

CHAPTER 4

TRUST, TRUSTWORTHINESS AND TRUST-BUILDING IN A CORPORATE ENVIRONMENT

“Put not your trust in money, but put your money in trust”

– Oliver Wendell Holmes¹

1 INTRODUCTION: TRUST AS AN ECONOMIC IMPERATIVE

Business organisations in the twenty-first century operate in an environment that is fundamentally different from the world in which the first bureaucratic organisation functioned. Despite the fact that for-profit organisations became the most powerful force in industrialised societies during the twentieth century, the future of modern-day corporations seems less certain, less knowable and less foreseeable now than ever before (Gabriel, 2001:23; Perrow, 2000:469).

This is brought about by issues such as globalisation, revolutionary changes in political, family and organisational forms, environmental degradation, growing work insecurities, the ever-increasing gap in social and economic equality, rampant poverty, the development of the stakeholder view, the growing power of consumerism, the tireless rise of powerful elites whose financial gains have been achieved at the expense of others as well as the ravages and accumulation crises of advanced capitalism (Gabriel, 2001:27,28; Lounsbury & Carberry, 2005:515; Perrow, 2000: 470,475).

The universal responses to these issues have been a renewed consciousness of and focus on the critical need to curb the adverse impact of the private sector on society at large. The shareholder view that was prevalent in the mid- to late twentieth century is increasingly being replaced by the stakeholder view. Today stakeholders, as ordinary individuals, have the means to make their voices heard and act against those private sector organisations that they believe are breaching the social contract that provides these organisations with their legitimate status in society (De la luz Fernández-Alles & Valle-Cabrera, 2006:503; Di Maria & Iwata, 2007:11,22; King, 2009:21; King *et al.*, 2010:292; McPhee & Zaug, 2001:577; Swift, 2001:17). This sets the stage to position corporate trust as an economic imperative.

¹ American physician, poet, humourist and professor at Harvard (1809 – 1894) (*Thinkexist.com*, 2012).

This chapter focuses on investigating the constructs of trust, corporate trust and trustworthiness, in order to explore how an organisation can foster and earn its stakeholders' trust in order to ensure its sustainable performance. This discussion serves as the preparatory foundation for the conceptual model of the relationship between corporate trust and corporate reputation that will be developed in Chapter 7.

2 OUTLINE OF CHAPTER CONTENT

In preparation for conceptualising the corporate trust construct, the general trust construct is first defined and discussed, and the nature as well as the cognitive, emotional and behavioural dimensions of trust is explored. A distinction is made between trust and distrust, as well as between trust and confidence, cooperation, predictability and reliability.

Following this, two higher levels of trust, which involve multiple actors and contexts that exemplify a collective attribute, are discussed. This presents the opportunity to extend the general construct of trust to a corporate environment, and propose the conceptualisation of corporate trust as an additional high-level form of collective trust.

A working definition of corporate trust as conceptualised by this researcher for the purpose of this study is then provided. The rest of the discussion aims to clarify the operationalisation of the corporate trust construct in this study.

As a point of departure, the key elements and nature of corporate trust are outlined, before the antecedents of corporate trust are explored. In an endeavour to strengthen the case for building and sustaining corporate trust in a for-profit organisation, the benefits of corporate trust are outlined. In this discussion, the dominant perspective on the benefits of trust is noted, but the main focus is placed on advancing an alternative perspective, one that regards the benefits that trust as an organising principle can offer a for-profit organisation.

Several barriers to corporate trust are then discussed, followed by an overview of the sources and functions of trust in an organisation. Since corporate trust represents its

stakeholders' evaluation of the organisation's trustworthiness, the link to a deliberation of the intricate relationship between trust and trustworthiness is then made. The rationale for positioning corporate trust as an economic imperative in this study is first provided to emphasise the need for and importance of trust in a corporate environment.

3 DEFINING TRUST AS A GENERAL CONSTRUCT

There is an array of definitions of trust, developed in various disciplines such as social psychology, economics, philosophy, political sciences, communication sciences and sociology (Ingenhoff & Sommer, 2010:340; Schoorman, Mayer & Davis, 2007:344). It is outside the range of this study to explore all the definitive concepts of trust from the various ontological literatures. However, in the light of the stated macro-theoretical framework of this study, trust is defined in terms of the sociological discipline and excludes an exploration of other trust constructs that are based in the disciplines of psychology, political science and economics (Ingenhoff & Sommer, 2010:340; Kramer, 2010:84; Lewis & Weigert, 2008:171; McKnight & Chervany, 2001:2; McKnight & Chervany, 2002:35,43; Nootboom, 2002:6).

3.1 A WORKING DEFINITION OF TRUST IN A SOCIOLOGICAL CONTEXT

Trust in a sociological context is regarded on the basis of four key elements: (1) a person who trusts (2) someone or something (3) in some respect, (4) based on a specific context (Nootboom, 2002:38). As such, trust occurs in a particular relationship between two people, in which there is a trustor (the person who trusts) and a trustee (the person who is trusted) in some respect and within a specific context (Kramer, 2010:84; Mayer *et al.*, 1995:711; McEvily *et al.*, 2008:559; Nootboom, 2002:38).

Trust in a sociological context is then defined in this study as *an optimistic expectation or belief of the trustor concerning the behaviour of the trustee in respect of that for which he is trusted, which influences the trustor's decisions and allows him to trust the trustee*. Even though the trustor is in a position of vulnerability, the trustor believes that he can rely on the statements and promises, as well as the moral character of the trustee to act in a manner that will also protect his own rights and interests.

Based on this the trustor then acts on his decision and engages in the risk-taking behaviour, irrespective of his ability to monitor or control the trustee (Dietz & Den Hartog, 2006:559-560; Ingenhoff & Sommer, 2010:340; Lewis & Weigert, 2008:158; Linthicum *et al.*, 2010:161; McEvily *et al.*, 2008:559; Mouzas *et al.*, 2007:1021; Swift, 2001:19). However, the trustor uses his trust in the trustee prudently, in the sense that he would withdraw his trust and support if his trust is violated (Wicks *et al.*, 1999:103). Trust, which takes a long time to be established, can be easily lost if the trustee does not fulfil his duty to protect the interests of the trustor, thereby showing him to be unworthy of the trustor's trust (Greenwood & Van Buren III, 2010:427).

3.2 CLARIFYING THE OPERATIONALISATION OF THE TRUST CONSTRUCT

In order to clarify this definition of the general trust construct, some of the key elements that are included in conceptualising general trust in this study will first be discussed.

3.2.1 Two individuals in a trustor/trustee relationship in some respect and in some context

A definition of trust grounded in the sociological discipline will inherently be relational (Tyler & Degoey, 1996:345), that is it will refer to the relations among people, and it is generally explained as an optimistic expectation regarding the behaviour of other people (Nooteboom, 2002:6).

Based on an assessment of the trust literature, Kramer (2010:84) observes that scholars often talk about trust in cryptic terms, as "... if it were simply a belief, attitude, or disposition of a social perceiver". In a call for delineating the trust construct more precisely, Kramer (2010:83) notes that "... this way of talking about trust is really merely convenient shorthand for describing what is inherently a complex three-part relationship between a social perceiver and the object or target of his or her trust". In this instance, Kramer is referring to the trustor, trustee and the context in which they find themselves. Baier (2008:218) also considers trust to be based on a three-place predicate, but she offers the content of the trust (*what* the trustor trusts the trustee with) as the third element, instead of Kramer's element of context.

Nooteboom (2002:38; 2006:259) on the other hand, argues that trust is based on a four-place predicate, basically including the respective additional elements of Kramer and Baier. This study prefers Nooteboom's extended definition, which means that the specific substance of the trust, the respect in which the trustor trusts the trustee, as well as the context in which the trust judgement is applied, is taken into account. Specifically, trust in this study then involves a person who trusts (trustor) a person (trustee) (Kramer, 1999:573; Kramer, 2010:84; Mayer *et al.*, 1995:711; McEvily *et al.*, 2008:559) in some respect (Nooteboom, 2002:38) and within a specific context or situation in which trust judgements arise or apply (Hardin, 2002:9; Kramer, 1999:574; Kramer, 2010:84; Lewis & Weigert, 2008:171-172; Stout & Blair, 2001:16; Vanneste *et al.*, 2011:15).

3.2.2 Presence of dependency, vulnerability or risk, impacting one individual

Trust, regarded as a key concept for a functioning modern society (Ingenhoff & Sommer, 2010:340), is ordinarily regarded as "... an expectation concerning the behaviour of others" (Nooteboom, 2002:6). Regardless of the context, whenever there is an imbalance in the relationship (for example on an informational level where the trusted party or trustee has more information regarding the topic relevant to the situation), the trustor is in a position of vulnerability or risk in relation to the actions of the other party, and therefore has to expect that the trustee will act in a manner that will not harm him (Ingenhoff & Sommer, 2010:340).

Trust is generally defined as *a confident or optimistic expectation, or as a feeling of security, which can be perceptual or attitudinal, concerning the behaviour of others*. This refers to the fact that the person who trusts (trustor) feels safe, assured and comfortable about the prospect of depending on the person who is being trusted (trustee).

Based on the trustor's belief that the trustee's statements can be relied on or that his promises will be fulfilled, the trustor then accepts his vulnerability to the actions of the trustee, irrespective of his ability to monitor or control the trustee (Ingenhoff & Sommer, 2010:340; Lewis & Weigert, 2008:158; McEvily *et al.*, 2008:559; Nooteboom, 2002:6). Trust is therefore conceptualised as a feeling of relative security in a situation of risk (McKnight & Chervany, 2002:45; Ratnasingham, 1998:313-314; Sichtmann, 2007:1001).

Based on this feeling of security, the trustor then decides to accept vulnerability and actually trust the other party. Dietz and Den Hartog (2006:559) hold that "... [for] a genuine state of trust to exist both the expectation of trustworthy behavior and the intention to act based upon it must be present".

McEvily *et al.* (2008:559) also argue that a willingness to be vulnerable reflects volition or intentionality, as does Nooteboom (2002:37), who observes that trust is both the basis and the outcome of behaviour, since "... trust is a disposition towards trusting behaviour; that is behaviour with limited safeguards, accepting vulnerability, based on the expectation that this risk is limited". However, Jones (1991:381) also accentuates that volition is an element in the recognition of moral issues, in that a person must acknowledge that he has a choice.

3.2.3 Acting on the belief to trust the other individual

The general definition of trust is extended in this study to be more than just an expectation, and is conceptualised as also including an action or behavioural manifestation (Dietz & Den Hartog, 2006:558; McEvily *et al.*, 2008:559; Mitchell, 2001:110). It is held that the decision to accept vulnerability only implies an intention to act, but is not yet an actual demonstration of trust. This means that the trustor also needs to follow through on his decision by acting – by engaging in the trust-informed risk-taking behaviour (Dietz & Den Hartog, 2006:559). Trust is then only regarded as trust when it manifests in behaviour, where the trustor shows his trust (McEvily *et al.*, 2008:559; Vanneste *et al.*, 2011:13).

This conceptualisation of trust differs from many commonly cited conceptualisations that separate trust from its associated behaviours, and only regard trust as an expectation or a belief (Dietz & Den Hartog, 2006:560). One such example is Mayer *et al.* (1995:712), who hold that trust is not about taking a risk as such, but rather only about the willingness to take a risk (Mayer *et al.*, 1995:712).

While Li and Betts (2004:5) also refer to behavioural intentions and actions, they do not see them as being part of the trust concept, but rather as a result or outcome of trust.

These authors define trust as a conscientious choice or decision that is “... preceded by expectations, which in turn are a function of perceived risk, anticipations of the outcomes associated with a specific situation and perceived trustworthiness of the party involved”.

However, in this study the nature of trust is conceptualised as consisting of three fundamental dimensions: trust as an expectation or belief, a decision and an action or behavioural manifestation (Dietz & Den Hartog, 2006:558; McEvily *et al.*, 2008:559).

Trust is then understood as a willingness on the part of the trustor to accept vulnerability or take risks by acting on his belief in the trustee, based on his reliance on or positive expectations of the trustee’s intentions or behaviours (Baier, 1995:196; Dietz & Den Hartog, 2006:559-560; Dirks & Ferrin, 2001:451, Greenwood & Van Buren III, 2010:426; Ingenhoff & Sommer, 2010:340; Mayer *et al.*, 1995:726; McEvily *et al.*, 2008:559; Mitchell, 2001:110; Schoorman *et al.*, 2007:347; Wicks *et al.*, 1999:100).

3.2.4 Expectation of moral element in the trustee’s intent and behaviour

In this study this general definition is further extended with the understanding of trust as an expression of faith that the other party will be fair, ethical, competent and non-threatening (Ingenhoff & Sommer, 2010:340; Linticum *et al.*, 2010:161; Swift, 2001:19).

The ‘expression of faith’ is in line with the view that trust is based on an underlying assumption of an implicit moral duty (Baier, 2008:221; Hosmer, 1995:379; Mouzas *et al.*, 2007:1021) on the part of the trustee, in that he would not only act for his own short-term gain, but would also take the valid rights and self-interest of the trustor into account (Hosmer, 1995:395; Nooteboom, 2002:11), since the trustor is in a risk situation where he is vulnerable to the actions of the trustee (Mitchell, 2001:110). It is therefore incumbent on the trustee not to abuse the trust placed in him (Greenwood & Van Buren III, 2010:426).

According to Wicks *et al.* (1999:100), this ‘expression of faith’ is essentially characterised by affect (or emotion), which they describe as an emotional bond not just

in the relationship but also in large part as "... a belief in the moral character or 'goodwill' of the trustee in the trusting relationship". These authors collectively refer to these two essential characteristics of trust as "... affect-based belief in the moral character of the trustor".

This view of trust as having an inherently moral element is in contrast with the rational theoretical conceptualisation of trust, which regards the moral basis as being "... not convincing as general accounts of trust" (Greenwood & Van Buren III, 2010:425; Hardin, 2002:xx).

3.2.5 Mutual vulnerability and risk, as well as a duty to protect the trustor

Trust is also regarded to be a much broader and richer concept than reliability on the part of the trustor in this study, since it is conceptualised as incorporating mutual vulnerability and risk, for *both* the trustor and the trustee, as well as a duty on the part of the trustee to protect the trustor in order to become worthy of the trust placed in him (Greenwood & Van Buren III, 2010:427; Nooteboom, 2002:205).

It is held that it will be important for the trustee to prove himself trustworthy to the trustor, since he realises that the trustor uses his trust in the trustee prudently (Wicks *et al.*, 1999:103), in the sense that he would withdraw his trust in and support of the trustee if his trust is violated. Trust is therefore not sustainable if the trustee does not fulfil his duty to protect the interests of the trustor, thereby showing him to be unworthy of the trustor's trust (McEvily *et al.*, 2008:559).

Mitchell (2001:110) observes that to be trusted means to be held accountable for the trust reposed by the trustor, "... to be held to a standard of behavior that allows these very important relationships to form and be sustained, and to be held responsible by social approbation, feelings of failure and guilt, and sometimes by law if that trust reposed is breached". He also observes, in line with much of the existent literature, that perhaps most importantly, "... to be trusted is to be told that we are trustworthy. And to be told that we are trustworthy demands that we behave at a level that reflects that gift."

3.2.6 Importance of context for trust behaviour for both individuals

The mutual vulnerability of both the trustor and the trustee highlights the importance of the context of the trust behaviour, since it is held in this study that the context helps to determine the success of the trust relationship, and that by changing or influencing the context in which the trustor has to trust, the trustee can both fulfil his duty and receive the benefits of the trustor's behaviour and support.

Reporting on David Sally's analysis of the accumulated results of 35 years of social dilemma experiments, Stout and Blair (2001:37) expand on the important relationship between context and trust behaviour, in particular with their observation that the typical individual manifests at least two distinct personalities in social relationships, namely a competitive (or self-regarding) personality and a cooperative (or other-regarding) personality, and that it is the social context, tempered by considerations of personal cost, that determines which of the two personalities emerges. Stout and Blair (2001:37) observe that when an individual's competitive personality is dominant, the individual will choose options that maximise his personal payoffs without regard for the effects on others. On the other hand, when an individual's cooperative personality governs, the individual will choose options that maximise group welfare over options that maximise his own individual welfare, implying a regard for others.

One of the critical variables that determines whether a social dilemma situation is perceived as cooperative or competitive appears to be social context – players' perceptions of what others expect and need, how others are likely to behave, and what others' relationships are to themselves (Stout & Blair, 2001:44-45). These social cues both define and determine the appropriate norm of behaviour, and as such when the social context says 'cooperate', cooperative behaviour is the norm, whereas when the context calls for self-interested behaviour, competition prevails.

This links to the point made earlier that a trustee can change the context, by changing his own behaviour. When a trustee allows his own cooperative personality to prevail, it will influence the trustor's perceptions and cue expectations of cooperative behaviour in the relationship, thus increasing the success of the trust relationship and the positive

outcomes for both parties. However, Stout and Blair (2001:36) also observe that economic payoffs are not irrelevant, and that although "... people cooperate in social dilemmas even when they must incur a personal cost to do so, as the cost of cooperating increases, the levels of cooperation observed begin to decline".

The contextualist approach put forward by Hardin (1992:152) helps to acknowledge the role of the rational, calculative processes as well as the social inputs and processes in trust judgements and decisions between people. In situations or contexts involving comparative strangers, rational and calculative processes will exert a greater influence than relational or social inputs. The latter in turn will exert a greater influence in situations where the trustor and trustee know each other (Kramer, 1999:574). However, Bachmann (2006:400) observes that social actors in a business relationship do not necessarily base their decisions on rational calculations, but that they "... consider their options in the light of the social environment in which their interactions are embedded".

4 NATURE OF TRUST

Nicholas Luhmann (1979:4) claims that the world presents itself to any contemplative person as one of almost insurmountable complexity, which is difficult to manage, and that trust reduces this complexity with "... cognitive, emotional, and moral expectations that some things will remain as they are or ought to be". The nature of trust is that it reduces complexity and enables people to cope with risks (Bachmann, 2006:395); therefore, to interact with other people because they believe in their promises and goodwill, "... despite an existing informational imbalance" (Ingenhoff & Sommer, 2010:340), which makes them vulnerable to the actions of those they trust (Luhmann, 1979:8; Mitchell, 2001:110).

Baier (1995:196) postulates that this belief in the goodwill of the trustee is evident because the trustor is not overly concerned with reviewing all the possible bad outcomes before embarking on an action in order to take a calculated risk, which would not only make for more complexity, but also since she claims that part of what it is to trust is "... not to have too many thoughts about possible betrayals (which would) turn trust into mistrust". Since trust provides a feeling of security within such a situation, the

trustor feels safe and assured about the prospect of depending on the trustee, or being vulnerable to the actions of the trustee (Mitchell, 2001:110).

5 DIMENSIONS OF TRUST

5.1 A MULTI-DIMENSIONAL CONSTRUCT

In this study trust is understood to be a multi-dimensional construct with definite cognitive, affective and behavioural dimensions, which combined form a single social experience (Ingenhoff & Sommer, 2010:341; Lewis & Weigert, 2008:160). Based on existent literature, the cognitive dimension of trust is regarded as important, but insufficient, to provide a complete understanding of trust.

Consequently, it is held that, in addition, two characteristics of the affect-based dimension in particular are essential for a more complete understanding of trust, namely emotion and the underlying moral element inherent in a trust relationship (Luhmann, 1979:4; Wicks *et al.*, 1999:100). Furthermore, the behavioural dimension is regarded as an important third dimension of trust in this study – a conceptualisation of trust that differs from much of the existent literature (McEvily *et al.*, 2008:559). Each of these dimensions will now be discussed in more detail.

5.1.1 Cognitive dimension

In the first place, the trustor bases his decision to trust on the perceived trustworthiness of the trustee, which means it is a decision based on his subjective evaluation of the different characteristics, attributes and behaviour of the trustee (Ingenhoff & Sommer, 2010:341). Trust is therefore based on the trustor's knowledge and perception of among others the competence, responsibility and dependability of the trustee, i.e. his trustworthiness.

A trustor can therefore cognitively decide whether to regard a trustee as trustworthy (Ingenhoff & Sommer, 2010:341). This is comparable to the interpretation of trust as

rational prediction or choice of outcomes, compared with risk behaviour (Kramer, 1999:572-574; Mishra, 1996:265; Wicks *et al.*, 1999:100).

In their description of an optimal trust level, Wicks *et al.* (1999:102) note that while one ought to have a stable and ongoing commitment to trust, one should make judgements about trusting others "... carefully, realistically, even prudently". The implication is not that trust should always be only at a moderate level, but rather that trust levels should be appropriate to the context. Depending on the person and the situation the level of trust may then fall anywhere in the range of minimal to high levels of trust. According to Wicks *et al.* (1999:102), the optimal level of trust depends on "... knowing whom to trust, how much to trust them and with respect to what matters". The cognitive dimension of trust is therefore important since it helps prevent people from trusting blindly or foolishly (Powell, 1996:52; Wicks *et al.*, 1999:102).

The implication is that a person deliberately chooses the people or organisations he will trust (Möllering, 2006:369), as well as under which circumstances and in which respects he will trust, and he bases his choice on cognitive ('good') reasons or evidence that constitutes trustworthiness (Ingenhoff & Sommer, 2010:341; Lewis & Weigert, 2008:161).

Trust, as a cognitive process, allows the trustor to distinguish among persons or organisations that are trustworthy, distrusted or unknown. These cognitive reasons can be related to the stakeholder's perception or knowledge of the ability, benevolence and integrity of the organisation (Ingenhoff & Sommer, 2010:341). This presupposes that there should be a certain level of cognitive familiarity with the object of trust.

According to Luhmann (1979:19), familiarity "... is the precondition for trust as well as distrust, i.e. for every sort of commitment to a particular attitude towards the future". In any instance where there is absolutely no element of familiarity, where there is complete ignorance of the trustee, the trustor will have no reason to trust (Kramer, 1996:223; Möllering, 2006:367). As Lewis and Weigert (2008:161) put it: "When faced by the totally unknown, we can gamble but we cannot trust."

In an organisational context, where the stakeholders as trustors may have no direct experience of the for-profit organisation as the trustee, reputation becomes a key dimension. The trustor becomes familiar (Luhmann, 1979:19) with the identity of the for-profit organisation through what he reads, sees, hears or experiences of the organisation and based on this he forms certain perceptions and makes an assessment of the organisation, on the basis of which he will then decide whether or not to act and trust the organisation (Blois, 1999:200; Bromley, 2002:36; Caruana, 1997:35; Casson & Della Giusta, 2006:352; Einwiller, 2003:197; McKnight & Chervany, 2006:31,41; Nooteboom, 2002:113,141; Swift, 2001:22). In this regard, reputation as identity is therefore regarded as an antecedent of trust.

Einwiller (2003:197) describes reputation as “... second-hand rumour that one has positive general traits, or as signalling the experiences of third parties with a potential exchange partner”, and she also notes that the role of reputation in engendering trust has been empirically shown in existent literature, particularly that relating to e-commerce, marketing and economics.

Since most organisations invest heavily in communicating with their customers and other stakeholders, in advertising their corporate brand and in other social actions to influence people’s perceptions in order to establish their corporate reputation – that is to build reputational capital – the trustor will assume that the for-profit organisation will act in a trustworthy manner (as a responsible corporate citizen) to avoid losing its good reputation (Ingenhoff & Sommer, 2010:341; Rangan, 2011:4). Stout and Blair (2001:76) also note that reputation matters not only because the threat of ruining a good reputation gives the trustor leverage to punish the trustee, but “... because a good reputation is prima facie evidence of an intrinsically trustworthy character”.

Luhmann (1979:69) maintains that the cognitive content of trust is a collective rather than an individual cognitive reality, which means that the cognitive base of trust rests on the assumption that each individual can trust because he assumes that others trust. Luhmann (1979:69) describes this as “... trust in trust”. However, while a certain level of knowledge of the trustee is required for the trustor to trust, knowledge alone can never establish trust – it can only serve as a platform to trust (Lewis & Weigert, 2008:161).

5.1.2 Emotional dimension

A second, and even more essential, dimension of trust is the emotional dimension, or what Wicks *et al.* (1999:100) refer to as the affect-based trust dimension, which consists of two essential elements, namely an emotional and a moral element (Luhmann, 1979:4). Emotion is held to be the first critical element of this dimension, since trust occurs because an emotional bond is created between people, enabling them to move beyond the expectations that reason, knowledge and experience warrant and take a 'leap of faith' that their trust will be honoured (Bachmann, 2006:395; Mishra, 1996:265; Möllering, 2006:370-371; Wicks *et al.*, 1999:100).

This emotional component is present in all types of trust, but particularly in a relationship where the trustor and trustee know each other personally and interact frequently enough to develop these emotional bonds (Ingenhoff & Sommer, 2010:341; Lewis & Weigert, 2008:162; Mitchell, 2001:119). This has relevance for trust in an organisational context, since it highlights the importance that a for-profit organisation should develop and maintain authentic relationships with its stakeholders, and use its corporate communication and reputation-building activities to enable its stakeholders to get to know the organisation.

According to Einwiller and Will (2001:7-8), the intention to trust is grounded in an individual's attitude towards the trustee. These authors cite the theory of reasoned action, which holds that beliefs, evaluations as well as personality traits lead to the formation of an attitude that determines the intention to engage in a specific behaviour. "Attitude has been defined as 'a psychological tendency that is expressed by evaluating a particular entity with some degree of favor or disfavor'." An individual's intention to engage in an economic transaction with an organisation can then be seen as contingent on the individual's attitude towards the organisation, which in turn is affected by the organisation's ability to evoke trust. This becomes even more vital when it is taken into account that one individual who communicates his beliefs about the organisation has the potential to influence the attitude of many others (Einwiller & Will, 2001:8).

In this study affective attributes such as liking or admiring a for-profit organisation are then regarded as important antecedents that influence stakeholders' motivation to trust

(Williams, 2001:387), in addition to the key cognitive antecedents. It is therefore held as important that a for-profit organisation should establish emotional bonds, albeit it through more indirect means, with its stakeholders.

The fact that emotion is also very much present in the case of corporate (as compared to interpersonal) trust, is evident in the outrage that people feel in cases where public trust has been violated, such as the much-publicised Enron, WorldCom and Parmalat scandals (Gillespie & Dietz, 2009:127). According to Lewis and Weigert (2008:162), it is the fact that such incidents signal an absence of trust, rather than the simple illegality of individual actions, that provokes this emotional outrage.

The relationship between the emotional and cognitive dimensions of trust is thus reciprocal (Lewis & Weigert, 2008:162). Emotional bonds have an affective impact on trust-building, the emotional content of which contributes to the cognitive platform from which trust is established and sustained (Lewis & Weigert, 2008:162). Mutual trust in relationships (when people feel they can trust others and are worthy of trust in return) provides a critical basis for self-esteem and a sense of security (Wicks *et al.*, 1999:102). Trust is therefore viewed as the optimistic expectation of the eventual outcome of an uncertain event (Hosmer, 1995; Nooteboom, 2002:6).

This then provides the link to the other essential element of the emotional dimension of trust, namely the assumption of the presence of a clear moral element (Greenwood & Van Buren III, 2010:427). Since trust "... is seen as the willingness of individuals to increase their vulnerability to the actions of others whose behavior they cannot control", Hosmer (1995:383) concurs that there is an underlying assumption of an implicit moral duty and ethical obligation on the part of the trustee, which is not to abuse his trustor's trust for his own benefit, particularly in the absence of social controls that can be used to compel restrained behaviour on the part of the trustee (Greenwood & Van Buren III, 2010:427; Hosmer, 1995:379).

This supports the argument that Wicks *et al.* (1999:100) put forth, namely that the emotional bond between the trustor and the trustee is grounded not so much in the relationship itself, but rather in the trustor's subjective belief in the moral character,

'goodwill', or benevolent intention of the trustee in the trusting relationship. The presence of the moral element also contextualises Baier's argument mentioned earlier that too many thoughts about possible betrayals would turn trust into mistrust, and that trust as such is then actually more about taking 'not-so-calculated risks' (Baier, 1995:196).

According to Mitchell (2001:120), the element that appears to bind trust at its core, and that "... ultimately prevents defection at the undetectable margins (of trustworthiness), is affect itself". Mitchell suggests that all trusting relationships, even those that appear to be cognitive-based, are in some way affective relationships. Based on his description of affect-based trust, it is clear that Mitchell also regards the moral element as central to the construct of (affect-based) trust, when he states that the binding effect of affect, "... its moral efficacy, derives from the moral psychology that allows us to identify with other human beings for no other reason than that they themselves are, like us, human. This is all the affect we need."

With their proposition of the concept of optimal trust, Wicks *et al.* (1999:103) clearly underline how, in a trust relationship based on a moral foundation, a trustor is enabled to take a less calculated, cognitive-based risk, which is not to be confused with an ill-judged risk (Baier, 1995:196). By introducing and describing the term 'prudence', which Wicks *et al.* (1999:103) believe "... captures both of the rational prediction and affect-based belief in moral character elements that are part of a complete account of trust", these authors expand on the relationship between the cognitive and emotional dimensions of trust.

According to Wicks *et al.* (1999:103), prudence is placed in a larger moral context; presupposes a moral foundation and moral constraints; and is "... driven by a broader sense of the term self-interest (i.e. particularly the desire for community and the respect of others) and shaped by an array of moral concerns (i.e. fairness, decency and respect)", while it retains the calculative elements found in the literature on strategic management. As such, these authors then hold that both individuals and organisations should seek to trust and be trusted, "... not only because it is a desirable moral quality but because it creates economic benefits for the self and others" (Wicks *et al.*, 1999:103).

5.1.3 Behavioural dimension

The third dimension of trust lies in its behavioural execution – its practical application – which is jointly related to its cognitive and emotional aspects (Lewis & Weigert, 2008:162; Mishra, 1996:265). Behaviourally, to trust is to act as if the uncertain future actions of others were indeed certain in circumstances where the violation of these expectations would result in negative consequences for those involved (Lewis & Weigert, 2008:162).

In other words, a person who trusts takes a risk or exposes himself and his vulnerabilities to the actions of others, because he has a confident expectation that they will act in his interests. In this study trust is only regarded to be trust if it manifests in behaviour, where the trustor shows the trustee his trust (McEvily *et al.*, 2008:559). The relationship between the behavioural dimension and the emotional and cognitive dimensions is also reciprocal. Behavioural displays of trust help to create and strengthen the cognitive platform of trust, in that a person who sees others acting in a way that implies that they trust him, becomes more disposed to reciprocate by trusting in them more. On the other hand, when he sees others acting in a way that implies they are violating his trust or distrust him, he will become more disposed to distrust them in turn (Lewis & Weigert, 2008:162).

Trust-implying actions (or the lack thereof) have a similar positive (or negative) impact on the emotional sentiment of trust, as “... positive affect circulates among those who express trust behaviorally, just as negative affect arises among those who betray or act distrustfully toward each other” (Lewis & Weigert, 2008:162).

Stout and Blair (2001:7), in citing the extensive empirical evidence regarding human behaviour resulting from social dilemma work, also highlight that people do not trust randomly. One of the most important factors that have been identified as part of the variety of factors that predictably elicit greater or lesser degrees of trust is social context, which is individuals’ perceptions of others’ motivations, beliefs, likely behaviours and relationships to themselves. It was found that by manipulating the social context, social

dilemma experimenters can reliably produce everything from nearly universal trust, to an almost complete absence of trust, among subjects in these games.

The relevance of this for corporate trust is that a trustworthy for-profit organisation creates a social context that increases the likelihood of producing nearly ‘universal’ trust in it. Since it is sending social cues to its stakeholders that both define and determine the appropriate norm of behaviour, and says ‘cooperate’, a for-profit organisation can increase the likelihood that cooperative behaviour from its stakeholders becomes the norm (Stout & Blair, 2001:45).

6 TRUST AND DISTRUST

Trust and distrust are not symmetric, that is distrust does not merely imply the absence of trust (Kramer, 1996:236), as some scholars such as Schoorman *et al.* (2007:350) hold. Based on their definition of trust, which includes a willingness to take risks, distrust represents the lowest level of trust or a complete lack of trust, where the trustor will not be willing to take any risks at all (Schoorman *et al.*, 2007:350). In line with this, Baier (1995:200) makes this distinction between trust and distrust: “To trust is to venture, to assess and accept risks; to distrust is to be averse to, and to avoid, such risk taking.”

Within a corporate context, the avoidance of risk may be represented by a stakeholder withdrawing from the organisation (i.e. not being willing to buy from, invest in, work for, support, endorse or recommend the organisation). However, feelings of distrust can also lead to active acts of obstruction or retaliation against the organisation that is being distrusted (Gillespie & Dietz, 2009:127). Burt and Knez (1996:81) found in their study that, while trust builds incrementally, distrust is more catastrophic.

The key element that distinguishes the presence of trust and the absence or lack of distrust lies in the moral aspect of trust, in other words whether there is an implied duty and a promise of protection on the part of the trusted party, offered towards the trustor who is in a position of vulnerability and reliance (Greenwood & Van Buren III, 2010:427; Swift, 2001:20). In the absence of this moral element of the trust relationship, any action taken on the part of the trustor merely represents a logical motivation to increase his

vulnerability to the actions of a trustee whose behaviour he cannot control, based on a rational prediction or calculation of that behaviour. In effect, any risk taken by the trustor in this situation is based on beliefs that are not related to the moral character of the trustee or to any implied moral contract. This rational action is better understood as the *absence* of distrust rather than the *existence* of trust (Swift, 2001:21).

In this study the split trust continuum as posited by Swift (2001:21) is used as the basis for distinguishing between trust and distrust. Trust is seen here as *the expression of a confident expectation that a trustor has in the trustee's goodwill, based on the reputation of the character of, as well as dialogue and experience with, the trustee, which are critical to this concept of trust and will leave the trustor willing to risk exposure to vulnerability and take the 'leap of faith'* (Bachmann, 2006:395; Möllering, 2006:370-371; Swift, 2001:21). Lack of trust is then regarded as *ignorance on the part of the trustor of the behaviour and intent of the trustee*.

Distrust on the other hand is defined in this study as *the level of suspicion that a trustor holds towards the trustee, based on the assumption that the trustee cannot be predicted to act in the trustor's interest, on the trustor's assumption that the trustee will pursue his own self-interest with guile, and therefore needs to be closely monitored* (Swift, 2001:21; Nooteboom, 2002:93). Lack of distrust is understood as a low level of suspicion of the trustee on the part of the trustor, based on the assumption that the trustee's behaviour is predictable.

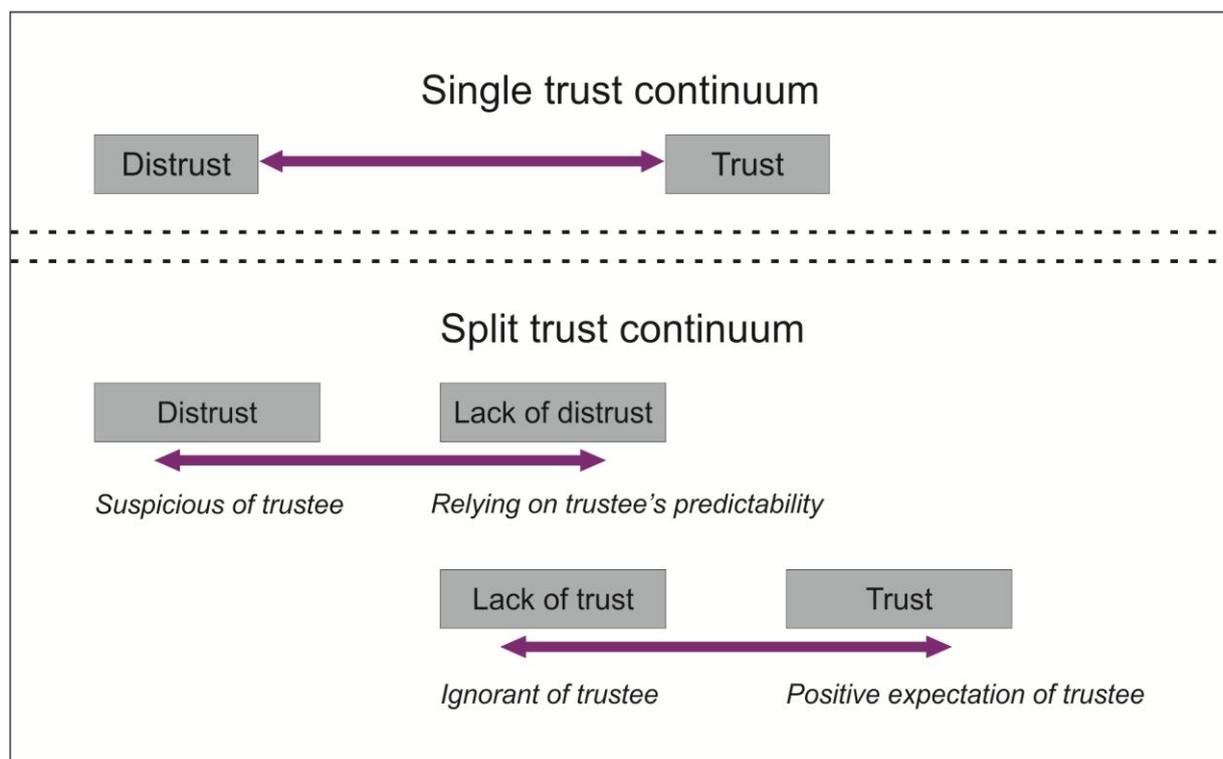
The moral aspect of trust is regarded as the key differentiator between the presence of trust and the absence of distrust, in other words the key is whether there is an implied duty and a promise of protection on the part of the trusted party, offered towards the trustor who is in a position of vulnerability and reliance (Greenwood & Van Buren III, 2010:427; Swift, 2001:20). When this moral element is present in the relationship, trust is present. In the absence of this moral element of the trust relationship, any action taken by the trustor in this situation merely represents a logical motivation to increase his vulnerability to the actions of a trustee whose behaviour he cannot control, based not on the moral character of the trustee or any implied moral contract, but rather on a rational prediction or calculation of the trustee's behaviour.

This rational action is therefore better understood as the *absence* of distrust rather than the *existence* of trust (Swift, 2001:21). The absence of distrust is then understood as a low level of suspicion of the trustee on the part of the trustor, based on the assumption that the trustee’s behaviour is predictable.

Swift (2001:21) proposes that the absence of trust differs qualitatively from the presence of distrust, since lack of trust “... stems from ignorance of the other’s behaviour and intent”, whereas distrust on the other hand is seen as based on the trustor’s assumption that the trustee will pursue his own self-interest with guile, and therefore needs to be watched. If the lack of distrust is therefore understood as the opposite of distrust, then the presence of trust is best described as the opposite of the lack of trust.

Based on this understanding, the representation of trust as a single continuum is no longer suitable, and the split trust continuum, as posited by Swift (2001:21), helps to explain what appear to be mutually exclusive ideals since it is based upon a deeper understanding of trust (Swift, 2001:24). Figure 5 depicts a split trust continuum in comparison to a single trust continuum:

Figure 5: Split trust continuum (adapted from Swift, 2001:22)



The distrust/lack-of-distrust continuum will prevail where trust is defined as *reliance upon predictable behaviour that is guaranteed by social controls*. This half of the continuum refers to the range of suspicion that a trustor has of the trustee. As such, distrust is depicted as the assumption that the for-profit organisation cannot be predicted to act in the stakeholder's interest and is likely to pursue self-interest, and therefore the stakeholder as trustor has a high level of suspicion of the organisation. Lack of distrust is then understood to be a low level of suspicion of the organisation, based on the supposition that its behaviour is predictable. Distrust as a barrier to trust will be discussed later in this chapter.

However, where trust is defined as *confident expectations of goodwill*, the lack-of-trust/trust continuum will prevail, and this half of the continuum does not assume rationality and represents the range of vulnerability between the trustor and the trustee, which allows for a higher level of emotion and therefore the inclusion of moral duty (Swift, 2001:21).

A lack of trust is then understood as *the concept that applies when a stakeholder does not have knowledge of or confidence in the for-profit organisation's trustworthiness, which will make him as trustor less willing to take a risk or be vulnerable*. The latter definition is pertinent to this study.

This is consistent with the definition and explanations of trust discussed earlier (Hosmer, 1995; Wicks *et al.*, 1999). The split trust continuum suggests that one could arrive at the same position by having either a lack of trust or a lack of distrust. A process that would reduce distrust could just as readily reduce trust. If this is the case, then the split trust continuum can allow the apparently paradoxical absence of trust and distrust at the same time (Swift, 2001:21).

7 CONFIDENCE, COOPERATION, PREDICTABILITY, RELIABILITY

In defining what trust is, it is also important to note what it is not. Although trust has at times been used as synonymous to confidence, cooperation, predictability and reliability,

these concepts are not equivalent (Blois, 1999:199; Luhmann, 1988:97; Luhmann, 2000:103-104; Mayer *et al.*, 1995:713; Nootboom, 2002:55).

7.1 TRUST: PRESENCE OF RISK, UNCERTAINTY AND DEPENDENCY

Based on the definition of trust offered earlier, it is important to note that the need for trust will only be present in a situation where risk, uncertainty, vulnerability and dependency exist (Baier, 1995:200; Baier, 2008:217; Ingenhoff & Sommer, 2010:340; Mayer *et al.*, 1995:711; Nootboom, 2002:5; Sichtmann, 2007:1011; Wicks *et al.*, 1999:100). This is the key differentiating characteristic between trust on the one hand and confidence, cooperation, predictability and reliability on the other.

7.1.1 Trust and confidence

While confidence also relates to an expectation that may lead to disappointment, it differs from trust in that it does not require consideration to be given to alternatives, in other words there is no risk or vulnerability involved. According to Luhmann (1988:97), trust differs from confidence because it requires a previous engagement on a person's part, recognising and accepting that risk exists.

Luhmann pairs trust with risk and confidence with danger, and notes that while one is 'faced' with danger (i.e. no choice is involved), one 'takes' a risk (i.e. choice is involved). This means that another differentiating factor is that confidence is externally oriented, as opposed to trust, which is internally oriented (Luhmann, 1988:97; Nootboom, 2002:55). When disappointment occurs in the case of trust, a person attributes responsibility for the outcome to his own behaviour.

The opposite is true in the case of confidence (Luhmann, 1988:97-98). Another distinction between these two concepts refers to the consequences when these are lacking: where a lack of confidence will lead to feelings of alienation, the lack of trust will simply lead to a withdrawal of activities, which "... reduces the range of possibilities for rational action" (Luhmann, 2000:103-104), for example it will prevent capital investment under conditions of uncertainty and risk.

This underlines the argument in this study that stakeholders' trust in (and therefore support for) an organisation is critical to its economic sustainability. "Through lack of trust a system may lose size; it may even shrink below a critical threshold necessary for its own reproduction at a certain level of development." (Luhmann, 2000:104).

7.1.2 Trust and cooperation

Cooperation also needs to be distinguished from trust, in that vulnerability is minimal or absent. While trust can lead to cooperative behaviour, it is not a necessary condition for cooperation to occur (Mishra, 1996:265), since cooperation does not necessarily put a party at risk (Mayer *et al.*, 1995:712). It is possible to cooperate with someone without trusting that person (Mayer *et al.*, 1995:713).

7.1.3 Trust and predictability

Although there is a clear relationship between trust and predictability (in that both are means to reduce uncertainty), the differentiating factor between these two constructs is the absence of willingness to take a risk or to be vulnerable in the relationship in the case of predictability. A person who consistently ignores the needs of others and acts in a self-interested fashion is predictable, but not necessarily trusted. As Mayer *et al.* (1995:714) state: "To be meaningful, trust must go beyond predictability."

7.1.4 Trust and reliability

The distinction between trusting and relying on somebody essentially lies in the fact that trust involves a dependence on the trustee's goodwill and not just his consistent and dependable habits, which is something that can be relied on. The fundamental difference between reliance and trust is that reliance is dependent on proven capability while trust is dependent on stated commitment (Blois, 1999:200).

It is then possible to rely on someone even when there is specifically no trust. Blois (1999:199) observes that the emotive element is the key differentiator between these two constructs, which becomes apparent when the trustor is let down by the trustee: "If

we are let down by those we trust we feel hurt, perhaps even resentful, while when we are let down by those on whom we only rely we might be annoyed but are not hurt.” In any trust relationship, the trustor has an expectation that the trustee’s actions will result in positive outcomes.

Blois (1999:199) therefore also notes that what further distinguishes trust from reliance is the expectation that the trustee may take initiatives or exercise discretion to utilise new opportunities to the trustor’s advantage, over and above what was either explicitly or implicitly promised.

8 HIGH-LEVEL TRUST CONCEPTS: COLLECTIVE ATTRIBUTE

With the basic theoretical framework for the trust construct outlined, it will be prudent to explore two high-level trust concepts, both of which are embedded in the conception of trust as a collective attribute, and are therefore acutely pertinent to this study.

8.1 EXISTING HIGH-LEVEL TRUST CONCEPTS

The concepts of institutional trust and systems trust as two existing high-level trust concepts are discussed first, before the concept of corporate trust is posited as an additional (third) high-level form of collective trust, and outlined in more detail.

8.1.1 Institution-based trust as a high-level form of trust

There are various forms of trust, including dispositional trust, which refers to general trust in others and stems from psychology and economics; interpersonal or relational trust, which refers to trust in specific others and stems from social psychology and economics; and institution-based trust, which refers to trust in the situation or structures and stems from sociology (Greenwood & Van Buren III, 2010:430; Ingenhoff & Sommer, 2010:340; McKnight & Chervany, 2002:35,43).

Institution-based trust can refer to trust in a tradition or custom that has become institutionalised, which refers to patterns of thinking and behaviour that become

established, to the point that these social arrangements take on a rule-like quality which can then assist in ordering social interaction (Lammers & Barbour, 2006:358). Selznick (1996:271) describes institutionalism as "... the emergence of orderly, stable, socially integrating patterns out of unstable, loosely organized, or narrowly technical activities". Many symbols have become institutionalised in modern society, for example Baier (1995:197) refers to the symbolism of a handshake, while Luhmann (1979:48-49) refers to the institutionalisation of money.

Actors learn about the reliability of institutions, situations or structures through their own direct experience and facilitated demonstrations that institutions operate as they should. Institutions are then a basis for trust between actors, because they suggest a high degree of implicit agreement and acceptance, which enables shared expectations even between actors who have no mutual experience or history of interaction. According to Möllering (2006:373), this is possible in the first instance because "... this approach is based on the phenomenological assumption that actors are looking at the world from within the natural attitude, relying on constitutive expectancies and the validity of institutionalized rules, roles and routines". Institution-based trust is empirically vital because it implies institutions as an object of trust, too, and not only a source (Möllering, 2006:363).

In this study institution-based trust is also seen to refer to trust in a for-profit organisation as an institution. As such, institutions can then "... be seen as bases, carriers and objects of trust: trust between actors can be based on institutions, trust can be institutionalized, and institutions themselves can only be effective if they are trusted" (Möllering, 2006:365).

According to McKnight and Chervany (2002:35), trust is central to all commercial relationships, since it is crucial wherever risk, uncertainty, or interdependence exist. Institution-based trust is defined as *trust in the situation or structures and as such it is regarded as being "... situation-specific but cross-personal because it means that one trusts the specific situation but does so irrespective of the specific people in that situation"* (McKnight & Chervany, 2002:43). This makes the concept of institution-based trust very applicable to the construct of corporate trust.

McKnight and Chervany (2002:48) describe two sub-constructs of institution-based trust, namely structural assurance and situational normality, which help create an environment conducive to success and trust. Structural assurance refers to the belief of people that protective structures such as processes, procedures, promises, guarantees, contracts, regulations and legal recourse are in place in an institution or organisation, and this makes the situation conducive to success and trust. The second sub-construct, namely situational normality, refers to the belief and perception that the situation in an institution or organisation is normal, proper, fitting and in good order and this makes the situation favourable or conducive to success and trust (McKnight & Chervany, 2002:48).

Trust in an institution therefore means confidence in the institution's reliable functioning, "... but this has to be based mainly on trust in visible controls or representative performances rather than on the internal workings of the institution as a whole" (Möllering, 2006:365). Implicit in the concept of institutional trust is the notion that trust can be a collective attribute. Greenwood and Van Buren III (2010:430) note that the "... idea that trust can be institution-based rather than personally-based is implicit in a government's institutions and legal system". As such, the concept of institution-based trust offers pertinent value for this study.

Furthermore, this perspective of institution-based trust is seen to be similar to the distinction that Lewis and Weigert (2008:164) and Luhmann (1979:50) make between interpersonal trust and systems trust, which is regarded as being "... indispensable for the effective functioning of the 'symbolic media of exchange' such as money and political power".

In order to present a wider background for institution-based trust and in leading up to contextualising trust as an additional form of collective trust in a corporate environment, a more detailed overview of systems trust will first be provided.

8.1.2 Systems trust as a second high-level form of trust

Since a social order cannot operate on the basis of everyone personally knowing and trusting all the individuals they come into contact with on a daily basis, trust in a system

offers another way of building trust, which does not depend on the personal element (Luhmann, 1979:46). The concept of systems trust is also based on the understanding of trust as a collective rather than a personal attribute, in that systems trust refers to the trust an individual holds in the functioning and reliability of impersonal social structures, which is process-based tied to a record of past operations (Bromley, 2002:36; Greenwood & Van Buren III, 2010: 430).

Systems trust, defined as *trust in the functioning of bureaucratic sanctions and safeguards* (Lewis & Weigert, 2008:164; Luhmann, 1979:50), is mainly established by institutionalising the use of laws, rules and other cultural symbols, which then structures an individual's expectations and motivations of what to expect in unfamiliar situations (Lewis & Weigert, 2008:165). As Luhmann (2000:95) puts it: "We can live within a familiar world because we can, using symbols, reintroduce the unfamiliar into the familiar." According to Luhmann (2000:96), symbols represent the distinction between 'familiar' and 'unfamiliar' within the familiar world.

Luhmann (1979:38,48) holds that the high degree of complexity in the world assumes a multiplicity of selective processes, and since people come into contact and have to deal with a number of virtual strangers on a daily basis in order to function, systems trust offers a common means by which the selections of different parties can be connected to one another. Luhmann (1979:48-49) also maintains that the processes for differentiating and connecting multiple selections are socially regulated through the generalising media of communication (language, culture and symbols). "Anyone who trusts in the stability of the value of money, and the continuity of a multiplicity of opportunities for spending it, basically assumes that a system is functioning and places his trust in that function, not in people" (Luhmann, 1979:50). This view is echoed by Lewis and Weigert (2008:164), Baier (1995:197) and Möllering (2006:364-365).

Many symbols have become institutionalised in modern society. Baier (1995:197) refers to the symbolism of a handshake, either as a means to seal a deal or simply as a greeting. In the case of the former, trust is placed in the partner to the handshake not only to honour whatever deal the handshake seals, but also in trusting him "... to be what he purports to be, a partner in a reciprocal and nonharmful gestural exchange". In

the case of the latter (where the handshake simply represents a greeting), the owner of the handshake still uses it to symbolise how he wants to present himself and to declare his feelings of equality, reciprocity and goodwill.

While this serves as just one example of how institutionalised symbols can assist to reduce the high degree of complexity in the world by providing an orderly and common means by which different parties can connect and convey meaning to each other, Baier (1995:197) notes that it should be kept in mind that this is still only pretence, which like any other pretence can be false.

Kramer (2010:94) also highlights the fact that all the signs of trustworthiness can be faked, and those signs that are considered to be most reliable and most indicative may be the easiest to fake. As Gambetta and Hamill (in Kramer, 2010:94) point out "... skilful impersonators can always mimic the outward signs or appearance of trustworthiness, thus lulling potential victims into a false sense of security". Enron is a case in point of such mimicry and deception at a collective level (Davies *et al.*, 2010:531; Keh & Xie, 2009:732; Neufeld, 2007:40; Turnbull, 2002:13).

A more recent, and perhaps even more compelling example because of the sheer scale and longevity of the deception, is the fraud perpetuated by Bernard Madoff, a former American businessman, stockbroker, investment advisor and financier (Frank & Efrati, 2009; Uslaner, 2010:120). In June 2009 Madoff, as the admitted operator that ran a Ponzi scheme for at least 20 years, which is considered to be the largest financial fraud in the United States of America's history, was sentenced to the maximum 150 years behind bars for what his judge called an 'extraordinarily evil' fraud that shook the nation's faith in its financial and legal systems (Frank & Efrati, 2009).

Kramer (2010:94) notes that Madoff managed to create an immense institutionalised deception that fooled a vast collective of associates and investors, and warns that "... a little prudent paranoia and due diligence are also warranted, especially in situations where the costs of misplaced or mistaken trust are high". This links with Luhmann's view that, unlike personal trust that relies on a kind of "... naive experience of familiarity with the everyday world", trust in a system is more guarded and restrained. This is because

with systems trust one is continually conscious that everything that is accomplished is a product – a self-presentation – devised by people who have decided on a specific action within a range of other possible actions, including that which an entity (either an individual or an organisation) wants to be known of itself and makes socially visible (Luhmann, 1979:39).

As an alternative method to foster and build stakeholders' trust in an entity, without their direct personal knowledge of and experiences with the entity, systems trust is then regarded as being critical for modern social institutions to function.

The concept of systems trust is important to this study for two reasons. In the first place, systems trust is regarded as being "... indispensable for the effective functioning of the 'symbolic media of exchange' such as money and political power" (Lewis & Weigert, 2008:164). Without systems trust, no for-profit organisation would be able to operate.

In the second place, a for-profit organisation needs to appreciate that the use of its own institutionalised symbols and communication relating to the organisation would be understood to be 'socially contrived', and as such stakeholders would be more guarded and restrained in placing their trust in the organisation. Stakeholders will be conscious of the subjective, socially contrived symbols and communication used by the for-profit organisation, aimed at presenting and making visible that which the organisation wants to be known of itself (Luhmann, 1979:39).

To overcome this encumbrance, a for-profit organisation needs to make its internal controls explicit. According to Luhmann (1979:58), systems trust counts on explicit processes for the reduction of complexity (Luhmann, 1979:58). By making its controls explicit, a for-profit organisation can then cultivate trust in its ability to function as a system by building trust in the ability of the organisation's internal controls to function (Luhmann, 1979:57-58).

Within the context of this study, the role of an integrated report in helping the for-profit organisation to be transparent about its controls and performance as a responsible corporate citizen is therefore highlighted. However, and even more importantly, the for-

profit organisation also needs to be consistent in its behaviour and stand by what it has been presenting and communicating about the organisation, it needs to keep its promises, if it wants to become worthy of its stakeholders' trust (Luhmann, 1979:39; Sichtmann, 2007:1011).

8.2 CORPORATE TRUST AS ANOTHER HIGH-LEVEL FORM OF TRUST

Since both the high-level trust concepts of institution-based trust and systems trust share that which is characteristic of relations between organisations and stakeholders, the proposal made by Greenwood and Van Buren III (2010:430), namely that both these high-level concepts allow for the conceptualisation of an additional form of collective trust, "... that being organizational trust and its corresponding notion of organizational trustworthiness", is acknowledged and assimilated in this study.

This is in line with Kramer's (2010:82) conceptualisation of collective trust. In making the distinction between interpersonal trust and collective trust, Kramer highlights that the distinctive characteristic of collective trust is that its target is the organisation and its collective membership as a whole. He notes that "... the cognitive unit is a larger social aggregate, defined and bounded by common membership in the organization".

According to Kramer (2010:95), one of the most important implications of a fully developed theory of collective trust, including a significant understanding of its antecedents and consequences, is that it provides the foundation for a theory of organisational trustworthiness. Kramer (2010:95) observes: "We need more trustworthy organizations – organizations that reliably produce competent results and that are motivated not only to 'do no evil', but also to do good."

This view is then similar to the one held in this study with regard to trust in an organisational context. However, in this study the terms corporate trust and corporate trustworthiness are preferred to refer to the trust between individual stakeholders and/or groups of stakeholders, and the for-profit organisation as a social actor and an entity in and of itself (Greenwood & Van Buren III, 2010: 429; King, 2009:11,12; King *et al.*, 2010:290; Moon & Muthuri, 2008:4).

As such, corporate trust is posited as the third high-level form of collective trust in this study – a concept that refers to trust between an individual stakeholder or a group of stakeholders and a for-profit organisation, but can also extend to the idea of trust among organisations (Bachmann, 2006:405; Greenwood & Van Buren III, 2010:430). Similarly, the corresponding concept of corporate trustworthiness is then taken to refer to a virtue or set of virtues held by the for-profit organisation, exhibiting its worthiness to be trusted as an entity in its own right, separate from the virtues held by the employees or representatives of the organisation (Greenwood & Van Buren III, 2010: 429; King, 2009:11,12; King *et al.*, 2010:290; Kramer, 2010:82; Moon & Muthuri, 2008:4).

As outlined earlier, the moral component of the concept of trustworthiness is essential, and the idea that a for-profit organisation can be an object of trust and display characteristics of trustworthiness, such as ability, benevolence and integrity, is centred on the concept of the for-profit organisation as a social actor and a moral agent in its own right, “... albeit one that exercises its morality through the actions of its members” (Greenwood & Van Buren III, 2010:430).

When the moral responsibility and activity of a for-profit organisation, and the possibility of an ethical and virtuous organisation are accepted, the suggestion that an organisation as a whole can be an actor in the trust relationship and can possess (or not possess) the attribute of trustworthiness follows as a logical extension. It is therefore clearly stated that corporate trustworthiness “... is entirely separate from (albeit possibly highly related to) manager trustworthiness, which may be understood as a characteristic of individual managers or a management group” (Greenwood & Van Buren III, 2010:430).

9 DEFINING CORPORATE TRUST

The theoretical framework and definition of trust as a general construct that has been discussed above will be used as a point of departure to further explore and define trust in an organisational context. The sociological perspective is primarily used as basis in this study, with the theoretical perspective limited to corporate trust (also called institutional or collective trust) as a construct (Bachmann, 2006:405; Einwiller & Will, 2001:6; Kramer, 2010:84; Kramer *et al.*, 1996:357; McKnight & Chervany, 2002:35,43).

9.1 A WORKING DEFINITION OF CORPORATE TRUST

Corporate trust, which is regarded as an economic imperative for the long-term economic sustainability of a for-profit organisation, occurs in a relationship (albeit on a less personal level) between a for-profit organisation, regarded as a social actor in its own right, as the trustee and its stakeholders as multiple trustors (Greenwood & Van Buren III, 2010:429; King, 2009:11,12; King *et al.*, 2010:290; Kramer, 2010:82; Moon & Muthuri, 2008:4; Nooteboom, 2002:38), where stakeholders trust the organisation to act in an ethical, trustworthy and socially responsible manner in the course of its commercial activities.

Based on the key elements of corporate trust discussed above, the following composite definition for corporate trust, based on a number of sources, is proposed in this study:

Corporate trust is defined in this study as *a subjective attitude, belief and optimistic expectation by a stakeholder or group of stakeholders that their dependence on the for-profit organisation will not be abused, which influences their decisions and allows them to support the organisation.*

This researcher holds that this belief is based on the organisation's consistent demonstration that it has voluntarily accepted its moral duty to act in a manner that is ethically justifiable and socially responsible, by taking morally correct decisions and actions based upon ethical principles of analysis to protect the rights and interests of all its stakeholders to the good of society, in any joint endeavour and economic exchange, as well as in the manner that it conducts its overall operations as a responsible corporate citizen. Based on this expectation, stakeholders will commit to and actively support the organisation.

Trust can then be described as *an attitude that allows for risk-taking decisions* (Einwiller & Will, 2001:6; Luhmann, 2000:103). Based on this belief, the stakeholders then act on their decision and engage in the trust-informed risk-taking behaviour, irrespective of their ability to monitor or control the organisation (Dietz & Den Hartog, 2006:379,558; Hosmer, 1995:399; McEvily *et al.*, 2008:559; McKnight & Chervany, 2002:45; Mouzas *et al.*, 2007:1021; Sichtmann, 2007:1001; Swift, 2001:20).

Since stakeholders cannot always directly interact with, monitor or control the decisions or actions of the organisation, they are vulnerable to its actions. Similarly, a for-profit organisation is vulnerable to its stakeholders' actions, in that it requires its stakeholders' trust and support to be successful in its business operations. Since stakeholders, who use their trust in the organisation prudently, will withdraw their trust and support if their trust in the organisation is violated, corporate trust is held not to be sustainable if the for-profit organisation shows itself to be unworthy of its stakeholders' trust.

9.2 CLARIFYING THE OPERATIONALISATION OF THE CORPORATE TRUST CONSTRUCT

In order to clarify the working definition of the corporate trust construct offered in this study, some of the key elements that are included in conceptualising the corporate trust construct in this study will first be discussed.

This study focuses on exploring trust within a corporate context, one in which the concepts of responsible corporate citizen and sustainability are fundamental to the role of a for-profit organisation. As such, the definition of corporate trust in this study attempts to combine that which is essential to the field of philosophical ethics, i.e. that which is right, just and fair, and organisational theory, i.e. that which is efficient, effective and practical (Hosmer, 1995:381).

In addition, the reliance of the stakeholders as the trusting party on ethical corporate behaviour, the presence of mutual vulnerability in the corporate trust relationship, as well as the duty incumbent on the organisation as the trusted party (Greenwood & Van Buren III, 2010:426) – if it wants to earn its stakeholders' trust, and therefore their support to ensure its own long-term economic sustainability – are explored.

9.2.1 Multiple actors involved in a trustee/trustor relationship

Contrary to dyadic trust which, as the simplest form of a trust relationship, involves one specific trustor and one designated trustee in some kind of interdependent relationship

(Burt & Knez, 1996:68), collective trust in a corporate context is much more complex since it involves multiple actors and contexts (Kramer, 2010:84).

Although the interdependency of individuals as members of the organisation is acknowledged, it should be highlighted that this study regards a for-profit organisation as a person, a social actor, in its own right (Greenwood & Van Buren III, 2010: 429; King, 2009:11,12; King *et al.*, 2010:290; Kramer, 2010:82; Moon & Muthuri, 2008:4). As such, the trustors in a corporate trust context are deemed to be the stakeholders of a for-profit organisation, whereas the trustee is seen to be the for-profit organisation and its collective membership as a whole (Bachmann, 2006:405). The term stakeholders can be viewed as a collective term for a group of stakeholders or for individual stakeholders. Similarly, the term organisation can be viewed as a collective term or a euphemism to refer to key decision-makers as representatives of a for-profit organisation (Greenwood & Van Buren III, 2010:429).

Corporate trust occurs then as an interaction between two parties, namely multiple subjects or trustors (stakeholders) who show the trust, and a single object or trustee (a for-profit organisation) who can be trusted (Einwiller, 2003:198; Kramer, 2010:86; McKnight & Chervany, 2002:43; Nooteboom, 2002:10; Ratnasingham, 1998: 313-314; Sichtmann, 2007:1001; Swift, 2001:19), in respect of the organisation's ethical, trustworthy and socially responsible behaviour in the course of its commercial activities (Nooteboom, 2006:249).

Corporate trust, or what McKnight and Chervany (2002:42) refer to as institution-based trust and Kramer (2010:84) refers to as collective trust, then refers to trust that is built on an organisational level between stakeholders and a for-profit organisation (Ingenhoff & Sommer, 2010:342).

9.2.2 Presence of dependency; vulnerability in a less familiar context

A second key element of corporate trust is that it also occurs under conditions of vulnerability and dependency, and can therefore also be conceptualised as a confident or optimistic expectation, a feeling of relative security in a situation of risk, on the part of

the stakeholders concerning the behaviour of a for-profit organisation (McKnight & Chervany, 2002:45; Ratnasingham, 1998:313; Sichtmann, 2007:1001).

However, the complexity of corporate trust is not only influenced by the multiplicity of the parties involved in the trust relationship, but also by the lack of familiarity between the parties (Kramer, 2010:84), a familiarity that is needed to ensure that the stakeholders can feel safe and assured about the prospect of depending on the organisation, or being vulnerable to the actions of the organisation. Since there is bound to be less familiarity and less direct interaction between the two parties, the level of complexity increases in a corporate trust context (Kramer, 2010:84; Kramer *et al.*, 1996:364).

In an interpersonal context trust entails a prediction about the behaviour of an independent actor, and this belief rests on intimate familiarity with this individual. A corporate context, however, provides a larger and more complex setting for trust, one that requires a less individuated, more impersonal and more indirect form of trust (Kramer, 2010:84; Mitchell, 2001:120).

As such, it is understood that the internal and external stakeholders involved in a corporate trust relationship and context are unlikely to have the required detailed, personal knowledge of the for-profit organisation that usually provides the foundation for interpersonal trust. “Instead, they must interact with myriad others, often on the basis of scant individuating information, transient goals, infrequent contact, and only superficial familiarity.” (Kramer, 2010:84).

Today’s modern world, characterised by issues such as the digital revolution, globalisation and urbanisation, presents increased challenges for organisations (Iwata, 2009:1). Globalisation detaches organisations from one specific society but at the same time requires that companies internalise the needs of many societies (Moss Kanter, 2011:70). Since this has led to power being dispersed in multiple ways to new ‘actors’, organisations now have to deal with an extended stakeholder constituency, which has moved beyond the initial narrow scope of shareholder and even customer and employee to one that includes stakeholders who are not directly involved with the organisation, such as activist groups, society and non-governmental organisations (Rangan, 2011:6).

At the same time the expectations of stakeholders have changed, and now go beyond a scanty focus on an organisation's products and services to an extended emphasis on social issues, related to corporate sustainability, equity and fairness (Iwata, 2009:1; Uslaner, 2010:117). These stakeholder expectations are regarded as valid, since any relationship that they have with the organisation is characterised by a level of risk, uncertainty or interdependence, which then leaves the stakeholders vulnerable to the actions of the organisation (McKnight & Chervany, 2002:36).

The digital age is characterised by an information overflow, making it difficult for individuals to pay careful attention to everything happening in their world, increasing the complexity that they have to deal with and therefore increasing their need to find 'mental shortcuts'. Trust can be considered as such a mental shortcut, since it serves as a means to reduce social complexity and information (Bachmann, 2006:395; Einwiller & Will, 2001:5; Luhmann, 1979:8; Mishra, 1996:281).

9.2.3 Acting on the belief to trust the organisation, for or against

Corporate trust is also associated with the willing cooperation of stakeholders with the organisation, in which mutual benefit to the parties resulting from that cooperation is assumed (Hosmer, 1995:390; Kramer *et al.*, 1996:371; Swift, 2001:20). As such, it is regarded as imperative for an organisation to create the level of familiarity with its stakeholders that will allow them assurance to act on their decision to trust and support the organisation.

In this study the nature of corporate trust is then also conceptualised as consisting of more than just an expectation, belief or decision about a for-profit organisation. The dimension of trust as a behavioural manifestation is believed to form an integral part of corporate trust (Dietz & Den Hartog, 2006:558; McEvily *et al.*, 2008:559). It is the presence of this fundamental dimension in particular that links closely with the concept of corporate sustainability, in that stakeholders can act on supporting the for-profit organisation that they trust, or they can act against an organisation if they lose their trust in it; either passively and indirectly (by withdrawing their support) or directly (by actively taking actions to influence others against the organisation).

People today, as never before, “... care about the corporation behind the soft drink; the bank account; the computer. They do not separate their opinions about the company from their opinions of that company’s products and services – or its stock, for that matter.” (Iwata, 2009:2). Rangan (2011:6-7) refers to “... the rise of new ideas”, which include issues such as meeting the needs of the bottom of the pyramid, gender disparity, inclusiveness, the identification of different stakeholders and ethical treatment, all of which have at their core the notion of fairness.

During the first decade of the new millennium it has become quite clear that a fundamental shift has taken place in the world over the past years – one that has had an impact on the nature and status of organisations and of business itself (Iwata, 2009:1). Today’s society no longer accepts that ‘the business of business is business’², but instead demands of for-profit organisations to be socially responsible corporate citizens that “... embrace the economic, legal, ethical and discretionary expectations of all stakeholders, not only financial shareholders” (Bansal, 2005:199).

Furthermore, due to new technology and social media, stakeholders today have an unprecedented view of a for-profit organisation’s behaviour and performance in all areas (Iwata, 2009:2), as well as the power and means for mass communication to mobilise others to take action against a for-profit organisation whose behaviour is viewed by its stakeholders as unethical or irresponsible (Pharoah, 2003:48).

Hardin (2002:12) observes that for trust to be relevant there needs to be the possibility of exit, betrayal or defection by the trustor. This signifies that an element of social control is built into any trust relationship; also, and with significant impact, in a corporate trust context.

A for-profit organisation that wants to accumulate trust as a kind of social capital to open up additional and novel opportunities for more extensive action in the relationships with its respective stakeholders, must then accept that this is only possible when it commits itself to a consistently trustworthy self-presentation (Luhmann, 1979:64; Nooteboom, 2002:147; Wood, 2002:63).

² This phrase is widely attributed to Milton Friedman, cited in ‘Capitalism and Freedom’.

This study then contends that if a for-profit organisation does not act in a trustworthy manner, or if it is caught in the act of deception and exposed as a fraud, its stakeholders *will* withdraw their support from the organisation (Gillespie & Dietz, 2009:127). The trust relationship between the for-profit organisation (as trustee) and its stakeholders (as trustors) is therefore seen to be critical for the long-term economic sustainability of the organisation in this study (King, 2009:10).

9.2.4 Expectation of moral duty in the organisation's behaviour

A fourth key element of corporate trust is that it also involves an expectation of a moral element in the for-profit organisation's intent and behaviour. Much of the existent literature highlights the power of the private sector in modern society, as is evident from its ability to act as the dominant engine of growth and value creation as well as a force that can cause damage to the natural environment and society at large (Adams, 2006:13; Jamali, 2006:810; Moss Kanter, 2011:68). This study supports the view that the private sector has the capability to drive changes in society and the environment.

Furthermore, it is held that since it is possible for the private sector to contribute to equitable and sustainable economic growth and opportunity for all, without putting more pressure on the earth's dwindling resources (Adams, 2006:13; Jamali, 2006:810), it has an ethical obligation to do so. As a for-profit organisation is in a position of power, corporate trust is also seen to be based on an underlying assumption of an implicit moral duty on the part of the organisation (Hosmer, 1995:379).

Within the framework of responsible corporate citizenship as posited in this study (King, 2009:10; Marsden & Andriof, 1998:336-339), the concept of corporate trust is regarded as imperative not only in direct commercial transactions, but also in the relationships it has with *all* its stakeholders, which are determined and influenced by the manner in which the organisation conducts its overall operations.

Since stakeholders as trustors cannot always directly monitor or control the decisions or actions of the for-profit organisation as trustee, and since this increases their vulnerability to the actions of the organisation, there is an implied moral duty on the part

of the for-profit organisation as the trustee not to abuse the trust of its stakeholders (Greenwood & Van Buren III, 2010:426; McKnight & Chervany, 2002:45; Ratnasingham, 1998:313-314; Sichtmann, 2007:1001).

9.2.5 Mutual vulnerability and a duty to protect stakeholders' interests

The assumption of an acknowledged duty on the part of a for-profit organisation to protect the rights and interests of all its stakeholders, is regarded not merely as a negative promise not to harm the interests of its stakeholders, but rather as "... a positive guarantee that the rights and interests of the other party will be included in the final outcome" (Hosmer, 1995:392). It is on the basis of this that corporate trust is earned (Fukuyama, 1995:26; Hosmer, 1995:391).

As such, a for-profit organisation that wants to realise the benefits resulting from the voluntary cooperation of its stakeholders (Hosmer, 1995:390; Swift, 2001:20) needs to recognise and accept that it is dependent on the willing cooperation and support of its stakeholders to make the commercial relationship or transaction work to the mutual benefit of both parties (Kramer *et al.*, 1996:384; McKnight & Chervany, 2002:36; McPhee & Zaug, 2001:581; Swift, 2001:19).

In short, there is reason to believe that corporate trust can only blossom in favourable social conditions. Moreover, when people trust and cooperate, but their cooperation is not reciprocated, they will quickly switch to a competitive strategy (Stout & Blair, 2001:55).

Trust, it appears, is neither gullibility nor pure selflessness, and when abused, it tends to disappear, as social dilemma experiments illustrate. However, when trust is not abused, it "... permits patterns of reciprocal, other-regarding behavior to spring up that are impossible to explain under neoclassical assumptions of selfish rationality" (Stout & Blair, 2001:55). More important and relevant to corporate trust, however, is that this behaviour allows individuals in groups to achieve outcomes that are far superior, on both a group and an individual basis, to the outcomes that can be achieved through a rational self-centred approach (Stout & Blair, 2001:55).

According to Luhmann (1979:61), systems (for-profit organisations) that are able to acknowledge that the trust they have in their environment is a problem to be grappled with, and are able to deal with it, "... are more elastic, more complex and more durable".

It is held that a for-profit organisation that recognises its own vulnerability and dependence on the support of its stakeholders will want to honour and act on its moral duty to protect the rights and interests of all of its stakeholders in addition to its own (Hosmer, 1995:392).

As a system, a for-profit organisation that chooses to build its reputation founded on a value-based identity (Pirson & Malhotra, 2008:10; Vanneste *et al.*, 2011:23) and so increase trust in itself in order to reap the benefits, will do well to keep in mind that all self-presentation entails an obligation. This is related to its moral duty and responsibility to remain true to the identity and character it claims and shows itself to have; and not to risk losing its integrity by behaving in a manner inconsistent with its claimed identity and values (Luhmann, 1979:62-63).

It is critical that a for-profit organisation should keep in mind that individuals do not trust naively. Blois (1999:200) notes that people seldom extend 'blanket' or unlimited trust to others. Kramer (2010:92-93) uses the term 'hedges' to explain this phenomenon, which he describes as "... psychological devices, (that) are interesting because they imply an attitude that is somewhat equivocal: one trusts the other, but not completely". As such, stakeholders will start the trust development process by putting their trust in a for-profit organisation, but discerningly so.

Stakeholders as 'vigilant social auditors' (Kramer, 2010:93) and as the 'ultimate compliance officers' (King, 2009:9) pay considerable attention to cues indicative of the for-profit organisation's trustworthiness or lack of trustworthiness. While some cues will reassure the stakeholders that trust in the organisation makes sense, other cues will activate concerns regarding the organisation's trustworthiness. Thus, only if stakeholders' trust is reinforced or reciprocated by the for-profit organisation's subsequent trustworthy behaviour, will it become self-reinforcing.

10 NATURE OF CORPORATE TRUST

The explanation of corporate trust as a higher-level form of collective trust serves as basis for the assumption that a for-profit organisation as a system can *choose* to foster and build trust in itself (Wicks *et al.*, 1999:99; Mitchell, 2001:113), and that it is *able* to do so through how it chooses to present itself to, and behave towards, all its stakeholders; by institutionalising its own beliefs, rules, values, cultural symbols and communication and displaying the ability of its employees as well as its benevolence, integrity and ethical behaviour as traits of trustworthiness.

Luhmann (1979:62) contends that the basis of all trust “... is the presentation of the individual self as a social identity which builds itself up through interaction and which corresponds to its environment”. Since an organisation is a system that is a part of social life, it can establish and build its identity, reputation and trust by incorporating the expectations and values of its stakeholders into its self-presentation (Pirson & Malhotra, 2008:10; Vanneste *et al.*, 2011:23), and by making its self-presentation more conscious and adjustable to more complex conditions. In doing so, it is important to keep the essential characteristics of corporate trust in mind.

10.1 CHARACTERISTICS OF THE NATURE OF CORPORATE TRUST

10.1.1 Symbiotic, adaptive and complex corporate trust

The first key characteristic of trust is that it is highly symbiotic in nature: trust engenders trust, just as distrust (also called mistrust) engenders distrust (Nootboom, 2002:38). As such, corporate trust can be described as a self-fulfilling prophecy, meaning that it grows in an upward spiral effect the more it is employed (Pirson, 2009:21).

Trust is also adaptive, in that it is based on and can therefore be influenced by direct experience with and indirect information about the organisation’s commitment to the relationship with the stakeholders (Nootboom, 2002:175). Furthermore, corporate trust is also complex (Nootboom, 2002:2,7) because it cannot only be dealt with on a rational level. Since it is also influenced by psychological and epistemic needs and

challenges, corporate trust has several dimensions and entails a complex of meanings and conditions (Nooteboom, 2002:7).

In reporting on their research regarding trust in organisational authorities, Tyler and Degoey (1996:349) conclude with the following key points: that trust is an important concept in an organisational setting, since it influences organisational behaviour, and that previous research, which had defined trust as *rational, calculative probability judgements* (instead of acknowledging it in terms of its benevolent intentions), "... has at least been oversimplified and potentially misguided". Kramer *et al.* (1996:384) also suggest that there is more to trust than meets the eye, therefore they emphasise that all decisions about trust involve, at least to some degree, a form of calculation and agree that existent calculative conceptions of trust are incomplete conceptualisations. As such, they believe that the social bases of trust should be made more explicit.

The relational, identity-based character of trust signifies that it is difficult to build trust in the short term. Identification with an organisation as well as the development of corporate trust takes time (Tyler & Degoey, 1996:345). However, the irony is while it takes a long time to engender corporate trust in this sense, it can be lost almost overnight. In order to highlight just how quickly trust can be lost, Nooteboom (2002:124) uses the adage that "... [corporate] trust comes on foot but leaves on horseback".

10.1.2 Fragile and robust corporate trust

Trust is frequently described as 'fragile' in existent literature (Bachmann, 2006:399), but paradoxically it has also been described as 'robust', in that it can progress and develop more fully over time (McKnight *et al.*, 1998:482). The term fragile trust is typically used in a situation where a high trust level suddenly decreases, although it can also be used to apply to a situation where a low level of trust increases. Regardless of whether trust decreases from a high level or increases from a low level, fragile trust is generally characterised as being unstable, quickly changeable, or easily influenced (McKnight *et al.*, 1998:482). McKnight and Chervany (2006:43) also argue that initial trust is fragile because it is a function of conditions extrinsic to the trustee, such as reputations, sanctions, roles and norms.

Robust trust on the other hand refers to a level of trusting intention that does not change dramatically during a given time frame (McKnight *et al.*, 1998:482). This is due to belief confirmation mechanisms that "... cause one to reinforce early impressions by ignoring or rationalizing contrary evidence about the trustee" (McKnight & Chervany, 2006:32). Robust trust refers to trust that develops gradually and is based on affect toward the trustee that develops over the course of an interaction cycle. Since small breaches in trust are ignored in these instances, the trust can be characterised as resilient (McKnight & Chervany, 2006:43).

It is regarded as important to have a clearer understanding of this contrary nature of trust, particularly in a corporate environment, primarily because it is held that trust is a decisive factor for the long-term economic success of an organisation. As such, trust is regarded as essential, since it builds and supports long-term relationships between the organisation and its stakeholder groups and "... generates supportive behavior while preventing unsupportive behavior" (Ingenhoff & Sommer, 2010:339).

10.1.3 Optimal level of corporate trust

While trust can fulfil a significantly functional role in organisational relationships, it should be noted at this stage that it is possible for an organisation to either over- or under-invest in trust. The concept of 'optimal trust', as theorised by Wicks *et al.* (1999:99), therefore needs to be supported.

According to Wicks *et al.* (1999:99), an over-investment of trust is present when an organisation places too much trust in an individual or group, or invests too much in developing a trusting relationship that offers little value for the organisation's performance. It then stands to reason that an under-investment would include elements of too little trust, or insufficient investment in creating trusting relationships that are of significant value and importance to the organisation.

As a proposed solution, Wicks *et al.* (1999:103) suggest the term 'optimal trust', which they hold exists "... when one creates (and maintains) prudent economic relationships biased by a willingness to trust". This means that an organisation should have stable

and ongoing commitments to trust, grounded in a belief in moral character, but should also apply trust cautiously, and carefully decide whom to trust, to what extent and in which capacity. An optimal trust level is then determined by the context, the trustworthiness of the trustee and broader norms regarding trust.

10.1.4 Trust as both a moral quality and an economic benefit

Wicks *et al.* (1999:103) take care to highlight that their view of the ‘optimal trust’ concept should not in any way be seen as an endorsement of unrestrained greed or opportunism, but rather be understood as a view where “... prudence presupposes a moral foundation and moral constraints – it is driven by a broader sense of the term *self-interest* (i.e. particularly the desire for community and the respect of others) and shaped by an array of moral concerns (e.g. fairness, decency, and respect)”.

According to Wicks *et al.* (1999:102), trust is morally desirable and as such they make the link between trust and ethics. As these authors observe, though they found no specific discussion of trust in Aristotle’s writings, their notion of optimal trust naturally fits within his ethical thought.

11 ANTECEDENTS OF TRUST IN A CORPORATE CONTEXT

The preceding discussion has set out to delineate the critical role of stakeholders’ trust in ensuring the long-term economic success of an organisation (Ingenhoff & Sommer, 2010:339). The key elements and nature of corporate trust have been outlined and it is pragmatic to now turn the focus to what a for-profit organisation needs to do to accomplish trust. While it is not possible for an organisation to make a stakeholder trust it, it is possible to demonstrate its trustworthiness to its stakeholders, which may then make it possible for them to trust the organisation.

As such, this study conceptualises trustworthiness as the key driver of corporate trust, and identify seven key areas in which an organisation should display its trustworthiness. These seven trustworthy behaviours as the antecedents of trust and the relationship between them are now briefly discussed.

11.1 TRUSTWORTHY BEHAVIOURAL ANTECEDENTS OF CORPORATE TRUST

As a point of departure, it is important to understand the key antecedents of trust. King III (2009:100) recommends that directors should manage and measure the gap between the performance of the organisation and stakeholders' perceptions. In order to develop a valid measure to determine this gap, it is essential to identify the antecedents of trust in a corporate context and include these in the measure to be developed in this study.

Many studies highlight ability, benevolence and integrity as antecedents of trust and use these three factors to explain how they collectively represent the organisation's perceived trustworthiness (Gillespie & Dietz, 2009:128; Greenwood & Van Buren III, 2010:428; Ingenhoff & Sommer, 2010:341; Mayer *et al.*, 1995:717; Rodgers, 2009:84; Schoorman *et al.*, 2007:345, Williams, 2001:379).

Some literature proposes reliability, as it relates to consistency and regularity of behaviour, as a fourth antecedent of trust (Dietz & Den Hartog, 2006:560; Pirson, 2009:7). However, since one can consistently and regularly behave in a dishonest or distrustful manner (i.e. one can be relied on to display the same dishonest behaviour), this study presumes that reliability is rather an attribute inherent in all the key antecedents of trust. While it is accepted that there may be different views, ability, benevolence and integrity are regarded as key antecedents of trust, in addition to the new antecedents proposed by this study.

These three antecedents are then used in this study, but the antecedent of integrity is more narrowly defined as *related to the consistent honouring of the organisation's word*. The moral element that is usually incorporated in a definition of integrity is presented separately as a new antecedent, termed *ethical behaviour*.

In addition, two new cognitive antecedents are proposed, namely identification and transparency, as well as one affect-based antecedent, namely emotional attraction. These seven key antecedents of trust are presented in Figure 6 at the end of the discussion of each antecedent that follows presently.

After the discussion of each of these factors, it is also essential to explore the relationship between these antecedents. Trust is multi-dimensional, complex and difficult to manage, and in order to fully realise the value being invested in trust-building initiatives, or avoid inadvertently destroying trust with an ill-advised initiative, it is important for the leadership of a for-profit organisation to know on which dimension to focus. “Should organizational decision-makers build reputations for kind-hearted benevolence or fair-minded integrity? Which is more critical for building trust: managerial effectiveness or technical competence? When does value congruence matter? Are initiatives aimed at increasing transparency worth the effort?” (Pirson & Malhotra, 2008:3-4). This section is concluded with a discussion of the relationship between these antecedents in an endeavour to provide an answer to these questions.

11.1.1 Ability

Ability as an antecedent of trust is defined by this researcher as *the for-profit organisation’s capacity to undertake the task required – applying its collective set of skills, competencies and characteristics, such as expertise, reliability and attention to detail – that enable the organisation to function progressively and meet its goals and responsibilities effectively, because it is technically competent to fulfil its specific role* (Gillespie & Dietz, 2009:128; Greenwood & Van Buren III, 2010:428; Hardin, 2002:8; Hosmer, 1995:382; Ingenhoff & Sommer, 2010:343; Kramer, 2010:89; Mayer *et al.*, 1995:717, Pirson, 2009:7; Rodgers, 2009:84; Walsh & Wiedmann, 2004:307).

Stakeholders’ perceptions about a for-profit organisation’s ability can be influenced by issues such as its economic success; its quality of products; the qualifications, technical skills and expertise of its employees in delivering a service; its experience in its market; as well as the ability to effectively use its resources and capabilities to deliver a promised result to a stakeholder (Greenwood & Van Buren III, 2010:428; Ingenhoff & Sommer, 2010:343; Sichtmann, 2007:1011).

However, Pirson and Malhotra (2008:11-12) also highlight that the ‘right’ kind of competence matters, that “... the kind of know-how demanded by stakeholders differs”. They note that their research has shown that employees and investors mostly look for

evidence of managerial competence, for the ability to effectively control costs and lead a workforce in the effort to stay competitive and create value. Conversely, external stakeholders, such as customers and suppliers, typically care much more about the organisation's technical competence, about its ability to produce goods and services of high quality and deal effectively with the supply chain (Jones, 2007:30).

11.1.2 Benevolence

Benevolence as an antecedent of trust is defined by this researcher as *the for-profit organisation's collective and consistent behaviour indicating genuine care and concern for the well-being of all its stakeholders, aside from an egocentric profit motive*. An organisation's benevolence can be evident from its actions, which reveal its orientation towards its stakeholders (Gillespie & Dietz, 2009:128; Greenwood & Van Buren III, 2010:428; Ingenhoff & Sommer, 2010:343; Kramer, 2010:93; Mayer *et al.*, 1995:718; Pirson, 2009:8; Rodgers, 2009:84; Schoorman *et al.*, 2007:345; Walsh & Wiedmann, 2004:307). Mishra (1996:267) describes this as an organisation's ability to balance its self-interest with interest in the welfare of others.

This definition of the benevolence factor supports the view held by King III (2009:13), which prescribes an inclusive stakeholder approach and emphasises that an organisation needs to consider the interests and perceptions of all its stakeholders, and not just of its shareholders (Bandsuch *et al.*, 2008:102-103).

Stakeholders' perceptions about an organisation's benevolence can be influenced by issues such as its social responsibility activities, its extensive public communication about corporate activities, and could even be derived from the organisation's intentions and motivations based on certain decisions they make (Ingenhoff & Sommer, 2010:343). In this study benevolence is closely associated with a for-profit organisation's role as a responsible corporate citizen, including its CSR and CSI activities, but also with its responsibility towards ordinary citizens.

Pirson and Malhotra (2008:8) note that for stakeholders who are familiar with an organisation and engage with the organisation on a regular basis (the authors label

these stakeholders as ‘high intensity stakeholders’), benevolence towards the individual is critical, in other words the stakeholders need to perceive that the organisation cares about individuals’ well-being. These authors refer to cases where organisations had to issue voluntary recalls, which either resulted in causing irreparable damage to consumer trust or in causing no damage at all (or in some cases, even enhanced consumer trust). They note that the one distinguishing factor between high-integrity organisations that destroy trust and high-integrity organisations that salvage or build trust, is the degree to which the organisation signalled a concern for the well-being of its individual consumers.

11.1.3 Integrity

Integrity is accepted as a key antecedent of trust in much of the existent literature, and it is usually defined as a for-profit organisation’s actions or code of conduct that indicates consistent adherence to a set of moral principles and ethical behavioural standards or values the stakeholders find worthy and acceptable (Gillespie & Dietz, 2009:128; Greenwood & Van Buren III, 2010:428; Ingenhoff & Sommer, 2010:343; Mayer *et al.*, 1995:719; Paine, 1994:109; Pirson, 2009:8; Wicks *et al.*, 1999:111).

However, this study views integrity differently, specifically in line with the view offered by Erhard, Jensen and Zaffron (2009:2), who present a positive model of integrity devoid of any normative content. By placing integrity in a distinct and separate domain, these authors clearly distinguish it from morality, ethics and legality, which are held to exist in a normative realm of virtues (that is, they are about good and bad, right and wrong, or what should or should not be). The domain of integrity, on the other hand, is characterised as “... the objective state or condition of an object, system, person, group, or organizational entity”.

As such, Erhard *et al.* (2009:2) define integrity as a state or condition of being whole, complete, unbroken, unimpaired, sound, in perfect condition, and they maintain that integrity (the condition of being whole and complete) “... is a necessary condition for workability, and that the resultant level of workability determines the available opportunity for ... superior performance, no matter how one defines performance”. Similarly, Goodpaster (2007:23) defines integrity as “... a kind of wholeness or balance”.

Essentially, integrity in this context means that a for-profit organisation's word, which consists of what is said among the people in that organisation, and what is said by or on behalf of the group or organisation, is whole and complete. Rodgers (2009:84) offers a similar view of integrity, when he refers to it as a "... belief that a person will be committed to getting the job done", and as the extent to which one's actions are congruent with one's words (Mishra, 1996:268).

Integrity is then defined by this researcher as *the level of congruence between the organisation's words and actions; its ability to consistently honour its word*. It is argued that an organisation displays integrity when it consistently honours its word, delivers on its promises and does what it has undertaken to do, or communicates with those who were counting on the organisation to keep its word as soon as it knows that it will not be able to do so, for whatever reason, and then takes steps of reparation. Erhard *et al.* (2009:2) refer to this as the need to "... clean up any mess you caused by not keeping your word". In this aspect, there is a close link with the earlier discussion of benevolence, where the concern for the well-being of individual stakeholders was highlighted as important, particularly when the organisation has been at fault.

Consistent or reliable behaviour in and of itself is insufficient to establish integrity and trust, since an organisation may consistently act in a self-serving manner. It is for this reason that Pirson's suggestion to include reliability as a key antecedent for trust is not accepted by this study. However, consistently displaying behaviour congruent with the values and principles that it promotes as being part of its identity and its stakeholders find worthy and acceptable, helps the organisation to establish an identity and reputation of integrity and as such integrity, rather than reliability, is seen to be a key antecedent of trust (Greenwood & Van Buren III, 2010:428; Mayer *et al.*, 1995:719-720).

This last point is similar to what Pirson (2009:7) notes: "Consistency and congruency between words and actions build trust across stakeholder groups, inconsistencies and incongruence diminish trust." It is therefore held that the route to create whole and complete social and working relationships lies in an organisation that honours its word, in other words one that consistently acts with integrity, and that this provides a pathway to earning the trust of stakeholders which can be actioned (Erhard *et al.*, 2009:2).

Stakeholder perceptions about an organisation's integrity can be influenced by issues such as credible communications about the organisation from other parties and the extent to which the organisation's actions are congruent with its own communication (Ingenhoff & Sommer, 2010:343; Mayer *et al.*, 1995:719).

This study, where the focus is placed on the importance of trust and trustworthiness, on the alignment between what an organisation says and how it behaves, supports the description of integrity by Erhard *et al.* (2009:2). However, even though integrity, defined as *honouring its word*, is regarded as a key antecedent of corporate trust, the ethical behaviour of an organisation is also regarded as key, and as such a new antecedent is proposed, one that incorporates the moral element that is highlighted in much of the existent literature as being part of integrity, but is incorporated into ethical behaviour as a new antecedent.

11.1.4 Ethical behaviour

Ethical behaviour as an additional key antecedent of trust then means a for-profit organisation's consistent behaviour and adherence to a set of moral principles and ethical behavioural standards (including legal compliance and procedural fairness) or values that the stakeholders find worthy and acceptable within the wider societal context (Gillespie & Dietz, 2009:128; Greenwood & Van Buren III, 2010:428; Ingenhoff & Sommer, 2010:343; Jones, 2007:42,188; Mayer *et al.*, 1995:719; Paine, 1994:108; Pirson, 2009:8; Wicks *et al.*, 1999:111), which is usually incorporated into the definition of integrity in much of the existent literature.

Ethical traits that are commonly described as character, honesty, law-abiding behaviour, moral thought and action, a strong sense of justice or authenticity constitute an important factor of trust (Paine, 1994:106; Pirson, 2009:8). The inclusion of ethical behaviour as an additional antecedent is in line with the argument made by Greenwood and Van Buren III (2010:436), who note Bailey's suggestion that the concept of corporate trustworthiness be extended to go beyond ability, benevolence and integrity, to include reliance on a for-profit organisation to take responsibility for how its position or role affects the lives of its stakeholders.

Greenwood and Van Buren III (2010:429) accept Bailey's suggestion and note that such a conceptualisation of trustworthiness might then support the principle of fairness which suggests that duties attach when a corporation accepts benefits from a stakeholder. It is not sufficient for an organisation that is considered trustworthy to only demonstrate ability, benevolence and integrity to trusting stakeholders. Greenwood and Van Buren III (2010:436) hold that in the case of organisational-stakeholder relations, the stakeholders' decision to trust, based on the organisation's claim to be trustworthy, places rigorous moral demands on that organisation to be worthy of the trust its stakeholders bestow on it, which means that the organisation should take explicit responsibility for the consideration of stakeholders' needs and interests.

Ethical behaviour as a key antecedent of corporate trust is then defined by this researcher to refer to *the set of moral principles or values, the guiding philosophy and standards that a for-profit organisation has and uses to direct its commercial activity, decision-making, actions and business operations, to ensure that it acts fairly, honestly and responsibly towards all its stakeholders in everything it does* (Cacioppe *et al.*, 2008:682; Cartwright & Craig, 2006:743; Jones, 2007:188; Kapstein, 2001:117; Murphy, 2005:183; Wood, 2002:63).

While this antecedent includes the compatibility of the stakeholders' beliefs and values with the organisation's cultural values and behaviour, it is also a wider construct (Gillespie & Dietz, 2009:128; Greenwood & Van Buren III, 2010:428; Ingenhoff & Sommer, 2010:343; Jones, 2007:43; Mayer *et al.*, 1995:719; Pirson, 2009:8; Wicks *et al.*, 1999:111), in that stakeholders can trust the organisation to place the interests of its stakeholders before the interests of the organisation in certain situations and in unforeseen circumstances, when it is morally the right thing to do so (Hosmer, 1995:383; Marsden & Andriof, 1998:338), because the ethical framework has become the governing ethos of the organisation (Paine, 1994:106).

It is posited that a for-profit organisation that bases its set of values on a strong ethical foundation will be able to create a trustworthy organisation, since it can translate its values into behavioural commitments, principles and behavioural directives, such as

standards, norms and guidelines (Jones, 2007:188; King, 2009:26,119), which can then be used to guide, monitor, manage and reward the ideal behaviour.

Ethical behaviour is regarded to form an important part of the social contract that an organisation is subject to, a contract that provides the bond between the organisation and its stakeholders, and therefore gives the organisation the licence to operate (Fombrun & Foss, 2004:288). It is held that an organisation that violates its social contract in ethical respects will lose the trust and support of its stakeholders (Jones, 2007:42-43).

From a corporate sustainability perspective, it is then held that the consideration of corporate ethics should lie at the core of an organisation's goals, decision-making and behaviour, as it adopts a proactive ethical stance, instead of mere compliance (Cartwright & Craig, 2006:743; Ethics Resource Center, 2009; Jones, 2007:43,197; Paine, 1994:108; Swift, 2001:19).

11.1.5 Identification

Another proposed antecedent of corporate trust is identification (Pirson, 2009:8-9; Vanneste *et al.*, 2011:23). This study contends that identification as an antecedent of trust includes, but is greater than, the concepts of general familiarity and similarity, which allow stakeholder identification with an organisation. Luhmann observes that familiarity is a precondition for trust (Luhmann, 1979:19), since one cannot trust what one does not know.

Trust in a corporate context provides a larger and more complex setting for trust, one that requires a less individuated, more impersonal and more indirect form of trust (Kramer, 2010:84; Mitchell, 2001:120). Trust in an organisation as a system is also more guarded and restrained (Luhmann, 1979:39), because the stakeholders are not familiar with the organisation.

Nooteboom (2002:141) uses 'reputation' instead of familiarity, when he notes that when "... the evidence of trustworthiness is limited, for a given partner, and there is no

reputation [to be used] as a basis of trust, the default one takes is based on previous experience with other people”. Fombrun and Van Riel (2004:51) refer to visibility as a precursor to reputation, since people need specific criteria to evaluate an organisation.

It is then posited that based on the need to create a sense of familiarity, a reputation is a prerequisite for corporate trust, but only when the familiarity or reputation is also related to the ethical values that the organisation espouses, in other words it needs to be related to who the organisation is and what it stands for, its identity and the reputation that it wants to be known for (Lewis & Weigert, 2008:161; Möllering, 2006:367; Pirson & Malhotra, 2008:10).

According to Jones (2007:47), ethical laws and rules “... emerge to control self-interested behavior by individuals and organizations that threatens society’s collective interests”. Since ethics increase the value that can be produced by people when they interact with each other, it protects people. Jones (2007:48) further observes that behaviour that follows accepted ethical rules confers a reputation effect on the organisation, which over time will lead to a good corporate reputation, “... which is valuable because people will want to deal with that organization”.

This will help to ensure that stakeholders can feel safe and assured about the prospect of depending on the for-profit organisation, and trust it enough to make themselves vulnerable to the actions of the organisation. In particular, if stakeholders were to observe similarities between their sense of identity and values and the identity and values of the organisation, they would be able to identify more with the organisation (Jones, 2007:187). Parkhe (in Pirson, 2009:8) states that being similar leads to attraction and evokes positive attitudes.

This is in line with the literature on social identity, which holds that identity fosters trust, and that trust also helps to strengthen identity (Lewicki & Bunker, 1996:123). Identification-based trust is regarded as a form of trust that is deeper and more sustainable than the initial forms of calculus-based and knowledge-based trust (Friedman & Miles, 2006:71; Lewicki & Bunker, 1996:124; McEvily *et al.*, 2008:564; Möllering, 2006:367). It refers to that stage where the organisation and its stakeholders

have come to know each other so well that they can begin to identify strongly with the other party's values, needs, preferences and priorities. At the stage where identification increases and a shared identity is developed, the strength of commitment also expands (Lewicki & Bunker, 1996:123; McEvily *et al.*, 2008:564).

As a key antecedent of trust, identification then includes the concepts of familiarity and similarity, but is specifically defined by this researcher to mean *a familiarity, similarity and identification with the values of the for-profit organisation, as its core identity and character* (Burke, 2011:152; Murray & White, 2005:350; Pirson, 2009:8; Vanneste *et al.*, 2011:23).

An organisation can develop and institutionalise its own rules, values, cultural symbols and communication with its internal and external stakeholders, and can present and make its value system and what it stands for visible to its stakeholders through its reputation-building activities (Moss Kanter, 2011:71).

This study therefore contends that a corporate reputation that is built on the organisation's core value-based identity, one that incorporates the values and needs of its stakeholders as well, will allow its stakeholders an opportunity to identify strongly with that which the organisation stands for. In doing so, it will establish a more enduring sense of familiarity, similarity and stakeholder-identification.

An increase in how well stakeholders identify with an organisation will lead to an increase in trust and therefore to an increase in more positive support from those stakeholders. Pirson (2009:9) holds that with "... deep identification, organization trust and organizational effectiveness prosper". Vanneste *et al.* (2011:23) note that identification is a mechanism that can only lead to an increase in trust over time, not to a decrease. This view of identification makes a clear link with the role that corporate reputation fulfils.

Identification as an antecedent of corporate trust in this study then relates especially to value congruence, to shared goals, values, norms and beliefs. Perceived value congruence is important for all stakeholders, even though it matters most to employees,

who are closest to the organisation. Stakeholders of all types are interested in identifying with organisations with whom they can perceive a match in values (Pirson & Malhotra, 2008:10).

It is therefore held that a for-profit organisation has to adopt a value-based identity and character congruent with the values of its stakeholders, and then make that identity and those values known to its stakeholders through its reputation-building activities. In this regard, the existent literature that positions corporate reputation as an antecedent of trust is supported (Blois, 1999:200; Einwiller, 2003:197; Ingenhoff & Sommer, 2010:341; Lewis & Weigert, 2008:161; Möllering, 2006:367; Rangan, 2011:4; Swift, 2001:22).

11.1.6 Transparency

Transparency is defined by this researcher to mean *the extent to which a for-profit organisation is actively open and transparent about its operations and what it stands for, by sharing relevant information with and not withholding relevant information from its stakeholders, guided by a culture of ethical governance in the organisation and in line with its inclusive stakeholder governance approach* (Bandsuch *et al.*, 2008:113; Fombrun & Van Riel, 2004:188; Pirson, 2009:8; Turnbull, 2002:25,33).

Many authors view transparency and openness as a key antecedent of corporate trust, especially after the wave of international corporate social scandals in the wake of Enron, which has revealed the pervasiveness of serious forms of ethical and social misconduct in business and has led to a crisis of corporate trust (Brammer & Pavelin, 2004:704; Cacioppe *et al.*, 2008:681; Eccles *et al.*, 2006:353; Fombrun & Foss, 2004:284; Fombrun & Van Riel, 2004:94,188; Jones, 2007:20; Pirson, 2009:5; Pharoah, 2003:46; Uslaner, 2010:111). Transparency describes the extent to which relevant information is not withheld (Pirson, 2009:8).

In his book *A new way to govern organisations and society after Enron*, Turnbull (2002) observes that "... top-down 'command and control' hierarchies, the organisational model which is virtually synonymous with capitalism in the English-speaking world, have outlived their usefulness". He ascribes this to the fact that these organisations seem to

be incapable of coping with complexity or human diversity or of regulating themselves, and that their centralised power structures make them vulnerable to corruption. As such, he calls for a “... new breed of ecological organisation”, one that includes decentralised decision-making and involves stakeholders in self-regulation.

Turnbull (2002:25) observes that “... transparency and accountability together are powerful disincentives to exploitation”, but observes that it needs to be entrenched in the culture of the organisation. An organisation that wants to transform stakeholder involvement from, “... as it were, a voice, to a fuller role in network governance” needs to be committed to the principle of transparency (Turnbull, 2002:34).

Bandsuch *et al.* (2008:113) also accentuate that transparency engenders trust, which reinforces the ethical governance of the organisation. As such, these authors hold that the organisation will be required “... by public expectation, to be actively transparent, in order to avoid being, and being seen as, an opaque organization”.

Increased transparency is required for an inclusive stakeholder governance approach. Turnbull (2002:27,32) refers to research reported in the journal *Management Sciences*, which found that 80% of the ideas for product innovations came from customers, albeit accidentally. An organisation that can harness such stakeholder interest by integrating it formally into its governance framework would therefore increase its efficiency and minimise its risk. Greater transparency will benefit stakeholders with access to information about the organisation, but they will also contribute information to the organisation. If this self-governance proves to work over time, it would also reduce the need for stakeholder protection to come primarily from laws and regulations (Turnbull, 2002:33).

As Fombrun and Van Riel (2004:188) note, “... transparency is not a goal in itself, but a means to an end – the need to increase trust and reduce stakeholder uncertainty about the company”. The inclusion of transparency as a key antecedent of trust is thus important, especially with the focus this study places on the need for a for-profit organisation to become an ethical, trustworthy organisation. In this case, an organisation will not have reason to hide anything, and being transparent about its

operations, and even about its mistakes, will help it to earn stakeholders' trust and gain full advantage from stakeholders' input.

11.1.7 Emotional attraction as an affective antecedent of trust

While ability, benevolence, integrity, ethical behaviour, identification and transparency are key cognitive antecedents of trust, it is important to note that affective states such as liking or admiration also influence the motivation to trust. If a person likes or admires another, he will be more inclined to approach, interact, form a connection and enter into a relationship with the other party.

Directed affective states can therefore also be regarded as antecedents of trust. According to Williams (2001:387), affective attachments are particularly likely to increase people's motivation to trust because they motivate behaviours that maintain relationships and also invoke people's need to belong, which is a powerful and fundamental motivation.

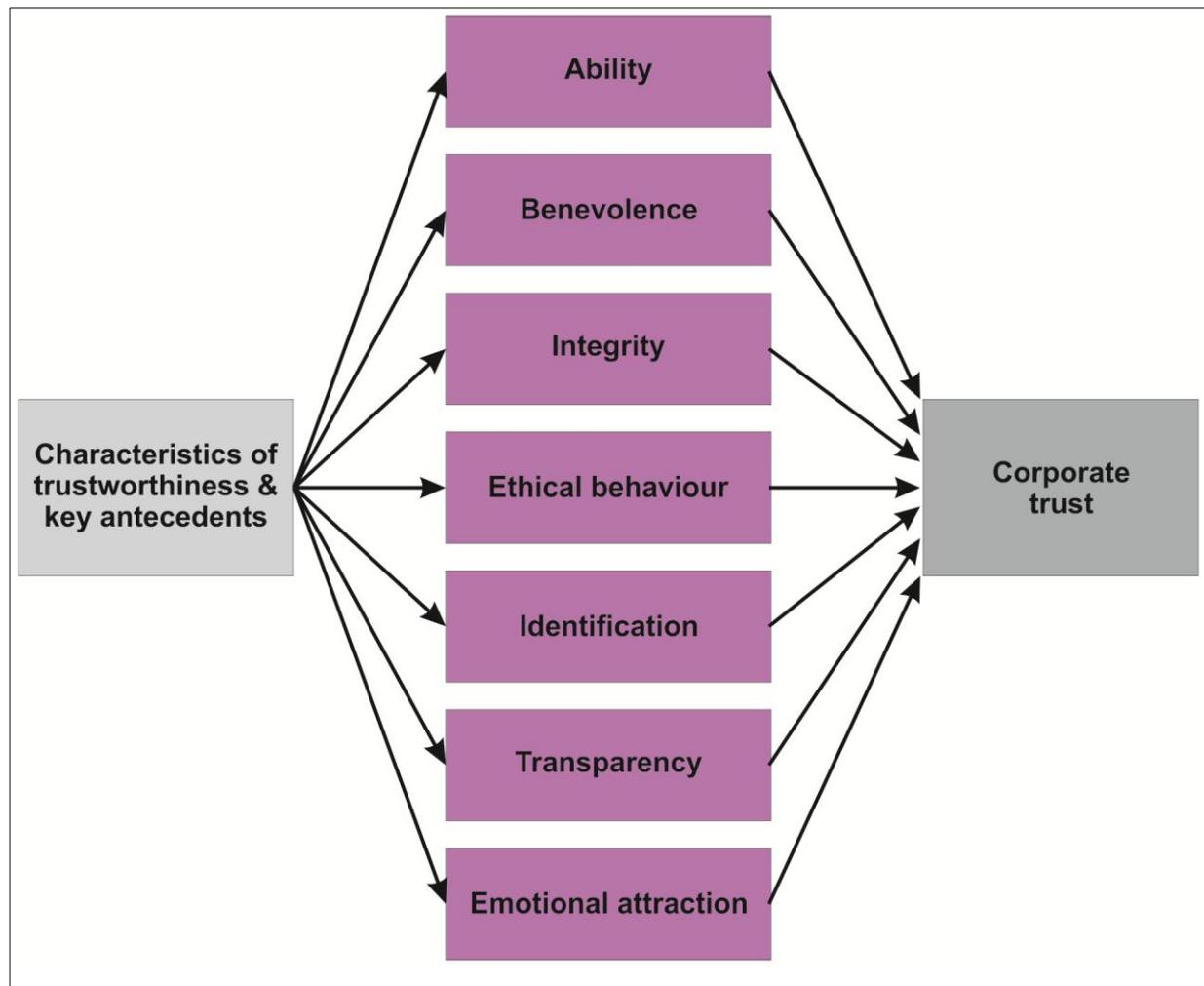
Emotional attraction as a key antecedent of corporate trust is then defined by this researcher to mean *the extent to which an organisation is admired and liked, based on how strongly its identity (its vision, values, behaviour and communication) resonates with its stakeholders' emotions or beliefs.*

It is then also important to keep this in mind when exploring trust development within a corporate context, and ensure that any measurement of trust also sets out to measure the emotional attraction of the organisation, that is the extent to which stakeholders like and admire the organisation, in addition to measuring their perceptions of the cognitive antecedents of trust in the organisation.

The seven key antecedents of trust are presented in Figure 6 (see next page).

Figure 6: Key antecedents of corporate trust

(Researcher's own construct, based on literature reviewed in this study)



11.2 INTERRELATIONSHIP BETWEEN KEY ANTECEDENTS

Although each of the antecedents discussed above is unique and separable, it is important to understand the interrelationship between the key antecedents of trust.

11.2.1 Interrelated and inclusive relationship, existing along a continuum

The first point that needs to be emphasised about the relationship between these key antecedents is that they are interrelated and inclusive of one another (Greenwood & Van Buren III, 2010:429). Since these factors are not dichotomous, the relationship between them can be seen as one existing along a continuum (Greenwood & Van Buren III, 2010:429; Mayer *et al.*, 1995:721).

Stakeholders' perceptions of the ability, benevolence, integrity, ethical behaviour, identification, transparency and emotional attraction of a for-profit organisation would determine how they evaluate the trustworthiness of the organisation, and this evaluation should be thought of as being along a continuum. Rather than perceiving the organisation (trustee) as either trustworthy or not trustworthy at all, there is a range that can vary from being perceived as highly trustworthy on the one end of the scale to not at all trustworthy on the other end (Mayer *et al.*, 1995:721).

If stakeholders perceive all the factors to be high, the organisation would be regarded as being very trustworthy (Greenwood & Van Buren III, 2010:429; Mayer *et al.*, 1995:721). In a situation where all the factors are present, but not all of them are perceived to be high, a meaningful amount of trustworthiness can still be perceived.

However, it is important to note that in a case like this where a stakeholder chooses to make a judgement call about the organisation's trustworthiness even when his perceptions about the ability, benevolence, integrity, ethical behaviour, identification, transparency or emotional attraction of the organisation may not be as high as he would have desired it to be, the stakeholder might be exposed to more vulnerability and risk (Greenwood & Van Buren III, 2010:429).

11.2.2 All the antecedents need to be present for trustworthiness to exist

While each of these factors can then vary along a continuum, it remains important for all of them to be present, since it is highly unlikely for a perception of trustworthiness to exist in the absence of one of these factors (Greenwood & Van Buren III, 2010:429). The perceived absence of one of these factors will undermine the stakeholders' trust and overall perception of the organisation (Mayer *et al.*, 1995:721; Mishra, 1996:269), since it may raise the question whether the other factors are really present. In a case where stakeholders choose to trust the organisation even though they perceive most of the factors to be absent, their decision would most likely be considered reckless and irresponsible (Greenwood & Van Buren III, 2010:429).

This highlights the importance of having all the factors present for a perception of trustworthiness to exist. However, the level of the factors need not necessarily be exactly the same. As Mayer *et al.* (1995:721) point out, the simplest case of high trust presumes a high level of all the factors; however, there may be situations in which a meaningful amount of trust can develop with lesser degrees of the different antecedents.

11.2.3 Integrity, ethics more pronounced in unfamiliar circumstances

Integrity and ethical behaviour are the basis for stakeholder trust across the board (Pirson & Malhotra, 2008:11), but these become the most important and significant factors in perceived trustworthiness in a situation where the trustee (organisation) is unknown to the trustor (stakeholder), or where there is no existing relationship between them (Greenwood & Van Buren III, 2010:429).

On the other hand, where the stakeholder knows the organisation, or as the relationship between them develops, benevolence will become the more salient factor in perceived trustworthiness (Greenwood & Van Buren III, 2010:429). This is in line with what Pirson and Malhotra found, namely that for high-intensity stakeholders, who are familiar with the organisation, integrity is not enough. These authors hold that these stakeholders also need to perceive that the organisation cares about the individual's well-being: "In other words, benevolence towards the individual, and not just good character, is critical." (Pirson & Malhotra, 2008:7). However, this study holds that a for-profit organisation that wants to ensure its own sustainability will focus on becoming an ethical and responsible corporate citizen in everything it does; that it will be just towards all its stakeholders, and not just those 'closest' to it.

This links with the distinction that Rangan (2009:63) makes between efficiency and justice. He notes that any reasonable person, who is offered a choice between the two values of efficiency and justice, would assign a greater priority to justice, because while efficiency may be valuable and modern, "... justice would seem precious and timeless".

Although Rangan is specifically referring to globalisation as a system, his argument can be applied equally to a for-profit organisation as a system when he says: "If firms

disregard the justice principles and focus solely on efficiency, then they are unintentionally making the system (called globalisation) fragile. Systems that are argued to be efficient but are unjust tend not to be sustained (e.g. slavery).” (Rangan, 2009:67).

It is therefore held that a for-profit organisation that wants to continue operating profitably needs to be just, by also honouring its implicit contracts with society (Rangan, 2009:70; Swift, 2001:17), and it needs to operate ethically and with integrity in everything it does. This is where the answer lies to the question of which dimensions a for-profit organisation should focus on: all the antecedents are important, but the antecedents of integrity and ethical behaviour, contextualised within a value-based identity framework, are regarded to be the most critical of them all.

12 BENEFITS OF TRUST IN A CORPORATE CONTEXT

The presence of trust in an organisation, and the perception that it is trustworthy, can have several considerable benefits for an organisation in its day-to-day activities, and in its longer-term business goal to grow and remain economically sustainable.

12.1 DOMINANT PERSPECTIVE OF BENEFITS OF TRUST

The identification of the nature and benefits of trust will generally be determined by the theoretical framework within which the trust construct is conceptualised. As such, the rational choice school will highlight how trusting enhances social transactions; philosophers like Annette Baier will focus on how trust contributes to a good life; sociologists like Francis Fukuyama will emphasise how trust operates in society and how the presence or absence of trust builds or retards economic prosperity; and psychologists like Tom Tyler will outline and aid the understanding of the contexts in which trust can be created and made part of the individual’s way of understanding himself and the world (Mitchell, 2001:1-9).

In this study trust is conceptualised as a sociological event, an inter-subjective, multi-dimensional and systemic social reality (Ingenhoff & Sommer, 2010:341; Lewis & Weigert, 2008:158; Wicks *et al.*, 1999:101), particularly within an organisational context.

As such, the benefits of corporate trust – or what Kramer (2010:83) refers to as collective trust – are explored.

Much of the existent literature provides evidence that trust has a number of important benefits for a for-profit organisation, such as improved communication, conflict management, negotiation processes, as well as satisfaction and performance levels in the organisation (McEvily *et al.*, 2008:557); and it can reduce transaction costs, thereby improving the profitability of the for-profit organisation (Dyer & Chu, 2003:64; Kramer, 2010:94; Mouzas *et al.*, 2007:1020). Trust in the leaders can also give the commercial organisation a significant competitive advantage (Schoorman *et al.*, 2007:347).

This perspective, namely that the effects of trust are transmitted in a relatively straightforward manner, represents the dominant view to date of the benefits of trust in a corporate context, which is that it results in clear and definite effects such as more positive attitudes, higher levels of cooperation and other forms of workplace behaviour as well as better team processes and performance (Dirks & Ferrin, 2001:450).

However, although this perspective of the direct effects of trust has dominated the literature to date, the outcome of numerous studies that attempted to validate these direct benefits was unsatisfactory, in that many could not provide strong empirical support that the presence of trust, on average, resulted in desirable behaviour (Dirks & Ferrin, 2001:451).

12.2 ALTERNATIVE PERSPECTIVE ON BENEFITS OF TRUST

Another, perhaps less well studied perspective on the benefits of trust, points to the facilitating or enabling effects (rather than direct benefits) of trust. From this perspective, the presence of trust can positively benefit a for-profit organisation because it creates or enhances the conditions under which certain outcomes are likely to occur, such as positive interpretations of the behaviour of another person or an organisation that are favourable to achieving organisational outcomes like cooperation and higher performance (Dirks & Ferrin, 2001:450, McEvily *et al.*, 2008:557). Fukuyama (1995:151) describes trust “... as an important lubricant of a social system”.

This study conceptualises trust from this alternative perspective, in that it is viewed as an enabling principle that affects organisational life and assists to create or enhance the conditions that enable the organisation to achieve its fundamental purpose (Dirks & Ferrin, 2001:455, McEvily *et al.*, 2008:558). Stout and Blair (2001:33) describe trust as “... the glue that holds organizations together. More powerful than contracts or authority, trust enables partner companies – or groups within a company – to achieve results that exceed the sum of the parts”.

A for-profit organisation can only achieve its goals, such as increased profit, excellent service delivery, superior quality or a sterling reputation, when the people in the organisation coordinate their efforts and organise their activities to achieve a common goal. The relationship between the employees is therefore characterised by interdependency, since all the people are reliant on others to contribute to the achievement of their own sub-goals in order for them to contribute to achieving the organisational goals (Mayer *et al.*, 1995:710).

The fact that these employees do not have complete control over the actions of others, as well as the fact that they have different tasks and responsibilities, disparate interests and goals, and distinctive skills sets and competencies, means that the relationship between the employees is therefore also characterised by uncertainty (McEvily *et al.*, 2008:558; Selznick, 1948:25). This interdependence and uncertainty make achieving organisational goals more difficult. The need to manage the interdependence among individuals, units and activities in the face of behavioural uncertainty about the intentions, motives and competencies of all the employees therefore constitutes a key organisational challenge (McEvily *et al.*, 2008:558).

This challenge creates the need for an organisational solution (McEvily *et al.*, 2008:558). Solutions that rely solely on control and monitoring mechanisms, technology or legalistic remedies to regulate, enforce and/or encourage compliance to avoid the consequences of broken trust are often ineffective, and have been described as weak and impersonal substitutes for trust (Kramer, 1999:591; Mayer *et al.*, 1995:710). Paine (1994:108) notes that a compliance approach to ethics overemphasises the threat of detection and punishment, whereas research has shown that obedience to the law is rather influenced

by a belief in the moral correctness of the law. Kramer (1999:583) also observes how monitoring systems can actually produce the opposite behaviour to what was originally intended with the systems, such as that it can ironically make employees feel fearful and suspicious rather than trusting.

A main reason why monitoring and surveillance can diminish trust in an organisation is the fact that people's intrinsic motivation may be reduced when they believe that their behaviour is under the control of extrinsic motivators. Such control systems also communicate to employees that the organisation does not trust them, and this can potentially breed mistrust and resentment in return. Employees who feel coerced into complying with certain behaviour may end up resisting the behaviour, and trying to find ways to cheat or sabotage monitoring systems (Cialdini, 1996:56; Kramer, 1999:591).

12.2.1 The indirect benefits of trust

Dirks and Ferrin (2001:456) note that trust can reduce some of the uncertainty and ambiguity connected with workplace behaviours and performance, by moderating or facilitating the effect of primary determinants (or causal factors) on the desired outcome. These authors also hold that the benefits of trust are not transmitted in a direct or straightforward manner (Dirks & Ferrin, 2001:450), but that it rather fosters or inhibits positive outcomes in a relationship through a moderation process. Since trust embodies the accumulated experiences with and knowledge about the other party in a situation involving vulnerability, it represents an understanding of the relationship. Trust therefore fundamentally affects how the trustor assesses the future behaviour or interprets the past actions of the trustee.

According to Pirson (2009:3), trust promotes cooperative behaviour within organisations and among organisational stakeholder groups "... as it fosters commitment, motivation, creativity, innovation, and knowledge transfer". Kramer (2010:83) also highlights the indirect benefits of corporate trust (which he refers to as collective trust) when he remarks on the circular and inherently self-reinforcing nature of this vital relationship, in that "... positive expectations about others facilitate positive behaviors when interacting

with them; those behaviors, in turn, strengthen positive expectations; hence, a virtuous cycle in which expectation and action collude to create and reinforce desired outcomes”.

Similarly, in their investigation of the relationship between supplier trust in the buyer and transaction costs and information sharing in a sample of 344 exchange relationships between suppliers and automobile manufacturers in the USA, Japan and Korea, Dyer and Chu (2003:57,66) found that trust indirectly leads to certain value-creating behaviours, such as information sharing, which in turn leads to higher levels of trust. Dyer and Chu (2003:66) note that this “... phenomenon makes trust unique as a governance mechanism because the investments that trading partners make to build trust often simultaneously create economic value (beyond minimizing transaction costs) in the exchange relationship”.

Trust can then be regarded as a form of social capital that can benefit a for-profit organisation greatly, instead of being seen merely as a helpful tool that fulfils a contributory function (Kramer, 2010:94; Mitchell, 2001:108; Nooteboom, 2002:147).

While there are a number of scholars who also focus on the indirect or moderating effects of trust in an organisational setting (Dirks & Ferrin, 2001:450; Dyer & Chu, 2003:66; Kramer, 2010:83; Mitchell, 2001:108; Pirson, 2009:3), this study will focus in particular on elucidating the views of McEvily *et al.* (2008:557-569) on the indirect benefits that trust as an organising principle brings to an organisation.

Since McEvily *et al.* (2008) is regarded as a seminal work in this area, much emphasis will be placed on explaining their views in this study, in order to explore the impact of this perspective on measuring trust within an organisational setting. While they focus inherently on the organising role of trust within an organisation, their views can be extended to explain how trust operates from a stakeholder perspective as well.

12.2.2 Trust as an organising principle

In this study the concept of corporate trust, conceptualised in particular as an organising principle, is viewed as a possible and more effective solution to meet the key

organisational challenge of managing interdependency. An organising principle is defined as “... *the logic by which work is coordinated and information is gathered, disseminated, and processed within and between organizations*” (McEvily *et al.*, 2008:558).

Trust, when viewed as an organising principle, can offer a pertinent and enabling benefit to an organisation in that it can be used to organise information and work within the organisation in a more cost-effective and organic manner. This will then reduce the need for organisations to rely exclusively on mechanistic coordinating devices and impersonal rules to manage interdependencies and reduce uncertainties (McEvily *et al.*, 2008:566).

An organising principle can be used to solve the problem of interdependence and uncertainty, since it represents a heuristic or commonsense set of rules for how people receive, interpret and convey information and select suitable and appropriate actions, behaviours and routines for coordinating their actions with others (McEvily *et al.*, 2008:558). Examples of organising principles include authority, price and norms, which can also be referred to as hierarchy, market and clan. According to McEvily *et al.* (2008:558), each of these principles operates on the basis of “... distinct mechanisms that orient, enable, and constrain economic behaviour”.

Authority as an organising principle is used as a mechanism to coordinate action notwithstanding the challenges posed by interdependence and uncertainty by, for example, allocating decision-making rights to certain individuals in the organisation. Selznick (1948:25) describes delegation as the “... primordial organizational act”.

Price can act as an organising principle in that coordinated action can be encouraged by offering financial incentives to both parties. Norms can act as an organising principle in that the need for compliance and self-control can be used as a mechanism to coordinate action in the face of the challenges posed by interdependence and uncertainty (McEvily *et al.*, 2008:558).

In this study trust is also considered to be an organising principle, and as such it affects mainly organisational interaction patterns as well as processes that either enable or

constrain the coordination and organisation of work among individuals (McEvily *et al.*, 2008:560). Trust as an organising principle frequently operates with other organising principles, such as authority. While the latter is important for behaviour that can be observed or controlled, trust as an organising principle is important in instances where it will be too costly to implement formal monitoring and control systems or where social considerations, rather than efficiency, are key (McEvily *et al.*, 2008:558).

One of the key factors that influence the effectiveness of trust as an organising principle is the speed and degree of alignment between trust and trustworthiness. In cases where a person or organisation is perceived as not being trustworthy, trust cannot effectively be used as an organising principle (McEvily *et al.*, 2008:559).

In an attempt to explain how and why trust affects certain elements of an organisation, the concepts of McEvily *et al.* (2008:560-564) of structuring and mobilising as two of the contributing pathways through which trust can operate and influence organising in an organisation will now be discussed in greater detail.

12.2.3 Structuring as a pathway to influence organising

The concept of structuring in this context can be defined as “... *the development, maintenance and modification of a system of relative positions and links among actors situated in a social space*” (McEvily *et al.*, 2008:560). Structuring results in a network of stable and sustainable interaction patterns in the organisation, and includes both formal patterns (as found in institutionalised routines and organisational units) and informal patterns (as found in social groups and alliances).

Furthermore, structuring also creates social stratification that produces differential status, power and knowledge (McEvily *et al.*, 2008:560). The benefit of trust in this instance (when conceptualised as an organising principle) is that it helps to mould the social structure of an organisational system in both the formal and informal ways (McEvily *et al.*, 2008:560). This social structure in turn helps to produce trust, which forms part of the organisation’s social capital (Nooteboom, 2002:146-147).

Within the concept of structuring as a pathway to influence certain organisational properties and patterns such as the density, multiplexity, stability and non-redundancy of the social network, certain key processes can be identified that influence the social structure of the organisation (McEvily *et al.*, 2008:560). These processes include the ability of individuals in a trust relationship to transfer trust from a third party; generate more or deeper levels of trust within an existing relationship; accept delayed reciprocity; and suspend judgement in a trusting relationship.

These processes influence the social structure of the organisation positively because they allow individuals within the organisation to handle uncertainty more effectively; be more flexible in how they interact with others in the organisation; make the structures and agreements of the organisation more resilient; and reduce the likelihood of conflict as well as the probability of a party to break the relationship because they no longer find value in it (McEvily *et al.*, 2008:562). These processes can therefore be beneficial in influencing the social structure of an organisation and assist in making it more effective (Nootboom, 2002:147). Each process will now be briefly discussed.

- ***Transferability of trust influences density of social structure***

The process of transferability can increase the density of the social structure or network within the organisation, which in turn (from the perspective of social capital theory) promotes trust and norms of cooperation in the organisation (McEvily *et al.*, 2008:560; Nootboom, 2002:147). In instances where trust cannot be based on a direct experience with the object of trust, it is possible for the initial trust formation to be based in a source other than the trustee (either at individual or collective level), because trust can be transferred from a third party (Kramer, 1999:576; McEvily *et al.*, 2008:560; Nootboom, 2002:120).

The benefit is that in an instance where two individuals have little or no knowledge of each other, trust between them can be developed relatively quickly when they share trust in a common third party, assuming that the signal from the third party is reliable and accurate (Nootboom, 2002:120). “Trust in the third party (then) serves as a proxy for trust in the unknown counterpart.” (McEvily *et al.*, 2008:560).

Similarly, an individual can transfer his trust in a group to which he belongs to another member of the group with whom he has no direct experience, based on the perceived similarity of the collectivity. The greater the perceived similarity among members of a collectivity the more readily trust in one member transfers to trust in others (Williams, 2001:391). This process of the transferability of trust allows new relationships to be developed between people who did not know each other previously, as well as a person's own network to grow in size (Nooteboom, 2002:120). In particular it also allows the quality of the organisational network to be enhanced since it increases the density of organisational ties.

Nooteboom (2002:117) refers to the role that the third party plays in trust transfer as one where the third party is effectively closing a 'structural hole', or a disconnection, that had previously existed among contacts. This increases the degree of closure in the organisation, which in turn provides the foundation for greater cooperation, cohesiveness and social support.

Fukuyama (1995:27) uses the term 'spontaneous sociability' to describe this manifestation of trust as a form of social capital, which refers to the wide range of cooperative, unselfish and extra-role behaviour that people who are part of a social community engage in, which then enhances their "... collective well-being and further the attainment of collective goals".

Cohesiveness in this context, as one of the benefits that trust as an organising principle – as part of the organisation's social capital – brings to the organisation, has been recognised to be related to a range of organisational outcomes, such as enhanced performance (McEvily *et al.*, 2008:561); employees willingly contributing their time and attention to the achievement of organisational goals; greater knowledge sharing to coordinate critical task interdependencies and overcome the dilemmas of collective action (Nooteboom, 2002:147), as well as more responsible usage of scarce resources (Kramer, 1999:583).

However, it can also have negative consequences. Excessively dense networks and cohesiveness can lead to groupthink, exclusionary networks, a reduction in the flow of

new information and the lack of flexibility and adaptability (Hogg & Terry, 2000a:129; Jones, 2007:184; McEvily *et al.*, 2008:561; Nooteboom, 2002:144).

The concept of the transferability of trust can also be applied to a stakeholder setting, where the third (trusted) party can be another customer, a journalist or an analyst, who is known and trusted by the trustee. Based on a recommendation from this trusted person, the stakeholder (trustor) can then transfer his trust to the unknown for-profit organisation (trustee) and on the basis of that, buy the product from, write the positive media article about or invest in the organisation, even though he has no personal knowledge of the organisation (trustee).

- ***Generative capacity of trust creates multiplexity in ties***

Another process that can positively influence the social structure of an organisation and make it more effective relates to the pattern where trust creates multiplexity in existing ties, based on the generative capacity of trust (McEvily *et al.*, 2008:561). This means that within an existing relationship where two parties trust each other, the relationship itself can deepen over time with additional layers, dimensions or relational content being added to the relationship. This is another form of transferability, with the key difference that the transfer of trust is occurring within the same 'tie' or relationship, rather than across ties with different individuals (McEvily *et al.*, 2008:561).

According to McEvily *et al.* (2008:561), trust "... unlike other organizing principles, implies a somewhat 'intimate' relationship among individuals involved in organizing and coordinating economic activities". The higher the levels of trust, the more knowledgeable the individuals are about the competencies and strengths of their counterparts (Casson & Della Giusta, 2006:348). This in turn provides the basis for the individuals concerned to discover opportunities for increased collaboration and generate new and novel ways in which to work together or organise work better (Nooteboom, 2002:147). Multiplexity in relationships is then one way through which new modes of value creation can be realised (McEvily *et al.*, 2008:561). In this regard trust "... represents an important component of social capital, defined as *the actual or potential value derived from a relationship*" (McEvily *et al.*, 2008:561).

It is also possible for an existing relationship between a stakeholder (trustor) and a for-profit organisation (trustee) to 'deepen' over time, for example when a customer who has come to know and trust the organisation also starts supporting one of the organisation's corporate social responsibility programmes, or when he speaks out in defence of the organisation when it is criticised in a social medium.

▪ ***Delayed reciprocity due to trust and stability in relationships***

According to McEvily *et al.* (2008:561-562), a third way in which trust positively affects structuring in organisations is through making delayed reciprocity possible and through enabling serial equity, which in turn leads to more stable and longer lasting relationships and, by extension, organisational networks.

In a relationship between two individuals that involves the exchange of goods, services or favours, the exchange needs to be virtually instantaneous for it to be reciprocal. Since this is not always possible, trust can play an important role in delaying the expectation of reciprocity. In a relationship where the two parties trust each other, the need for "... perfect congruence in value in a single exchange is reduced, because there is an expectation that balance or reciprocity will be reached across a series of exchanges that will take place in the course of the ongoing relationship" (McEvily *et al.*, 2008:562).

Because they trust each other, both parties in the relationship have a confident expectation that commitments will be honoured, if not immediately then at some point in the future. In addition, trust also creates the conditions for serial equity to occur. This means that both parties have the expectation that their relationship will continue for the foreseeable future (McEvily *et al.*, 2008:562).

The benefits that trust in this instance brings to an organisation are a degree of flexibility; a capacity to handle uncertainty while maintaining its basic structure; an ability to make its structures and agreements more resilient; an opportunity to reduce the likelihood of conflict within relationships; and the likelihood of a party extricating itself from relationships that have ceased to generate value or have become less valuable in the short term (McEvily *et al.*, 2008:562).

From a stakeholder perspective, the acceptance of a guarantee or warranty from a for-profit organisation can be regarded as an example of the acceptance of delayed reciprocity, based on trust. Although the stakeholder (trustor) immediately receives the item that he has bought, his decision to purchase an expensive item is often influenced by the fact that the organisation (trustee) has a guarantee in place that will be honoured in the future in case anything goes wrong.

- ***Role specialisation and non-redundancy***

A last example of how trust can assist to make the social structure within an organisation more effective relates to the way in which redundancy can be reduced in a network through the establishment of specialised roles (McEvily *et al.*, 2008:562). The underlying thought here is that the process of designating different roles to individuals (such as leaders, liaisons or boundary spanners), and of then trusting that the particular individuals will fulfil the roles that have been designated to them, leads to a reduction of redundancy within the organisational structure.

The designation of specialised roles to specific individuals (and the assumption that they will fulfil those roles well), means that the rest of the people in the organisation can then operate more efficiently. They can reach more contacts (i.e. benefit from more diverse relationships) and organise their work efforts more effectively with the same number of people in the team, because they can rely on the individuals within the specialised roles to act in their collective interests (McEvily *et al.*, 2008:562). This also offers the benefit that the chances increase to discover different opportunities to create more value.

Organisational research that has focused on the relationship between trust and forms of voluntary deference within hierarchical relationships in organisations, has found that trust is critical for people in authoritative roles for a number of reasons (Kramer, 1999:585). Without the presence of trust, leaders' ability to manage effectively would be greatly reduced, since they would have to constantly explain and justify their decisions and actions to their employees.

Furthermore, since no manager can detect every single failure of an employee to cooperate or every single performance that needs to be rewarded, he needs to be able

to trust that his employees will act in a responsible manner based on a feeling of obligation to the organisation, and that they would willingly defer to organisational authorities. In turn, he also needs to be trusted as a leader, particularly when conflict arises, since it influences employees' acceptance of the dispute resolution procedures and outcomes.

Kramer (1999:585) observes: "Research has shown that individuals are more likely to accept outcomes, even if unfavorable, when individuals trust an authority's motives and intentions." This concept can also be extended to a stakeholder setting, for example where stakeholders accept the role of a CEO in representing the organisation.

12.2.4 Mobilising as a pathway to influence organising

According to McEvily *et al.* (2008:563), a second causal pathway through which trust affects organising in an organisation is mobilising, which refers to the process of converting resources (both material and non-material) into finalised activities performed by interdependent individuals.

Within any organisation resources such as time, effort, attention and knowledge are decentralised and unevenly distributed among the people. In order to achieve its strategic and operational goals, an organisation needs to encourage and enable its internal stakeholders to coordinate and align their efforts (Jones, 2007:19). Mobilising then involves motivating stakeholders to contribute their resources and work with others in the organisation to use their combined resources in joint activities. This then results in organisational action and in turn, in the achievement of the organisational goals (McEvily *et al.*, 2008:563).

Trust influences the pathways through which this action arises. In particular, trust influences the processes of knowledge sharing, committing and safeguarding respectively, which happens through the corresponding mechanisms of disclosure and screening, identification and the suspension of judgement (McEvily *et al.*, 2008:563). These processes and their mechanisms are now discussed.

- ***Knowledge sharing through disclosing and screening***

According to McEvily *et al.* (2008:563), one way in which trust enables the mobilisation of stakeholders to join resources and activities to achieve a common organisational goal is through the process of knowledge sharing and the mechanism of disclosure. These authors hold that trust encourages knowledge sharing in two ways: by increasing the sender's disclosure of knowledge to more individuals and by reducing the screening of knowledge received from different individuals.

When an individual trusts that the knowledge or information he has will not be misused or misappropriated, he would be more willing to share sensitive and proprietary information about himself, his unit or his organisation with others. A for-profit organisation where there is an open and free flow of knowledge, information and best practices is bound to have the foundation for organisational learning in place, because the chances are higher for people to explore how knowledge can be recombined in new and novel ways (McEvily *et al.*, 2008:563).

From a receiver's perspective, trust influences the perceived authenticity of the information and knowledge that is being shared. When an individual receives information from a trusted source, he is more likely to accept it at face value, and not feel the need to first spend time to verify its accuracy. This means that he can immediately act on the information. Knowledge sharing in a trusting environment increases organisational learning, alertness and responsiveness.

However, organisations need to maintain a careful balance, in order not to create a culture where knowledge is shared solely on the basis of trust. It is only when employees also question information or knowledge that is being shared, that the chances for strategic blindness, overconfidence and inability to innovate are minimised (McEvily *et al.*, 2008:563).

The concept of trust that encourages knowledge sharing can also be made applicable to a stakeholder setting. In the first place, a stakeholder (trustor) will be more likely to share knowledge or information about himself (for example to share his credit card details online with an organisation), when he trusts the organisation and the security

measures it has put in place to keep the stakeholder's details safe from misuse. In the second place, a stakeholder (trustor) will be more likely to trust the information that is being shared if he trusts the for-profit organisation. As such, he will be less likely to feel the need to screen or verify the information received from the organisation (trustee).

- ***Identifying and committing***

According to McEvily *et al.* (2008:564), another way in which trust enables the mobilisation of stakeholders to use their combined resources in joint activities to achieve the organisational goals is through the process of identification with and the mechanism of commitment to the organisation. These authors hold that identification cultivates commitment by influencing expectations about the behaviours and intentions of the members of a group, with the result that members make more positive attributions about the cooperativeness and commitment of the rest of the group's members.

Kramer (1999:586) also notes that status recognition, which refers to the extent to which leaders recognise and endorse employees' sense of identity as a fully-fledged member of the organisation, is one of the most important factors that influence attributions of trustworthiness. Other factors include employees' trust in the benevolence and neutrality of their leaders.

When a stakeholder trusts an organisation he will also be more likely to identify with it. This means he will be more likely to show his commitment to the for-profit organisation by for example wearing or displaying the logo of the organisation so that others can see that he is associated in some way with the organisation, or to speak up for the organisation and defend its actions within his own social group.

However, as McEvily *et al.* (2008:564) also highlight, over-identification can have negative consequences for an organisation, leading to groupthink and a situation where its members are not willing to consider alternative views. According to Jones (2007:184), one of the dangers inherent in such a situation "... lies in the power it gives to those at the top of the organization to manipulate the situation".

Jones (2007:181,184) cites Arthur Andersen as an example, whose top leaders manipulated the organisation's culture of compliance, respect and tradition, and who systematically instructed their subordinates to overlook anomalies in client books, in order to obtain large consulting fees and maintain the business. As such, Jones (2007:181) observes: "The paradox is that Arthur Andersen's values were so strong that they led subordinates to forget the 'real' ethics of what they were doing, and Arthur Andersen's 'distorted' ethics became the ones they followed." This caused the once powerful and reputable organisation to lose its licence to practise accounting in Texas in 2002 (Jones, 2007:184).

- ***Suspending judgement and safeguarding***

According to McEvily *et al.* (2008:564), a third way in which trust enables the mobilisation of stakeholders to join resources and activities to achieve a common organisational goal is through the act of suspending judgement, which is to assume in any situation that the other party's intentions are benevolent or benign, and which reduces the need for an individual to put mechanisms in place to safeguard himself.

McEvily *et al.* (2008:564) hold that trust enables people to give each other the benefit of the doubt when uncertainties or potential conflicts arise, and that individuals who trust each other are more likely to suspend judgement of each other. Since people who trust each other do not have to constantly be on guard against opportunistic behaviour, they do not have to use measures such as monitoring and safeguarding to keep track of other people's behaviour and protect themselves.

The benefit that this offers is that oversight can be relaxed and more autonomy can be granted to employees. The time and effort spent on non-productive oversight activities such as monitoring and safeguarding can be better used in more productive, value-enhancing activities. Trust then helps to reduce transaction costs and increase flexibility and adaptability, which can represent a sustainable source of competitive advantage (McEvily *et al.*, 2008:564; Stout & Blair, 2001:9).

This is in line with the findings of a study of exchange relations among organisations in the New York apparel industry, where Uzzi (1997:43) found that trust in that setting

operated as a social decision heuristic, where the decision-makers adopted "... a predilection to assume the best when interpreting another's motives and actions". In addition to noting an absence of monitoring and safeguarding systems in that environment, Uzzi also found that the individuals spontaneously and unilaterally engaged in a wide range of actions to help solve others' problems as they arose. In his interpretation of these findings he reasoned that it is the heuristic character of trust which permits individuals to be responsive to stimuli (Uzzi, 1997:43).

"(Trust) heuristics facilitate the exchange of a variety of assets that are difficult to put a price on but that mutually enrich and benefit each organization's ability to compete and overcome unexpected problems." (Kramer, 1999:582). When a stakeholder trusts an organisation, he is also more likely to give the organisation the benefit of the doubt when uncertainties or potential conflict arises.

12.2.5 Closing remarks on the benefits of trust

While this overview illustrates the benefits of trust, two points need to be emphasised with regard to the role of trust when adversity strikes a for-profit organisation.

An organisation can have a good reputation, but when adversity strikes, that reputation can either serve it well by carrying it through the crisis, or the single crisis can ruin its reputation. The question to be asked is what will make the difference?

The answer may be that it is the level of trust the stakeholders have in the organisation and whether the crisis is a result of something the organisation did that broke that trust relationship, or whether the crisis was brought about by something beyond that organisation's control, that will determine the outcome (Eccles *et al.*, 2006:356).

Consider the following two examples:

Example 1:

In May 2003 a blackmailer threatened to place poisoned food on the shelves of Pick 'n Pay, one of South Africa's largest supermarket chains, unless a sum of money was paid

to him (Stockport & Gordon-Brown, 2009). In the registered letter sent to the then CEO, Sean Summers, the author also warned Pick 'n Pay against informing the police or the press, saying that he would put contaminated food in Pick 'n Pay stores if this happened. The CEO immediately alerted the police, but not the press, hoping to be able to solve the issue before any harm was done.

Seven weeks after the first threat had been received the extortionist actually put contaminated food in one of Pick 'n Pay's stores. The CEO then went public with the threat, explaining the context and warning consumers about the specific products that might have been tampered with. The organisation subsequently lived up to its reputation for honest communication and care for the consumer by using the media and all other available channels such as email to online shoppers, to constantly communicate and update the public. Furthermore, visible security was placed in the stores and notices and posters were placed in strategic areas in the outlets (Yossava, 2003).

The outcome of this was that the organisation's share price remained constant and consumers continued to support the store (Yossava, 2003). Sean Summers was awarded the *Business Times* Leader of the Month Award in July 2003, in recognition of the way he handled the extortion crisis (Yossava, 2003).

This crisis, which may have been a nightmare for any retailer, did not harm the CEO or the organisation irreparably. An explanation for this could be that the trust the consumers and other stakeholders such as investors had in the CEO and the organisation before the incident, meant that they believed him during the crisis, because it was not brought about by his wrongdoing (he was perceived as a victim, rather than a culprit), and because he had given them enough evidence in the past to be trusted, based on his and his organisation's consistent trustworthy behaviour (Eccles *et al.*, 2006:356; Fombrun & Van Riel, 2004:162).

Example 2:

A few years ago Arthur Andersen was rated one of the best and most admired auditing firms in the world. While its good corporate reputation took years to build, it was ruined by a single incident. After allegations surrounding their involvement in the Enron scandal

became known, not even their excellent reputation could save them. The resultant loss of trust and reputation ultimately led to the demise of this organisation in 2002, when it lost its licence to practise accounting (Davies *et al.*, 2010:531; Jones, 2007:32,184; Neufeld, 2007:40; Keh & Xie, 2009:732).

Contrary to Example 1, Arthur Andersen's perceived role in this scandal was not that of the proverbial victim, but rather one where the organisation was perceived to be part of the wrongdoing (Eccles *et al.*, 2006:356; Fombrun & Van Riel, 2004:162; Jones, 1991:387). This constituted a break in the trust relationship with all their stakeholders, who then, based on their distrust, withdrew their support *en masse*.

These and other examples indicate that there is undoubtedly a strong relationship between trust and reputation, the nature of which will be explored in Chapter 5.

13 BARRIERS TO TRUST IN A CORPORATE CONTEXT

In this study seven key barriers to corporate trust are identified.

13.1 FROM SUSPICION TO OPPORTUNISTIC PROFIT MOTIVE

13.1.1 Suspicion and distrust

Just as trust is a self-fulfilling prophecy, distrust is also self-fulfilling, only in the opposite direction (Nooteboom, 2002:38,86). Where trust generates an upward spiral effect, meaning that it grows the more it is employed, distrust generates a downward spiral effect (Powell, 1996:52). As Pirson (2009:21) observes: "Trust is one of the resources that does not adhere to the economic logic. It increases – not decreases – when used."

A main barrier to trust in a corporate context is distrust (also referred to as mistrust), which can be described as a lack of confidence in the other person, as a suspicion and a belief that the other person does not care, or has harmful intentions and therefore needs to be closely monitored (Kramer, 1999:587). As with Nooteboom (2002:86), Pirson (2009:21) labels mistrust as the biggest enemy of trust, since it generates a

downward spiral effect, in that "... signs of mistrust create mistrust as a self-fulfilling prophecy".

One of the central cognitive components of distrust is suspicion, which can be defined as a "... *psychological state in which perceivers actively entertain multiple, possibly rival, hypotheses about the motives or genuineness of a person's behavior*" (Kramer, 1999:587). Suspicion is triggered for example in a situation where a person has a gut feeling that another person may be insincere or when he feels that his expectations have been violated. The impact is that the perceiver will actively start looking for more information to confirm or dispel his suspicion (Kramer, 1999:587).

Bachmann (2006:399) highlights that betrayed trust does not just leave the social actor who has been betrayed without trust, but rather that it produces distrust of the trustee, which then makes it difficult merely to re-establish a neutral basis for future exchanges. Distrust then emerges when "... the suspicion arises that the disruption of expectations in one exchange is likely to generalize to other transactions". Distrust implies that the trustor attributes a sense of intentionality to the trustee, one that is expected to continue throughout all interactions or exchanges (Nooteboom, 2002:93).

Within a corporate context there are a number of factors that can increase an individual's distrust and suspicion of leaders, peers or subordinates. Various studies have shown, for example, that the categorisation of individuals into a specific group, or perceived differentiation between people, may create a climate of presumptive distrust between groups within the organisation. In other words, the various groups and individuals base their suspicion on what they believe is a probable, most likely or reasonable cause (Kramer, 1999:588).

On the other hand, a for-profit organisation can also signal distrust of its stakeholders with for example highly specified contracts, excessive security controls, camera monitoring, checking employee attendance and movements during working hours, or incentive schemes based on external motivations. These not only result in lower levels of cooperation, but actively undermine trust (Pirson, 2009:21).

The behaviour of corporate leaders in particular (as highly visible role models) can have a huge impact in creating suspicion. Zimmer (1979:749) studied the effects of violated expectancies on people's trust in organisations and found that when individuals make a judgement about an organisation's trustworthiness, they tend to take prominent events involving the leaders of the organisation and then to over-generalise it. In other words, they infer from one event that the leaders, therefore the organisation, are not to be trusted.

This highlights the importance of the role of leaders in an organisation and the fact that they need to act in accordance with the values of the organisation. It also emphasises the importance of honest and consistent communication, both internally and externally, to create context, manage perceptions and build trust.

13.1.2 Breach of the psychological contract

Another barrier to trust within a corporate context is when employees subjectively experience that the organisation has failed to meet its perceived responsibilities and commitments towards them.

Robinson (1996:463) uses the term 'psychological contract' to refer to employees' implicit assumptions and beliefs regarding the terms and conditions of their employment, which is regarded as a reciprocal exchange relationship. Rodgers (2009:84) notes that such assumptions are largely taken for granted and unacknowledged until violated, and that the breach then leads to a conscious questioning of the validity of the assumptions, "... which in turn undermines the foundation of the relationship itself".

A breach in this relationship results when the employee feels that he has given what was owed to the employer, but the employer has in some way failed to provide what was owed to the employee. When such a breach (real or perceived) occurs, it leads to distrust and this in turn can influence the job performance of the employee or the employee's intention to remain with the organisation (Kramer, 1999:593).

Empirical evidence from social dilemma experiments has shown that signs of lack of trust and trustworthiness, apparent in social signals and language, tend to be self-fulfilling. It was found that once players in a social dilemma game come to believe their fellow players intend to defect, they do it themselves, and their distrust prevails even if it was initially unjustified. In other words, the impact of social signals, including choice of language, may be asymmetric, which is why Stout and Blair (2001:54) state: “Rhetoric alone cannot support trust, but rhetoric alone can undermine it.”

This again emphasises the importance of effective, two-way, symmetrical leadership communication, which can help to clarify and manage the expectations of both parties, and address any perceived breach as soon as it occurs in order to minimise the negative consequences.

13.1.3 Fragility of trust

Several studies have shown that it is easier to destroy trust than to create it (Kramer, 1999:593; Kramer, 2010:95; Stout & Blair, 2001:54). This fragile nature of trust is one of the main barriers to trust in a corporate context (Webb, 1996:288).

Based on empirical evidence from social dilemma games, Stout and Blair (2001:54) observe that even a small change in the initial conditions, such as a change in the feelings of group identity or even in the language used to describe a particular social relationship can shift the situation past a ‘tipping point’, moving the end result from one behavioural extreme to the other.

The fragile nature of trust lies in the fact that it is easier to destroy the social conditions that favour trust than to create them. While explicit and implicit signals of trust and trustworthiness are subject to being disproved by contrary evidence, signs of lack of trust and trustworthiness tend to be self-fulfilling (Nooteboom, 2002:86; Pirson, 2009:21; Stout & Blair, 2001:54).

Slovic (1993) identified a number of cognitive factors that contribute to asymmetries in the trust-building versus the trust-destroying process. The first cognitive factor is that

negative events, which can destroy trust, tend to be more visible than positive events. The second factor is that these negative events tend to influence people's opinion more than positive events would, and the sources of bad news tend to be viewed as more credible than the sources of good news (Kramer, 1999:593).

Just as trust can be transferred via a third party, distrust can also be transferred via third party disclosures. The difference here however is that distrust is amplified or increased to a greater extent than trust via a third party disclosure (Burt & Knez, 1996:81). Kramer (1999:593) observes that, since third parties are more attentive to negative information, and often prefer negative gossip, "... indirect connections amplify the distrust associated with weak relations much more than they amplify trust among strong relations".

13.1.4 Negative media coverage

Cappella and Jamieson (1997) considered the impact of the media in creating and fuelling distrust and suspicion, and found that the way in which the media frame a news story directly affects the public's mistrust in organisations. A news story that is positioned within a strategic frame that focuses on a winning/losing theme and suggests negative qualities about the people involved (such as being deceitful or positioning themselves for advantage) is more likely to promote greater mistrust and cynicism than more neutral, issue-oriented frames would.

Negative media coverage also has an impact on the employees of an organisation, particularly if they only become aware of the issue for the first time when they read about it in the newspaper or if the issue is not addressed or explained internally by the leadership. This can then create or fuel a sense of distrust and suspicion in their leaders and organisation, and highlights why effective media relationship management should be an important consideration for any corporate communication management strategy.

13.1.5 Technology

The use of technologies such as workplace surveillance cameras, compulsory polygraphs or other forms of monitoring systems has been found to be a barrier to

creating and maintaining trust in the workplace. These technological systems, which are acquired with the goal to enhance employee compliance and deter misbehaviour, tend to undermine employees' motivation to engage in the type of behaviour that leadership intended to induce or ensure with the use of these technological systems (Kramer, 1999:590-591).

Kramer (1999:590-592) refers to various studies (such as those by Aiello, Cialdini, Hochschild, Kruglanski, Moore-Ede & Strickland) that focus on the impact of the use of such systems on employee trust and have found that, however well-intentioned its use, suspicion and mistrust inevitably result from this. Since the use of these monitoring and surveillance systems communicates to the employees that they are not to be trusted, it creates fear, suspicion and distrust.

The same argument can be applied to the use of such monitoring technologies in areas that affect customers or external stakeholders of an organisation. Should it be necessary for an organisation to make use of such systems, it would be prudent for the leadership to be aware of the possible unintended consequences that the use of these systems may have on the trust relationship, and to contextualise and communicate their use to employees and stakeholders in such a manner that it minimises the negative impact on trust.

13.1.6 Legal rules and contracts

The conventional belief is that opportunistic behaviour is discouraged and cooperation encouraged within organisations primarily through the use of legal and market incentives, although as Fukuyama (1995:149) notes, it is actually more accurate to say that the essence of *modern* economic life replaced informal moral obligations with formal, legal ones.

Legal contracts are seen to represent the explicit and implicit agreements that have been voluntarily negotiated among the rational parties who join in the organisation's activities. While legal contracts can be useful – for example, negotiating a contract encourages would-be joint business partners to communicate more clearly what each

wants to get out of their relationship (Stout & Blair, 2001:81) – the view held in this study is that legal sanctions, in many circumstances, provide at best imperfect means of regulating behaviour and at worst it can in fact be a barrier to trust in an organisation (Stout & Blair, 2001:3; Swift, 2001:19). As Nooteboom (2002:11) puts it, “... an attitude of control is destructive of the basis for trust”.

One of the most important lessons of trust is that cooperation is not always best promoted by promising rewards and threatening punishments. There is evidence that the use of legal rules and contracts to discourage opportunistic behaviour can “... in some situations be not only unnecessary, but counterproductive, increasing the likelihood of the very sort of misbehavior it was intended to protect against” (Stout & Blair, 2001:16).

This is, according to these authors, because external motivations for cooperative behaviour can undermine corporate participants’ internal motivations, thereby reducing the likelihood of cooperation instead (Stout & Blair, 2001:84). Based on social dilemma experimental evidence, it is patent that individuals trying to decide whether to trust and behave trustworthily are proficiently sensitive to the social signals they receive about what sort of behaviour is expected and appropriate in a given context (Stout & Blair, 2001:94).

Just as language can promote or destroy trust, behaviour as a non-verbal signal can communicate and impact on the creation or destruction of trust. Consider, for example, the ‘signal’ that a for-profit organisation sends to a potential business partner when it brings a lawyer and a multi-page contract loaded with fine print to a first meeting. This behaviour suggests a reluctance to trust on the part of the organisation, and given the empirical association between a willingness to trust and to behave trustworthily, and the perceptions of what others expect and need; how others are likely to behave; and what others’ relationships are to themselves, this signal can in fact act as a barrier to trust (Stout & Blair, 2001:45).

As such, Stout and Blair (2001:80-81) note that the “... reality of trust behavior cautions against the conventional assumption that opportunism in firms ... is always best addressed by bringing the force of the law and of formal contract into play”. Worse,

attempts to use contracts in relationships where trust plays a central role can prove counterproductive, and promote exactly the sort of opportunistic behaviour they were intended to discourage.

13.1.7 An opportunistic profit motive

Pirson (2009:24) argues that "... an opportunistic profit motive is a true barrier to sustained high trust". In commenting on the much higher levels of trust that non-profit organisations enjoy compared to for-profit organisations, he notes that non-profit organisations enjoy much higher levels of trust, because they serve a cause larger than financial profit. He also observes that while many for-profit organisations have over time set higher-level vision and mission statements, those are rarely believed.

This is reminiscent of the earlier observations noted by Selznick (1948:31) as well as McPhee and Zaig (2001:578) that a for-profit organisation that solely relies on profit as its sustaining incentive at the expense of everything else is an organisation that may be putting its own sustainable future at risk.

This emphasises the need for a for-profit organisation to adopt a longer-term focus as a responsible corporate citizen, to establish a value-based identity and instil a culture where the organisation not only communicates its values effectively, but where it actually lives them. Stakeholders can accept that a for-profit organisation needs to make profit, but if they believe that the organisation is doing so in an ethical and trustworthy manner, they will trust and support it in the longer term.

14 SOURCES OF TRUST AND TRUSTWORTHY BEHAVIOUR

14.1 WHY WOULD A TRUSTOR VOLUNTARILY EXPOSE HIMSELF TO RISK?

Before discussing the functions of corporate trust, it will be sensible to first address the question as to why a stakeholder as trustor would voluntarily expose himself to the risk of loss through the acts of a for-profit organisation.

Possible answers to this question can be seen as some of the key sources of trust and trustworthy behaviour.

14.1.1 Legal sanctions

The most obvious reason why a stakeholder might trust a for-profit organisation would be that the stakeholder knows that untrustworthiness might subject the organisation to legal sanctions (Hardin, 2002:46,47,52; Nootboom, 2002:107). The theory that legal rules are needed to curtail opportunistic organisational behaviour dates back to Thomas Hobbes, a liberal English philosophical scholar who emphasised the rights of the individual (Fukuyama, 1995:284; Stewart, 2009; Stout & Blair, 2001:18).

However, if one considers the magnitude of the information and the resources required for legal sanctions, alone, to work (Fukuyama, 1995:27), these strong requirements suggest that in many cases the threat of legal sanctions will impose only a weak constraint on an organisation's behaviour, and the logical inference is that legal rules may rarely be the sole, or even primary, reason a stakeholder would have to trust a for-profit organisation (Stout & Blair, 2001:19).

14.1.2 Market sanctions

A second category of reasons that a stakeholder can use as a basis for believing that an organisation will behave trustworthily, rests on the belief that the organisation may have external incentives to refrain from abusing a stakeholder's trust if such untrustworthy behaviour would signal to others in the marketplace the organisation cannot be trusted (Stout & Blair, 2001:19; Mitchell, 2001:120).

Reputational loss, fear of retaliation and social sanctions based on social values and norms, which are collectively labelled market sanctions, are regarded as such external incentives, since all three are thought to function as a constraint and direct a for-profit organisation's behaviour to manage perceptions, to ensure that future opportunities for beneficial exchanges are not put at risk.

Opportunistic behaviour by an organisation bears the risk of harming its corporate reputation. The higher its reputation, the greater the loss will be in case of unfavourable behaviour and the more certain the stakeholders can be that the organisation will not engage in opportunistic behaviour. A good reputation then serves as a means to reduce uncertainty and generate a feeling of trust to engage in the transaction (Einwiller & Will, 2001:7).

Rational choice theorists have placed a great deal of emphasis on such external rewards and punishments as sources of trust (Hardin, 2002:46,47,52; Nooteboom, 2002:107), but while these can be seen as motivations for keeping trust, they are nonetheless not trust. Mitchell (2001:120) notes that they are, as Williamson notes, calculations, or as Hardin suggests, devices that make commitments credible.

While these market sanctions may undeniably provide important motives for cooperative behaviour in many social interactions, such motivations continue to rely on a view of people as always strategic, calculating and self-interested (Stout & Blair, 2001:19; Mitchell, 2001:120). Furthermore, in the light of the demanding information and resource requirements that must be met for such external forces to constrain a for-profit organisation (and therefore provide the basis for a stakeholder's trust), the presumption is that market sanctions may rarely be the sole reason why a stakeholder would place his trust in a for-profit organisation (Stout & Blair, 2001:19).

Due to the high costs and resource requirements involved in employing legal and market sanctions to enforce trustworthiness, there is reason to suspect that other influences may be at work as well. As Stout and Blair (2001:19) conclude, "... calculative trust may not be all, or even the most important part of the story".

14.1.3 Internalised trust

A third, and much stronger, constraint of a for-profit organisation's opportunistic behaviour may come from the organisation's internalised belief that it ought not to abuse its stakeholders' trust (Jones, 2007:54; Stout & Blair, 2001:23; Mitchell, 2001:123). Since it has been posited that a for-profit organisation wants to be 'praiseworthy' and will want to constrain its opportunistic behaviour, because it possesses a conscience and

therefore wants to escape being 'blameworthy' (Mitchell, 2001:124), it is posited that the organisation should adopt these normative judgements (Bishop, 2000:7). "Thus, trustworthiness takes its place as an internalized norm." (Mitchell, 2001:125).

It is therefore posited that in some circumstances an organisation may prefer to behave trustworthily toward its stakeholders, even if untrustworthy behaviour would not trigger any external sanction. If its stakeholders believe that the organisation's desire to behave trustworthily is strong enough to deter it from taking advantage of its stakeholders, the self-same stakeholders may conclude it is safe to make them vulnerable to the organisation, that is to trust it (Stout & Blair, 2001:23).

This conceptualisation of trust, as being driven by expectations of intrinsic trustworthiness, is much more comparable with the layman's understanding of trust than the economists' notion of calculative trust. Dictionary definitions of trust, for example, centre on the trustee's essential integrity and moral character, rather than whether he has external incentives to refrain from exploiting his trustors.

First, trust behaviour in everyday as well as corporate life is a fact and, based on casual observations supported by experimental findings, it is clear that people and organisations often behave in an 'other-regarding' fashion, including behaving as if they both trust and are trustworthy, which indicates that they are capable of internalised trust (Jones, 2007:54; Stout & Blair, 2001:23; Mitchell, 2001:123).

In the second place, Stout and Blair note that "... given that internalised trust exists, economic analysis itself predicts that it is likely to be an important and potent force in business organizations. This is because trust offers distinct efficiency advantages for both individuals and institutions, including but not limited to the institution known as the corporation".

Based on this, the argument that a for-profit organisation has to *become* trustworthy if it wants to earn its stakeholders' trust, support and loyalty, is again highlighted. The reason why an organisation would want to be trustworthy, and not take advantage of the stakeholders' vulnerabilities, is because it is clearly in its interest to do so, regardless of

whether it fears damage to its reputation, the loss of its self-respect or the forfeiture of its own identity and sense of morally acceptable behaviour (Blois, 1999:200; Jones, 2007:54). This argument also ties in with integrity, as one of the key antecedents of trust.

15 FUNCTIONS OF CORPORATE TRUST

15.1 A NUMBER OF KEY FUNCTIONS

Trust in a for-profit organisation is regarded to fulfil the following key functions: it can serve as an effective mechanism to reduce complexity in a relationship that is not based on personal knowledge; it serves as an expression of the stakeholders' expectations of the organisation; and it is an effective mechanism to reduce mutual vulnerability and exposure to risk.

As such, trust is therefore also an effective mechanism to increase stakeholders' voluntary cooperation and support of the organisation, but since it is difficult to enforce, it is dependent on the for-profit organisation's acknowledgement and acceptance of its duty to protect the rights of its stakeholders. Ultimately, the function of trust is to serve as an evaluation of the organisation's trustworthiness, whether it is worthy and deserving of its stakeholders' trust.

Next, each of these key functions is discussed in greater detail, as part of the attempt to seek greater clarification of the corporate trust construct.

15.1.1 A mechanism to reduce complexity in relationships

The first function of corporate trust is that it serves as an effective mechanism to reduce complexity in a commercial relationship (Bachmann, 2006:397) based on less familiarity than that which is present in an interpersonal relationship.

Corporate trust occurs as a commercial interaction between two parties, namely the subjects or trustors (stakeholders) who show the trust and the object or trustee (for-profit

organisation) who can be trusted (Einwiller, 2003:198; McKnight & Chervany, 2002:43; Nooteboom, 2002:10; Ratnasingham, 1998:313-314; Sichtmann, 2007:1001; Swift, 2001:19), where these two parties do not have direct, personal knowledge of and experience with each other. The less familiar context makes this relationship more complex than an interpersonal relationship.

Corporate trust is related to interpersonal trust in that the origin of trust lies in the individual (the trustor), whereas the trustee in a corporate trust relationship can be either individual or collective (Ingenhoff & Sommer, 2010:342). However, contrary to interpersonal trust, corporate trust is not placed in a specific personal relationship.

Stakeholder trust in a for-profit organisation is made possible because of the concept of institution-based trust, which provides for trust in a specific situation, irrespective of the specific people in that situation, and in the broader organisational structures (McKnight & Chervany, 2002:48). In this instance, the trust relationship therefore exists between individual stakeholders and the organisation as a collective actor (Ingenhoff & Sommer, 2010:342).

Corporate trust is also made possible because of systems trust, which is defined as *trust in the functioning of bureaucratic sanctions and safeguards* (Lewis & Weigert, 2008:164; Luhmann, 1979:50). Systems trust, which is mainly established by institutionalising the use of laws, rules and other cultural symbols, structures an individual's expectations and motivations of what to expect in unfamiliar situations (Einwiller, 2003:198; Lewis & Weigert, 2008:165).

The concept of systems trust is important to this study because without the 'symbolic media of exchange' such as money being in place, no for-profit organisation would be able to operate (Lewis & Weigert, 2008:164). Furthermore, an organisation can use the concept and benefits of systems trust to develop and institutionalise its own rules, values, cultural symbols and communication with its internal and external stakeholders, in order to establish a sense of familiarity with its stakeholders. This can be achieved by presenting and making visible that which the organisation wants its stakeholders to know it stands for.

Having a sense of familiarity between the trustor and the trustee is a precondition of trust. If there is absolutely no element of familiarity, where the stakeholders (trustors) are completely ignorant of the trustee (the for-profit organisation), the trustors will have no reason to trust (Luhmann, 1979:19). It is essential to note, however, that establishing a sense of familiarity only marks the beginning of the process to build stakeholders' trust in the organisation (Luhmann, 1979:39). Real progress to foster and build trust can only be made when the organisation ensures that its 'self-presentation' and communication is strategically aligned with its ethical corporate identity and is fully ingrained in its business operations, culture and behaviour.

Finally, the for-profit organisation needs to ensure that its behaviour is consistently aligned with what it has promised its stakeholders to be, if it wants to become worthy of its stakeholders' trust (Luhmann, 1979:39). Enduring trust can only be earned when it is warranted by trustworthy behaviour (Hardin, 2002:30; Nootboom, 2002:75). As the most significant element of corporate trust, this will be discussed presently in more detail, after the rest of the functions have been outlined.

15.1.2 An expression of stakeholders' expectations

The second function of corporate trust is that it can provide insight into how the organisation is performing against its stakeholders' stated expectations. This function is linked to the key element that trust serves as an expression of stakeholders' expectations.

Corporate trust, which is central to all commercial relationships (Tyler & DeGoey, 1996:347), is generally expressed as a confident expectation by stakeholders, who are vulnerable to the actions of the for-profit organisation (McKnight & Chervany, 2002:36; Mitchell, 2001:110), that the organisation will protect their rights at best, and not exploit its power to cause harm at least. It is held that a for-profit organisation that measures and tracks stakeholder trust will be able to have a better understanding of its stakeholders' expectations and of how well it is meeting those. Corporate trust can then be described as the "... 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” (Kramer, 1999:571).

This study regards corporate trust to be based on an underlying assumption of an implicit moral duty on the part of the organisation (Hosmer, 1995:379; Mouzas *et al.*, 2007:1021). As such, stakeholders’ expectations are then regarded to include that the for-profit organisation will behave in a socially responsible way, and that it is morally bound to protect the rights and interests of its stakeholders to the good of society (Hosmer, 1995:399; Swift, 2001:20). Within a corporate context the quality and diversity of relational experiences are formed in part by organisational elements such as the structure, culture and incentives that influence and inhibit individuals’ behaviour. In addition, trust is based on an expectation of technical competence, ethical behaviour, integrity and the benevolence of others (McEvily *et al.*, 2008:559).

Trust, which is socially embedded (Tyler & Degoey, 1996:346); exists in context; is shaped by dynamics specific to particular settings; and is therefore generated by the behaviour of the organisation that should be trusted, embodies the stakeholders’ expectations, accumulated experiences with and knowledge of the for-profit organisation (Dirks & Ferrin, 2001:456; Gillespie & Dietz, 2009:130; Inghoff & Sommer, 2010:342; Wicks *et al.*, 1999:101).

As such, it affects how stakeholders interpret the present (and past) behaviour of the organisation, and how they will assess its future actions (Dirks & Ferrin, 2001:456). This assessment in turn influences stakeholders’ decisions and behaviour towards the for-profit organisation, which has a direct impact on the performance and sustainability of the organisation, now and in the future.

15.1.3 A mechanism to reduce mutual risk and vulnerability

A third function of corporate trust is related to the fact that trust will only be present under conditions where risk, vulnerability and uncertainty exist (Baier, 1995:200; Baier, 2008:217; Hosmer, 1995:390; Inghoff & Sommer, 2010:340; Nooteboom, 2002:5; Swift, 2001:20; Wicks *et al.*, 1999:100), which are in fact the conditions that clearly

differentiate trust from confidence, cooperation, predictability and reliability (Blois, 1999:200; Luhmann, 1988:97-98; Mayer *et al.*, 1995:713).

This study conceptualises corporate trust as incorporating mutual vulnerability and risk, for *both* the for-profit organisation and its stakeholders (Greenwood & Van Buren III, 2010:427), and as such the presence of high levels of corporate trust is seen to reduce the vulnerability and risk for both parties.

In the first place, a for-profit organisation's vulnerability rests in the actions that its stakeholders take, or do not take, depending on their level of trust in the organisation. Today's modern world presents organisations with increased challenges. Issues such as the digital revolution, globalisation and the rise of the citizen concept have led to power being dispersed to an extended stakeholder constituency, and for-profit organisations now have to consider and work with stakeholders who are not directly involved or interacting with the organisation, such as activist groups, society and non-governmental organisations (Rangan, 2011:6).

At the same time stakeholder expectations have changed, with an extended emphasis on social issues, related to corporate sustainability, equity and fairness (Iwata, 2009:1; Uslaner, 2010:117). Since stakeholders have the power to act against an organisation that they do not trust, and more importantly, since they can withhold their willing cooperation and support which the organisation needs for its long-term economic sustainability, the organisation itself is increasingly left more vulnerable and at risk to actions from stakeholders (Greenwood & Van Buren III, 2010:427; Iwata, 2009:1), which means that it needs to take cognisance of its stakeholders' expectations and protect their interests.

In the second place, stakeholders are vulnerable to the actions and behaviour of for-profit organisations and their level of trust in the organisation can either serve to reduce or enhance these feelings of vulnerability. As a human institution of unique power and efficiency, the private sector has an immense capability to influence society and the environment and provide opportunities for equitable and sustainable economic growth for all (Adams, 2006:13; Jamali, 2006:810).

The impact that the private sector can have on the global economy is evident from the world-wide recession in the first decade of the twenty-first century, which resulted from a corporate governance crisis among leading financial institutions (Uslaner, 2010:110-111). This has led to an increased consciousness of the severe risks, brought about by widespread societal actions that were incompatible with sustainability, facing the economy, society and environment in the twenty-first century (Bañon Gomis *et al.*, 2011:173; Jones, 2007:52; Pirson, 2009:1).

The fact is that for-profit organisations are a powerful force in today's postmodern society (Perrow, 2000:469), and this leaves all their stakeholders at risk, and vulnerable to the commercial and social actions of these organisations (McKnight & Chervany, 2002:36; Mitchell, 2001:110). However, existent literature notes that the presence of trust can help reduce stakeholders' feelings of vulnerability and fear of opportunistic action by the for-profit organisation, and so increase the likelihood of their voluntary support of the organisation (Hosmer, 1995:390; Ingenhoff & Sommer, 2010:340; Mayer *et al.*, 1995:711; Swift, 2001:20).

15.1.4 An effective way to increase voluntary cooperation

A fourth function of corporate trust is that it can serve as an effective mechanism with which an organisation can increase the voluntary cooperation of its stakeholders, as well as the benefits resulting from that cooperation, in a relationship where the mutual benefit to the parties is assumed (Hosmer, 1995:390; Swift, 2001:20).

A level of trust or goodwill between the trustor (stakeholder) and trustee (organisation) is regarded as central to making the commercial relationship or transaction work (McKnight & Chervany, 2002:49; McPhee & Zaug, 2001:581; Swift, 2001:19; Tyler & Degoey, 1996:345). However, within the framework of responsible corporate citizenship as posited in this study, the concept of trust is regarded as imperative, not only in the direct commercial transactions of a for-profit organisation, but also in all the interactions and the relationship it has with its stakeholders, which are determined and influenced by the manner in which the for-profit organisation conducts its overall operations (Marsden & Andriof, 1998:338).

It is believed that stakeholders will be more willing to rely on the organisation if they have first-hand knowledge of and a belief in the protective structures that the organisation has in place, such as processes, procedures, guarantees, contracts, regulations and legal recourse processes as well as the perception that the situation in the organisation is normal, proper, fitting and in good order (Einwiller, 2003:198; McKnight *et al.*, 1998:479; McKnight & Chervany, 2002:48; Swift, 2001:19).

Conversely, further to the elements of calculated expectations, trust in a corporate context also encompasses a non-calculative element – a ‘leap of faith’, which recognises the obligatory rationality of organisational life on the one hand and the uncertainty of organisational life on the other (Bachmann, 2006:395; McEvily *et al.*, 2008:559; Möllering, 2006:370-371).

It is particularly in the latter situation where the presence of trust, based on the consistent and ethical behaviour on the part of the organisation, plays a critical role. The proposition is then that the presence of trust can positively and economically benefit a for-profit organisation, because it creates or enhances the conditions under which certain outcomes are likely to occur, such as the voluntary cooperation, support and goodwill of its stakeholders, which are favourable to achieving organisational outcomes like cooperation and higher performance (Dirks & Ferrin, 2001:450, McEvily *et al.*, 2008:557).

15.1.5 A prerequisite for success that is difficult to enforce

The fifth function of corporate trust is that it enables a for-profit organisation to meet a condition that is a critical prerequisite for its sustainable economic success, one that is difficult to enforce (Hosmer, 1995:391; Mayer *et al.*, 1995:710).

In order to minimise the risks inherent in relationships within a corporate context and avoid the consequences of broken trust, several mechanisms and legislation have been developed over time to regulate, enforce and/or encourage compliant actions within these relationships (Mayer *et al.*, 1995:710) and deter businesses from acting fraudulently, unethically or irresponsibly towards society (King, 2009:9). In South Africa,

corporate governance is guided by the Companies Act (No. 71 of 2008), as well as the *King Code on corporate governance for South Africa* (King III).

In much of the existent literature on trust, emphasis is placed on considering and recommending enforcement procedures, such as legal or regulatory requirements, market contracts and hierarchical controls, only to ultimately find these legalistic control mechanisms wanting and ineffective (Hosmer, 1995:392; Mayer *et al.*, 1995:710). Instead, it is held that the development of mutual trust between an organisation and its stakeholders is a more useful mechanism that can enable more effective and authentic relational experiences (Mayer *et al.*, 1995:710; Nootboom, 2002:103).

A stakeholder's knowledge of and belief in the predictability of the organisation's behaviour, based on his evaluation of the organisation's identity, credibility and reputation, is then held to be a more cost-effective and efficient mechanism to engender stakeholder trust (Ingenhoff & Sommer, 2010:341; Möllering, 2006:367; Rangan, 2011:4; Vanneste *et al.*, 2011:23).

Trust therefore plays a key role in the effort to put sustainable business practices in place (King, 2009:21).

15.1.6 An assumption of an acknowledged duty to protect

A sixth function of corporate trust is that it provides stakeholders with a broader assurance that the for-profit organisation will consider their interests as well, even in uncertain circumstances. This function is linked to the assumption of an acknowledged duty on the part of the for-profit organisation to protect the rights and interests of stakeholders, in other words to meet its stakeholders' expectations as set out earlier.

This acknowledgement is regarded not merely as a negative promise not to harm the interests of the trustor, but rather as providing "... a positive guarantee that the rights and interests of the other party will be included in the final outcome" (Hosmer, 1995:392).

Corporate trust is then seen to be based on an underlying assumption of an implicit moral duty on the part of the organisation (Hosmer, 1995:379) to protect the rights and interests of its stakeholders to the good of society (Hosmer, 1995:399; Swift, 2001:20). Since it is taken that a for-profit organisation will accept its duty to behave in a socially responsible way as a responsible corporate citizen, as part of its pursuit to create and ensure a long-term economically sustainable business, stakeholders who trust the organisation to have accepted this duty are more likely to trust and support it.

This is particularly significant if one takes into account that trust is a dynamic and continuous variable, rather than an either/or phenomenon. On the wide spectrum of trust, the levels of trust that stakeholders have in an organisation can vary substantially within and across relationships as well as over time, and as relationships unfold stakeholders update their information and decisions to trust the organisation (Wicks *et al.*, 1999:101).

Research has shown that trust and confidence in the organisation is a key priority for stakeholders, second only to the organisation's quality of products and services (King, 2009:10). Since trust serves to generate supportive behaviour on the one hand and prevent unsupportive behaviour on the other, it helps to establish, support and maintain a sustainable and long-term relationship between the organisation and its stakeholders (Ingenhoff & Sommer, 2010:339; King, 2009:9).

15.1.7 An evaluation of the organisation's trustworthiness

The last function of corporate trust is linked to the most important element of corporate trust as advanced by this study, which is that it represents the knowledge of or belief in the predictability of the organisation's behaviour, based on the stakeholders' evaluation of the organisation's credibility and integrity (its trustworthiness).

It is then held that a for-profit organisation that measures and tracks stakeholder trust will be able to have a better understanding of the level of trust that its stakeholders have in it, and through their evaluation of the organisation's perceived trustworthiness, the

leaders of the organisation will have greater strategic insight into its own performance and risks that need to be addressed.

This view is underscored by the philosophy of King III, which centres on the role of the leaders and their challenge of ensuring the economic sustainability of their organisation (King, 2009:10-11). It is argued that to achieve this, it is imperative for an organisation to create trust between itself and all of its stakeholders, without whom it would not be able to create and a viable business and society (Gao & Zhang, 2006:737).

While a number of requirements have been proposed, which a for-profit organisation has to meet in order to earn the trust, approval and commitment of its stakeholders, trustworthiness, defined as *being worthy of having trust placed in one*, is believed to be *the* most significant factor that influences trust in a for-profit organisation (Li & Betts, 2004:7; McEvily *et al.*, 2008:559). As such, trustworthiness is now discussed.

16 TRUST AND TRUSTWORTHINESS: TWO SIDES OF THE SAME COIN

16.1 AN INTRICATE RELATIONSHIP BETWEEN THE TWO CONCEPTS

The concepts of trust and trustworthiness are not the same, although they are intricately related, with the former depending upon an expectation of the latter (Casson & Della Giusta, 2006:346; Ingenhoff & Sommer, 2010:341; McEvily *et al.*, 2008:559; Stout & Blair, 2001:17; Vanneste *et al.*, 2011:14). As with trust, trustworthiness is also confined to some respects, under certain conditions (Nooteboom, 2002:38).

Trustworthiness, defined as *being worthy of having trust placed in one*, is believed to be a key factor that influences trust (Casson & Della Giusta, 2006:346; Li & Betts, 2004:7; McEvily *et al.*, 2008:559). According to Ingenhoff and Sommer (2010:341), "... the decision to trust is based on the trustworthiness of the other person, i.e. the trustee". The difference between these two concepts is then that perceived trustworthiness (trust) is a belief that trustors have about the trustee, while trustworthiness relates to the

characteristics of the trustee, which show him to be worthy of the trustor's trust (Casson & Della Giusta, 2006:346; Li & Betts, 2004:7; McEvily *et al.*, 2008:559).

While trustworthiness then relates to the objective characteristics of the trustee, perceived trustworthiness (trust) is a subjective expectation and belief about the trustee (Li & Betts, 2004:7). As trust is defined as *an expectation*, the differentiation between trustworthiness and trust is "... situated in the actual versus the perceived intentions, motives and competencies of the trustee – the former being trustworthiness and the latter being trust" (McEvily *et al.*, 2008:559).

As Blois (1999:202) and Swift (2001:22) point out, trust is a situational factor, an outcome, of relationships whereas trustworthiness is a quality displayed by the parties which engenders trust. The focus is therefore placed on the importance of internal factors, such as the intrinsic character, identity and values of the trustee that produce his trustworthiness, and which in turn encourage the trustor's trust in the trustee as a situational outcome (Blois, 1999:202; Stout & Blair, 2001:8; Swift, 2001:22).

Trust can thus not be enforced – a trustee can only earn it on the basis of his own trustworthy behaviour (Hardin, 2002:30; Vanneste *et al.*, 2011:13). Trustworthiness is therefore believed to be a key factor that influences trust, which means that trust is not sustainable without trustworthiness (Li & Betts, 2004:7; McEvily *et al.*, 2008:559). Since these are two distinct constructs, the terms 'trust' and 'trustworthiness' can therefore not be used interchangeably.

16.1.1 Trustworthiness in a personal context

With personal trust, a trustor has to rely on getting to know and trust the trustee based on the personality that the trustee presents of himself, and the behaviour associated with this. Luhmann (1979:39) refers to this as self-presentation, which includes that which an individual wants to be known of him and which he makes socially visible. When the trustee is consistent in his behaviour and stands by what he has been presenting about himself, he becomes worthy of trust. With personal trust, human

actions are then perceived in general as being personally determined, and trust is then founded on the motivation attributed to behaviour (Luhmann, 1979:41).

Trust is therefore viewed as a social occurrence in that an individual may choose to limit or enhance his trustworthiness toward another individual, group or an organisation (McEvily *et al.*, 2008:559; Mitchell, 2001:113; Möllering, 2006:369). Trust is therefore seen as an aspect of relationships, one that varies within persons and across relationships (Schoorman *et al.*, 2007:344).

16.1.2 Trustworthiness in a corporate context

From a corporate perspective it is important to note that a for-profit organisation cannot command or enforce stakeholders' trust (Blois, 1999:208; Hosmer, 1995:391; Swift, 2001:22), it also has to earn it. However, while it is not possible for an organisation to make a stakeholder trust it, it is possible for the organisation to demonstrate its trustworthiness to its stakeholders, which may then make it possible for them to trust it.

Similar to personal trust, where trust is a result of getting to know and trust the trustee based on the personality that the trustee presents of himself as well as the trustee's consistent behaviour associated with his self-presentation, a for-profit organisation has to communicate and build a relationship with its stakeholders – it has to 'present' itself so that its stakeholders can get to know what the organisation stands for.

This is where corporate communication, corporate image and reputation-building activities (Nooteboom, 2002:75; Nooteboom, 2006:249) fulfil key functions, but in order to ensure that these activities contribute to demonstrating the organisation's trustworthiness, it is critical for the messages about a for-profit organisation and the manner in which it presents itself to be consistently integrated and aligned with the identity and values of the organisation (Pirson & Malhotra, 2008:10) as an ethical and responsible corporate citizen. Repeated inconsistency in messages or self-presentation will break down the image of trustworthiness that it wants to portray.

However, while this is important, it is also emphasised that it is the behaviour of the organisation, which should also be consistent with what it presents of itself to its stakeholders, which will ultimately earn stakeholders' trust. An inconsistency in words is then regarded to be damaging to the concept of trustworthiness, whereas an inconsistency in actions is deemed to be destructive to trustworthiness. The key point here is that trust can only really be earned on the basis of consistent trustworthy behaviour (Hardin, 2002:30; Nooteboom, 2002:75).

A cautionary note needs to be put forth at this stage on what has been presented above, namely that consistent and aligned messages and behaviour lead to trustworthiness. While this is true, a subtle yet vital element is missing, namely the moral element in the actions of the organisations. If this moral quality is not an innate characteristic of the organisation, stakeholders' trust (their belief about the perceived trustworthiness of the organisation) is not sustainable (Greenwood & Van Buren III, 2010:426; Li & Betts, 2004:7; McEvily *et al.*, 2008:559).

Organisational trustworthiness can therefore be viewed as a collective construct – as “... a sense-making heuristic originating at the level of individuals' perceptions but that, in the aggregate of collective impressions, can operate as a shared reputation (of) the organization” (Gillespie & Dietz, 2009:130). This view is shared by Mayer *et al.* (1995:728), who note that “... a reputation evolves from patterns of previous behaviour”.

Much of the existent literature notes that consistent trustworthy behaviour by the organisation results in a good corporate reputation (Hosmer, 1995:386), and holds that this is why it is critical for organisations to understand and embrace the close interrelationship between trust and reputation. The difference between having a good reputation and being trusted is subtle but important (Blois, 1999:208). While an organisation with a good reputation can be relied upon to behave in a manner that is consistent with its reputation (i.e. that it is trustworthy in this regard), it might not be trusted to behave ethically under uncertain circumstances (Swift, 2001:23).

It is for this reason that this study posits the view that a for-profit organisation that wants to ensure its own economic sustainability needs to do more than just build a stellar

reputation and consistently act in alignment with it. If it wants to earn its stakeholders' trust it has to *become* a moral, ethical and responsible corporate citizen, it needs to mould its identity and character on the very values that it espouses (Pirson & Malhotra, 2008:10), and if this is then consistently demonstrated in word and in deed, its stakeholders will recognise that the organisation can be trusted to act in a similar manner (i.e. moral, ethical and responsible), even in uncertain circumstances, and even when it is not to its immediate, short-term benefit (Nooteboom, 2002:11).

According to Moss Kanter (2011:71), when the leaders think of their organisation as a social institution it "...generates a long-term perspective that can justify any short-term financial sacrifice to achieve the corporate purpose and to endure over time". She also observes that "... great companies are willing to sacrifice short-term financial opportunities if they are incompatible with institutional values". It is held that a for-profit organisation that becomes known as one that will always take action based on its internalised value system, even if it is not instantly economically viable, will become worthy of its stakeholders' trust (Nooteboom, 2002:11).

Stout and Blair (2001:8) define trustworthiness as "... *an unwillingness to exploit a trusting person's vulnerability even when external rewards favor doing so*". The focus is therefore placed on the importance of internal factors, such as the intrinsic character of the trustee, which produces its trustworthiness, and which in turn encourages trust in it.

Trust and trustworthiness are consequently closely linked, with the former depending upon an expectation of the latter (Stout & Blair, 2001:17; Vanneste *et al.*, 2011:14). Stakeholders, especially when they do not have legal or contractual power, must rely on the trustworthiness of a for-profit organisation to satisfy themselves that the organisation will fulfil its moral obligations and not abuse its power towards them and the greater society (Greenwood & Van Buren III, 2010:425).

The point made here is that corporate trust develops not just on the basis of consistent behaviour, but rather on the basis of consistent behaviour by a for-profit organisation that consistently fulfils its moral duty in particular (Swift, 2001:22-23). As such, it is held that trust actually develops on the basis of trustworthy behaviour by an organisation that

can be trusted to consistently fulfil its *moral* duty (Mouzas *et al.*, 2007:1021; Swift, 2001:22-23) as an ethical, responsible corporate citizen (King, 2009:10; Linthicum *et al.*, 2010:163), to the good of society, and therefore in the longer term, to its own good.

A for-profit organisation can only display its trustworthiness through the consistent moral and ethical behaviour of its members, which sends cues to stakeholders about the for-profit organisation's integrity (Gillespie & Dietz, 2009:130), and about how well it is fulfilling its role as an ethical, responsible corporate citizen (King, 2009:10; Linthicum *et al.*, 2010:161). This positions the philosophy of King III, which emphasises the importance of effective leadership in a for-profit organisation and their key challenge of instilling a culture of ethical and trustworthy behaviour in everything it does (King, 2009:10-11). As Nootboom (2002:85) puts it: "Trust and trustworthiness is not something one can install or inject ... To force trust is like forcing spontaneity: if it worked it would not be genuine."

Since corporate trust can only be earned on the basis of trustworthy behaviour, it means that trust can only be sustainable when a for-profit organisation chooses to enhance its trustworthiness toward its stakeholders (Fukuyama, 1995:26; Hardin, 2002:30; McEvily *et al.*, 2008:559; Mitchell, 2001:113; Nootboom, 2002:75). Trustworthiness, defined as *being worthy of having trust placed in one*, is therefore believed to be the most significant factor that influences trust (Li & Betts, 2004:7; McEvily *et al.*, 2008:559). As such, the concepts of corporate trust and corporate trustworthiness are not the same, and cannot be used interchangeably.

17 THE IMPORTANCE OF CORPORATE TRUST

The prior discussion regarding the distinction and intricate connectedness between the concepts of trust and trustworthiness serves as a point of departure to outline the importance of trust in a corporate context (McEvily *et al.*, 2008:559).

Nootboom (2002:2) notes that although the field of economics has begun to recognise the importance of trust, it still "... tends to underestimate its complexity and to misconstrue it". Trust in a for-profit organisation is regarded as an economical

imperative, since it builds and supports long-term supportive relationships between the organisation and its stakeholder groups whilst preventing disruptive behaviour. As such, it is seen to be a conclusive factor for the long-term economic success and sustainability of a for-profit organisation (Ingenhoff & Sommer, 2010:339).

However, it is also prudent to note that an excess of trust can be harmful to an organisation. As with individual trust, there can be a number of reasons for excessive trust, including naivety, ignorance, cognitive immaturity, impulsiveness or greed, where the present is overemphasised relative to longer-term adverse effects. Overconfidence, stemming from an excess of self-trust by the leadership in itself, may also lead to an underestimation of the power of others to cause the organisation harm, whereas a lack of self-confidence may cause the leadership to underestimate the value of the organisation, thereby overestimating its risk and dependency, which in turns leads to an excessive tendency towards mistrust (Nootboom, 2002:145-146).

17.1 FIVE REASONS FOR TAKING CORPORATE TRUST SERIOUSLY

As the rationale for arguing that corporate trust fulfils a pivotal function, the following reasons are offered as to why corporate trust needs to be built and sustained:

17.1.1 Stakeholders have the power to act, for or against

It is held that in today's postmodern environment the stakeholders of a for-profit organisation will not just passively withdraw their own support when their trust in the organisation has been violated, but that they are more likely to actively work at influencing others to also withdraw their support and cooperate in taking assertive action against the organisation (Jones, 2007:28-31). This, in turn, will put the long-term economic sustainability of the for-profit organisation at risk.

While stakeholders are vulnerable to the actions and behaviour of a for-profit organisation, it is important to note that they are not powerless. Wood (2002:71-72) highlights that for-profit organisations need to view themselves "... as a part of the greater society in which and by which they are allowed to exist". Since a for-profit

organisation earns the necessary approval for its business operations from its stakeholders, the self-same stakeholders can decide to withdraw their approval – their sanction – of the for-profit organisation’s operations, should they believe that the organisation is in violation of its social contract with the wider society, which provides the organisation its rightful status in society (De la luz Fernández-Alles & Valle-Cabrera, 2006:503; Di Maria & Iwata, 2007:11; King, 2009:21; King *et al.*, 2010:292; McPhee & Zaug, 2001:577; Pirson, 2009:23; Swift, 2001:21).

This argument is supported by the following views in King III: an organisation earns its ‘licence’ to operate from its stakeholders (King, 2009:22), it is the credible actions of an organisation, more than its communication, that shapes the perceptions of stakeholders (King, 2009:100), and stakeholders are regarded to be the ultimate compliance officers of a for-profit organisation (King, 2009:9), because they have the power to withdraw their sanction and support of a for-profit organisation that has violated public trust (Fukuyama, 1995:23).

One of the main sources of their empowerment comes from the significant technological advancements and developments that are characteristic of modern-day life. Technology has not only shrunk distances; made access to an almost unlimited amount of information possible; aided masses of people to track corporate activities, share knowledge and insights and communicate virtually instantaneously with one another (Gabriel, 2001:23; Moon & Muthuri, 2008:16; Perrow, 2000:470); it has also liberated and enabled the average individual to reclaim his power within the community (Fogarty & Dirsmith, 2001:254; Fukuyama, 1995:23).

Technology also means much more than transparency, “... it is changing how power is concentrated, and diffusing it” (Rangan, 2011:7). O’Connor (2001:55) also notes how the Internet has shifted the balance of power of voice, which has led to corporate reputations increasingly being defined not by what organisations do or say, but by “... *how others perceive and respond to their actions and words, by who they think the organisation is and what it stands for*” (Pirson & Malhotra, 2008:10).

According to the International Institute for Sustainable Development (IISD), global connectivity in 2009 exceeded predictions, with 60% of the world's people having a mobile phone and 25% having Internet. The IISD noted in 2009 already that social networking was "... directly influencing citizen engagement, from the Obama presidential campaign to the contested Iranian election" (IISD, 2009).

17.1.2 Stakeholders are reclaiming their role as citizens

Modern-day society sees individuals progressively embracing their roles as citizens rather than just as mere consumers. The citizen concept is "... essentially a political concept, defining individuals' standing within a state and a community, according the rights and responsibilities of who believe in their inalienable rights to hold opinions and views" (Gabriel, 2001:24). The underlying presumption is that each individual is an intrinsic part of a whole – a system of community – and as such an individual is unable to achieve decisive individuality and happiness except as a member of the bigger system (Gabriel, 2001:24).

One of the key reasons for this revival of the role of the individual as a citizen, who is someone who cares about a goal superior to his own needs, chooses to embrace social obligations in the decisions and choices he makes and feels compelled to criticise in the name of the community (Gabriel, 2001:25), is the fact that people in the twenty-first century have become disillusioned and dissatisfied by the adverse impact of big businesses on society to date (Pirson, 2009:5) and as such they are reclaiming their power as average individuals within the community (Fogarty & Dirsmith, 2001:254).

Commenting on the economic crisis in the United States of America during 2008, Uslaner (2010:111) observes that the economic collapse was widely labelled as a crisis of trust from an outraged public. He also quotes the *Economist's* columnist Lexington, who wrote: "The most popular targets of public anger are the greedheads and incompetents who plunged the country into economic meltdown."

The fact that this crisis in the USA ultimately led to a global economic recession in 2009 extended this public outrage against monomaniacal profit-seeking businesses on a

universal scale (IISD, 2009). Perrow (2000:470) argues that there is a possibility that a “... revulsion against wealth polarization will take place”, similar to those against racial discrimination in the 1950s and gender inequity in the 1960s. Overall, the criticism levelled at current capitalism is that it fails to be life-conducive, since it is seen to be insufficiently set up to fulfil authentic human needs or, in humanistic terms, it fails to make ‘humans the measure of all things’ (Pirson, 2009:2).

17.1.3 Stakeholders demand a different approach to business

The early twenty-first century is characterised by an erosion of stakeholder trust in the private sector and its leaders, as stakeholders are increasingly becoming aware of the power imbalance between the private sector and society at large, which is at the receiving end of the negative impact of the private sector’s ‘business as usual’ profit-seeking approach and actions (Pirson, 2009:24, Rangan, 2011:8).

Based on this, the early twenty-first century is then also witnessing an increasing demand from stakeholders of for-profit organisations to adopt a fundamentally different approach to conducting their business. Stakeholders are now demanding of the private sector to consider the long-term impact it has on society, and that it should view its impact and contribution in a more holistic manner, by moving beyond a singular focus on economic matters and including social and environmental considerations as well.

This study posits that a for-profit organisation that fails to address these issues places its own long-term economic success and corporate sustainability in a perilous position (King, 2009:61; Moon *et al.*, 2003:14; Pirson, 2009:5; Porter & Kramer, 2006:81; Wood, 2002:63-64). As such, it is held that any organisation that wants to continue doing business and growing economically, now and in the future, therefore needs to carefully consider the impact of its decisions and behaviour in terms of achieving its immediate economic goals as well as in terms of ensuring its own long-term sustainability.

In deliberating what for-profit organisations need to do to perform in this environment, to be able to report results that are consistently above and beyond what might be expected, Rangan (2011:8) proposes four key elements, namely justice, efficiency,

diversity and integrity, which he collectively dubs JEDI. Even though efficiency will remain an important element in performance, Rangan (2011:8) suggests that justice “...will have a prerogative over efficiency ... when we make our reckoning of the 21st century”.

For-profit organisations then need to start incorporating considerations of ethics and justice in their decision-making and operations (Rangan, 2011:8). This element links to the integrity element of performance suggested by Rangan, which closes the loop to highlight the focus that needs to be placed on trust, and the intentions of an organisation, which – if it wants to earn its stakeholders’ trust – needs to focus on more than just efficiency and profit. Rangan (2011:8) concludes his overview of these four performance elements by saying: “We have lived for a long time in a compliance culture which avoids errors of commission, but the best companies now worry about errors of omission.”

It is then held in this study that an organisation that omits to regard stakeholders’ demand for a new and different approach to business, and continues to focus only on improving its efficiencies in order to increase its profits, will put its own long-term economic survival at risk. This links with the focus that needs to be placed on issues of ethics and integrity, which will earn stakeholders’ trust.

17.1.4 Ethics to be brought back into the world of business

This researcher’s considered view is then that a for-profit organisation that wants to foster and build trust in itself will consider the impact of its decisions and behaviour on its stakeholders from within an ethical framework (Jones, 2007:20).

This is because every decision, every choice made, will have a series of intended and unintended consequences throughout the organisation and its social environment. Argandoña (2008:442) holds that these consequences will then change the organisation, by altering its attractiveness and, more importantly, the unity of the organisation, which will either strengthen or weaken it “... to the point of annihilation”.

Based on the view of Pérez López that "... human organizations must submit to the laws that govern human behaviour"; that is to ethics (Argandoña, 2008:435; Fukuyama, 1995:25), it is then posited that ethics should be brought back into the world of business and economics (Jones, 2007:8,20). This suggestion is also based on the understanding that a culture of compliance, which is rooted in avoiding legal sanctions, leads to mediocrity, whereas a culture of commitment, rooted in the concept of self-governance in accordance with a set of guiding ethical principles, can lead to inspired human excellence and distinction (Paine, 1994:108,109).

Fukuyama (1995:26) concurs that the most effective organisations are those based on "... communities of shared ethical values" – in other words those that have managed to create strong social capital in their organisations. Social capital is defined as "*... a capability that arises from the prevalence of trust in society or in certain parts of it*".

However, Fukuyama (1995:27) notes that such a culture, such a kind of moral community cannot be attained through a rational decision or a rational action, since it necessitates a propensity to the moral norms of the organisation as a society. This can only be acquired if these moral virtues form part of the social identity of the organisation, and not just of a few individuals within it. Furthermore, since social capital is based on ethical habit, it is also harder to modify or destroy (Fukuyama, 1995:26-27).

In this study ethics is then held to be the set of guiding principles to be used to create a culture of commitment and excellence in a for-profit organisation (Jones, 2007:8). When ethics is the driving force of a for-profit organisation, ethical values shape the very design of the organisation, ethics provides a common framework of reference for the decision-making processes of the individuals in the organisation and it serves as a unifying force across the different functions, roles and units in the organisation.

As such, Paine (1994:109) holds that organisational ethics helps define what a company is and what it stands for. Ethics helps to define an organisation's identity and culture, and this is intricately linked to trust. Fukuyama (1995:33) notes that social capital, as "... the crucible of trust and critical to the health of an economy", rests on cultural roots.

Profitability is certainly a necessary condition for an organisation's long-term survival, but it is not the organisation's purpose. According to Argandoña (2008:441), the essential and appropriate condition for an organisation "... to really exist is that there (is) a group of people who are motivated to belong to that organization, with all that such belonging implies for them". Argandoña (2008:441) also observes that this suggests that an organisation's objectives must consequently be oriented to "... conserving and integrating those motivations, [as] otherwise the organization would *disintegrate* [own emphasis]".

In further elucidating this argument, Argandoña (2008:442) observes that, in order to survive, an organisation should take care to ensure that it creates a culture where its decisions, and its subsequent behaviour, meet at least some of the minimum requirements that motivate people's contribution to the organisation. While it is not explicitly stated, it is assumed that Argandoña (2008:441) is only referring to employees (to individuals who belong to the organisation) here.

However, in line with the focus of this study, Argandoña's argument is extended to include all the stakeholders of an organisation, who, because of their direct interest, involvement or investment in the organisation, or because they may be affected or harmed by the decisions of the organisation or may in turn affect or harm the organisation and its operations (Hatch & Schultz, 2008:192-193; King, 2009:60; Steyn & Puth, 2000:5) can be regarded as belonging to, as forming a part of, the organisation.

Paine (1994:109-112) cites three examples of for-profit organisations that effectively brought ethics back into business with remarkably positive effects. For example, Wetherill Associates Inc. (WAI) has seen its revenue grow from just under \$1 million in 1980 to nearly \$98 million in 1993. This happened in an industry with little growth, "... one in which kickbacks, bribes and 'gratuities' were commonplace", and one in which WAI entered with an ethical approach, which led to it being labelled as an 'upstart' by industry sceptics.

According to Paine (1994:112), the leadership-led commitment to ethical values at WAI, as at Martin Marietta and NovaCare, has contributed to competitiveness, positive

workforce morale, as well as solid sustainable relationships with the organisations' key stakeholders. As such, she concludes: "In the end, creating a climate that encourages exemplary (ethical) conduct may be the best way to discourage damaging misconduct."

17.1.5 Role of trust in a corporate crisis

Building an authentic value-based identity and reputation as an ethical trustworthy organisation and earning stakeholders' trust hold significant benefits for an organisation, as discussed earlier. However, these play an even more pronounced beneficial role to sustain the for-profit organisation during a time of crisis (Tyler & Degoey, 1996:345).

According to Webb (1996:289), trust is a central component in even the most routine and trivial activities of organisational life, but "... when an unequivocal or threatened crisis surfaces, the saliency of trust (and estimating trustworthiness) is elevated to higher levels". This is because a crisis significantly increases the levels of uncertainty that the trustors are exposed to. The level of trust and loyalty that was present before the crisis as well as the manner in which the organisation acts during and after the crisis can affect the outcome of the crisis, and the organisation itself, significantly. This is then why Webb (1996:293) describes a crisis as a "... uniquely heated crucible for the creation of trust and for its destruction".

Mishra (1996:262) also holds that a crisis can call into question the survival of the organisation as a system, and that it can lead to either positive or negative outcomes, depending on the nature of the organisation's behaviour during the crisis. An individual or an organisation can have a good reputation, but when serious adversity strikes which damages the trust relationship, the existing levels of trust in the organisation as well as its reputation can either serve the organisation well by sustaining it through the major crisis, or the major crisis, to which Gillespie and Dietz (2009:127) refer as an 'organization-level failure', can ruin its reputation and the stakeholders' trust.

Gillespie and Dietz (2009:128) define an organisation-level failure as a "... *single major incident, or cumulative series of incidents, resulting from the action (or inaction) of organizational agents that threatens the legitimacy of the organization and has the*

potential to harm the well-being of one or more of the organization's stakeholders". According to Ouchi (1980:140), organisational failure occurs "... only when society deems the basic objectives of the organization unworthy of continued support".

An organisation-level failure is thus a crisis or failure of sufficient magnitude to threaten the legitimacy of the organisation, since the organisation has failed in its responsibility to meet reasonable standards of conduct toward its stakeholders, either through failing to fulfil its mission or one of its essential responsibilities or failing to adhere to generally accepted ethical standards (Gillespie & Dietz, 2009:128).

Thus, the failure is understood as having occurred as a consequence of the actions, or negligent inaction, of organisational representatives who have been authorised or instructed, or whose actions have been facilitated, by the organisation (Gillespie & Dietz, 2009:129). The potential or actual harm that results from this is borne by stakeholders such as customers, shareholders or the wider community, and also directly or indirectly by the employees themselves (Gillespie & Dietz, 2009:128).

The presence of each of these conditions, as well as a combination of these conditions, distinguishes an organisation-level failure from a mere transgression. Furthermore, the magnitude of each failure will differ, depending on the extent of each condition. The degree of harm that it causes can vary from hypothetical (e.g. due to successful product recalls) to real losses in terms of life, investments or jobs. The threat to the organisation's legitimacy can vary from moderate and short-lived to catastrophic, and the organisation may have had partial or total control of the (in)action that led to the organisation-level failure (Gillespie & Dietz, 2009:129).

However, regardless of the magnitude of a failure, if it meets the requirements of an organisation-level failure, it will cause a break in the trust relationship and lead to distrust, to the stakeholder (trustee) losing his trust in the organisation. The magnitude will however play a part in how quickly (if at all) the organisation will be able to repair and restore the trust relationship with their stakeholders after the failure.

Gillespie and Dietz (2009:127) list a number of prominent examples of organisation-level failures where the perception of the trustworthiness of the organisation in question was severely damaged and discredited, including examples of: accounting fraud (e.g. Enron, WorldCom, Parmalat), deceit (e.g. plagiarised and fabricated reports by the *New York Times*), incompetence (e.g. the U.S. Federal Emergency Management Agency's response to Hurricane Katrina), fatal accidents that could have been avoided (e.g. BP's Texas City refinery fire), exploitation of vulnerable people (e.g. use of child labour sweat-shops), and massive compulsory job losses (e.g. IBM in the 1990s).

This study maintains that when adversity of such a magnitude strikes, the difference in the outcome depends in the first place not only on the good reputation of the organisation (Fombrun & Van Riel, 2004:35), but particularly on the level of trust the stakeholders already have in the organisation at the time the crisis occurs.

In the second place it depends on whether the crisis was a result of something that the organisation did (or did not do), which broke that trust relationship and would lead to distrust, or whether the crisis was brought about by something that was outside the organisation's control. In other words, if an organisation's (in)action that led to the crisis is perceived by stakeholders as being deliberate or premeditated, the damage will be worse than if it is perceived as unintended (Gillespie & Dietz, 2009:142; Mishra, 1996:281).

In the third place, the outcome of the organisational-level crisis depends on the way the for-profit organisation handles the crisis (Fombrun & Van Riel, 2004:35); how its leadership acts on and communicates about the crisis. If this is done in a timely, credible and transparent manner, it can actually strengthen trust in the organisation, provided a high level of trust based on a good reputation was already present before the crisis (Gillespie & Dietz, 2009:136).

Open, honest, transparent and timeous communication, focused on acknowledging the incident, expressing regret, announcing interventions and committing resources to redress the situation, will build on the cognitive, emotional and behavioural dimensions of trust which already exist. Stakeholders will reciprocate by believing the corporate

messages, and by trusting and remaining loyal to the organisation (Gillespie & Dietz, 2009:139). The Pick 'n Pay case study discussed earlier in this chapter can serve as an example of such an outcome.

However, the view in this study is also that if the crisis was caused by the organisation's own misconduct, and if there is a lack of open and honest communication, if the organisation does not publicly admit to it or promise to redress it, the outcome would be different. According to Gillespie and Dietz (2009:138), a lack of communication "... conveys a lack of concern and integrity, as well as incompetence". Stakeholders will then show how they think and feel about the break in trust by withdrawing their support from the organisation, as in the Arthur Andersen case study discussed earlier.

The consequences of organisation-level failures can be severe, and in addition to a reduced willingness on the part of the stakeholders to "... display the kind of trust-informed behaviours that contribute to effective operational functioning", can also include withdrawal from the organisation, a breakdown or renegotiation of internal and external relationships, and even obstructionism and acts of retaliation (Gillespie & Dietz, 2009:127).

This is one of the main reasons that the close interrelationship between trust and reputation is also emphasised by King (2009:22), who declares that "... the Board should ensure that the company *is* and *is seen to be* [own emphasis] a responsible corporate citizen". The most important factor here is that the Board should ensure that the organisation is trustworthy (that it can engender trust) and then that it should be seen to be trustworthy (that it communicates its identity, values and strategic intent and actions in order to establish its reputation), so that it can ensure its own long-term economic sustainability. An organisation that focuses only on trying to establish a good reputation without taking care that the organisation is in fact what it says, is one that will not be sustainable when adversity strikes.

This emphasises the link between ethics, corporate trust and trustworthiness, posited as fundamental to corporate sustainability in this study.

17.2 LINK BETWEEN TRUSTWORTHINESS AND SUSTAINABILITY

Corporate sustainability is defined in this study as *the capacity of a for-profit organisation to endure in the long term, in other words to be able to continue and maintain its existing economic operations, performance and success in the future, by earning the trust and support of its stakeholders through its ethical, trustworthy behaviour in line with its ethical, value-based identity and by establishing a reputation as an ethical, trustworthy and responsible corporate citizen* (Bañon Gomis *et al.*, 2011:173; Pirson, 2009:8; Vanneste *et al.*, 2011:23).

It is then held that the sustainability of a for-profit organisation is dependent on its ability to conduct its operations, to behave, ethically and in such a manner that it meets its own existing needs without compromising the ability to meet its own future needs or the ability of future generations to meet their own needs (King, 2009:61; Porter & Kramer, 2006:81). This presupposes that an organisation should have a regard for the impact of its business operations on the economic life of the community in which it operates, that it should operate ethically and be value-driven (Rushton, 2002:139).

This study then contends that a for-profit organisation's ability to ensure its long-term economic success in a sustainable manner is unequivocally linked to its ability to be trustworthy (Ingenhoff & Sommer, 2010:339). Since trust is viewed as an outcome of the processes by which the various components of the organisation interact with one another and with its environment (Kramer, 1999:570), an organisation needs to appreciate the importance of acting in a way that will foster and build trust in the organisation and its leadership (King, 2009:10), and should do so consistently, whilst delivering on its short-term needs for economic profit (Nooteboom, 2002:11).

The key point here is that a for-profit organisation cannot attempt to placate its stakeholders by merely adopting a façade as a responsible corporate citizen. It *will* be found out; it is only a matter of time. The for-profit organisation's leadership therefore needs to ensure that the organisation actually becomes trustworthy in fulfilling its role as a responsible corporate citizen.

18 CONCLUSION: TRUST AS AN ECONOMIC IMPERATIVE

In this chapter the constructs of trust, corporate trust and trustworthiness have been explored, in order to determine how an organisation can foster and earn its stakeholders' trust.

Following a discussion related to the general trust construct, the nature as well as the cognitive, emotional and behavioural dimensions of trust has been explored. A clear distinction has been made between trust and distrust, as well as between trust and confidence, cooperation, predictability and reliability. Two higher levels of trust, which involve multiple actors and contexts that exemplify a collective attribute, have been discussed. Based on this discussion of institution-based trust and systems trust, the general construct of trust has been extended to a corporate environment, and the conceptualisation of corporate trust as an additional high-level form of collective trust has been proposed.

The concept of corporate trust has been defined and discussed in greater detail. The key elements and nature of corporate trust have been outlined, and seven key antecedents of corporate trust have been identified. In the discussion related to the benefits of corporate trust the dominant perspective has been noted, but the main focus has been placed on advancing an alternative perspective, one that regards the benefits that trust as an organising principle can offer a for-profit organisation.

The barriers to and sources and functions of corporate trust have been discussed. Since corporate trust represents its stakeholders' evaluation of the organisation's trustworthiness, the intricate relationship between trust and trustworthiness has been deliberated and defined.

Finally, corporate trust has been positioned as an economic imperative based on five key reasons provided to emphasise the need for and importance of trust in a corporate environment, which is indisputably linked to an organisation's own long-term economic performance and sustainability.