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# Employee perceptions of organisational legitimacy as impersonal bases of organisational trustworthiness and trust

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## ABSTRACT

Prior research has amply demonstrated that employees' personal relationship with the organisation influences their trust in it. In this two-study investigation, we examine how employees' beliefs about the organisation's legitimacy relate to their organisational trust because legitimacy signals organisational trustworthiness in the impersonal system of the institutional environment. Results from Study 1, which drew on data from one organisation, reveal that employees' legitimacy beliefs are related to their organisational trust. Furthermore, results from Study 2, which are based on data from five organisations, reveal that employees' judgment of the organisation's trustworthiness mediates the relationship between legitimacy beliefs and organisational trust. Overall, our findings create a new avenue for trust research by advancing the idea that employees' trust in their employer organisation derives in part from the reflection of trustworthiness that arises due to the organisation's association with the institutional environment.

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## Introduction

While the question 'Can I trust you?' has traditionally been examined in the organisational literature by focusing on aspects of interpersonal relations between individual actors (Kramer, 1999), the past decade has seen a growing interest in understanding employees' trust in *the organisation* that employs them (Driver, 2015; Stinglhamber, de Cremer, & Mercken, 2006). This concept of *organisational trust* has gained significant import in the wake of recent corporate scandals and other events that can be interpreted as failures by collective actors to uphold their trustworthiness (Gillespie & Dietz, 2009). Public trust in organisations is diminishing in strength (Harris, Moriarty, & Wicks, 2014), and changes in the structure of employment relations have made it more difficult for organisations to attract a workforce that may not be 'ready to simply bestow its trust in top management' (Kochan, 2004, p. 142). Our interest in this paper is focused on better understanding how to strengthen people's trust in their employer organisations by studying how an organisation can leverage its impersonal association with taken-for-granted aspects of the external institutional environment to build trust.

The attribution of trustworthiness provides an essential cue to employees that they may trust the employer organisation (Mayer, Davis, & Schoorman, 1995). A distinction can be made between such an attribution rooted in the personal relation that employees have with an organisation and an attribution rooted in their confidence that the organisation is in compliance with an impersonal system of trust (Kramer, 1999; Zucker, 1986). Most research on organisational trust has focused on the former type of cue, such as employees' exchange with the organisation (Robinson, 1996) or their perceptions of interpersonal treatment and support (Stinglhamber et al., 2006). Other research has shown that the organisational system of rules and norms also helps to build organisational trust, for example through cues provided by organisational fairness (Frazier, Johnson, Gavin, Gooty, & Snow, 2010). These systemic aspects of trust are empirically underexplored (Bachmann, Gillespie, & Priem, 2015), and existing research on the topic has focused mostly on the internal organisational system (Costigan, Ilter, & Jason, 1998; Driver, 2015) or cases of broken trust (Gillespie, Dietz, & Lockey, 2014). We propose that trust also develops in response to impersonal cues that pertain to the organisation's legitimacy in its normal relations with the external societal system of institutions and stakeholders (Gillespie & Dietz, 2009; Wood, 1991; Zucker, 1986). After all, employees are also community members, citizens or customers who learn about their organisation's role in the wider social system (Harris & Wicks, 2014), are exposed to media images about their organisation (Price, Gioia, & Corley, 2008), and thus receive second-hand cues about its trustworthiness (Burt & Knez, 1995). We theorise an institutional model of systemic trust and examine how employee judgments of *organisational legitimacy* relate to organisational trust.

Our work contributes theoretically by integrating established views of trust based on cues that originate from inside the organisation with a view rooted in cues that emanate from the external environment. We thus add to our knowledge about trust in organisations as a more general resource that taps into a system of multiple relations among a diversity of individual and collective actors (Driver, 2015). Empirically, we present data from two studies that evidence how employees' organisational trust perceptions are systematically related to perceived legitimacy cues, contributing not only to trust research but also to the still thin body of empirical evidence on legitimacy using individual judgments (Deephouse & Suchman, 2008). The first study establishes predictive validity of the association between legitimacy cues and trust while the second seeks constructive replication (Lykken, 1968), highlighting how trustworthiness mediates that association. Third, the combined conceptual and empirical work contributes to the literature on trust by articulating how organisational trust can serve as a bridge construct between the individual, organisational, and institutional levels of analysis (Harris et al., 2014) using the micro-foundations of legitimacy to establish those connections (Bitektine & Haack, 2015).

## Theory development and hypotheses

### *Organisational trust and trustworthiness*

Organisational trust exists between two parties: an individual actor and a collective actor. Trust is the willingness by one party (the trustor – here, the employee) to be vulnerable to the actions of another party (the trustee – here, the organisation) without being able to control those actions (Mayer et al., 1995). For example, Robinson (1996, p. 576) defined

organisational trust as an employee's expectation that the organisation's 'future actions will be beneficial, favorable, or at least not detrimental to [the person's] interest'. The most important factor shaping trust is an employee's attribution that the organisation is trustworthy (Gillespie & Dietz, 2009; Mayer et al., 1995). The trustworthiness of an organisation involves three key indicators (Gillespie & Dietz, 2009): (1) the *ability* to carry out its mission and achieve its goals in a competent way; (2) *benevolence* in demonstrating genuine concern for the well-being of its stakeholders; and (3) the *integrity* of adherence to a set of values and principles that are acceptable to stakeholders.

Attributed to an organisation, these indicators derive from cues that employees obtain through their personal relationship with the organisation or that they obtain in reference to the impersonal systems that constitute the organisation. Most empirical research on organisational trust is implicitly premised on the former idea, conceptualising trustworthiness from the vantage point of a given employee's unique employment relationship (Kramer, 1999). For example, psychological contract perceptions cue benevolence and integrity through beliefs about met obligations or broken promises in the employee's personal exchange with the employer (Robinson, 1996). From this perspective, psychological contract connotes an accumulation of personal experiences about give-and-take that provides cues unique to employees about whether they can trust the organisation.

However, organisational trust may also be based on cues of trustworthiness that do not pertain to an employee's personal experiences but emanate from impersonal sources that characterise the organisation as a social system. In discussing trust repair after organisational transgression, Gillespie and Dietz (2009) distinguish between such impersonal cues that are part of the internal system of the organisation and those that are part of the way it is connected to its external environment. Past research has examined the former systemic facet, showing that organisational fairness is related to organisational trust (Frazier et al., 2010; Stinglhamber et al., 2006). Fairness yields trust in part through 'depersonalized beliefs' (Kramer, 1999, p. 579) that the organisation's internal systems conform to accepted and normative standards of social interaction (Kramer, 2014; Zucker, 1986), thus signalling integrity and benevolence toward *all employees* in an organisation. Less well explored is the latter idea that trust can be based on how an organisation is connected *as a social actor* to the external societal system through various forms of institutionalised social structure that provide information cues for trustworthiness. We take up and elaborate on this macro perspective below.

### ***An institutional model of legitimacy-based organisational trust***

Recent research suggests that restoring organisational legitimacy is an important factor for repairing organisational relations in the wake of damaged organisational trust (e.g. Gillespie et al., 2014; Mueller, Carter, & Whittle, 2015; Pfarrer, Decelles, Smith, & Taylor, 2008). We argue that employees' beliefs about the organisation's legitimacy provide a relevant cue of organisational trustworthiness and should affect trust not just as a means of trust repair. In addition, employees' legitimacy beliefs are salient in the absence of any explicit trust violation because legitimacy is a signal of confidence for organisational fit with a taken-for-granted organisational type (Meyer & Rowan, 1977). A root construct in organisational institutionalism (Scott, 1995), legitimacy is a social judgment, defined as the extent to which an organisation's attributes and character are appropriate and

desirable for the system of beliefs, norms, and values that govern its institutional field (Suchman, 1995). Organisations engage in legitimacy management to cultivate or repair favourable impressions of legitimacy among their stakeholders (Elsbach, 1994; Suchman, 1995).

An institutional approach to trust rests on the assumption of normality of interaction, whereby trust is put in the parties' mutual and reciprocal conformity to taken-for-granted understandings about behaviour in a given social system (Zucker, 1986). As a macro-level theory, institutionalism conceptualises organisations as collective actors who interact with stakeholders in a broader societal system called the institutional field (DiMaggio & Powell, 1983). The field comprises widely shared understandings and expectations about the categories, identities, and codes of conduct for types of collective actors, and organisational congruence with those understandings and expectations serves as the standard for judging legitimacy (Scott, 1995). These understandings and expectations are also analogous to what Zucker (1986, pp. 57–58) defined as the assumptions of normality in reference to which impersonal trust is produced: 'common understandings that are taken-for-granted' and 'rules of the game defining the context' for interaction. Our institutional approach to trust thus asks to what extent an employee trusts the organisation because it conforms to normality within the institutional field. This line of inquiry considers organisational trust in reference to the way the organisation is seen as member of a generic category of collective actors, and trustworthiness attribution relies on the features that symbolise the organisation's legitimate fit with that category (Poppo & Schepker, 2010).

In conventional institutional theory, legitimacy is conceptualised as a bridge construct that links individual, organisational, and field levels of analysis (Bitektine & Haack, 2015; Suchman, 1995). Hence, an important task is to theoretically explain how legitimacy is perceived at the individual level, where organisational trust is experienced by employees. In order to explain this link, we use the distinctions among propriety, validity, and validity beliefs in the formation of legitimacy judgments (Bitektine & Haack, 2015).

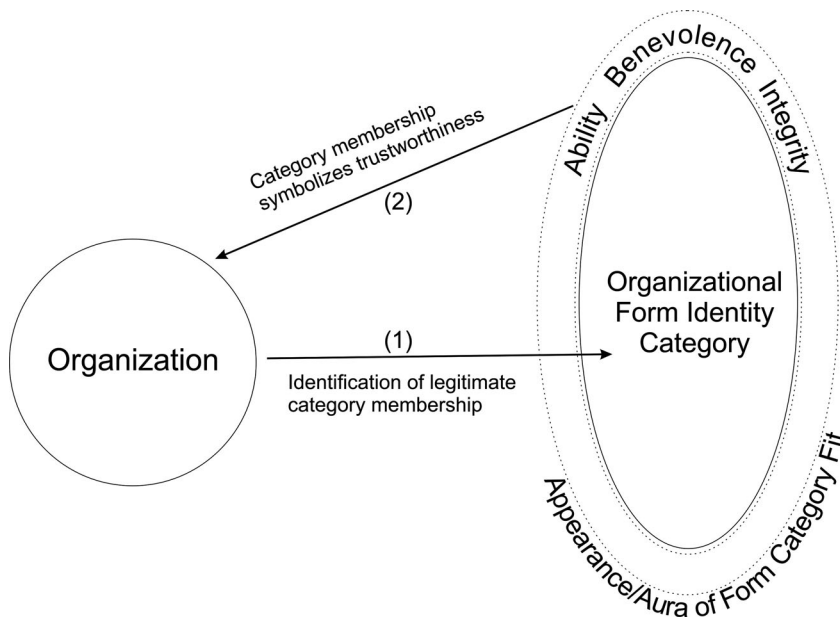
*Propriety* is a micro-level judgment by an individual about the organisation's normative appropriateness (Johnson, Dowd, & Ridgeway, 2006). Propriety captures those facets of legitimacy that derive from the employee–employer relationship conventionally studied in trust research because it focuses on personal experience and references personally chosen normative standards (Bitektine & Haack, 2015). For example, employees may believe that the employer has treated them fairly during performance appraisal and thus perceive cues about the organisation's trustworthiness because fairness signals the benevolence and integrity that are normatively expected for organisations in Western society.

*Validity* is a macro-level construct and refers to an objective consensus judgment at the field level that an organisation is appropriate and desirable (Tost, 2011). For example, most businesses have a hierarchical organisation structure and most stakeholders expect a business organisation to have a hierarchy. Combining prevalence of both practice and expectation in the field, consensus implies that hierarchy is legitimate (i.e. valid) in Western society. Under the assumption of normality, the category of business organisation includes the hierarchical formal structure as a taken-for-granted attribute, instilling confidence in an organisation's trustworthiness *because* it is organised vertically as a hierarchy (Meyer & Rowan, 1977).

Finally, *validity belief* is an individual's micro-level perception that consensus about an organisation's legitimate attributes exists at the collective field level (Bitektine & Haack, 2015). For example, an employee may prefer to work for an employer with an egalitarian organisational structure (propriety) even though formal hierarchy is the consensus form in business organisations (validity). Awareness of this validity conditions employees to understand their employer's hierarchy as legitimate (validity belief). Validity belief about an organisational attribute, such as hierarchy, is thus a cue that makes it possible for employees to judge an organisation as legitimate (and trust it) even though they may privately prefer it to have a different attribute. Validity beliefs cue trustworthiness by authority of the organisation's legitimate fitting into an institutionalised organisational category, and the organization then benefits from the resulting confidence that it appears like all other organisations in its category. Perception of institutional fit thus prompts confidence in 'the system of expertise that produces, organizes, and ensures role-appropriate behavior of role occupants' (Kramer, 2014, p. 218, emphasis in original), cueing an aura of trustworthiness and permitting the individual to attribute organisational ability, benevolence, and integrity.

The theoretical mechanism explaining how legitimacy signals the trustworthiness of an organisation and becomes a basis of trust is social categorisation (see Figure 1), whereby validity beliefs serve to identify the organisation as acceptable and recognisable in its established organisational *form identity category* (Baron, 2004; Glynn, 2008; Hsu & Hannan, 2005). Form identity connotes a stereotyped organisational representation that includes prototypical attributes and exemplars with a characteristic combination of attributes. Examples of form identity attributes include structural elements, such as core technology and formal authority structure (Hsu & Hannan, 2005), relational elements, such as association with other legitimate organisations (DiMaggio & Powell, 1983), strategic elements, such as focus or pricing (Hsu & Hannan, 2005), and cultural elements, such as authenticity (Carroll & Wheaton, 2009). According to Poppo and Schepker (2010), legitimacy can serve as a cue for the trustworthiness of an organisation in the eyes of the general public because legitimacy signals the organisation's categorical identity as an appropriate partner for interactions involving risk. These researchers specifically argue that legitimacy symbolises integrity because it establishes the organisation's congruence with institutional understandings. Gillespie et al. (2014) showed how an organisation narrated its identity in the context of repairing organisational trust by appeal to legitimacy. This appeal involved associating the identity with a new categorical 'us' that was rehabilitated and disassociating it from a previous 'them' that was responsible for trust-damaging transgressions. Finally, Harris and Wicks (2014) argued that institutionalised narratives endorsing the legitimacy of the general category 'business' serve to enhance public trust in business because such narratives construct signals of ability and benevolence. As Figure 1 illustrates, we propose that identification as a category member establishes legitimacy, and the resulting appearance of fit into the category generates an aura that symbolises the organisation's trustworthiness.

Legitimacy judgments are shaped by validity beliefs, which are micro-level perceptions that derive from 'perceptions of macro-level validity' (Bitektine & Haack, 2015, p. 51) and capture the identification of organisational features that categorise the organisation. Our theoretical framework thus relates what we will call legitimacy beliefs at the level of *individual* judgment to that same individual employee's trust in the organisation. We consider



**Figure 1.** Theoretical mechanisms linking organisational legitimacy and trustworthiness.

employees as observers of their organisations' interactions with and relations to the institutional field, obtaining information about their organisations' validity through endorsements and authorisations (Zelditch, 2006). Authorisations are expressions of support for an organisation that emanate from official sources in the system's authority structure, such as a government licence or regulatory approval. Endorsements are expressions of support for an organisation that emanate from other sources without official authority, such as certification by an industry association or client testimonials. Specific agents that communicate important validity information about organisations are governments, the media, the courts, professions, and interest groups (Bitektine & Haack, 2015). For example, research shows that adopting normed processes, such as benchmarks provided by the International Organization for Standardization (ISO), creates legitimacy and signals to stakeholders that an ISO certified organisation can be trusted (Velez, Sanchez, & Alvarez-Dardet, 2008).

Summarising our conceptual work above and anticipating the ensuing empirical inquiry, we offer the following observations. From a systemic perspective of trust, we see employees as audiences to their organisation in its institutional field, where it interacts with stakeholders according the systemic expectations for stereotyped categories of organisations (i.e. form identity categories). When employees believe those expectations are met in reference to such a category, they identify their employer organisation as legitimate, which is a basis for trust because category membership creates the appearance of trustworthiness (see Figure 1). For example, when employees of an accounting firm see that the firm communicates to its clients about a code of ethics that guides their work, those employees are likely to trust the employer organisation because they may infer that it also abides by other relevant expectations for conduct by professional service firms. We have argued such legitimacy judgment rests on validity beliefs, individual-



level perceptions that are distinct from objective legitimacy at the organisational or field level (i.e. validity). We formalise our ideas in the following umbrella hypothesis:

Hypothesis 1: After controlling for the personal employment relationship, employees' organisational legitimacy beliefs are positively related to organisational trust.

## **Study 1**

### ***Method***

We tested Hypothesis 1 with a sample of faculty members at a large university located in Central Canada. We considered professional workers, such as members of the faculty, an appropriate sample for studying our ideas because their independence and professional work-orientation make them mindful of how their employer relates to other societal constituents. For example, university professors tend to maintain relevant external professional and community engagements that are likely to raise awareness of how those outsiders view the university's legitimacy. Legitimacy is a salient administrative issue in the education sector because organisational production output is difficult to assess objectively (Meyer & Rowan, 1977), and because Canadian universities are publicly funded, they are subject to accountability that is likely to raise the salience of legitimacy judgments.

### ***Sample and procedure***

Thirteen hundred full-time and part-time faculty members were contacted for the study based on information available on the university's public website. We dropped about 15% from this sample because email addresses listed on the website were no longer in use or because individuals opted to be removed from the study mailing list in response to an initial courtesy email. Of the remaining individuals, 189 responded to an on-line survey, also sent via email (17% response rate). We received a number of emails detailing faculty members' concerns and interest, which supported the notion that the sensitive nature of our research topic helps account for the low response rate (Baruch & Holtom, 2008). Those emails also raised our confidence that the sample was not biased toward either those in the population who saw the survey as an opportunity to voice their dissatisfaction with the university or those who saw an opportunity to express their confidence in it. Faculty over-sampling with research studies also is likely to have contributed to the low response rate (Baruch & Holtom, 2008). A comparison of respondents by faculty affiliation suggested our sample represented faculty membership in the university as a whole. Due to incomplete responses, the final sample comprised of 118 faculty members. Nineteen respondents reported that they were currently working in an administrative position within the university.

### ***Measures***

Measures for all constructs included in the on-line survey were obtained from previously published studies, several of which we slightly modified to fit the context of the research.

### *Organisational trust*

We use Robinson's (1996) seven-item scale to measure organisational trust, which included such items about the employer's future behaviour as 'I can expect the university to treat me in a consistent and predictable fashion' and 'In general, I believe that this university's motives and intentions are good'. The coefficient alpha for this scale was 0.88.

### *Organisational legitimacy*

We measured legitimacy beliefs using six items from a scale developed by Elsbach (1994) that captured endorsements and authorisation as signals of systemic conformity. Since the original scale was designed to measure organisational legitimacy in the cattle industry from the perspective of outsiders, we modified the items to capture perceptions in the post-secondary education sector that made sense from the perspective of employees and did not refer to their personal employment relation. The modified items tapped into two facets of external endorsement and authorisation, using three items each: industry conformity and public approval. The coefficient alpha of the former sub-scale was 0.76, while that for the public approval facet was 0.81. Sample items for industry standards and public approval are 'this university is concerned with meeting post-secondary education industry standards' and 'the general public approves of the university's operating procedures', respectively.

### *Control variables*

In order to validate the assumption of our study that legitimacy beliefs relate to organisational trust independently of variables that demonstrably relate to organisational trust because of the personal employment relationship, we included a measure of psychological contract perceptions using a scale developed by Robinson and Morrison (2000). The scale comprises a contract fulfilment dimension (five items) that taps into trustworthiness resulting from the experience of exchange reciprocity ( $\alpha = 0.92$ ) and a contract violation dimension (four items) that taps into trustworthiness related to the emotional experience of exchange betrayal ( $\alpha = 0.95$ ). A sample item for the former is 'so far, this university has done an excellent job of fulfilling its promises to me' and an example of the latter is 'I feel betrayed by this university'. We also reasoned that being on the other side of the employment relation would give an employee unique insight into the trustworthiness of the organisation, and therefore we included an indicator of whether a given respondent was working in an administrative capacity at the time of our study (administrative position = 1).

### *Results*

Even though the sample size is small, to ascertain the distinctiveness of our measures, we conducted confirmatory factor analyses (Brown, 2006). The default, hypothesised model was a five-factor model with the following latent variables: trust, industry standards legitimacy, public approval legitimacy, psychological contracts exchange, and psychological contracts emotional. This model provided a good fit to the data:  $\chi^2(199) = 347.35, p < .01, CFI = 0.93, SRMR = 0.08, RMSEA = 0.08$ . We compared this default model to several alternate models (Bentler & Bonett, 1980). We first compared the default model with a three-factor model in which both legitimacy variables were collapsed on one factor, both psychological

**Table 1.** Study 1 correlation coefficients.

Variable name	Mean	SD	(1)	(2)	(3)	(4)	(5)
(1) Organisational trust	3.16	0.8					
(2) Psych. contract exchange	3.53	0.95	0.67**				
(3) Psych. contract emotion	1.98	1.08	-0.65**	-0.78**			
(4) Public approval legitimacy	3.35	0.62	0.48**	0.39**	-0.36**		
(5) Industry standards legitimacy	3.68	0.67	0.54**	0.48**	-0.44**	0.49**	
(6) Administrative position	0.16	0.37	-0.06	0.10	-0.08	-0.01	0.05

Note:  $N = 118$ .

\*\* $p < .01$ .

**Table 2.** Study 1 regression on organisational trust.

Variable name	Model 1	Model 2
Administrative position	-0.13*	-0.12*
Psych. contract emotion	-0.33**	-0.27**
Psych. contract exchange	0.42**	0.31**
Public approval legitimacy		0.16*
Industry standards legitimacy		0.20**
$R^2$	0.51**	0.58**
$F$	39.23**	30.97**

Note:  $N = 118$ . Standardised estimates are reported.

\* $p < .05$ .

\*\* $p < .01$ .

contract variables were collapsed on one factor, and there was a third factor for trust. This model had an inferior fit ( $\chi^2 (206) = 560.9, p < .01, CFI = 0.82, SRMR = 0.08, RMSEA = 0.12$ ) than the default model ( $\Delta\chi^2 (7) = 213.55, p < .01$ ). We then compared the default model with a one-factor model where all observed variables loaded onto one underlying factor. This model had an inferior fit ( $\chi^2 (209) = 819.26, p < .01, CFI = 0.63, SRMR = 0.11, RMSEA = 0.16$ ) than the default model ( $\Delta\chi^2 (10) = 471.9, p < .01$ ).

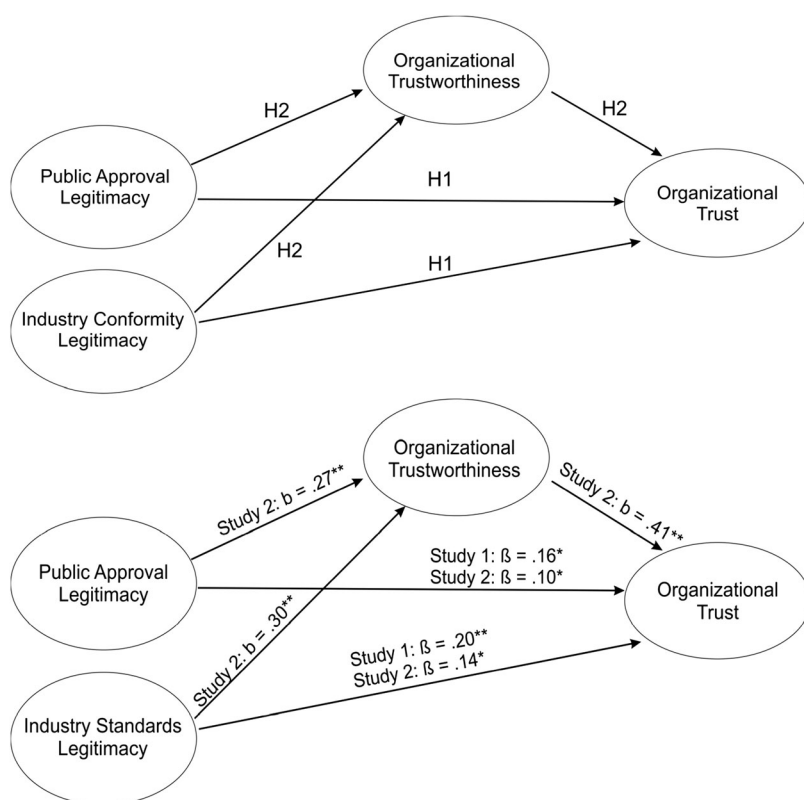
Table 1 shows the correlations between all our study variables. Both facets of organisational legitimacy – public approval ( $r = 0.48, p < .01$ ) and industry conformity ( $r = 0.54, p < .01$ ) – were positively related to organisational trust. We then formally tested our hypotheses using hierarchical regression analysis, as shown in Table 2. In the baseline model (see Model 1, Table 2), we regressed trust on the control variables, while the full model included the legitimacy variables to test for their incremental contribution (Model 2, Table 2). The results supported our hypothesis: both, public legitimacy ( $\beta = 0.16, p < .05$ ) and industry legitimacy ( $\beta = 0.20, p < .01$ ) were positively related to organisational trust, while controlling for the personal employment relationship between employee and employer. An  $F$ -test showed that the two variables explained a significant amount of additional variance in our dependent variable over and above the control variables ( $\Delta R^2 = 0.07, F(2, 112) = 9.65, p < .01$ ). Although correlated, legitimacy judgments and psychological contract perceptions were independent and significant predictors of organisational trust, supporting our contention that they tap into different sources of employee organisational trust.

## Theory elaboration

The results of Study 1 support the basic proposition that employee organisational trust is related not only to the experience of an individual's employment relationship but also to the individual's legitimacy beliefs that the organisation fits with societal beliefs and expectations about organisational actors in their institutional system (Bitektine & Haack, 2015;

Kramer, 2014). The results motivated us to conduct a second study in which we sought to constructively replicate our findings (Lykken, 1968) and test the underlying assumption that legitimacy beliefs cue perceptions of trustworthiness, which mediate the influence of legitimacy on organisational trust (see Figure 2).

Study 1 was premised on the idea that identifying an employer organisation as belonging to an accepted organisational form category is a basis for trusting that organisation because categorisation generates legitimacy beliefs and leads individuals to attribute trustworthiness to it. In other words, while legitimacy beliefs are the basis of trust, trustworthiness is the more proximate predictor of trust. According to Colquitt, Scott, and LePine (2007), most definitions of trust combine the willingness to be vulnerable to the actions of another party with the positive behavioural expectations about that other party, as we had done in adopting Robinson's (1996) definition. Mayer et al. (1995) clarified that the intention to accept risky exposure to another party's caprice was distinct from and an outcome of judgments about the character of that party, which they termed trustworthiness. We emphasise this position in our conceptual development here. When employees perceive their employer organisation to be trustworthy, which is a judgment rendered about the quality of the interaction partner, they are likely to trust the organisation, a psychological state that orients their willingness to interact with the organisation without oversight (Kramer, 1999; Mayer et al., 1995; McEvily, Perrone, & Zaheer, 2003).



**Figure 2.** Summary of hypotheses and path coefficients.

Note: \* $p < .05$ ; \*\* $p < .01$ .

Measures of organisational trust, such as the one we used in Study 1 (Robinson, 1996), frequently make use of a terminology that captures the three trustworthiness dimensions of ability, benevolence, and integrity (Pirson & Malhotra, 2011). In addition, trustworthiness is seen as tantamount to trust according to several schools of thought (see Colquitt et al., 2007). Therefore, the goal of our second study is to empirically distinguish between trustworthiness and trust as well as demonstrate their relationships with legitimacy beliefs. In line with the literature at both individual and collective levels of analysis, we assume that trustworthiness is an immediate precursor to trust (Colquitt & Rodell, 2011; Serva, Fuller, & Mayer, 2005). This notion is consistent with the model we have articulated throughout: legitimacy cues in the form of public approval beliefs and industry conformity beliefs give rise to attributions of trustworthiness, which then inspire trust in the organisation. Three aspects of identity categorisation produce these relationships. First, identification of category fit based on endorsement that the organisation has prototypical category features (Arrow 1 in Figure 1) cues the authority of objective validity (Bitektine & Haack, 2015). Second, given confidence in the larger system of organisations, the individual generalises the employer organisation's category membership, which generates an appearance of trustworthiness by virtue of assuming that the organisation has all attributes typical for its organisational form (in Figure 1, the category into which the organisation was fitted exudes an aura that connotes ability, benevolence, and integrity). Finally, that aura then reflects the assumed trustworthiness back onto the organisation (Arrow 2 in Figure 1).

Hypothesis 2: The relationship between employees' organisational legitimacy beliefs and organisational trust is mediated by perceptions of organisational trustworthiness.

## Study 2

### Method

We used a similar methodology for the second study as we did for the first, obtaining a sample of university faculty from five additional Canadian universities that were not part of the first study. We selected these universities on a stratified basis, seeking to represent different types of universities and different regions of the country. We selected two primary undergraduate universities and three so-called comprehensive universities that also offer doctoral, medical, and/or law programmes, and we chose one university from each of Nova Scotia, Quebec, Ontario, the Prairies, and British Columbia to cover the country from east to west. We developed separate web-based surveys for each university and focused our sample on members of a common set of academic units, the faculties of Arts and Science at each institution. We did this to maintain a manageable number of surveys to be distributed and ensure that systematic differences between institutions would not be further complicated by variance associated with different faculties in the same university.

### Sample

In analogous fashion to Study 1, we obtained contact information from publicly available websites and compiled a mailing list totalling 1926 full-time and part-time faculty members. As was the case for the first study, a significant number of email addresses (11%) were either out of service or reached people who were unavailable to participate

in our study. Using an identical procedure as described for Study 1, we received 333 responses (19% return, ranging from 15% to 23% in individual institutions). Of the 231 respondents with complete data in the final sample, 16% were currently employed in an administrative position, a figure that is comparable to that for Study 1.

## Measures

### Trust and trustworthiness

To ensure that we were assessing distinct constructs, we needed a measure of trust that did not tap into trustworthiness and therefore employed a different measurement scale than in Study 1. Empirically differentiating between trust and trustworthiness in previous research has focused primarily on trustees that are individual people (Colquitt & Rodell, 2011) or groupings of people, such as work teams and top management (Mayer & Davis, 1999; Serva et al., 2005). Because we wanted to narrowly maintain a collective social actor perspective (King, Felin, & Whetten, 2010), we used a three-item measure of trust in *the organisation* (Pirson & Malhotra, 2011), which included one direct question about how much respondents trusted their university and two questions about their willingness to recommend their university to (1) friends and (2) generalised others. This measure explicitly captured the *willingness* to expose personal interests to the university's future action and was scored on a five-point Likert scale, anchored by agreement statements. Given this rationale, using a different measure of trust in Study 2 also facilitates a constructive replication of Study 1 (Lykken, 1968).

We then used a 10-item measure of trustworthiness based on a semantic differential scale by Wheelless and Grotz (1977). We used this scale, rather than other scales used in the literature (e.g. Mayer & Davis, 1999), as a procedural remedy, in order to forestall common method variance through a different rating scale format (Podsakoff, MacKenzie, & Podsakoff, 2012). Respondents were asked to characterise their university on 10 opposing adjective pairs using a seven-point scale (e.g. 'honest – dishonest', 'trustworthy – untrustworthy', 'exploitative – benevolent', and 'sincere – insincere'). The coefficient alpha of the trustworthiness scale was 0.96, while that of the trust measure was 0.89. Because trust and trustworthiness were highly correlated ( $r = 0.84$ ), we examined discriminant validity using a confirmatory factor analysis. In comparing a one-factor and a two-factor model on all items from the two scales, a chi-square nested model difference test (TRd) indicated that the two-factor model yielded a better fit ( $\chi^2(1) = 24.29, p < .01$ ) (Colwell, 2017; Statmodel, 2017). We also note that the correlation between trust and trustworthiness we found is comparable in magnitude to the average correlation we found across 3 studies featuring 24 separate cross-sectional measurement occasions (Colquitt & Rodell, 2011; Mayer & Davis, 1999; Serva et al., 2005), and the average corrected correlations between those constructs found in a meta-analysis by Colquitt et al. (2007).

### Legitimacy beliefs and control variables

We used the same items from Elsbach's (1994) scale as in Study 1 to measure public approval ( $\alpha = 0.92$ ) and industry conformity ( $\alpha = 0.90$ ) legitimacy. We also included the same psychological contract perception scales as in Study 1 (i.e. psychological contract exchange,  $\alpha = 0.94$  and psychological contracts emotional,  $\alpha = 0.95$ ), controlled for the administrative position, and included organisational dummies.

## Results

We conducted a confirmatory factor analysis to empirically assess the distinctiveness of the measures. Our default, hypothesised model was a six-factor model with the following factors: trust, trustworthiness, industry standards legitimacy, public approval legitimacy, psychological contracts exchange, and psychological contracts emotional. This model provided a good fit for the data:  $\chi^2(335) = 695.65$ ,  $p < .01$ , CFI = 0.94, SRMR = 0.04, RMSEA = 0.07. As in Study 1, we compared this default model to a series of alternate models (Colwell, 2017; Statmodel, 2017). We first compared the default model with a four-factor model in which both psychological contract variables were collapsed on one factor, and both the legitimacy variables were collapsed on another factor. In terms of statistical significance, the fit of this model to the data was worse than the default model ( $\Delta\chi^2(9) = 526.94$ ,  $p < .01$ ,  $\chi^2(344) = 1193.30$ ,  $p < .01$ , CFI = 0.86, SRMR = 0.10, RMSEA = 0.10). Next, we compared the default model to a three-factor model in which both psychological contract variables were collapsed on one factor, both the legitimacy variables were collapsed on one factor, and trust and trustworthiness were collapsed on another factor. In terms of statistical significance, the fit of this model to the data was worse than the default model ( $\Delta\chi^2(12) = 542.96$ ,  $p < .01$ ,  $\chi^2(347) = 1249.12$ ,  $p < .01$ , CFI = 0.85, SRMR = 0.10, RMSEA = 0.10). Finally, we compared the default model to a one-factor model where all variables collapsed on a single factor. In terms of statistical significance, the fit of this model to the data was poor ( $\Delta\chi^2(15) = 742.06$ ,  $p < .01$ ,  $\chi^2(350) = 2128.01$ ,  $p < .01$ , CFI = 0.71, SRMR = 0.09, RMSEA = 0.15), and was worse than the fit of the default model. These results provide evidence of the distinctiveness of the measures, and also indicate that common method bias concerns are not salient.

Table 3 shows the correlations between our study variables, and reveals some interesting points. First, we note that both legitimacy variables are significantly associated with organisational trust and trustworthiness. We note further that the mean values for industry legitimacy and public approval were almost identical to those we found in Study 1, while greater values of variability are attributable to the fact that the data in Study 2 came from five different institutions. Finally, the two legitimacy variables exhibit similar patterns of correlation with organisational trust and psychological contract perceptions as in Study 1. Altogether, these observations about our data raise our confidence in the data.

As a complement to Study 1, we first re-tested Hypothesis 1. Results indicate that both public approval ( $\beta = 0.10$ ,  $p < .05$ ) and industry standards legitimacy ( $\beta = 0.14$ ,  $p < .05$ ) are positively related to organisational trust. The pattern of these results is similar to that of

**Table 3.** Study 2 correlation coefficients.

Variable name	Mean	SD	(1)	(2)	(3)	(4)	(5)	(6)
(1) Organisational trust	3.13	1.14						
(2) Organisational trustworthiness	3.89	1.49	0.84**					
(3) Public approval legitimacy	3.27	0.80	0.44*	0.46**				
(4) Industry standards legitimacy	3.70	1.00	0.63**	0.63**	0.58**			
(5) Psych. contract exchange	3.27	1.18	0.70**	0.70**	0.31**	0.57**		
(6) Psych. contract emotional	2.51	1.29	-0.78**	-0.79**	-0.36*	-0.59**	-0.85**	
(7) Administrative position	0.16	0.37	0.15*	0.18**	0.07	0.15*	0.24**	-0.20**

Note: Listwise  $N = 231$ .

\* $p < .05$ .

\*\* $p < .01$ .

**Table 4.** Study 2 path analysis results.

	Organisational trustworthiness	Organisational trust	
<i>Main effects</i>	Model 1	Model 3	
Administrative position	0.01	-0.03	
Psychological contract exchange	0.11	0.09	
Psychological contract emotional	-0.63**	-0.21**	
Public approval legitimacy	0.27**	0.02	
Industry standards legitimacy	0.30**	0.03	
Organisational trustworthiness		0.41**	
$R^2$	0.69	0.77	
$F$	55.46**	74.70**	
<i>Specific indirect effects</i>	<i>Estimate</i>	<i>LLCI</i>	<i>UCLI</i>
<i>Via organisational trustworthiness</i>			
Public approval legitimacy → trust	0.11	0.05	0.19
Industry standards legitimacy → trust	0.13	0.05	0.22

Notes: Organisational dummies are included in the analyses and are not reported in the table. Unstandardised estimates are reported. LLCI = lower level of the 95% confidence interval. UCLI = upper level of the 95% confidence interval. \*\* $p < .01$ .

Study 1 and indicates a robust replication. Next, we tested Hypothesis 2 in SPSS using procedures outlined by Hayes (2013). Table 4 reports the results of the path analysis (Mackinnon, 2008), and includes the estimates of the specific indirect effects and their associated confidence intervals. Hypothesis 2 posited that organisational trustworthiness will mediate the relationship between employee legitimacy beliefs and organisational trust. Results indicated that the specific indirect effects of public approval legitimacy ( $ab = 0.11$ ; 95% CI [0.05, 0.19]) and industry standards legitimacy ( $ab = 0.13$ ; 95% CI [0.05, 0.22]) on organisational trust via organisational trustworthiness were statistically significant (see Table 4). Thus, Hypothesis 2 received support.

## General discussion and conclusion

We developed a conceptual argument linking individual legitimacy beliefs to organisational trust and furnished empirical evidence in support of this argument from two separate studies. Our theory linked legitimacy beliefs to organisational trust through categorical form identification of the employer organisation, resulting in the appearance that it is trustworthy. In support of our theory, we have empirically shown in both studies that legitimacy beliefs relate to trust, and in Study 2 that this relationship is mediated by perceptions of trustworthiness. Although the empirical evidence was at the individual level of analysis, our theory established conceptual linkages between individual-level perceptions and macro-level structure. Doing so permits extrapolation to the organisational and institutional levels, and contributes to the literature on organisational trust. In addition, our conceptual work opens up new possibilities for research and practice on individual perceptions and stakeholder relations through symbolic legitimacy management (Suchman, 1995).

## Theoretical implications

A basic premise of initial research on organisational trust is that the relationship between employees and their employer organisation is the primary repository for building or



eroding organisational trustworthiness and creating a basis for trust between them (Robinson, 1996). However, theoretical work in the literature on trust repair has suggested that the way an organisation is connected to its institutional environment can supplement individuals' trust in that organisation by symbolising its trustworthiness (Gillespie & Dietz, 2009). We have elaborated on this idea by conceptually unpacking how validity beliefs explain an individual's organisational trust because these beliefs signal the organisation's appropriate and acceptable standing in the institutional environment. Our finding that legitimacy beliefs about endorsement through public approval and conformity with industry standards are associated with organisational trust should facilitate an understanding of how employees' perceptions and macro-level phenomena relate to organisational trust. Specifically, the trust employees are willing to have in their relationship with the organisation on the inside seems to rest in part on macro-level endorsements that maintain its trustworthiness indirectly through institutional support from the outside (Bitektine & Haack, 2015). Organisational trustworthiness may thus serve as a double-link through the trust relations the organisation maintains with multiple stakeholders (Pirson & Malhotra, 2011). On the inside, trustworthiness affects employees' individual trust in the organisation, while its trust relations with external stakeholders mirrors endorsement back onto employees' beliefs, thus reinforcing their trust from the outside in. This interpretation provides a concrete conceptualisation for how trust in and around organisations is a fundamental building block of the societal relations that are the foundation of systemic trust (e.g. Harris et al., 2014).

The idea that organisational trust reflects from the institutional environment to the individual through legitimacy has important implications for both micro and macro research on trust. Employees' legitimacy beliefs are understudied, with previous research focusing mainly on the legitimacy of internal organisational systems and practices (e.g. Brown & Toyoki, 2013), such as change (Erkama & Vaara, 2010) and new product development (Heusinkveld & Reijers, 2009). Little research has examined employee perceptions about the legitimacy of the organisation as a collective social actor in its environment. In line with this latter focus, and as we have argued in this study, legitimacy of the collective actor is linked to organisational identity through categorisation (Glynn & Abzug, 2002; Strandgaard Pedersen & Dobbin, 2006). Organisational trust is thus generated by legitimacy through categorisation, which suggests that organisational identification (e.g. Maguire & Phillips, 2008) may be an important correlate that should help explain the strength of trust experienced by employees who view their employer organisation as legitimate. To the extent that employee legitimacy beliefs reflect perceptions of third-party trust in the organisation, that legitimacy also mirrors an aura of trustworthiness onto the employee by virtue of membership (Dutton & Dukerich, 1991). Employees who identify with an employer they believe is legitimate may thus see themselves as more trustworthy through the reflected appraisal of positive group association, feeding individual needs for self-worth and self-enhancement (Mael & Ashforth, 1992).

At the macro level of analysis, our results appeal to the question 'Legitimacy according to whom?' (Deephouse & Suchman, 2008). This question focuses on employees' validity beliefs about their employer organisation's legitimacy in relation to different stakeholder demands, expectations, and beliefs. Different stakeholders engage organisations in various spheres of interaction (Harris & Wicks, 2014; Pirson & Malhotra, 2011), and the institutional systems that serve as reference standards for assessing organisational congruence

in relation to these stakeholders may also differ (Zucker, 1986). A given employer organisation can be seen as a legitimate role player in different institutional systems. Its trustworthiness may then be inferred because it lives up to the expectations and demands of different interaction partners in those systems, yielding multiple and varied trustworthiness cues (e.g. Kramer, 2014). For example, governments demand fiscal responsibility by universities and interact in a role as an overseer or societal steward, whereas students demand relevant education at affordable costs and interact in a role as exchange partners or participants. The varying demands and role relations of stakeholders suggest that validity beliefs formed in response to authorisation and endorsement by stakeholder groups are likely to cue different dimensions of trustworthiness. For instance, authorisation by governments should signal integrity and, to a lesser extent, ability, whereas endorsements by students should signal ability, benevolence, and integrity.

Extrapolating from this premise, the strength of legitimacy cues may thus vary depending on the stakeholder groups whose relation reflects the most forceful image of endorsement in the minds of employees. Mitchell, Agle, and Wood (1999) have identified three factors that help better understand the importance of stakeholders: (1) stakeholder *power* over the organisation, (2) the *legitimacy* of the stakeholder claim, and (3) the *urgency* of stakeholder demands. Pfarrer et al. (2008) have similarly employed these dimensions to examine rebuilding legitimacy after an organisational transgression. They argued that special attention should be given to garner the support of salient stakeholders who have power and urgently make legitimate claims while exercising careful attention to stakeholders whose claims may be latent but surface with force over time. Recent empirical work by Gillespie et al. (2014) supports these propositions. The implications for our research are that the legitimacy endorsement by important stakeholders should reflect more sharply on employees' trust than those of less important ones. However, we have examined only one employee group: professionals. Other types of employees, such as unionised staff, contract workers, or front-line service employees may reveal varied priorities for the importance of stakeholder legitimacy beliefs. Furthermore, the reflection of trustworthiness onto the organisation through legitimacy beliefs may be problematic when there are contesting stakeholder endorsements because disagreement erodes validity (Bitektine & Haack, 2015). This inference has important implications for organisational trust repair and suggests that trust, once broken, is so difficult to restore because narration and story-telling by and among different stakeholder groups can undermine even the best organisational efforts to restore public confidence (Gillespie & Dietz, 2009).

### **Practical implications**

Stakeholder management may thus be a critical task for cultivating trusting employee relations because it helps build employees' trust not just in their organisation but in different types of institutions (e.g. public universities, business in general). The literature on strategic legitimacy management informs practitioners on how to go about convincing stakeholders that their organisation conforms to relevant expectations and beliefs (Elsbach, 1994; Suchman, 1995). Our research suggests that one avenue for doing so is to engage in visible external actions that signal trustworthiness (Poppo & Schepker, 2010). For instance, universities across North America, particularly in urban areas, have

developed comprehensive programmes with the explicit goal of providing education and mentoring to students in the local community. Some universities have also documented their 'local impact' in terms of charitable contributions, financial aid to local students, and taxes paid to the city. Such actions can be understood as deliberate signals of the organisation's legitimacy in light of its category standing as a public organisation. Specific initiatives generate a more general aura of trustworthiness because they exemplify the commitments to the public good and civic engagement that are assumed on the part of educational institutions as an organisational form.

Business organisations can similarly position themselves as trustworthy by showcasing key features or activities that are considered basic characteristics of their organisational form and judged as legitimate by key stakeholders. For example, beer breweries can generate trustworthiness through public display of equipment that cues the legitimacy of their production technology (Lamertz, Heugens, & Calmet, 2005), whereas daycare businesses can generate trustworthiness when they set up operations on church or school premises that legitimate them by value-congruent association (Baum & Oliver, 1992). Our findings suggest that if such attributes and actions, which prior research has shown boost legitimacy judgments by external stakeholders, are communicated and made salient to employees (internal stakeholders), they may also engender internal trustworthiness and trust in the organisation.

### **Limitations**

Notwithstanding that we believe our conceptual work significantly contributes to a better understanding of organisational trust by employees, it is important to highlight the limitations of our empirical work. First, all our data were obtained through self-reports. We have minimised the resulting concerns about method variance in the data (Podsakoff et al., 2012) by including procedural remedies (e.g. using different scale types) in Study 2 and supplying the results of confirmatory factor analyses that support the distinctiveness of our measures in both studies. Furthermore, because our analyses are correlational, any inferences about causality remain limited. Although we have argued that legitimacy helps build organisational trust, the opposite is also conceivable, and a recursive relationship between them is similarly plausible. In order to fully test our conceptual ideas, it would be necessary to obtain staggered measurement of key variables to capture the evolution of individuals' legitimacy beliefs and organisational trust over time.

Furthermore, we have relied on employees' perceptions of legitimacy beliefs because our aim was to focus on the individual level of analysis. However, legitimacy beliefs are ultimately rooted in impersonal social control exerted by consensus validity at the institutional level of analysis (Bitektine & Haack, 2015). Thus, information about external authorisations and endorsements of organisations and a multi-level investigation using organisational and individual data are required to investigate the linkages between micro and macro phenomena with greater precision. A third important limitation pertains to the generalisability of our findings. Although public universities constitute an appropriate setting for our research question, they differ from for-profit organisations in important structural ways. For-profit organisations may operate in more turbulent external environments and hence their employees may experience cues of trustworthiness differently in relation to various legitimacy beliefs (Harris & Wicks, 2014).

## Conclusion

We believe that our study constitutes a promising step into an exciting new direction for research on organisational trust because it serves as a foundation for linking the traditional focus on trust in employee–employer contexts to trust that is more widely diffused and impersonal in society (Harris & Wicks, 2014). Our study provides provisional evidence that employees' level of trust in the employer organisation is associated with their beliefs about how that organisation impersonally relates to its institutional environment, beyond the personal connection they maintain with it. We therefore call for future research to replicate our findings with more sophisticated methods and using data from the private sector, for-profit organisations, and different employee groups.

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## Disclosure statement

No potential conflict of interest was reported by the authors.

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