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THE MANY FACES OF TRUST

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Abstract — The purpose of this article is to analyse how the concept of trust is approached and defined in various disciplines, in order to reach a generally acceptable definition that could be used in business research. An interdisciplinary approach is chosen because the concept seems to be used somewhat differently, depending on the context and the disciplinary eyeglass of the author in question. Also, much of the business research on trust has its roots in social psychology, economics or philosophy. It is hoped that an analysis of the various *levels and dimensions of trust* as well as an enumeration and differentiation of the *related constructs* will advance the study of this significant but complex phenomenon, and that *a more accurate usage and a better understanding of the various dimensions and levels of the concept can be accomplished.* Empirical documentation of the factors generating trust lies outside the scope of this article. Nor is a universal definition of trust constructed, since such a thing is deemed impossible, but a *working definition for business contexts** is proposed. © 1997 Elsevier Science Ltd

Key words: Trust, conceptual analysis, interdisciplinary research

INTRODUCTION

Practitioners often call trust the most important success factor for their business (e.g. among many others, Holtari and Saarikangas, 1994; Glover, 1994). Researchers also acknowledge that informal trust relationships are widespread and important for business (Macalay, 1963; Arrow, 1974; Lorenz, 1988; Håkansson, 1989). Trust has been identified as a major factor influencing such things as capital investment, the sales of high-value investment goods, relationship marketing, cross-cultural communication, learning and various types of cooperation such as high-tech development projects, as well as transaction governance and costs. It is one of the basic variables in any human interaction (Gambetta, 1988).

Even if trust has long been acknowledged in social science and psychological literature (see e.g. Deutch, 1958; Erikson, 1968), there is still a good deal of conceptual confusion (Lewis and Weigert, 1985; Young and Wilkinson, 1989) have found that there has been *no real conceptual development* regarding trust, although, in some studies a definition of trust is given and in others merely implied. Young (1993) describes the existing categories and combinations of the definitions of trust as being of limited use, because "they are primarily concerned with cataloguing the characteristics associated with the presence of trust and/or generating it and of the roles played by trust, i.e. the benefits arising from it". Parkhe (1993) notes that merely knowing the ingredients of trust does not unlock the recipe for trust.

*In everyday language different connotation are inevitable and understandable. For research purposes, however, a definition as distinctive and explicit as possible is a necessity.

Recently, trust has gained in popularity as a topic among marketing researchers, becoming almost a "catch all phrase" (Huemer, 1994). However, the various authors have used the construct very differently and are thus actually describing different things. This is due partly to different contexts, but also to poor conceptualization. There is a good reason to say that trust has not yet been distinguished from related constructs, and that its conceptual clarification is still too incomplete for scientific progress to be made.

TREATMENT OF TRUST IN VARIOUS FIELDS

The concept of trust appears in many disciplines, but according to authors active in their specific fields, it has not been thoroughly studied (Lewis and Weigert, 1985; Lorenz, 1988; Young and Wilkinson, 1989; Lagerspetz, 1993; Moorman *et al.* 1993; Noorderhaven, 1992; Young, 1993). In this article the concept is reviewed from the perspective of social psychology, philosophy, economics, contract law and market research.

Trust in social psychology

Trusting behaviour as seen in social psychology implies allowing oneself to be in a potentially vulnerable position relative to another, while possessing some knowledge of the other that inspires trust in his goodwill, i.e. in his good intentions (see e.g. Luhmann, 1979). Thus risk and some information about the potentially trusted person or situation are seen as necessary conditions for trust to exist. Most researchers see trust as a function of imperfect information (see e.g. Lewis and Weigert, 1985; Oakes, 1990). Granovetter (1992, p. 39) borrows Simmel's words: "the person who knows completely need not trust; while the person who knows nothing, can on no rational grounds afford even confidence". Thus in total ignorance it is possible only to have faith and/or gamble. Again under perfect information, there is no trust but merely rational calculation.

Many of the *psychologists* referred to in Table 1 on the following page define trust as a personal trait (Deutch, 1958; Rotter, 1967), while other researchers stress its social aspects (e.g. Blau, 1964). This approach to trust as an interpersonal phenomenon seems relevant, as the concept makes very little sense to a man on a desert island.

Jack R. Gibb (1978), a psychologist and clinician, has created a theory which he calls trust level theory. According to this theory trust level is the central variable determining the interaction of the processes and the resulting effectiveness of the systems. Gibb finds that trust is instinctive, unstrategized and, as a feeling, is close to love.

The reciprocal and self-enforcing nature of trust is generally noted; trust tends to evoke trust, and distrust to evoke distrust. Also, as trust erodes, the things causing distrust might first be considered as accidental incidents, but after repeated evidence of intentionality distrust takes over (see e.g. Fox, 1975; Zucker, 1986). Trust is usually seen as situation-specific (Frank, 1988). Moorman *et al.* (1993) make a very important point when they note that both belief and behavioural intention must be present for trust to exist. Trust is limited, if one only believes in the trustworthiness of the other, without being willing to rely on it. Also, if one is willing to rely on another party without believing in that person's trustworthiness, this reliance may be more a function of power and control than of trust.

Trust in philosophy

Surprisingly enough, *moral philosophers* have written very little about trust. For example, the great thinkers, Plato and Aristotle, have only indirectly implied trust while discussing cooperation and friendship and the virtues of the human being (see Baier, 1986; Hosmer, 1995).

Table 1. Summary of the definitions of trust by the social psychologists

Authors	Definition of trust	Context
Deutch (1958)	"An individual may be said to have trust in the occurrence of an event if he expects its occurrence and his expectation leads to behavior which he perceives to have greater negative motivational consequences if the expectation is not confirmed, than positive motivational consequences if it is confirmed."	Analytical conceptualization attempting to capture the various everyday connotations and permitting experimental research on conditions affecting trust.
Blau (1964)	"Parties can gradually build trust in each other through social exchange demonstrating a capacity to keep promises and showing commitment to the relationship."	Analytical conceptualization emphasizing parties' interaction and the gradual growth of trust.
Rotter (1967)	"An expectancy held by an individual or a group that the word, promise, verbal or written statement of another individual or group can be relied upon."	Analytical conceptualization, where trust is equated with reliance on others' honesty.
Giffin (1967)	"Reliance upon the characteristics of an object, or the occurrence of an event, or the behaviour of a person in order to achieve a desired but uncertain objective in a risky situation."	Following the work by Deutch, Giffin delineates the elements he sees as essential in a trusting person.
Schlenker *et al.* (1973)	"Reliance upon information received from another person about uncertain environmental states and their accompanying outcomes in a risky situation."	A laboratory simulation of 40 female students receiving noncontingent promises of cooperation from a simulated player.
Frost *et al.* (1978)	"An expectancy held by an individual that the behavior (verbal or nonverbal) of another individual or group of individuals would be altruistic and personally beneficial to himself."	A longitudinal questionnaire study of 59 undergraduate students about the influence and trust levels in the group.
Hake and Schmid (1981)	Trust as a temporary deviation from equity.	A psychological test of trusting among 26 college students, who solved problems for money jointly. Trusting behaviour was seen as an increase in the number of consecutive problems each subject allowed his partner to work on during sessions that also ended with an equitable distribution.
Good (1988)	"Trust is based on an individual's theory as to how another person will perform on some future occasion, as a function of that target person's current and previous claims, either implicit or explicit, as to how they will behave."	The author studies trust in the psychological literature concerned with the conditions creating trust and the factors that affect the durability of trust.

Usually moral philosophers see trust as good, and the disappointment of known trust as always wrong (Baier, 1986).

Philosophers see trust in a variety of forms and versions: it can be unconscious, unwanted or forced, or it may be trust of which the trusted is unaware (Baier, 1986). It may be a question of encounters between strangers, or of long-term trusting relationships. Trust may be absolute and unreciprocated, like trust in God or Marxism.

According to Hobbes (quoted in Dunn, 1988) a trusting person would not set up any safeguards. Baier, Herzberg and Lagerspetz also draw attention to the implicit nature of trust, which is not given on grounds and is not a rational option. Philosophers emphasize the trusting attitude, often unconscious, as being part of a basic conduct of life. Reliance is seen as a narrower concept; somebody might be relied upon in certain respects. Reliance is therefore also viewed as an outcome of grounded expectations, and as separate from trust (see Table 2).

Trust in economics

Economists have not traditionally paid much attention to the role of trust in market exchange (Lorenz, 1988). The neo-classical ideal market, with perfect information and pure competition between independent and faceless traders, does not involve trust as a central concept, since the competitive market is supposed to control any deception. Also, rational choice theory excludes differences among actors, which means that no one of them is more, or less, trustworthy than the others (see the discussion in Noorderhaven, 1992). That is to say, if the actors were all perfectly honest, doing their best to fulfill their commitments, then there would be no problem of trust.

The shift in focus towards imperfectly competitive markets in which a small number of traders build long-term relationships and make relation-specific investments,* has drawn attention to this issue (see Table 2 and e.g. Lundvall, 1990). Those economists who do see the notion of trust as relevant and useful, regard it as mutual confidence, "implicit contracting," where by an individual or firm trusts a second individual or firm to do what it has promised to do (Zucker, 1986).

Economists believe that repeated games like the Prisoner's Dilemma (Axelrod, 1984) have demonstrated the effects of learning, communication and the "shadow-of-the-future" (the existence of potential future transactions); the participants will cooperate when it pays them to do so, i.e. if it is rational. Trust is then seen as a response to expected future behaviour.

Table 2. Summary of the definitions of trust by the philosophers

Authors	Definition of trust	Context
Hobbes (1750)	"A Passion proceeding from the Belief of him from whom we expect or hope for Good, so free from Doubt that upon the same we pursue no other Way to attain the same Good."	A philosophical discussion.
Baier (1986)	Trust is accepted vulnerability to another's possible but not expected ill will (or lack of good will) towards one. It is reliance on the other's competence, and willingness to look after, rather than harm, things one cares about which are entrusted to the other's care.	The author analyses the various forms of trust and approximates the concept.
Herzberg (1988)	Trusting another means having a trusting attitude towards the other person, without specifying where he is trusted, as could be said that after judgement somebody is relied in upon certain aspects. Thus trust is implicit, not given on grounds and is never a rational option.	Trust is compared to reliance and the nature of trust is seen as a primitive reaction understood in relation to a person's needs and wishes. To rely on someone is again to exercise one's judgment concerning him. Herzberg's paper is a philosophical discussion with some illustrations.
Lagerspetz (1992) Baker (1987)	"Trust seems to involve beliefs which are not accepted on the basis of evidence and beliefs which in some case might be highly resistant to evidence that runs counter to them" . . . "(Beliefs) are tolerated and indeed, valued."	A philosophical discussion with illustrations.

*The relation-specific assets (time, machinery) are such that if switched to alternative transactions their value is less and not fully salvageable if the relation breaks down.

Table 3. Summary of the reviewed economists' definitions of trust

Authors	Definition of trust	Context
Lorenz (1988)	"Trusting behavior consists in action that 1) increases one's vulnerability to another whose behavior is not under one's control, and 2) takes place in a situation where the penalty suffered if the trust is abused would lead one to regret the action."	Lorenz draws on psychological literature, especially on Deutch, in order to define the concept of trust for the purpose of interviewing French subcontractors.
Sabel (1990)	"The mutual confidence that no party to an exchange will exploit the other's vulnerability."	Sabel discusses the role of trust and the possibility of trust creation when building new forms of cooperation.
Noorderhaven (1992)	"Trust denotes the willingness to engage in a transaction in the absence of adequate safeguards."	Noorderhaven discusses personal and situational trust and whether organizations can be trusted. He also presents some preliminary hypotheses.
Sako (1992)	"Trust as a state of mind, an expectation held by one trading partner about another, that the other behaves or responds in a predictable and mutually acceptable manner."	A comparative study of British and Japanese buyer-supplier relationships in the electronics industry. The author argues that the trust and interdependence present in the Japanese obligational contractual relation approach based on trust, can be very competitive.

It is advised, however, that credible commitments, self-enforcing agreements and reservations used to ensure the rational behaviour of the actors who are regarded by mainstream economists as opportunists (i.e. seeking self-interest with guile) by nature (see e.g. Williamson, 1993). According to some economists trust is an "externality", a good or commodity with real economic value, which increases efficiency, but not a commodity which can be traded on the open market (Zucker, 1986).

Trust and contract law

Contract law applies to the legal rights of exchange parties and guides the planning and conduct of exchange (Grundlach and Murphy, 1993). If one party fails to perform his part, he can be threatened by legal sanctions enforced by the legal system. However, legal enforcement can be a slow, expensive and inconvenient method. This limiting role of contract law suggests the importance of ethics as a foundation for exchange development. The morality-based legal doctrines and ethical principles are emphasized especially in relational exchange* (see Macneil, 1980, on the legal doctrines embracing moral bases, e.g. in Grundlach and Murphy, 1993). The ethical foundations of exchange and contract include such things as equity, responsibility, commitment and trust.

In many cases no agreements are written. Instead, firms cooperate under mutual understanding and trust. Collectively developed norms for the trade or business in question guide the conduct of companies and changes are discussed as necessary (see e.g. Macneil, 1980). Sometimes firms begin to cooperate without a written contract, even if the ultimate aim is to sign such a contract (Blomqvist, 1993; Lindell and Bjoikman, 1993). Macalay (1963) found litigation

*Relational exchange differs from transactional exchange in its long-term orientation, strategic aim, large investments and high switching costs, as well as its complex outcomes (see e.g. Grundlach and Murphy, 1993).

to be rare, and that trust was a profound factor more valued than written contracts. In a study of 35 managers Young and Wilkinson (1989) found that those whose contracts with other firms were of formal kind, also had most conflicts. As a result they even suggest that trust is most likely to grow in situations where it is given the option to develop naturally, i.e. there are no written contracts defining the terms of the relationship.

Lawyers writing about trust tend to see it as a necessary complement to the control of formal legal contracts, which are rarely legally disputed. In general business conduct, trust and social control together with the potential nonlegalistic sanctions* (e.g. ridicule, unhelpfulness, ostracism) can be seen as important supplements to legal control (Parkhe, 1993; see also Macalay, 1963; Luhmann, 1979; Monsted, 1994). Also, very few businessmen enter into a long-term contract of strategic importance unless there is sufficient trust between the parties. Contracts seem to play a valuable role in serving as the rules of the game for the players, but they do not safeguard the success of the venture or guarantee that the parties have committed themselves to do as agreed in the contract.

Trust in marketing

Traditionally, constructs such as power and conflict have been seen as central in marketing literature. It is only recently that trust has become an issue, especially in the emerging relationship-marketing paradigm (Grönroos, 1989, 1995; Achrol; 1991; Salmond, 1994), where the establishment and management of trusting relationships have been emphasized. Various streams within the relationship-marketing approach acknowledge that trust leads to the kind of constructive and cooperative behaviour that is vital for long-term relationships (Young and Wilkinson, 1989; Morgan and Hunt, 1994). In a closely related school of thought, namely the network and interaction approach, the concept of trust has been recognized as an important attribute of industrial networks (Håkansson, 1982; Hallén and Sandström, 1991; Kock, 1991; Kaman, 1993).

The importance of trust in reducing the dysfunctional interaction in strategic alliances has also been noticed (Killing, 1989). Trust has also been defined as a prerequisite for successful project marketing (Usunier, 1990). Hallén and Sandström (1991) discuss the concept of atmosphere, which they define as the emotional setting in which business is conducted. If trust is absent, the parties enter into a competitive atmosphere. Another dimension in their illustrative typology is the balance of power (see below).

Research on distribution channels has put much effort into studying power and control, but not much attention has been paid to trust until very recently (Anderson and Weitz, 1989; Young and Wilkinson, 1989; Anderson and Narus, 1990). According to Schurr and Ozanne (1985)

	trust	opportunism
power balance	PEERS	COMPETITORS
power imbalance	PATERNALISM	BULLY/UNDERDOG

Fig. 1. Atmospheres classified by power balance and trust.

*Among Silicon Valley scientists social control is said to operate such that a scientist failing to perform, or disclosing confidential information, is penalized by sending a "flame", i.e. his performance is made public via the Internet.

consumer research has not devoted much attention to trust either, although it clearly has an important role in branding issues and services (see also Herbig and Milewicz, 1993).

The importance of trust for sales activities has also been demonstrated (Schurr and Ozanne, 1985; Swan *et al.*, 1985; Oakes, 1990; Usunier, 1990). The success of personal sales is believed to depend upon trust, i.e. on the customer's willingness to trust the salesperson and the salesperson's ability to demonstrate trustworthiness. Both these are regarded as necessary conditions for completing a sale (see e.g. Schurr and Ozanne, 1985; Swan *et al.*, 1985). In professional-client relationships trust has been identified as a key factor in relationship development and as a facilitator in the processes in question (Moorman *et al.*, 1992, 1993, Halinen, 1994). Due to the gap in competence between the two parties, the client cannot usually validate the competence or integrity of the professional and can thus only trust in it.

Market research borrows heavily from other disciplines in discussing trust (see Table 4 in the following page). Trusting behaviour is seen as a long-term attitude among individuals or companies. It tolerates minor drawbacks in the relationship, but also expects and relies on the parties to respond to one another's needs. Thus a state of mind (attitude, confidence, belief), expectation of positive outcomes and behaviour (. . . "doesn't check" . . . "treats" . . ."expects", "acts". . .) all co-exist. Empirical market research supports the positive functions of trust in relationship development and cooperation. But such research is still rare, and has so far focused mainly on the antecedents and outcomes of trust in either the marketing channel or the professional-client context.

THE MANY FACES OF TRUST — CONCEPTUAL ANALYSIS AND SEMANTICS

The concepts which are commonly used as synonyms of trust will now be identified; in each a more precise meaning will be sought, related to trust. The various elements and aspects of trust identified by trust researchers will then be reviewed.

Concepts connected with trust — semantic acrobatics

The words *credible* and trustworthy are often used as synonyms. Here a distinction is made such that credibility means for instance that an organization is capable of performing something it claims to be able to do, i.e. it has the machines, skills and other resources to act in response to a request. It could also mean that statements made by organization members are believable. According to the Collins Cobuild Dictionary, being credible is the quality of being believable. When Herbig and Milewicz (1993) discuss the relationship between reputation and credibility on the one hand and on brand success on the other, they use the concept of "credibility" as the goodwill aspect of trust is used here. According to these authors, "Credibility is the believability of an entity's *intention* at a particular time. That is, credibility is whether a company can be relied on to do what it says it will do" (Herbig and Milewicz, 1993, p. 19). This is incompatible with our thesis here, according to which "the believability of an entity's intention at a particular time" refers to the *goodwill element* in trust.

Sincerity can readily be seen as an aspect of trust, since to be trustworthy a person must also be sincere. It is not necessarily enough for us to trust the person concerned, if they are not also credible. In addition to credibility and sincerity, being trustworthy must include the attributes of predictability and goodwill, i.e. positive intentions. According to the Collins Cobuild Dictionary, a person who is trustworthy is reliable and responsible so that you can trust them completely.

Table 4. Summary of the reviewed market researchers' view on trust

Authors	Definition of trust	Context
Swan *et al.* (1985)	The customer believes that what the salesperson says or promises to do can be relied upon in a situation where the failure of the salesperson to be reliable will cause problems for the customer.	A theory-in-use methodology was employed in an attempt to build a general model of trust building. An empirical study of interviews with 42 medical salespeople.
Hallén and Sandström (1991)	Trust as a long-term attitude of relying upon the other party in the relationship, where negative incidents can be tolerated, provided long-term expectations of positive developments exists.	Hallén and Sandström discuss the concept of atmosphere, where trust and opportunism are seen as extreme poles of a t/o dimension of atmosphere.
Anderson and Weitz (1989)	"One party's belief that its needs will be fulfilled in the future by the actions undertaken by the other party."	A descriptive field study on building long-term relationships in conventional channels. Authors tested the hypotheses about the continuity of relationships on a sample of 690 relationships involving manufacturers and their independent sales agents.
Magrath and Hardy (1989)	"A belief that another person or thing (company) may be relied upon with confidence."	The authors build a conceptual framework to study trust through promises, and develop a trust audit.
Anderson and Narus (1990)	"The firm's belief that another company will perform actions that will result in positive outcomes for the firm as well as not take unexpected actions that result in negative outcomes."	An empirical study of distributor-manufacturer working partnerships. A dyadic perspective was used and trust was modelled as an outcome of cooperation.
Moorman *et al.* (1993)	"A willingness to rely on an exchange partner in whom one has confidence."	The authors build a theory of the antecedents and consequences of trust in market research relationships. An empirical study of 779 market research users.
Morgan (1991)	"The belief that another party: a) will not act in a way that is harmful to the trusting firm, b) will act in such a way that it is beneficial to the trusting firm, and c) will act reliably."	A composition of the propositions and findings of other researchers, a basis for empirical research in Morgan's dissertation.
Morgan and Hunt (1994)	"One party has confidence in an exchange partner's reliability and integrity."	The authors develop a model that positions trust (and commitment) as key variables that mediate outcomes favourable to relationship marketing success. An empirical study of 204 independent tyre retailers and their suppliers.

A concept close to credibility is *competence*, by which is meant that an actor is perceived to be able to perform something. Competence differs from credibility in that it is more passive, independent of the actor's declaration. Luhmann (1988) defines another related concept, *confidence*, stating that if one does not consider alternatives, one is in a situation of confidence. If one chooses one action in preference to others, the situation is one of trusting. Deutch (1958) sees confidence as the individual's assumption that the event he desires, rather than the one he fears, will occur. Confidence can also be seen as confidence in oneself (self-confidence), whereas trust means trusting someone else. Having absolute confidence or absolutely blind *faith* in a totally unknown source, does not seem like trust (Deutch, 1958; Giffin, 1967). When we trust someone, we do not trust only their words. However, because we know of the available options and their consequences, the person's ability, etc., we expect him to choose to keep his promise (Dasgupta, 1988). In establishing business relationships it is rarely a question of a leap in the dark. It is more likely that the parties form an opinion based on their previous knowledge and present experience of each other, before making risky transactions or agreeing on cooperation (see e.g. Luhmann, 1988).

Another closely associated concept, *hope*, does not involve unpleasant consequences if it is not fulfilled, as does trust. Deutch (1958) writes that one is not worse off if one's hope is unfulfilled, unless one has trusted one's hope sufficiently to invest in its fulfillment. Indeed hope seems rather a passive concept compared with trust. Kaman (1993) links trust to *loyalty* but sees loyalty as going slightly further than trust, and perhaps involving the sacrifice of short-term financial or strategic benefit in favour of the partner's advantage. In his vocabulary trust means reliability, and loyalty means trust. In the present article loyalty is seen as a more static, holistic and long-term concept of total positiveness towards a person's needs, and it does not seem to involve the possibility of breaking down, as trust does. The trust that keeps society going could also be called *reliance*, i.e. that something will happen: a promise will be kept, criminals will be punished according to the law, etc. (see Lagerspetz, 1992a). Thus reliance can then be seen as a narrower and more selective concept than trust, as only certain aspects are relied on. Some people are relied upon in some respects and not in others, e.g. a husband may rely on his wife completely not to commit adultery but he does not rely on her to arrive on time. Trust in

Table 5. Summary of the concepts commonly used as synonyms of trust

Concept	Definition	Connection to trust
Competence	The actor's perceived ability to perform something.	A passive concept describing an actor's ability to perform.
Credibility	The actor's perceived ability to perform something he *claims* he can do on request.	A passive concept referring to the actor's claimed ability, which does not however say anything about the actor's intentions nor his will to do the requested.
Confidence	The actor expects something to happen with certainty, and does not consider the possibility of anything going wrong.	Does not involve the conscious consideration of alternatives, as trust does.
Faith	Actor's blind belief in something.	The actor does not have, or does not request information for considering alternatives as in the case of trust does.
Hope	The actor passively looks forward to something.	Due to the actor's passivity he or she does not invest/risk anything by hoping, in the case of trusting.
Loyalty	The actor has taken a faithful stand relative to another actor, behaving totally positively towards that actor's needs.	A static and long-term concept, does not seem to involve the possibility of breaking down.
Reliance	The actor may on consideration decide to rely only on certain aspects or features of another actor or system.	A narrower concept than trust in the sense that a trusting actor trusts another in all respects after judging the character and behavior of the other.

Level	An example
trusting	a close friend or family member
cooperation (somewhat trusting)	a neighbor
neutral (neither trust nor mistrust)	a slight acquaintance
mistrust	a complete stranger

Fig. 2. Magrath and Hardy's trust scale.

something or someone appears to be a more all inclusive and holistic concept. Table 5 illustrates a summary of the concepts that are closely connected to trust.

The various elements and aspects of trust

There is a strong temporal dimension in trusting. Trust between partners is said to be a bridge between their past experiences and anticipated future (Salmond, 1994). According to Luhmann (1979), to show trust is to anticipate the future, i.e. to behave as though the future were certain. The relative importance to trust of the past and the future probably change over time, e.g. in the relationship-formation phase, for instance, there may not be much past experience to go on. As the relationship evolves, the parties gain experience and insight and are thus able to form a better informed estimate of each other. Magrath and Hardy (1989) divide trust into four levels (see Fig. 2).

Trust is usually seen as shown in Magrath and Hardy's scale (Fig. 2), i.e. as an outcome of an interaction process in which trust relationships develop gradually. However, reputation and first impression are very important, as in many cases people never get another chance to prove their trustworthiness (see also Monsted, 1994). Thus trust can be seen as a dynamic (process) and a static concept at one and the same time. The level of trust in relationships is constantly changing, it can grow or wither (see also Halinen, 1994). Organization cultures evolve and change, humans may change their behaviour due to negative experiences or an erroneous estimate of the other party's trustworthiness.

In some cultures the level of trust as well as the propensity to trust are higher than in others (see e.g. Sullivan, 1983; Frank, 1988; Usunier, 1990). Noorderhaven (1992) refers to "legalistic" cultures like the United States, where trust relations have traditionally been of less importance. Often mentioned as the opposite of this is the Japanese culture, in which contracts include such statements as "all items not found in this contract will be deliberated and decided upon in a spirit of honesty and trust" (Oikawa and Tanner, 1992; see also Sullivan and Peterson, 1982). Bradach and Eccles (1989) also point out that trust in Japan is engendered by the social norm which insists that business relations are personal relations.

Noorderhaven (1992) discusses the concept of *situational trust*, in the sense that it is very likely that a particular actor will behave in an expected way because of factors external to him, e.g. a monopsonist may expect its suppliers to honour their commitments for fear of going out of business. Noorderhaven's situational trust seems very close to *rational calculation* (Luhmann, 1988). The supplier really has no viable choice and is forced to behave in an expected way.

Personal trust implies the existence of differences in character (personality) between actors (Noorderhaven, 1992). In the same vein as Luhmann *et al.* (1989) also make a distinction between *particularistic* and *universalistic trust*. By particularistic trust they mean the same as

Noorderhaven means by personal trust, i.e. trust is based on personal knowledge of the other party. Halinen (1994) uses the term *specific trust* and refers to personal experience of the other. Universalistic trust depends on the social rather than personal characteristics of the other, whereas *generalized trust* is essential to the operation of large-scale organizations which must rely heavily on interpersonal relationships among strangers (Young and Wilkinson, 1989). It is an aggregated trust, in contrast to *dyadic trust* which refers specifically to the honesty and benevolence of the other towards the one making the judgement (Larzerele and Huston, 1980). Along much the same lines, Baier (1986) discusses *two-party trust* versus trust *networks*, and claims that a given trust relationship is constrained by all the relationships in which a person is involved. Thus third-party relationships either reinforce or reduce the trust experienced in the dyad. Baier (1986) also touches upon *the climate of trust*, meaning a society-wide phenomenon, whereby a particular society is more, or less, trusting.

Trusting a person and trusting an organization are clearly two very different things. Noorderhaven also refers to *organizational trust* and to an organization's "personality" or identity, stating that this can stem from the owner's personality (small firms) or from strongly centralized decision structure and organizational culture, which makes the organization regularly interact in a particular, "trusting" way (see also Zucker, 1986). Barney and Hansen (1994) note that the organization's values and beliefs may be supported by internal reward and compensation systems, together with decision-making systems reflecting the culture. This organizational trust can also be called *routine trust*, and it comes up especially in connection with long-term, institutionalized relationships (Noorderhaven, 1992). It seems to be very close to the generalized trust posited by Young and Wilkinson (1989). Halinen (1994) notes that *general trust* (the term she uses to mean more or less the same as generalized trust) is manifested at the company level, and that it is based on a company's good reputation or resources. She goes on to explain that at some point extensive trusting personal networks between companies lead to trust at company level, as it is difficult to attribute this feeling of trust to any person or persons in particular (Halinen, 1994).

Personal and organizational trust may merge, as Noorderhaven explains, but they can just as well differ. A single salesperson committing one opportunistic act may ruin the trustworthy organization's reputation for good. Conversely, repeated exchanges between trustworthy employees in different companies may lead to trusting relationships at the interfirm level, even if the companies had not enjoyed mutual organizational trust before. Anderson and Narus (1990) also recognize the need to be careful when aggregating trust to the interfirm level from interpersonal relationships. They note that in interfirm relationships the potential losses are suffered by the firm, and not usually by the individual, which means that they may entail less intensity and personal commitment than personal relationships.

Luhmann speaks of *system trust* whereby a system is assumed to be operating in a predictable way (bureaucratic sanctions and legal system are expected to function), and trust is placed in that function rather than in the people (Luhmann, 1979, 1988; see also Lewis and Weigert, 1985). This *system* or *institutional trust* can serve as a substitute for the need to trust at the interpersonal level. Institutional trust represents trust in major social agents in society, thus making it possible to "trust" a legally qualified doctor, for instance in the absence of direct personal experience (see e.g. Kaplan, 1973; Fox, 1975; Zucker, 1986; Hardin, 1988).

Lewis and Weigert (1985, p. 972) encompass the cognitive, emotional and behavioural dimensions of trust: "Trusting behaviour may be motivated by strong positive affect for the object of trust (emotional trust) or by 'good rational reasons', why the object of trust merits trust (cognitive trust), or, more usually, some combination of both". According to Lewis and Weigert trust in everyday life is a mix of feeling and rational thinking.

Fox (1975) separates *vertical and lateral trust* in an organization, whereby vertical trust implies the existing trust between subordinates and superiors. While lateral trust develops horizontally between those who share a similar work situation, i.e. colleagues. The meaning of trust is recognized at the personal, departmental (intrafirm), interfirm, district and nationwide level (politics).

Barney and Hansen (1994) have developed a three-level trustworthiness scale: *weak-form trust, semi-strong-form trust* and *strong-form trust.* According to them, weak-form trust exists in competitive commodity markets, where there are limited opportunities for opportunism and thus no real vulnerabilities. Semi-strong trust exists when parties find it irrational to behave opportunistically, perhaps for the fear of losing their reputation. In strong-form trust (also called *principled trust*) the parties have internalized values, principles and behavioural standards, which reflect the two partners' history, culture and personal beliefs and which counteract opportunism. It seems that weak-form trust could equally well be called "neutral" (Magrath and Hardy, 1989), semi-strong trust is more like rational calculation, and strong trust is more like trust as understood in the present article.

Towards a two-dimensional definition for business contexts

Barber (1983, p. 165) notes: "As individuals deal with each other, with organizations, and with institutions, and when organizations and institutions deal with each other, they count on both technically competent performance and on direct moral responsibility for their welfare." Usunier (1990) also sees both personal and organizational credibility as prerequisites for trustworthiness. In a similar vein Sako (1992) has created a typology of trust which has three different levels: *contractual trust, competence trust* and *goodwill trust.* The first, the contractual level, refers to honouring written or oral agreements by a mutual, universalistic agreement on ethical codes. The second type of trust, competence trust, refers to the expectation of a trading partner's competence, both technical and managerial. Goodwill trust refers to mutual expectations of open commitment to each other, and is the most abstract form. Sako describes it as the partners' willingness to take initiatives (or exercise discretion), to exploit new opportunities over and above what was explicitly promised (Sako, 1992).

Bidault and Jarillo (1995) also define trust by separating it into two components, technical trust and moral trust. Analogously, Huemer (1994) separates strategic (organizational level, e.g. ISO 9000) and passionate components (individual level, e.g. fairness) of trust. A preliminary study on trust-creation includes both credibility (capabilities) and goodwill in the definition of trust (Blomqvist, 1993). All these definitions have technical and moral levels in common, which makes them unique in comparison to others.

At this stage a working definition of trust for business contexts could be given as *an actor's expectation of the other party's competence and goodwill.* This definition includes both competence (i.e. technical capabilities, skills and know-how) and the more abstract goodwill which implies moral responsibility and positive intentions towards the other. In a business context trust without some level of conscious judgement of the other party's competence and goodwill would seem rather naïve. The contractual trust referred to by Sako has been deliberately omitted. Contract is seen here as an alternative or additional means of coordination, but not as another dimension of trust.

CONCLUSIONS — WHAT DO WE KNOW OF TRUST?

The question about who to trust is crucial in many volatile businesses, as is the ability to be trusted. Trust has been identified as critical to partnership formation and to be trusted. Trust has been identified as critical to partnership formation and to the future success of cooperative ventures. Personal selling, high-tech and project sales, as well as various investments, also demand a certain level of trust. Trust seems to play an important part in almost any human interaction: effective communication, learning and problem-solving all require trust.

Uncertainty, vulnerability and the possibility of avoiding risk or of making a choice based on judgement, are seen as necessary conditions for the existence of trust. In order to trust, the actor needs some information. Under perfect information it would be a question not of trust but of rational calculation. If there were no information, it would be a case of faith or gambling.

Trust is usually based on an individual's expectations as to how another person will perform on some future occasion, as a function of the target person's current and previous claims. Trust is always perceived from outside the actor, i.e. in the eyes of the beholder who makes a subjective assessment of the other party. Some people are trusting to the point of being naïve. The paranoiacs, those not willing to trust anyone or anything, represent another extreme. Some people may trust for altruistic reasons, but in the business context it is usually the "shadow-of-the-future", i.e. long-term interest, that underpins the vitality of trust. Trust is based on experiences and social learning, and is thus also attributable in part to the specific local or national culture.

Trust is usually seen as the outcome of a process, i.e. trust relationships develop gradually. The process of trust-building is seen as a self-enforcing process: trust creates trust and distrust creates distrust. Trust is most fragile: it is difficult to initiate, slow to grow and always easy to break. Once betrayed, trust is difficult to mend. Trust may appear in short encounters only, as between strangers, or it occurs in long-term relationships. Personal and impersonal or institutional levels of trust have both been identified. Quite often a rational judgement on the competence of the other, or emotions blurring the mind's complicated and invisible process, can lead to trust or distrust.

Trust is more a property of collective units than of isolated individuals. It is therefore suggested that it is the relationship rather than the individual which should be the unit of analysis in trust research. The limitation to individual persons or firms has been identified as a major weakness of contemporary research on trust (Salmond, 1994; see also Lewis and Weigert, 1987).

Various disciplines also have different basic assumptions about trust. The economists' rational and calculative view of trust, for example, contrasts strongly with the philosophers' attitudinal and ethical view. Social psychologists underline the reliability of the word or promise and the fulfilment of obligations, whereas economists see trust as a response to expected future behaviour and recommend the use of hostages to ensure rational behaviour. Social psychologists and philosophers emphasize the personal and inter-personal aspects, while economists, lawyers and most market researchers emphasize inter-organizational trust.

The weak conceptualization of trust is partly due to the fact that trust is always situation-specific, i.e. the context matters. No universal definition therefore seems possible. In order to be useful the concept should lend itself to operationalization, but should be parsimonious enough. For business contexts a two-dimensional concept is introduced, as a synthesis of the perspective discussed above. It seems that only a few researchers have distinguished the two different bases for trust, namely the competence and goodwill dimensions noted here. Thus trust has been defined as "an actor's expectation of the other party's competence and goodwill."

Present knowledge about how to operationalize trust is also meagre. Trust is measured mainly according to how much, if any, a respondent trusts the other party. But this does not increase our understanding of what trust really is. Respondents may easily ascribe various meanings and contents to trust, thus actually answering different questions. It could well be argued that existing attempts to measure trust are not able to capture the whole phenomenon, trust being both context- and situation-specific, and being perceived subjectively by separate individuals having their own distinct histories. Lewis and Weigert (1985) also warn that current methodologies for measuring trust may have reductionist consequences.

It is not in fact quite clear whether human beings consciously *measure* trust in their relationships. Parkhe (1993) follows von Neumann and Morgenstern (1947), who noted that people do not measure trust exactly but that they tend rather to conduct their activities in "a sphere of considerable haziness". Nevertheless, the results of this blurry measuring are used in people's everyday lives. If we agree with the premise that trust represents a considerable economic and social lubricant, *the ability to measure trust* should be of great value both to scientific progress and practical know-how. Thus the problem of how to find better or even reasonably useful ways of measuring trust, remains. The question is not only about measuring, however; it is also about understanding the cognitive process that goes on in people's minds when they decide whether or not to trust.

It would be most challenging in the future research to study *how trust is assessed, signalled and created.* Parkhe (1993) and Koenig (1995) among others have drawn attention to the meagre literature on trust-creation, compared to the generous range of studies on the collapse of cooperation and trust. Not many economists believe in producing trust, rather, they take it as either present or absent (see e.g. Sabel, 1990). Zucker (1986) has demonstrated three central modes of trust-building, namely the institution-based, the characteristic-based and the process-based modes. This division was used in an explorative study, and some means and methods for trust-building among small technology firms and their large partners were presented (Blomqvist, 1993). The findings from this project indicate the possibility of studying the question further.

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