Who Trusts Who?
The Role of Individual and Organizational Level in Determining the Nature of Inter-Organizational Trust

Risto Seppänen, School of Business, Lappeenranta University of Technology, Lappeenranta, Finland

ABSTRACT

Previous research on the nature of trust in an organizational context provided somewhat controversial and ambiguous results. There are both conceptual and operational difficulties in exploring this intuitively individual-level phenomenon at organizational and inter-organizational levels. The fundamental question of where trust resides in inter-organizational relationships remains unresolved. This qualitative study focuses on inter-organizational trust in dyadic business relationships. The phenomenon is approached both from the concept of the trustor and the trustee. The results suggest that the trusting party is not the organization itself, but the individuals who constitute it. Instead, the ultimate object of trust in inter-organizational settings is both individual boundary-spanners, and the organization.

Keywords: Boundary-Spanners, Inter-Organizational Relationships, Levels of Trust, Trustee, Trustor

INTRODUCTION

Where does inter-organizational trust reside? Attempts to answer this question in prior research have resulted in various conceptualizations and results. These variations in interpretations and definitions are apparently due to the fact that “a fundamental challenge in conceptualizing the role of trust in economic exchange is extending an inherently individual-level phenomenon to organizational level of analysis” (Zaheer, McEvily, & Perrone, 1998, 141).

Trust was originally seen to be an individual-level phenomenon by nature. Only individuals were viewed as capable of having “subjective mental states” (Currall & Inkpen, 2002) and attitudes (Aulakh, Kotabe & Sahay, 1996). Later on, trust research expanded to such fields of organizational research as organizational psychology, organizational behavior, and behavioral economics. Indeed, trust and related issues have become more and more interesting and important in organizational studies (Tyler, 2003). Increasingly, trust has received attention also in the research of inter-organizational relationships (e.g. Perrone, Zaheer & McEvily, 2003; Sako, 1992; Ring & Van de Ven, 1992, 1994; Lane & Bachmann, 1998; Child & Faulkner, 1998). An obvious reason for this is a need to cope with the uncertainty, dependency, asymmetry, and risk that inevitably exist in relationships between organizations, no matter how close and collaborative these relationships are.

DOI: 10.4018/ijkbo.2014010102
Zaheer, McEvily, and Perrone (1998) propose that it is the individuals in organizations who do the trusting, not the organizations themselves. On the other hand, trust is seen to facilitate organizational level performance, leading ultimately to firm-level competitive advantage (Barney & Hansen, 1994). Moreover, trust is argued to enhance collaboration (Dibben, 2000; Child, 2001), and “coordination of economic activities” (Zaheer, McEvily, & Perrone, 1998, 141) on an inter-firm level, and is thus an essential factor in economic exchange (Arrow, 1974; Granovetter, 1985; Doney, Barry & Abratt, 2007).

The problem with organizational and inter-organizational level trust studies is that the concept of trust itself at an inter-organizational level has been defined and conceptualized in various ways. At organizational and especially inter-organizational levels, there is an obvious challenge in defining both the trusting party and the objects of trust. Consequently, the conceptualization of inter-organizational trust in prior research has taken place at both individual and organizational levels. Trustor–trustee discussion, under the label of inter-organizational trust, is divided into individual–individual, individual–organization, organization–individual, and organization–organization levels. In other words, both the subject of trust and the object of trust are defined to be either an individual or a whole organization. Moreover, trust in previous literature reports has also been seen as a multi-level phenomenon (see e.g. Currall & Inkpen, 2002), operating at both individual and organizational levels (Mayer, Davis, & Schoorman, 1995).

There are also several other theoretical and empirical, discussions occurring especially about objects of trust and trust-related context variables, such as environmental uncertainty, recession, length of the inter-organizational situation, etc. (see e.g. Schoorman, Mayer, & Davis, 2007; Fang et al. 2008; Labonne, & Chase, 2010). In addition to organizational members or an organization itself, for example top management of an organization (Costigan, Ilter, & Berman, 1998; Perry & Mankin, 2007), organizational structures (McKnight, Cummings, & Chervany, 1998), or organizational roles (Barber, 1983; Möllering, 2006a, 2006b; Seligman 1997; Meyerson, Weick & Kramer, 1996) are named as targets of trust. Yet another interesting and debatable question in prior research is the direction of trust, i.e., whether trust and distrust are the opposite ends of a continuum (e.g. Rotter, 1971; Axelrod, 1984; Tardy, 1988), or do they exist simultaneously (e.g. Priester & Petty, 1996; Lewicki, McAllister & Bies, 1998). We see, however, that the most crucial question in present inter-organizational trust research is whether the trustor and the trustee exist not only at an individual, but also at an organizational level. Therefore, we have left several relevant context- and relationship-specific factors beyond the scope of this study.

Taken together, there still seems to be much confusion and ambiguity in conceptualizing, operationalizing and measuring trust and its effects at both organizational and inter-organizational levels. In several previous studies, there were no conceptual distinctions made between interpersonal and inter-organizational levels of trust (for a review, see Seppänen, Blomqvist, & Sundqvist, 2007). In operationalization and measurement, there seems to have been a constant mis-specification between the levels of theory and measurement (Currall & Inkpen, 2002). Consequently, previous trust literature that suggests a clear separation in conceptualization between these two levels of trust is scarce (Blois, 1999). This is the case especially in studies of trust in an inter-organizational context. Even though it is somewhat accepted that the target of trust can be not only a person, but also an organization, this separation is seldom properly specified or used. In the case of the trusting party, there is debate both for (Mayer, Davis, & Schoorman, 1995; Zaheer, McEvily & Perrone, 1998; Currall & Inkpen, 2002) and against (e.g. Blois, 1999) the existence of collective trust.

A crucial question is whether trust can exist as a collective level phenomenon. This paper aims to contribute to this discussion by clarifying the concept of inter-organizational...
Common Knowledge Sharing Model of 24-Hour Knowledge Factory of Grid Computing Based on Case Based Reasoning
[www.igi-global.com/article/common-knowledge-sharing-model-hour/2729?camid=4v1a](www.igi-global.com/article/common-knowledge-sharing-model-hour/2729?camid=4v1a)