimize expected losses from their transactions). The observable behaviors resulting from these choices enable those involved in these lines of research to empirically test their theories.

#### 4.0 Concluding comments

In sum, trust is a behavioral construct; to trust is to place one's confidence in the other party to the relationship. Trust is preceded by perceived trustworthiness of the party, the expectation of trustor of the trustee's behavior, and/or emotional bonds between the trustee and the trustor. Both cognitive and affective anticipations lead to a choice of placing or not placing one's confidence in the other party. Such a decision or choice may lead to both instrumental and psychological outcomes as consequences of trust, including highly social and emotional outcomes. Trust conceived as such, incorporates all the essential components we can conceive; we expect that our effort will serve as a stepping stone for other researchers in their endeavors of exploring the nature of trust. 📖

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