

Building Organizational Trust

Kirsimarja Blomqvist
Telecom Business Research Center,
Lappeenranta University of Technology and Sonera Research,
P.O.BOX 20,
53851 LAPPEENRANTA,
FINLAND
e-mail: Kirsimarja.Blomqvist@lut.fi,
mobile +358-40-755 1693

Pirjo Ståhle,
Competence, Knowledge and Technology Management,
Sonera Ltd,
PL 116,
00051 SONERA,
FINLAND
e-mail: pirjo.stahle@sonera.com

ABSTRACT

In this paper we study the role of trust in enhancing asymmetric partnership formation. First we briefly review the role of trust. Then we analyze the state-of-the-art of the theoretical and empirical literature on trust creation and antecedents for experienced trustworthiness. As a result of the literature review and our knowledge of the context in praxis, we create a model on organizational trust building where the interplay of inter-organizational and inter-personal trust is scrutinized. Potential challenges for our model are first the asymmetry of organizations and actors and secondly the volatility of the business. The opportunity window for partnering firms may be very short i.e. there is not much time for natural development of trust based on incremental investments and social or character similarity, but so called “fast” or “swift” trust is needed. As a managerial contribution we suggest some practices and processes, which could be used for organizational trust building. These are developed from the viewpoint of large organization boundary-spanners (partner/vendor managers) developing asymmetric technology partnerships.

Leveraging Complementary Benefits in a Telecom Network

Individual specialization and organizational focus on core competencies leads to deep but narrow competencies. Thus complementary knowledge, resources and skills are needed. Ståhle (1998, 85 and 86) explains the mutual interdependence of individuals in a system¹ by noting that actors always belong to social systems, but they may actualize only by relating to others. In order to transfer knowledge and learn social actors need to be able to *connect* and for that they need to build trust. Also according to Luhmann (1995, 112) each system first tests the bond of trust and only then starts processing the meaning. In line with Arrow (1974) we conclude that ability to build trust is a necessary (even if not sufficient) precondition to relationships in a social system (network).

¹ Conceptualized also as “*double contingency*” (Luhmann 1995, 118).

In telecommunications the asymmetric² technology partnerships between large incumbent players and specialized suppliers are increasingly common. Technological development and the convergence of information technology, telecommunications and media industry has created potential business areas, where knowledge of complementary players is needed. Complementary capabilities often mean *asymmetric partnerships*, where partnering firms have different skills, resources and knowledge. Perceived or believed dissimilarities in values, goals, time-horizon, decision-making processes, culture and logic of strategy imply barriers for cooperation to evolve (Doz 1988, Blomqvist 1999). A typical case is a partnership with a large and incumbent telecommunications firm and a small software supplier. The small software firm supplies the incumbent firm with state-of-the-art innovative service applications, which complement the incumbent firm's platform.

Risk and trust are involved in every transaction where the simultaneous exchange is unavailable (Arrow 1973, 24). Companies engaged in a technology partnership exchange and share valuable information, which may not be safeguarded by secrecy agreements. Various types of risks, e.g. failures in technology development, performance or market risk or unintended disclosure of proprietary information and partner's opportunistic behavior in e.g. absorbing and imitating the technology or recruiting key persons are present.

Building trust is particularly important for complementary parties to reach the potential network benefits of scale and scope, yet tedious due to asymmetric characteristics. Natural trust creation is constrained as personal and process sources of trust (Zucker 1986) are limited due to partners' different cultures and short experience from interaction. In organizational relationships the basis of trust must be extended beyond personal and individual relationships (Creed and Miles 1996, Hardy et. al. 1998). In asymmetric technology partnerships the dominant large partner may be tempted to use power to ensure control and authority. Hardy et al. (1998, 82) discuss a potential *capitulation* of a dependent partner in an asymmetric relationship. This means that the subordinate organization loses its ability to operate in full as a result of anticipated reactions from a more powerful organization. Therefore, as an expected source for spear-edge innovations, it fails to realize its potential in full. Thus the potential for dominant players to leverage the "synergistic creativity" of specialized suppliers realizes only through double-contingency relationships characterized by mutual interdependency and equity (Luhmann 1995). Such relationships may leverage the innovative abilities of small and specialized suppliers, but only if asymmetric partners are able to build organizational trust and subsequently connect with each other.

In the telecommunications both the technological and market uncertainty are high. Considerable rewards may be gained, yet the players face considerable risks. There is little time to study the volatile markets or learn the constantly emerging new technologies. In such a turbulent business the players are forced to constant strategizing. Partnerships may have to be decided almost "overnight" and many are of temporary nature. Players in the volatile telecommunications also know that the "shadow-of-the-future" might be surprisingly short, since the various alliances and consortiums are in constant move. Previous research on trust shows that trust develops gradually and common future is a strong motivator for a trusting relationship (e.g. Axelrod 1984). In telecommunications the partnering firms need trust more

² By *asymmetry* is meant a non-symmetrical situation between actors. Economists discuss asymmetrical information leading to potential opportunism. Another theme related commonly to asymmetry is power, which is closely linked to company size. In asymmetric technology partnerships asymmetry manifests in different corporate cultures, management and type of resources. In this context asymmetry could be defined as "difference in knowledge, power and culture of actors".

than ever, yet they have little chance to commit themselves gradually to the relationship or experiment the values and goals of the other. Due to great risks the ability to build trust is crucial, yet because of the high volatility and short shadow-of-the future especially challenging.

Building trust

Trust is seen as a necessary antecedent for cooperation (Axelrod 1984) and leading to constructive and cooperative behavior vital for long-term relationships (Barney 1981, Morgan and Hunt 1994). Trust is vital for both innovative work within the organization in e.g. project teams (Jones and George 1998) and between organizations e.g. strategic alliances (Doz 1999, Zaheer et al. 1998) and R & D partnerships (Dodgson 1993). In this paper trust is defined as "*actor's expectation of the other party's competence, goodwill and behavior*". It is believed that in business context both competence and goodwill levels are needed for trust to develop (Blomqvist 1997). The relevant *competence* (technical capabilities, skills and know-how) is a necessary antecedent and base for trust in professional relationships of business context. Especially so in the technology partnership where potential partners are assumed to have technological knowledge and competencies. Signs of *goodwill* (moral responsibility and positive intentions toward the other) are also necessary for the trusting party to be able to accept a potentially vulnerable position (risk inherent). Positive intentions appear as signs of cooperation and partner's proactive behavior.

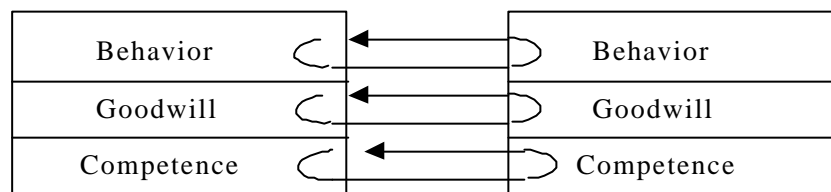


Figure 1. Development of trust through layers of trustworthiness

Bidault and Jarillo (1997) have added a third dimension to trust i.e. the actual *behavior* of parties. Goodwill-dimension of trust includes positive intentions toward the other, but along time, when the relationship is developing, the actual *behavior* e.g. that the trustee fulfills the positive intentions enhances trustworthiness (see Figure 1). Already at the very first meetings the behavioral dimension is present in signs and signals, e.g. what information is revealed and in which manner. In the partnering process (along time) the actual behavior e.g. kept promises become more visible and easier to evaluate.

Role of trust has been studied quite extensively and in different contexts (e.g. Larson 1992, Swan 1995, Sydow 1998, Morgan and Hunt 1994, O'Brien 1995). Development of personal trust has been studied among psychologists and socio-psychologists (Deutch 1958, Blau 1966, Rotter 1967 and Good 1988). Development of organizational trust has been studied much less (Halinen 1994, Das and Teng 1998). In this paper we attempt to model inter-organizational trust building and suggest some managerial tools to build trust. We build on Anthony Giddens (1984) *theory of structuration* and a model on *experiencing trust* by Jones and George (1998). According to *social exchange theory* (Blau 1966, Whitener et al. 1998 among others) information, advice, social support and recognition are important means in trust building, which is created by repeated interactions and reciprocity. A different view to trust is offered by *agency theory* developed by economists and focussing in the relationship

between principals and agents (e.g. employer and employee). According to agency theory relationship management, e.g. socialization of corporate values, policies and industry norms (e.g. Eisenhardt 1985, 135 and 148) may control moral hazard inherent in such relationships.

Researchers disagree whether trust can be intentionally created. According to Sydow (1998) trust is very difficult to develop and sustain. It is however believed that the conditions (processes, routines and settings) affecting the evolution of trust may be managed. Sydow (1998, 33) further believes, that even if trust can not be managed, the agents... "*should certainly act in a trust-sensitive way when building and sustaining inter-organizational relations or networks*". In order to do so, we must analyze what is known of the creation and experience of trust. In the following we study interpersonal and inter-organizational trust creation. After that we show some means to build trust and build a conceptual model on trust building in inter-organizational context.

Inter-organizational and Interpersonal Trust

Zaheer et al. (1998) note that interpersonal and inter-organizational trusts are related but different constructs. The link between personal and organizational trust has not been clear. It would seem logical to say that it is always the people and not organizations that trust each other. Exchanges between firms are exchanges between individuals or small groups of individuals (Barney and Hansen 1994, 181). However organizations have reputations and images and they develop routines, processes and culture, which unify the behavior of their employees and the responses to external contacts. We propose that there is both interpersonal and inter-organizational trust, but it is always people in the organizations that trust. Zaheer et al. (1998, 142) defines interpersonal trust as "*the extent of a boundary-spanning agent's trust in her counterpart in the partner organization*". They further define inter-organizational trust as "*the extent of trust placed in the partner organization by the members of a focal organization*". According to Creed and Miles (1996, 20) organizational trust may be summed as embedded predisposition (a function of managerial philosophy and its manifestations), characteristic (dis)similarity (affected by organizational actions and structure) and experiences of reciprocity (affected by organization context for reciprocity).

Jones and George (1998) have studied how trust can be experienced and created. According to them positive moods and emotions set the scene for favorable evaluation of the other party, positive experience of trust, and enhance subsequent trust building (Jones and George 1998, 537). *The experience of trust* may be described as in the Figure 2. Each individual's value system sets a ground for his/her experience on trust. It is believed that values may create a propensity to trust, which is more basic and general than trust based in specific situations and relationships (Jones and George 1998, 532, they also cite Mayer et. al., 1995). Values are general principles or an individual's guiding system. They are relatively permanent and make a setting for the experience of trust. In the long term also values may change as the individual gains new knowledge and her/his attitudes change e.g. due to accumulated negative experience on partners' opportunistic behavior.

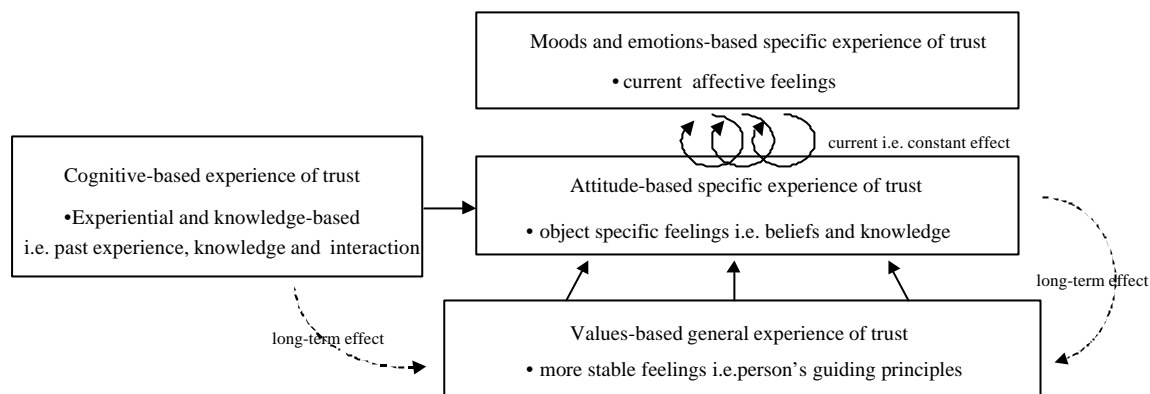


Figure 2. Experiencing trust (in accordance with text of Jones and George 1998)

Attitudes may be seen as knowledge, beliefs and feelings about other/s and as means through which interactions with others are defined and structured (see Jones and George 1998, 3). *Moods and emotions* may play a major role in creating first impression. First impressions are important since they set the tune for the relationship and enhance trust and relationship development. Moods and emotions may have a major role also in turbulent businesses where fast decisions are made in short encounters and where the uncertainty and risk are great. Moods and emotions are the most temporary, least rational and yet a very strong element in the experience of trust. O'Brien (1995, 47) notes the parallel significance of cognitive (rational) and affective (emotional) trust. The emotional element in trust explains the strong impact of broken trust.

Anthony Giddens's (1989) Theory of Structuration consists of interplay between structure and action. This means that action (process, practice) simultaneously constitutes structure and is enabled by structure. Along time the structures of signification, legitimization and domination become institutionalized and taken for granted, which enhances similar assumptions and expectations enhancing mutual trust (Sydow 1998, 37). Theory of Structuration has a useful dual play of structure and action. In similar vein trust is built by individual or organizational structures (or characters), which are signaled through actions, which are evaluated as signs of trustworthiness (see our later model for trust building in Figure 5).

According to Zucker (1986) the central modes of trust production are the institutional-based trust, characteristic-based trust and process-based trust. Institutional-based trust is tied to formal societal structures depending on firm-specific or individual attributes and on intermediary attributes. Characteristic-based trust is tied to a person and based on e.g. ethnicity or background. The process-based trust is tied to expected or past exchange, e.g. reputation. Zucker explains how in the US enterprises the institutional-based trust supplemented the process-based trust on the early industrial formation (mid 1800s to early 1900') due to social and geographic distance and exchanges across group boundaries.

Individuals are believed to maintain mental accounts regarding the perceived history of trust-related behaviors involving self and others (Douglas and Creed 1996, 9). Thus it is proposed that parties in an emerging relationship constantly, consciously or unconsciously evaluate trustworthiness from the indices or signals in others' speech and behavior (**Figure 3**). As an ultimate goal they want to see whether the other party would risk their well being (act

opportunistically or in a way which is not in mutual interest) or whether they can trust the other party's integrity in promoting mutual good.

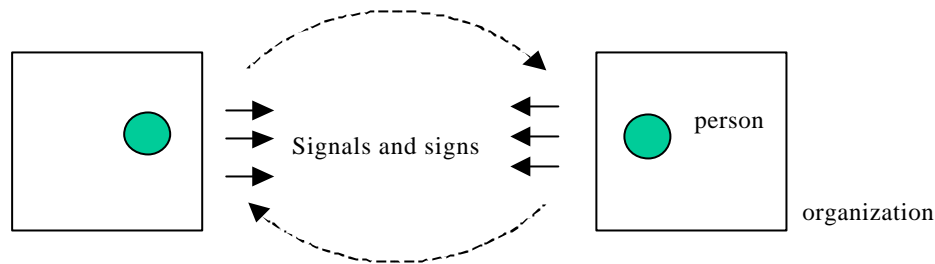


Figure 3. Mutual assessment of trustworthiness

Meanings are created in an evolutionary and iterative process in the interaction between humans. Trust and mutual interdependence are *the indispensable grounds for interaction* (Ståhle 1998, 89). Ring (199X) proposes that relationships between strangers emerge incrementally and begin with little deals, that require little trust. The ability to deal with risk and ability to develop trust varies in accordance to boundary-spanners' ability to understand processes and sense making. Jones and George (1998) see the development of trust as a development path from *conditional trust*³ to unconditional trust (the development may also be backwards even to distrust). Discovering the other parties value system at the outset would be very costly consuming a lot of time and effort (Jones and George 1998, 536). Therefore parties may initiate a relationship under conditional trust and deeper insight and knowledge of the trustworthiness is gained through the process.

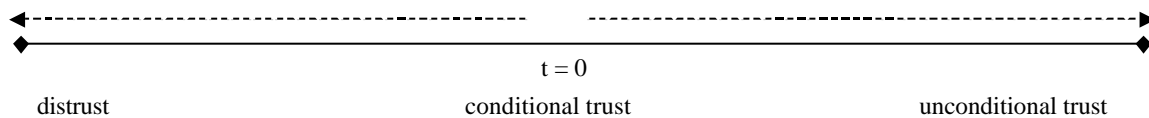


Figure 4. The trust continuum (in accordance with text of Jones and George 1998)

Conditional trust may be enough for an exchange relationship to function at a certain level, but the need to monitor and control remains. Relationships are yet of distance and trust is on a testing period. Trust is always fragile and the early, conditional trust is on a testing period. Even minor signals of distrust may freeze the interest and attempt to develop the relationship. If trust deteriorates enough, parties can no longer take the role of the other and distrust emerges (see also Fox 1975 and Zucker 1986). If the parties are able to reach level of *unconditional trust*, they may concentrate fully on the task to be accomplished. Unconditional trust creates positive affect and friendship, which widens the way the parties see their role and tasks.

Individual and Organizational Trust Impact each other

Halinen (1994, 280) explains that at some point extensive trusting personal networks between companies lead to trust at company level, as it is difficult to attribute trust to any person or persons in particular. Individual, organizational and inter-organizational trustworthiness is interrelated. Anderson and Narus (1990, 45) note that in organizational relationships the firm

³ In similar vein, Barney and Hansen (1994, 179) refer to strong, semi-strong and weak form of trustworthiness. Strong form of trust reflects partners' values, principles and standards and display their unique history, culture or personal beliefs and values.

suffers the potential losses, and usually not by individual. Thus organizational relationships may entail less intensity and personal commitment than personal relationships. Personal trust has been seen as a mechanism for promoting organizational trust (Swan et al. 1985) and enhancing performance (Zaheer et al. 1998). In accordance we propose that building personal trust in asymmetric partnerships may be an effective trust strategy used by successful entrepreneurs coping with large organizations.

Personal and organizational trust impacts each other as managers learn what kind of behavior is rewarded (punished) in their organizations (Whitener et al 1998). Managers observe and learn from each other through discussion and stories. Organizational culture (coordination, communication and decision-making) encourages or discourages managerial trustworthy behavior. Interpersonal and inter-organizational trust may develop and impact each other simultaneously or so, that either one develops first and impacts the other. A new manager with a trustworthy character and trusting personality may introduce a “trusting” culture that will be learned and diffused into the organization. Swan et al. (1985) found that trustworthiness of salespersons affected the trust experienced for the company. Vice versa, if a company has a good reputation in e.g. partnering, an outsider may expect to meet competent and trustworthy partner managers. The interplay between interpersonal and inter-organizational trust is dynamic e.g. if either one deteriorates, this will have a negative impact on the other.

Based on person’s disposition, experience and values, trustworthiness is *perceived* i.e. different people emphasize and evaluate trustworthiness differently. The propensity to trust varies also in accordance to person’s experience and values. For some people it may be morally very important to be trustworthy and maintain the integrity, whilst others don’t place so much value on reputation for trustworthiness (see e.g. Barney and Hansen 1994, Blois 1999). Therefore, if an organization wishes to develop a reputation for trustworthy organization and evaluate other organization trustworthiness consistently, a strong organizational culture promoting trustworthiness is needed. In addition to positive mechanisms also some control and potential sanctions are needed since trust is always context-specific. A single boundary-spanner may act opportunistically if the context and incentives are right (Barney and Hansen 1994, 187).

Bases and Tools for Trust Building

In the following

Table 1 some bases for trust building identified in the relevant literature are introduced. It should be noted that they are mainly from some other context (e.g. employee trust in the employer) since there is little written on building inter-organizational trust (Halinen 1994, Sydow 1998). Bases for trust are organized in accordance to the three dimensions in the concept of trust. It should however be noted, that e.g. equity may be both signaled in intentions (goodwill) and in realized actions (behavior). In the third column authors offer potential tools how build trust in the technology partnership context.

Table 1. Bases for trust (in asymmetric technology partnerships)

Bases for trust	Author	Routines, practices and processes
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to build trust

COMPETENCE: TECHNICAL CAPABILITIES, SKILLS AND KNOW-HOW		
<i>Competence</i>	O'Brien 1995 Mishra 1996 Sydow 1998	<ul style="list-style-type: none"> • Reputation as a competent actor, professionalism • References of difficult projects • Prizes for outstanding technology • First-to-market technologies • 3rd party screening (attracted partners) • Symbols, e.g. education, memberships • Realistic judgement, soundness of vision
GOODWILL: MORAL RESPONSIBILITY AND POSITIVE INTENTIONS TOWARD THE OTHER		
<i>Self-reference</i> i.e. ability to understand difference and appreciate complementarity <i>Receptiveness</i> of organizational Culture <i>Internal interaction</i> in the organizational culture	Luhmann 1995 Stähle 1998 Dodgson 1992 Sydow 1998	<ul style="list-style-type: none"> • Internal analysis of own competencies • Evaluation of needed complementarity • Clear and precise communication of needs • Internal information on status and purpose of partnership • Internal flow of information • Positive attitude towards colleagues and own organization
<i>Double-contingency</i> i.e. ability to connect to other actors in the system and accept the mutual interdependency <i>Equity</i>	Luhmann 1995 Sydow 1998 Stähle 1998 Das and Teng 1998	<ul style="list-style-type: none"> • Negotiation style (win-win) • Choice of boundary-spanners (with experience/ understanding from both worlds) • Project champions, interdependence at project level • Equity preservation as a sense of fairness (input/output) • Contracts
<i>Reciprocity</i>	Creed and Miles 1996	<ul style="list-style-type: none"> • Consistency in management and boundary-spanners' expressions and behaviors • Expressed values and norms for reciprocity
<i>Reliability</i> <i>Security and stability</i>	Mishra 1996 Erikson 1950 Creed and Miles 1996 Sydow 1998	<ul style="list-style-type: none"> • Expressed norms as keeping promises • Consistency and stability of boundary-spanners • Consistency of values and norms between boundary-spanners and organization • Repeated contacts, information of changes • Organizational social control and sanctions
<i>Shared values</i>	Jones and George 1998	<ul style="list-style-type: none"> • Declaration of values, rules of the game • Socialization, personal interaction, blending cultures
<i>Social similarity</i> <i>Personal chemistry, Homophily of organizations Same social sub-system</i>	Zucker 1986 Creed and Miles 1996 Ladegård 1997 Powell 1990 Sydow 1998	<ul style="list-style-type: none"> • Training staff of potential differences • Informal meetings to increase mutual understanding and socialization, e.g. sauna • Similar status • Norms and symbols • Choice of boundary-spanners
<i>Socialization and Creating shared meanings</i>	Zucker 1986 Nonaka 1996 Tyler and Kramer 1996 Hardy et. al. 1998	<ul style="list-style-type: none"> • Shared goals and visions • Rituals and symbols • Informal meetings, Inter-firm visits • Training and education, workshops • Group identity: kick-offs, celebrations • Social support and recognition
<i>Management philosophy</i> <i>Rule of signification</i> <i>Organizational culture</i>	Barnes 1991 Barney and Hansen 1994 O'Brien 1995 Creed and Miles 1996 Whitener et al 1998 Sydow 1998 (Giddens 1984)	<ul style="list-style-type: none"> • Consistency in partner mgt philosophy • Mutuality in legal contracting • Behavioral integrity • Leadership style e.g. delegation, rewards • Advice and support • Emotional involvement: care and concern • Values and norms

<i>Goals and visions</i>	Das and Teng 1998 Sydow 1998	<ul style="list-style-type: none"> • Convergence of goals • Shared views • Joint goal setting process • Clear communication of goals
<i>Organizational structure</i>	Creed and Miles 1996	<ul style="list-style-type: none"> • Clear organizational roles • Delegation for decision-making • Possibility to identify decision-makers and key persons (visibility)
BEHAVIOR: INTERACTION BASED ON COGNITION AND EXPERIENCE		
<i>Communication</i>	Luhmann 1979 O'Brien 1995 Mishra 1996 Das and Teng 1998	<ul style="list-style-type: none"> • Proactive, open and prompt communication • Clearness and frequency of communication • Taking care of internal communication • Organizational practices and processes to ensure regular communication • Advice and consulting included • Support and advice included (emotions)
<i>Multiplexity of communication</i>	Sydow 1998	
<i>Information</i>	O'Brien 1995 Swan 1995 Mishra 1996 Das and Teng 1998	<ul style="list-style-type: none"> • Sharing sensitive information • Sharing future plans related to partner • Open and prompt information (opinions) • Both positive and negative aspects informed • Also emotional information (feelings)
<i>Concern</i>	O'Brien 1995 Mishra 1996	<ul style="list-style-type: none"> • Proactive information, advice • Consideration for mutual needs • Social support
<i>Learning and Understanding</i>	Whitener et al 1998 Jones and George 1998	<ul style="list-style-type: none"> • Choice of boundary-spanners • Continued interaction • Inter-firm workshops • Informal social events
<i>Interfirm adaptation</i>	Das and Teng 1998 Se	<ul style="list-style-type: none"> • Transfer of key personnel • Wide organizational interface
<i>Commitment</i>	Das and Teng 1998 Barney and Hansen 1994	<ul style="list-style-type: none"> • Risk taking in unilateral investments • Incremental investments, hedging • Credible commitments • Expectations for future business
<i>Shadow-of-the future</i>	Axelrod 1984 Sydow 1998	
<i>Personal experience</i>	Creed and Miles 1996	<ul style="list-style-type: none"> • Face-to-face meetings • Company visits, product testing
<i>Reputation</i>	Barney and Hansen 1994 Zucker 1986 Creed and Miles 1996	<ul style="list-style-type: none"> • References • Well-known partners, board members etc. • Trusted 3rd party introduction • Reputation mgt: incentives and punishment

Competence (O'Brien 1995, Mishra 1996, Blomqvist 1997) is believed to be a basic and profound source of trust in asymmetric technology partnerships. Competence may be divided into technological, economic and partnering competencies. It may be evaluated as a soundness of organizational strategy and vision of management. Ability to perform and reputation for partnering are aspects of organizational competence as well. At individual level competence is signaled in professionalism, capability to carry through, realistic judgement of a situation and inter-personal skills. Already at the very first meetings the professionalism of the counterpart is evaluated. *Self-reference and double-contingent relationships* (Luhmann 1995, Ståhle 1998) mean that parties are able to refer to themselves and their competencies as actors of the system and dependent on other actors. *Organizational and personal self-reference* (Ståhle 1998, Luhmann 1995) describe the actor's ability to define her/himself, appreciate, evaluate and communicate the complementary needs to other actors. A large company with strong NIH (not invented here) may not be able to appreciate complementary knowledge and resources. At an individual level the ability to tolerate dissimilarity is needed

in order to be able to enjoy the benefits of complementary (by definition dissimilar) actors. *Equity* (Das and Teng 1998) is a profound base for cooperation. Open dialogue based on *equity* characterizes double-contingency relationships. *Reciprocity* is a vital manifestation for the development of trust. At organizational and inter-organizational levels it may be enhanced through norms and values promoting reciprocity. *Shared values* promote synergistic social behaviors and organization-specific investments (Jones and George 1998, 540). Shared values and subsequent trust also increase persons' will to stretch his/her roles in the organization. Resulting high personal involvement promotes joint effort. Identification with a group increases expectations that others will reciprocate (Tyler and Kramer 1996, 8). *Social and character similarity* breeds trust (Creed and Miles 1996, Ladegård 1997). Social similarity may be based on character, education, competence and personality at individual level. At organizational level character similarity may be characterized by compatible organizational culture and values. In asymmetric partnerships both personal and organizational dissimilarity may exist and cause inertia. Social dissimilarity in asymmetric partnerships may be managed with boundary-spanners able to cope with both worlds. *Socialization and shared meanings* (Zucker 1986, Nonaka 1996) create trust. Shared experiences and interaction at individual level may enhance socialization. Building a wide interface and promoting partner's visits may also enhance socialization.

Managerial philosophy reflects an attitude towards economic life, which become visible via consistency of management behavior and organizational norms of e.g. honesty, openness and keeping promises. It actualizes in management behavior, which should be reflected very carefully in respect to their impact upon inter-organizational trust (Sydow 1998, 55). At individual level the *propensity to trust* involves the ability to accept risk and delegate as well as will to communicate feelings and expectations openly. *Organizational culture and values* can be seen in consistency of organizational behavior, decisions and values. *Personal values* realize in attitudes, emotions and finalize in made choices. In management philosophy trustworthiness may be experienced at both cognitive (rational) levels of trust such as competence, fairness or openness and in affective (emotional) levels of experienced trust such as care and concern (see O'Brien 1995).

Converging goals set jointly create trust and commitment (Das and Teng 1998). *Organizational structures* may be quite difficult for partners to identify and understand. In volatile industries like Telecom organizations are in the middle of change and development process, which is reflected into organizational structures. Some aspects of this change may be communicated without losing too sensitive information. Organizational structure and roles refer to the clarity and visibility of organizational structures to external parties and the authority of organizational actors to enact their roles. At individual level the role clarity brings predictability and role stretching creates a feeling of adjustment to needs. In order to create a sufficient feeling of openness and security necessary for trust to develop the roles and relevant authority (Creed and Miles 1996) of large firm boundary-spanners should be made clear to potential partners.

Information and communication are perhaps the most common and in theory easy to manage sources of trust. However in every-day life much of the distrust is created due to inappropriate communication on issues, feelings, intentions and opinions. According to Zucker (1986, 93) production of trust rests on common base of knowledge, which increases the predictability of partner behavior through shared meanings (also Hardy et. al. 1998, 69). Relevant information should be given promptly and frequently (O'Brien 1995, Sydow 1998) and also some negative aspects should be revealed. In addition to fact-based information also

information on *feelings, intentions and opinions* should be communicated. In successful communication building trust and creating knowledge all these different types of information exist. Sydow (1998, 49) refers to *multiplexity of network relations*, meaning that organizational actors transact for a variety of reasons and exchange different contents, i.e. information and emotion. If a communicator is able to be clear and precise of the issue and simultaneously add and develop the dialogue, s/he is bound to develop a trusting relationship. Combination of subjective and experience based tacit knowledge and more objective and rational explicit knowledge is also in the heart of Nonaka's (1995) *knowledge creation*. Communication skills are especially important when natural socialization does not enhance trust building as asymmetric technology partners work separately and in different contexts or cultures. *Concern* (O'Brien 1995, Mishra 1996) shows care and is an emotional basis for trust. If this is shown honestly in the form of proactive information, advice and social support, it may be a strong building block for trust. *Openness* and concern may be possible to the extent not to reveal proprietary information. Parties may be quite frank of their internal competencies and weaknesses (challenges). Informing of delays in schedules shows concern for the resource-constrained small party. In line with above presented idea of organizational boundary-spanners with knowledge of both worlds, Zucker (1986, 93) notes the need to assign a "translator" in order to gain access to highly specialized or idiosyncratic knowledge. *Security and stability* (Erikson 1950, Creed and Miles 1996) create trust. Thus communicating clear organizational roles and repeated contacts create trust through security. Individual boundary-spanners and organizational principles should converge in order to meet the expectations set for the organization (Sydow 1998, 46). Changes are evident but informing the other party of possible changes in advance will *show concern and subsequently enhance security and reliability*.

Learning (Whitener et. al. 1998) of mutual competencies and differences is bound to lessen the negatively experienced dissimilarity and thus increases mutual understanding. *Understanding* enhances the ability to take the role of the other, an important source of trust creation (Jones and George 1998). Thus trust could be enhanced by increasing education to accept diversity and by stressing the perceived similarities. Asymmetric partners may organize inter-firm workshops and seminars, where both parties present and work in teams. Informal settings may also increase understanding if partners are seen in different light. Asymmetric partnering may be easier if partners had *personal experience* (Creed and Miles 1996) of the other context, e.g. an entrepreneur had previously worked in a large firm (Blomqvist 1999). *Inter-firm adaptation* (Das and Teng 1998) is a sign of commitment enhancing trust. Adaptation may be quite unusual in the large party of an asymmetric partnership. Transfer of key personnel could increase the motivation for adaptation and potentially enables some consideration for learning and best practices. *Commitment* is a concrete base for trust. Commitment may materialize in the relation-specific investments e.g. time and sense of urgency of the key boundary-spanners and management. *Reputation* (Zucker 1986, Creed and Miles 1996) is a focal source for trust both at organizational and at personal level. A *reputation of a third party i.e. intermediaries may be used* for trust building (Zucker 1986, Sydow 1998). Internal norms, incentives and threat of punishment may help to manage reputation.

Scope and Tempo of Trust

Trust is based on competence, goodwill and behavior. In order to build trust a wide scope of information is needed as different types of information (rational-emotional, economic-social, tacit-explicit) affect the experienced trust. Even in the business context the emotional level

has a great impact on organizational trust building. Personal feelings and emotions are intertwined with more rational factors (see Figure 2). In order to be able to communicate needs and expectations precisely and efficiently, both rational and emotional information is needed. Overly emotional information is not believable since it may seem subjective lacking facts. Pure rational information of objective facts again lacks emotional depth ensuring the other party of the commitment and true intentions of the speaker.

Luhmann (1979) notes that interacting parties may “overdraw on the information base” in the early phase of the relationship. Lewis and Weigert (1985) describe that “sentiments of trust” re-enforce the trust building process. Especially in the partnership initiation, when there is little information available, parties may rely on soft issues and personal impressions. As the relationship evolves, parties gain insight through experience and are thus able to form a more rational and cognitive estimation of the other party.

Natural trust develops slowly, through incremental investments and experiences. Barney and Hansen (1994, 184) question the possibility to develop *fast trust* as they believe the development of special governance skills (trust building) to be path-dependent, socially complex and costly to imitate. In general trust is believed to evolve slowly, through repeated interactions of increasing satisfaction (e.g. Blau 1964). In order to develop fast trust it seems that *clear roles* and *open communication* are crucial. If parties are able to state their needs and expectations openly, they may be able to discover the possibilities and potential of the relationship early. If parties are aware of the basic premises (what are the goals, what is needed to reach the goals, what are they capable to provide themselves and what is needed from the partner) and if they are able and willing to communicate, trust building process should fasten. Basically, speeding up trust building depends on individual and organizational communications as well as on interpersonal and partnership competencies.

A Model on Building Organizational Trust

Personal and organizational trust is closely intertwined, as it is only persons who may build trust and evaluate trustworthiness. However persons and organizations may both be objects of trust. The development of trust is based on both organizational and personal trust. In the following Figure 5 this dual nature of trust building is illustrated. The basic idea of a model of structure and action is based on Giddens' Theory of Structuration (1984). Model is organized in accordance to the three-dimensional conceptualization of trust (competence, goodwill and behavior). The concepts used as bases for trust in this tentative model are chosen from relevant literature and reflection (see

Table 1). The organizational bases for trust are realized in organizational actions. In similar vein the individual bases for trust are realized in individual actions. Actions show the evaluator (auditor for trust) the validity of the base for trust through signals and signs.

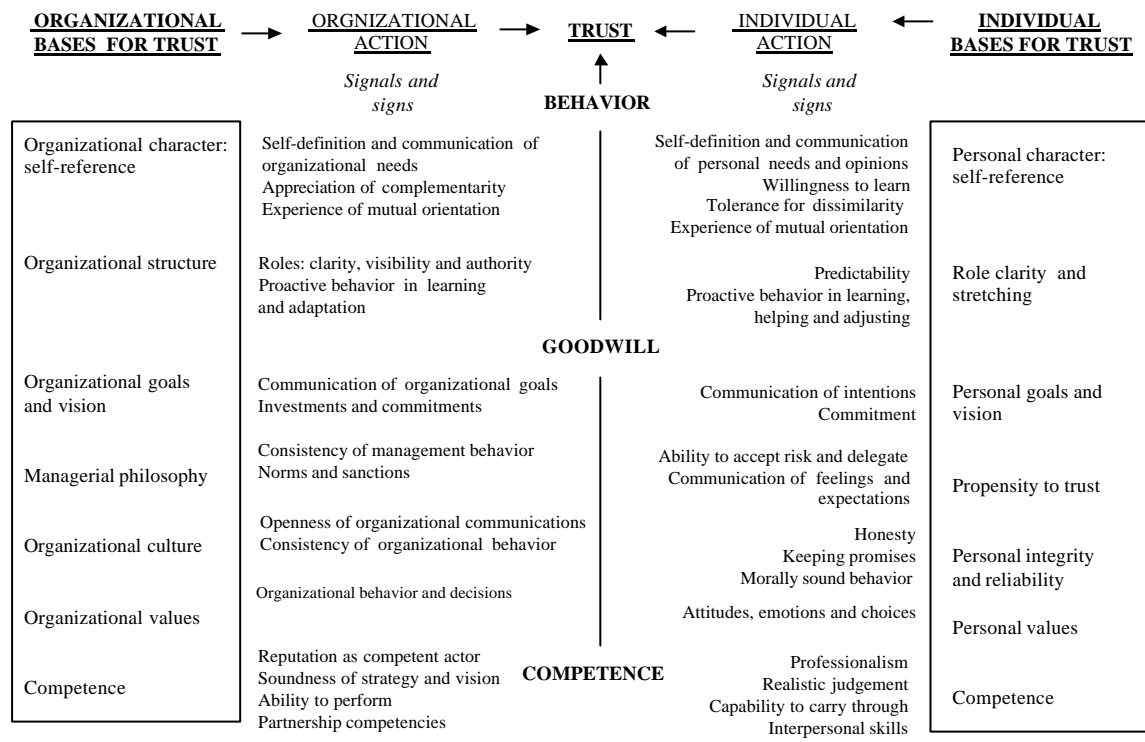


Figure 5. Organizational Trust is Composed of Individual and Organizational Actions

The interplay between structure and action in the model may be understood in the light of the dynamics of trust. Trust building is an iterative and cyclical process, where the issues (bases, sources or objects for trust) are evaluated iteratively and at both static and dynamic state. E.g. managerial philosophy may be learned from a company presentation and understood as moral or positive intention. However it actualizes in e.g. a contractual conflict.

Conclusions

Trust may have a major role in reducing friction and costs in asymmetric technology partnerships, where partners’ asymmetry, technology embedded and the short “shadow-of-the-future” set special challenges for partnership formation. If the nature of trust and general mechanisms for experiencing trust are known, it may be possible to act “trust-consciously” e.g. by stressing the amount and scope of communication. *Self-reference* and *self-confidence* impact in trust building trust at personal level, similarly the internal level of trust in a company is believed to show and have an effect on external parties (Sydow 1998). Especially in large organization context the professional management may not have experienced the need to build trust nor learned to do it due to authority and power available.

Methods to develop inter-organizational trust are the very basic building blocks of human and organizational interaction. Even, if it would not be possible to *intentionally create* trust or *manage another party’s propensity* to trust, it seems to be possible to enhance conditions for trust-building. Especially in volatile risky telecommunication sector the ability to build and sustain trust could be a source for sustainable competitive advantage. Trust may increase efficiency and save costs but only, if used efficiently since building trust generates also costs

(see also Zucker 1986, Barney and Hansen 1994). It must be taken not to “overdo” trust building, since trust is context and person-specific. Thus the appropriate means and methods applied in each case should be considered carefully.

We have presented a conceptual model based on building organizational trust based on literature, personal experience and insight on the issue. The next challenge is to build propositions and a robust research design for empirical testing. At this stage the richness and complexity of the subject calls for empirical cases with in-depth interviews.

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