

# Trusting organizations: The institutionalization of trust in interorganizational relationships

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### **Trusting Organizations:**

#### **The Institutionalization of Trust in Interorganizational Relationships**

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#### **Abstract**

Recent research on interorganizational trust has stressed the need to develop a deeper understanding of the multi-level nature of this construct. This article focuses on trust on different analytical levels in an interorganizational context, and on the hitherto underspecified connections between these. Based on an institutionalization approach, it revisits the classic question: (how) can organizations trust each other? To do so, we consider organizations as objects of trust and reappraise the transferral from interpersonal to interorganizational trust in "facework" (Giddens, 1990). We also examine the conflicts and struggles of trust and power that can arise from this process between boundary spanners and their organizational constituents. Next, we consider organizations as subjects of trust in interorganizational relationships. We detail the institutionalization of trust and its reproduction on an

organizational level, and how it can be transmitted to new generations of organizational actors, creating path-dependent histories of trust which are truly interorganizational. Taking up the theme of trust and power, we analyze ways in which the institutionalization of trust can entail that of power, too, and examine the implications of this from a critical point of view. We conclude that in interorganizational trust, both the subject and object of trust move across analytical levels, and further, that this movement demonstrates the significance of the organization as a distinct entity that can be both trusted and trusting.

**Keywords:** institutionalization of trust, institutionalized trust, interorganizational relations, interorganizational trust, publishing industry, trust and power

## Introduction

Over the past two decades, the centrality of trust in economic relationships has come to be increasingly acknowledged – a development that, if anything, seems likely to become even more pronounced now that the emergence of the present crisis has been so obviously linked to an escalation and collapse of trust. Correspondingly, trust literature has burgeoned. Inter-organizational trust has remained a particularly compelling subject partly because it allows us to study processes of trust building in the absence of the integrating normative horizon that comes with common organizational membership, so that it is largely up to trustor and trustee to define their context and engage in active trust constitution (Giddens 1994; Möllering, 2006a). More importantly to the highly prolific research on long-term interfirm cooperation such as joint ventures, the effects of trust on economic performance are still far from clear (Dirks & Ferrin, 2001). Accordingly, trust has become one of the most frequently cited concepts in studies of cooperative interorganizational relationships (Grandori & Soda, 1995; Rao & Schmidt, 1998; Arnott, 2007; Zaheer & Harris, 2006). Yet it is only relatively recently that interorganizational trust has come to be acknowledged as a distinct construct, with previous research focusing on trust in isolated dyads without due consideration of its organizational context (Currall & Inkpen, 2002; Ferrin et al., 2006; but see e.g. Lane & Bachmann, 1996; Arrighetti et al., 1997). Despite Rousseau's (1985) emphatic demand to study both the individual and organizational levels simultaneously, multi-level research in this area is nascent at best. The connections between trust on the interpersonal and interorganizational levels have remained underspecified; recent studies bemoan particularly our lack of insight in how trust is *built* between and across these analytical levels (Gulati & Sytch, 2008; Fang et al., 2008). Zaheer and colleagues (1998), too, note the fundamental challenge to transpose an individual-level concept like trust to the organizational level.

The present contribution aims to help fill this crucial gap. If we acknowledge that organizations as entities may play a significant role in trust building, but that it is still individual actors who engage in trust building activities (Six & Sorge, 2006; Gulati & Sytch, 2008), we need to ask: What are the mechanisms and processes that link and mediate between trust on the (inter)personal and the (inter)organizational levels?

We contend that this question is of singular importance if we aim to understand the phenomenon of interorganizational trust more fully, and further, that an institutionalization approach is best suited to addressing this complex issue. In the following, we will thus ask the classic question "(how) can organizations trust each other?" anew from an institutionalization perspective. In doing so, we will see that (a) the organization, as a distinct entity, does indeed have a decisive role to play in interorganizational trust building, and (b) that there is a continuous movement of trust between analytical levels which is constitutive of all interorganizational trust. As this applies to both the "object" and "subject" sides of an interorganizational trust relationship, we will take a fresh look at both of these in consecutive sections. Before doing so, however, the institutionalization perspective employed requires some further elucidation.

### **The institutionalization approach**

Much theorizing on trust has, implicitly or explicitly, displayed a bias towards either overly individual or overly structural accounts (Lewis & Weigert, 1985). The former are prone to treat trust as a strictly individual phenomenon (Kramer, 1996), often even as the result chiefly of relatively stable individual predispositions (in the tradition of Rotter, 1971), but are thus unable to adequately account for the intersubjective, cultural components that trusting conduct clearly displays. The latter, by contrast, often focus merely on favourable preconditions for trust (e.g., higher in-group homogeneity; Zucker, 1986) and tend to equate these to

corresponding trust levels in a quasi-automatic, but therefore mechanistic fashion that neglects the decisive impact of individual agency on trust building in a given relationship.

We see an institutionalization perspective as the most promising approach to combine all of these concerns, and to account for the influences both of structure and agency, of institutional preconditions and creative interaction. In the following, we will adopt Berger & Luckmann's (1967) social constructionist account of institutionalization. We are aware of the merits of alternative approaches such as structuration theory (Giddens, 1984) (indeed, so much so that we include elements of it into our framework; see below). We have chosen Berger & Luckmann's theory particularly because it elucidates best the interplay of individual and intersubjective facets in institutionalizing trust, but also because of its excellent metatheoretical fit with the neoinstitutionalist theory we use (Scott, 2008).

This approach allows us to transcend orthodox approaches by considering not only the institutional *bases* or antecedents of trust (see again Zucker, 1986), but further conceiving of trust *itself* as capable of institutionalization. Trust can be institutionalized in the form of roles and routines for trusting, which need to be creatively enacted. Thus, institutionalized trust emerges as a construct that consists of intersubjective rules for trusting and being (or appearing) trustworthy, but strictly speaking only exists in interaction. We can conceive of these ongoing processes as a cycle of institutionalization in which interaction contributes to (but does not fully determine) the (re-)production of structural forms of trust, and these structures in turn contribute to (but do not fully determine) the (re-)production of trusting interaction. In this, the freedom of actors within institutional boundaries which are at the same time constraining and enabling allows for highly variable degrees of identity/non-identity of reproduction (cf. fig. 1). This accounts for the finding that trust clearly possesses intersubjective elements, but at the same time always constitutes an "idiosyncratic accomplishment" (Möllering, 2006a).

We are concerned primarily with the meso level, as a distinctively organizational subject (rather than the overarching societal macro level; Rousseau & House, 1994), and its interplay with micro level processes. This allows us to study institutionalization as a substantive process, and the ways in which actors, drawing on their individual agency, construct and reconstruct organizational realities of trust and react to them in reflexive and often strategic ways (Giddens, 1984).<sup>1</sup>

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Insert Figure 1 about here  
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The following investigation of organizations as objects and sources of trusting behavior will be based on this institutionalization model. First, we will address organizations, and thus the roles and routines institutionalized within them,<sup>2</sup> as objects of trust. This is both the more conventional (as more frequently addressed) and the broader question. The range of roles and routines that may be considered trust-relevant by an outside observer is much wider than that of the specific roles and routines that make up institutionalized trust proper. We will thus turn to the object angle first, coming to the question of organizations as subjects of trust only after that, at which point we will also specify our understanding of institutionalization in greater detail.

### **"Trusting organizations": Organizations as objects of trust**

Part of interorganizational trust is that an external observer places their trust in an organization as the trusted object. In the following, we will refer to this aspect as *organizational trust*. We will thus be concerned with trust that refers to institutionalized roles and routines within organizations, as well as the connections between the two different object levels (i.e., between trust in organizational representatives as individuals and trust relating to their organizations). This is a topic regularly touched upon in treatments of

interorganizational trust, but the mechanisms and processes involved have hardly been specified further since Giddens' description of trust in expert systems (1990, 1994; also see below), itself a development of Luhmann's seminal ideas about system trust (1979). At the same time, trust on the organizational level is frequently defined by simple analogies to interpersonal trust (Bigley & Pearce, 1998). Consequently, we will begin by locating organizational trust in reference to these two poles.

### ***Organizational trust between interpersonal and system trust***

It is certainly correct that the structure and logic of interpersonal and organizational trust are "essentially similar" (Govier, 1994). In both, the trustor makes a decision based on "good reasons" to make themselves vulnerable, thus making a risky investment but reducing complexity by bracketing out the possibility of unfavorable future actions by the trustee (Luhmann, 1979; Bachmann, 2001; Möllering, 2006b).

While these commonalities are widely recognized, the increasing acknowledgement of interpersonal and interorganizational trust as distinct constructs is typically based only on the empirical observation that one can exist in the other's absence (Doney & Cannon, 1997; Jeffries & Reed, 2000; also see, however, Hagen & Simons, 2003). The most obvious difference is that organizational trust is placed in a social system. Rather than referring to the competence and/or goodwill of an individual actor, this type of trust refers to an organization's perceived aims and values, and the adequacy of the roles and routines institutionalized for their implementation (Lepsius, 1997). As such, it is clearly a form of system trust (Luhmann, 1979; Giddens, 1990).

However, counter to a common interpretation (e.g. Lahno, 2001), organizational trust is not *purely* system trust. System trust is characteristically diffuse. It does not encourage an active search for alternatives; its degree of taken-for-grantedness is high. Organizations, by contrast, do not appear as "given", but are identifiable as discrete entities; divergent



attributions of reliability and trustworthiness often constitute a pivotal factor in making choices between individual organizations (Morgan & Hunt, 1994). Organizational trust thus lacks the tacit, "automatic" qualities of system trust stressed by Luhmann; its creation involves much higher degrees of reflexivity. Morgner (2008) probes deeper into this important distinction, arguing that organizations, but not the overarching social systems that Luhmann's concept refers to, are "addressable" (i.e., attributions have a concrete social referent). As a consequence organizational, but not system trust is "conditionable" (i.e., the actor can base their trust decision fundamentally on testing trustworthiness in sequential interactions), pointing towards fundamental differences in their creation. Organizational trust is thus indeed a distinctly *meso level* form of trust. In important respects, it is situated *between* interpersonal and system trust.

Regarding interdependencies between the (inter)personal and (inter)organizational levels, it is widely accepted that trust between organizational representatives is at least partly based on organizational trust, as the latter "provides a context for interpersonal trust and the relationship between negotiators" (Jeffries & Reed, 2000: 874; for an empirical confirmation see Doney & Cannon, 1997). From an institutionalization perspective, it becomes evident that existing organizational trust can act as an antecedent facilitating the building of interpersonal trust in interaction, in a fashion similar to but more powerful than the effects of a known organizational reputation (Lorenz, 1988). It achieves a pre-reduction of social complexity which reduces the risk of trusting. In this way, it can serve as a "stepping stone" on the way towards the "leap of faith" in building interpersonal trust (Möllering, 2001; Lewis & Weigert, 1985). The same is true of system trust: it is not just the more global assumptions of familiarity or "situational normality" (Luhmann, 1988; Misztal, 2001), but also the fact that the respective social system or subsystem is trusted that can act as a reassuring and trust-facilitating background consideration.

Interpersonal trust can thus build on organizational trust, and both of these in turn will typically build on system trust pertaining to the relevant sector of the life-world. In this sense, the different levels of trust are nested inside one another (Shapiro, 1987).

Thus, adapting a definition by Lahno (2001), we can describe organizational trust as follows: An actor who trusts an organization makes themselves vulnerable to the actions of others who are guided by the organization, based on what the actor knows about the regularities of organizational behavior and about the behavioral incentives and norms as set by the organization. From an institutionalization perspective, we may say that (inter)organizational trust is enacted as (inter)personal trust in interaction.

To see that interpersonal and organizational forms of trust are indeed mutually facilitating or "recursively related" (Currall & Inkpen, 2002; Sydow, 2006), we need to consider ways in which organizational depends on interpersonal trust. This draws our attention to individual conduct which can make the organization appear trusting and/or trustworthy, i.e., "facework".

### ***"Facework" between intra- and extra-role behavior***

Taking up Goffman's (1969) concept, Giddens (1990) famously suggested that "facework" is done at the access points of organizations. Although virtually every study concerned with organizational trust refers to this passage, astoundingly little analysis of the concept has been provided in the two decades since. The institutionalization approach taken here can contribute to a clarification of the relevant dynamics.

It is of course correct that without their representatives, organizations would lack any capacity for the reciprocity or even interaction indispensable to trust building; it is much easier for individual agents to signal predictability and benevolence (Schweer, 2003; Doney & Cannon, 1997). The implication, then, is that these signals – somehow – rub off onto an external actor's image of the organization. But how?

We want to suggest a simple formulation of the facework dynamics: When facework works effectively (which is far from certain; also see below), trust is invested in the person of the representative, but it is "trust qua role", "trust qua group membership" (Lahno, 2001), which relates primarily to the positions and roles determined by the organization (Ring & Van de Ven, 1994; Apelt, 2003) – that is, trust is elicited by the organization's institutionalized roles and routines for demonstrating trustworthiness. A transference from interpersonal to organizational trust can occur if the representative's conduct is viewed as typical of the organization by the potential trustor, as directed by trustworthy organizational roles and routines (Doney & Cannon, 1997). The connection between interpersonal and organizational trust established by facework is thus constituted by role-based trust.

Yet organizational actors are not pre-programmed robots. The institutional perspective sensitizes us to the mixture of organizationally determined and individually devised or improvised elements inherent in facework. The organization's rules for demonstrating its trustworthiness feed into symbolic interaction (facework), where they are enriched by the organizational representative's individual creativity. The resulting enactment, in its turn, feeds back into organizational roles and routines, where (specific aspects of) it may become institutionalized and made available as a basis for future interactions concerned with facework (cf. again fig. 1).

In a second cycle overlaying the first, trust invested in an organization feeds into – but does not fully determine – trust in its representative, which is subsequently likely to change in degree or kind (e.g. from "thin" to "thick" trust) as a result of interaction. This level of trust in the representative can then feed back into organizational trust and may be sustained as such if the "right" attributions are made.

This is one of the distinctive qualities of the role-based trust elicited in facework: in interaction, the "compulsory figures" prescribed by organizational roles and routines are mixed with the "free skate" (i.e., extra-role behavior) devised or improvised by the individual

actor. The two may indeed be difficult to tell apart for an external trustor. As Bachmann notes, trustors themselves often find it difficult to determine whether their trust pertains more to their partner or more to the social system that controls their behavior (1998: 308; also see Knights et al., 2001: 315).

Organizational trust arises from this blend of intra- and extra-role behavior. This yields distinctive advantages as well as disadvantages. Of course, a highly competent representative (or "boundary spanner"; Adams, 1976, 1980) is needed to credibly represent both an organization's aims and values and the roles and routines these are institutionalized in. Perceived competence ranks particularly highly as a sign of boundary spanner trustworthiness (Hawes et al., 1989). Having an inadequate individual represent the organization is likely to erode organizational trust. This may be the case even if the boundary spanner is perceived as atypical of the organization, as its institutional system may be considered incapable of assigning suitable individuals to important tasks. In contrast, a competent organizational representative can be of great value to the organization (Williams, 2002). The intra-/extra-role distinction is often particularly fuzzy in the case of (often comparatively unstructured) boundary roles (Bettencourt & Brown, 2003; Walker et al., 1975). Consequently, positive patterns of conduct, even where largely based on the boundary spanner's individual abilities, can come to be ascribed to the organizational system of institutionalized roles and routines.

This case represents the clearest example of how interpersonal trust may "rub off" onto organizational trust. For this transference to occur, however, particularly where the experience of external partners with the organization is limited largely to contact with one representative, the latter will typically have to direct observers' attributions actively towards intra-role behavior by communicating their commitment to and/or typicality of their own organization. As we will see, this fact may directly translate into a source of power for the boundary spanner.

### ***Boundary spanners between intra- and interorganizational trust and power***

The above, then, represents variations in the boundary spanner's competence on the one hand, and their goodwill towards their own organization on the other – the two basic referents of trust (Mayer et al., 1995), as seen from the perspective of relevant organizational members, or constituents. This points towards the connections, but also the contradictions between trust building within and outside the organization.

It is unquestionable that a strong intraorganizational trust culture is likely to be conducive to interorganizational trust building as boundary spanners are socialized into effective principles of trust building that may transcend contexts and can be "exported" into external relationships. (For instance, a study of trust relations in UK book publishing<sup>3</sup> showed that "going the extra mile" for a partner serves as a trust-evoking signal both internally and externally. If the idea of doing so is institutionalized as "normal" within the organization, it will be easier for the actor to fall back on the same principle when dealing with external partners.) Conversely, interorganizational trust will frequently lead to higher performance on the part of the boundary spanner, which is fit to strengthen internal constituents' trust in them (Adams, 1980; Williams, 2002).

Restricting our observations to the reciprocal facilitation of internal and external trust would, however, produce an unduly harmonistic picture of trusting relationships (a problem that is not uncommon in the literature; Lewicki et al., 1998). Considering boundary dynamics also throws into sharp relief problems of trust and power.

No instance of trust is entirely independent of organizational and other power structures (Mizrachi et al., 2007). Trust and power enter into sometimes complex interrelationships and blends (Bachmann, 2001; Bachmann & van Witteloostuijn, 2009). It has been noted that trust can give the trustee some control over the trustor, and (more rarely) that it can give the trustor an element of power over the trustee if the latter is dependent on the former's trust to perform their tasks adequately (Hardy et al., 1998; Mills & Ungson, 2003). Here, we will restrict our

observations to an interesting complication of this notion, which results from the representative's distinctive position at the boundary between internal and external relationships.

On the one hand, intraorganizational power, or "clout", is valued highly as a sign that a boundary spanner's promises can be trusted (Hawes et al., 1989; Doney & Cannon, 1997). Conversely, and more problematically, the intraorganizational power of boundary spanners may often centrally derived from their close and trusting relationships with important external partners (Adams, 1980; Whetten, 1978).

The comparatively high discretion that is characteristic of many boundary roles (Walker et al., 1975) is open to abuse by the boundary spanner. Because they are a potential source of intraorganizational power, the boundary spanner may be "protective of the relationships ... and seek to maintain and exploit them rather than simply (loyally) pass them on to the firm" (Hanlon, 2004: 203-4). That is, they may take care to have the partner's trust focused on them as an individual rather than as an organizational representative. If they purposefully present themselves as disconnected from or atypical of the organization, no trust in the organization will ensue (Sydow, 2006). Even distrust may be engendered if a trusted partner is seen to feel the need to distance themselves from their organization. That is, the boundary spanner may egoistically harness external trust as a source of internal power.

Our study of UK book publishing, for instance, showed that editors' success is often tied to their close and trusting relationships with one or more bestselling authors. These trust relationships often remain strongly individualized and largely disconnected from the organization. When an editor is "poached" by a competitor, this is evidenced by authors following them to the new publisher. Indeed, this is not an uncommon occurrence. Whether the purely personal nature of these trust relationships is actively preserved by the editor or not, senior executives confirm that they give high intraorganizational influence and power to the editor.

Interestingly, whereas trust typically tends to be associated with legitimate power only (Sydow, 2006; Ireland & Webb, 2007), external trust can be used to harness internal power which is likely to be illegitimate. Instead of prioritizing organizational interests, it results from conscious egoistic strategizing at the expense of organizational norms. (Note, however, that this does not as such tell us anything about its (lack of) "morality" (Brenkert, 1998; Baier, 1986). We will discuss this question in some more detail towards the end of this paper.)

This possibility regularly leads to acute intraorganizational dilemmas. They are centered around the boundary spanner's role autonomy (Perrone et al., 2003) as the pivotal link between internal and external trust relations.

The representative's organizational constituents, on the one hand, are likely to be conscious of the potential for abuse that their role autonomy affords the representative. Internal suspicion and doubt about their loyalties are "classic" problems surrounding boundary spanning positions (Adams, 1980; Aldrich & Herker, 1977). At the same time, constituents may be aware that revoking internal trust and restricting the boundary spanner's autonomy is likely to have a negative effect on their ability and/or willingness to engage in effective facework. In addition to curbing the autonomy to take decisions which is central to external trust building (Williams, 2002), there is a risk of these measures acting as a self-fulfilling prophecy, affecting the representative's job satisfaction and organizational commitment, and reducing their motivation to represent the organization favorably to others (Walker et al., 1975; Goolsby, 1992). Decreased commitment will lead, first and foremost, to the withdrawal of just those extra-role behaviors central to effective facework (Organ, 1988; Jex, 1998). This type of behavior is difficult, if not impossible to enforce (often even to define; Bettencourt & Brown, 2003), making it virtually impossible to coerce an actor into trust building behavior.

The boundary spanner, by contrast, will be faced with the problem of convincing organizational constituents of their trustworthiness. (This is of relevance both to egoistic and

organizationally committed, to powerful and less powerful representatives. Even powerful boundary spanners tend to opt for "softer" solutions as long as they can avoid the risks of coercive power use; Nonis et al., 1996; Molm, 1997.) Beyond the potential for conflict inherent in all boundary roles, caused by the often contradictory expectations placed in them by external vs. internal partners, as well as different groups within their own organization (Whetten, 1978; Kahn et al., 1964), boundary spanners are faced with a dimension of role conflict that is specific to the trust chain at whose centre they are placed.

In external relations, it is crucial for the representative to signal some autonomy from their own organization, as well as a commitment to the interests jointly formulated with the external partners (Perrone et al., 2003). By contrast, those internal constituents in doubt about boundary spanner loyalty will demand demonstrations of unwavering commitment to the home organization. This conflict is not easily solved by switching between behavioral styles for different audiences (Organ, 1971), as often both sides will look to concrete business decisions, for instance when suspicious internal constituents demand evidence of "hard" bargaining tactics (Brown, 1983).

Further research is necessary to elucidate in how far the contradiction between simultaneously signalling autonomy externally and conformity internally constitutes a type of role conflict intrinsic to interorganizational trust building. But it is evident that the organization and its members face problems of trust and power for which no off-the-shelf solutions exist.

### **"Trusting organizations": Organizations as subjects of trust**

So far, the institutionalization perspective has facilitated an understanding of how, in inter-organizational trust building, the referent or object of trust can move from the personal to the organizational level (in facework) and back (when organizational trust serves as a background



for interpersonal trust building). The more fascinating question remains: can the source of trust move across these levels too? I.e., (how) can the organization as an entity be a subject of trust, and if so, what are its connections with interpersonal trust building between individuals?

For this inquiry, we will address several questions from an institutionalization perspective: How can (the subject of) trust move from the interpersonal to the interorganizational level, and how can we envisage the resulting form of trust? How can this type of trust persist across groups and over time? These questions – concerning institutional production and structure, and institutional reproduction and transmission, respectively – will be addressed in consecutive sections.

### ***The production of institutionalized trust***

For an understanding of the process of institutionalization we can turn to Berger & Luckmann's classic account. Their institutionalization theory can be condensed into one core statement: "Institutionalization occurs whenever there is a reciprocal typification of habitualized actions by types of actors. Put differently, any such typification is an institution" (1967: 72). Thus, patterns of conduct which are successful in generating or maintaining trust may be replicated due to the economy of effort this affords the actors, and they are likely to start being understood *as* patterns, simultaneously ascribing roles to the actors involved in them (e.g., that of "trusted supplier"). Importantly, these typifications may come to be shared as a result of continuing interaction, so that each actor knows what to expect of the other and what the other is likely to expect of them. The actors' trusting conduct, then, comes to be coordinated through the development of matching expectations (Weick, 1985; David, 1994). Once third parties are introduced to these patterns of trusting (on which see the following two sections), the patterns that were initially devised possibly as a mere *ad hoc* solution to the problems of (lacking) time and information in everyday business have been externalized and objectified. The actors can be seen to have contributed another segment to "an intersubjective

world known-or-knowable-in-common-with-others" (Zimmerman & Pollner, quoted in Zucker, 1991).

We can now turn to the resulting institutional structures. We view trust as institutionalized in the form of intersubjective *templates* for trusting (Barley & Tolbert, 1997). These serve both as "reading guides", giving the actor a guideline for recognizing, interpreting, and evaluating actions as symbolic for trust and/or trustworthiness, and "writing guides", providing the actor with a "script" for constructing their own trusting and/or trustworthy conduct. They are further specified by roles and routines for trusting (i.e., both the action and the actor are typified by the institution, as described above). The templates and their specifications are the central means of harmonizing expectations and channeling interaction. Both their effects on interaction and their specification into roles and routines are mediated by situational influences.

Trust is certainly a largely "virtual" institution, i.e., it exists principally in interaction and in the memory traces of human actors (Giddens, 1984), and is not easily observable in any formalized structural form. This should not, however, be taken to mean that trust as an institution is immaterial or inconsequential. While the institutionalized trust templates contain symbolic information only (i.e., guides for symbolic action), this includes guides to the symbolic handling of material resources. The aforementioned study, for instance, confirmed that in economic relations, the more effective trust expressions are generally those which commit resources to the relationship (e.g., advance payment, which was rated highly as an expression of trust in business transactions in our empirical study). Thus we consider the institutionalized trust templates, as the institution's "idea", to be embedded into networks of relationships and resource configurations (Sewell, 1992; Campbell, 2004; Clemens & Cook, 1999).

With the creation of the structures described, trust has moved from its "liquid" state in interpersonal interaction to a more "solid" one on the organizational level (cf. again fig. 1). At

the same time, we have already seen that institutionalized trust can only persist if it is continuously "brought to life" in creative interaction.

### ***The reproduction of institutionalized trust***

The organization, as a distinguishable entity, will only be truly consequential as a subject of trust if there is a degree of stability in the way action is organized over time. How, then, can such relative stability come about? <sup>4</sup>

We have conceived of institutionalized trust as intersubjective templates guiding the formulation of symbolic action. Put simply, the institution thus provides a *symbolic repertoire*, much as in Swidler's well-known conception of culture as a "tool kit" of symbolic elements to be employed by actors in devising meaningful conduct (Swidler, 1986; Mizrachi et al., 2007). The influence of the templates is thus largely tacit; they act as cognitive and normative "locks" on interaction (Campbell, 2004). Formal interventions and sanctions, in contrast, may even have deinstitutionalizing effects (Zucker, 1991). The channeling of expectations introduces a degree of stability into the reproduction of the institutionalized templates, as the interactions that are both their result and their subsequent basis are enabled, but also constrained by the existing symbolic repertoire.

Importantly, this repertoire does not simply consist of ready-made symbols. The plain repetition of ready-made patterns (as sometimes proposed in "management guides", or e.g. in Elsbach (2004), who tries to prescribe particular ways of talking and dressing) would not be sufficient to evoke trust. As Luhmann (1979) reminds us, mere role fulfilment is not a strong trust-evoking sign. Potential trustors typically need to feel the trustee's individual commitment to the relationship (Goffman, 1953).

Indeed, the institutionalized trust templates do not provide prefabricated symbols, but only symbolic *cores*, along with a rough guide for the actors on how to structure further situationally, personally, and historically specific layers of meaning around those cores. The

resulting symbolic expressions of trust and/or trustworthiness can be individually credible, while their common core ensures their "legibility" among the relevant institutional actors.

In the aforementioned study of UK book publishing, for instance, a way of personalizing symbolic conduct mentioned by a majority of respondents was learning and communicating about both partners' "style" (specified either with reference to "taste", in editorial work, or to specific "ways of working", in departments such as Production). Both manifestations are apt to demonstrate to the partners that theirs is a highly personalized relationship, the concrete expressions of which result centrally from their interpersonal history.

The efficacy of institutionalized trust in ensuring its continuous reproduction is thus largely based on the *imprecision* of its symbolic repertoire, as it "do[es] not tell us *what* to mean, but give[s] us the capacity to make meaning" (Cohen, 1985: 16).

Institutionalized trust, then, allows organizational actors to bring to bear their agency and creativity in constructing symbolic expressions with which they can engage in "symbolic exchange" (Haas & Deseran, 1981) to signal their trust and/or trustworthiness to others. We can thus conceive of institutionalized trust as *symbolically mediated*. To visualize this process, we adapt a structurationist representation by Barley & Tolbert (1997), modifying it to depict symbols as an intermediate "layer" inbetween the institutional and interactional realms, acting as pivots between them (cf. fig. 2).<sup>5</sup>

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Insert Figure 2 about here  
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The figure demonstrates the centrality of symbolic mediation in the loose coupling of structure and interaction with regard to trust. While the institutionalized symbolic cores are the source of stability of trust over time, their use is highly creative and allows for great variation. Consequently, the trust patterns commonly in use at different points in time will rarely be fully identical. Instead, the institutional repertoire circumscribes a *path-dependent* trajectory of trust determined by the institution's history as well as the agency and creativity

of the actors who participate in continuing it. Actors' agency can be channeled into a common path particularly because even agency, as the ability to "act otherwise" (Giddens, 1984), is always oriented towards existing structures (Emirbayer & Mische, 1998).

The notion of path dependence is particularly helpful as it demonstrates how relative stability can be achieved not only through the (near-)identical reproduction of institutionalized trust patterns, but also by their further "deepening", i.e., their reinforcement in institutional reproduction as they become more deeply ingrained over time (David, 1994; Mahoney, 2000). This development often relies on a logic of "increasing returns" in which the lock-in of institutional development occurs because certain benefits would likely be lost if institutional practices were to change radically (Arthur, 1994; Pierson, 2000).

### ***The transmission of institutionalized trust***

Importantly, however, it is not just the patterns of trusting that change over time; the operation of the institutionalization cycle also is not restricted to the original set of actors. These can change between its rhythms (i.e., in fig. 2 the individuals enacting the institutionalized practices need not be the same between times T1, T2, T3). The institutionalized core patterns of trusting are exterior to the actors and can accordingly be transmitted to other organizational actors *as fact* (Zucker, 1991). Transmission takes place in organizational or team socialization and generally takes one of two forms. Direct historical transmission occurs when a newly arriving role incumbent is in direct contact with their predecessor (often in an induction or "shadowing" routine designed to support the transfer of tacit knowledge; Feldman & Pentland, 2003). More typically, transmission involves first the lateral diffusion of trusting practices within an organization and the subsequent socialization of new members. In both variants, the newcomer is introduced not only to their formal responsibilities, but simultaneously to the informal roles they may take on in specific trust relationships (Louis, 1980).

Indeed, it is only in socialization (and/or the preceding lateral diffusion) that the cycle of institutionalization perfects itself. For a third party being introduced to the existing way of organizing action, the patterns of trusting are likely to appear "as an *opus alienum* over which he has no control rather than as the *opus proprium* of his own productive activity" (Berger & Luckmann, 1967: 106). With this enhanced degree of facticity, the objectification of the institution is complete. The institutionalized patterns, then, are highly exterior to each individual encountering them and are more easily transmitted to new generations of organizational actors (Schutz, 1962).

Importantly, then, the path dependence effects described above are disembedded from the individual relationships that constituted the original context of interpersonal and inter-organizational trust building. The externalized and objectified patterns, and with them the influence of the interorganizational trust history, can persist after the patterns' creator has left the organization. What is more, they can persist after *all* members of the organizations involved have been replaced. We found an exemplary case in the aforementioned empirical study in which a Production Director explained that the existing high-trust relationship between her publishing house and their chief printers had evolved over the past sixty to seventy years, starting soon after World War II. (This assessment was confirmed by three other respondents, including the respective printing company's former Sales Director.) This time span exceeds the tenure of any individual in the companies concerned. Nonetheless, according to respondents, the trust relationship has continued, growing in intensity over time. The present trust between representatives of the two firms is seen to be a result crucially of this interfirm history.

The significance of individually devised extra-role behavior in trust building means that recruitment procedures can play an important role in the degree to which institutionalized trust patterns persist. In our empirical study, several respondents reflected on this fact. One of

them even equated the longevity of their organization's trust culture with persistently recruiting a particular kind of suitable individuals for this task.

In this example, it is particularly obvious that while its reproduction remains connected to the actions of individuals, the interfirm trust relationship has gained a life of its own. The historically grown trust trajectory has become truly interorganizational, as specific ways of trusting conduct have outlasted the replacement of all individuals involved. It is not just the trusting patterns at any given point in time, but also the historically grown trajectory as a whole that are exterior to the actors. Even though trust (and its continuous reproduction) is enacted interpersonally, the source of trust has moved on to the interorganizational level.

### ***The institutionalization of trust and power***

Through its institutionalization, then, trust can be sustained over long periods of time, and the benefits of trusting relationships can be preserved even beyond changes in personnel. Again, we should not uncritically welcome this possibility, however. We have noted that trust can create unwelcome complications of power. We will consider two ways in which processes of institutionalization can exacerbate these: by making trust more visible, or power less visible.

Through their externalization and transmission to third actors, patterns of trust may become more clearly visible. As a result, trust may become more liable to political interference through the attempts of powerful actors to manipulate the meanings associated with it (Hardy et al., 1998). It also presents those actors with higher incentives for manipulation than an isolated trust relation whose principles only apply to a single dyad. After all, an institution is also crucially "a structure in which powerful people are committed to some value or interest" (Stinchcombe, 1968: 107). And by benefiting certain groups within the organization but not others, institutionalized trust is likely to create a constituency defending it (Clemens & Cook, 1999). Consequently, relevant actors may use their power to try and determine which practices are retained in the institutional repertoire – or removed

from it. That is, they are exercising their power by structuring the discourse that surrounds institutionalized trust (Foucault, 1979, 1980).

UK book publishing, for instance, used to be entirely editorially oriented in its approach to business. Centralized departments for sales, production, HR, and other "corporate" functions are a relatively more recent trend (Schiffrin, 2001). In our empirical study, a group of managers from these departments related their ambition to break up the traditional patterns of relationship conduct that were still found in their departments. Specifically, they were aiming to curtail the traditional reliance on highly individualized interpersonal trust relationships in favour of a more "professional", formalized approach to trust building. To achieve changes in the institutionalized patterns, they used a combination of formal and informal power to influence the outcome of this clash, both through a rigorous socialization of new members and by vigorously "pushing back" against the "cultural resistance" they encountered.<sup>6</sup>

We can understand this as a power struggle centered around the question: who controls trust? Who determines how it is built and what it is used for? It is thus obvious that conscious attempts at manipulating institutional patterns can be to the detriment of the organization (and/or groups within it) if they aim at intraorganizational political advantage rather than organizational effectiveness (Farrell & Petersen, 1982; Ailon, 2006).

Foucault reminds us, however, that the exercise of power need not be intentional (1979; also see McCabe, 2010). Instead, it is inextricably intertwined with subjectivity of the actors (Knights & Willmott, 1989). While those respondents who argued for a formalization of trust regarded this as an element of the professionalism that formed part of their self-definition as an executive, others explained that it was precisely the impossibility of this formalization that was at the heart of their self-understanding as editors and publishers. Clearly, this power struggle is closely tied to the subjectivity of the respondents.



This points us towards ways in which an institutionalization of trust can make power less visible. As Smart (1983: 88) points out following Foucault, this is when power is at its most effective. When considering boundary dynamics, we noted that (external) trust may serve as a basis for potentially illegitimate (internal) power, and that no off-the-shelf solutions exist for this problem. Where trust thus serves as a basis for power, the institutionalization of the former runs the risk of perpetuating the latter.

When institutionalized patterns of building and using trust are reproduced, effects of path dependence can preserve power imbalances even after their original moral or rational basis (such as a specific, highly significant trust relationship) has disappeared (Mahoney, 2000). Even more problematically, if this reproduction ensues in an unreflexive manner over long periods of time, patterns of trusting can become increasingly taken for granted (Kern, 1998; Möllering, 2006a) – and, with them, the power relations they give rise to. Where this occurs, power can gain the highly effective tacit influence that Lukes (1974) designated as the "third face of power". It enters into actors' "perceptions, cognitions and preferences in such a way that they accept their role in the existing order of things, either because they can see or imagine no alternative to it, or because they view it as natural and unchangeable, or because they value it as divinely ordained and beneficial" (Lukes, 1974: 24).

This type of trust-based power has the potential to be highly stable and enduring, as it is extremely difficult to address or challenge. Its taken-for-grantedness and tacit influence, produced by "deep" institutionalization, combines with being encapsulated in trust relations which have immensely positive connotations. Actors are much less likely to find support for challenging patterns of behavior which are generally acknowledged as productive, prosocial, and altruistic (Uslaner, 2002). Thus, this kind of power is most stable and effective when it becomes ingrained in institutionalized patterns, and its innocuous "façade of trust" (Hardy et al., 1998) is institutionalized with it.

### ***Trust, power and subjectivity***

The above argument contributes a new and hitherto unseen angle to a growing literature discussing the manifold interrelations between trust, power and control (e.g. Bachmann et al., 2001, Bijlsma-Frankema & Costa, 2005, 2007). At the same time, relying exclusively on Lukes's conceptualization would leave our analysis of trust and power truncated. Again, Foucault's insights into the connection between power and subjectivity can help us understand the shortcomings not just of Lukes's concept, but also of much previous theorizing on the connection between trust and power.

A Foucauldian stance chimes with our analytical perspective far better than it may first appear. Substantively, our interest here lies exactly with those "micropolitics" or "microphysics" of power that Foucault's analysis elucidates (1979; also see Samra-Fredericks, 2005). (Meta)theoretically, its explanatory logic shows some affinities with a constructivist outlook (Reed, 2001). Above all, no one has shown more convincingly than Foucault how "power produces reality" (1979: 194). In this sense, then, Foucault's insights can offer a complement to Berger & Luckmann's theory, which has attracted recurrent criticism for its relative neglect of power (Scott, 2008).<sup>7</sup>

This perspective makes the shortcomings of Lukes's concept readily apparent. Not only does the latter conceive of power as a largely static *property* of persons or institutions (McCabe, 2010). It also shares with much of older labor process theory (in the tradition of Braverman, 1974) the implicit assumption that power is unilaterally "held by the powerful and wielded over the powerless", and thus fundamentally negative and repressive in nature (Knights & Vurdubakis, 1994: 169; Knights & Willmott, 1989).

This negative view of power in particular connects to some older critical approaches to trust. As Adler notes, a long line of theory has tended to view trust as little more than "a thin veneer [hiding] the underlying reality of domination" (2001: 221). Here, trust often features only as an element of the process of "manufacturing consent" (Burawoy, 1979), cementing

relations of domination (also see Reed, 2001). Another, more optimistic line of reasoning tended to agree on the harsh realities of power and domination as presently existent, but predicted their replacement by models of trust-based communities which were often all but utopian in nature (Heckscher, 2001: 235-6; Knights et al., 2001: 313-4; Ailon, 2006: 777).

From of a Foucauldian point of view, none of these positions appear tenable. Both of these strands of thinking (we could call them "pessimistic" and "optimistic", respectively), as well as Lukes's concept, presuppose a counterfactual identification of the "real" wants and interests of those subject to domination, which they could pursue or realize in the absence of power (Ailon, 2006; Knights & Willmott, 1989: 539-41). From a Foucauldian perspective, this appears a contradiction in terms, as power is ubiquitous and fundamentally pervades all social practice (Knights et al., 1993). Because subjectivity is constituted within and through the very power relations that it helps (re)produce, it is not thinkable outside relations of power (Knights & Willmott, 1989).

(An interesting idea – albeit one which would require a study in its own right to explore in greater depth – would be to ask in how far these points apply to trust, too. Foucault's late lectures, in Luxon's analysis (2004), indicate that trust, too, can be productive of subjectivity. But where power "produces" individuals, trust allows for "educating" them. Although the connotations are very different (with trust linked to notions of self-actualization; Luxon, 2004: 465-6), both trust and power are inextricably interlinked with the individual's sense of self. Indeed, while a number of the respondents in our empirical study cited influence in the organization and in the industry as an important element of their identity as a publisher, more of them emphasized that at the heart of their professional identity lay their ability to build lasting trust relations, particularly with talented authors.)

Whether we subscribe to this latter, yet tentative, notion or prefer to view trust merely as a basis of power in this context, the Foucauldian perspective adopted makes unmistakably clear that we must view power neither as a static background nor simply as a negative

counterpoint to trust, but that instead we need to acknowledge the pervasive interplay of complex blends of trust and power with the ways in which actors define themselves, their organizational roles, identities and actions.

### **Conclusion: Trust and its movement across analytical levels**

In this contribution, we have reappraised the production and reproduction of interorganizational trust from an institutionalization perspective. Our chief insights from this are twofold.

Firstly, we believe that the usefulness of the institutionalization perspective in analyzing interorganizational trust has been demonstrated beyond doubt. We did not follow a monolithically institutionalist approach, but enriched our social constructionist framework with elements of structuration theory, and added insights from strategic and critical perspectives where appropriate. Nonetheless, the substantive issue of institutionalization has been at the heart of all stages of our argument.

We considered institutionalized roles and routines as the object of organizational trust, the generation of the latter in "facework" through a blend of intra- and extra-role behavior, and the strategic decoupling of these two elements to create potentially illegitimate power bases within organizations. In each of these cases we have been concerned with institutionalized role prescriptions and the ways in which individuals creatively (and sometimes deviously) make use of them. This interest in the interplay of institutionalized structure and individual agency is visible even more clearly in our account of the production, reproduction, and transmission of institutionalized trust patterns. The path dependence of institutionalized trust results precisely from the creative impetus towards constant, typically incremental, change within relatively stable institutional boundaries.

Of course, the occurrence of coherent and positive trust histories is anything but certain or inevitable. Individual agency allows actors to "act otherwise", and thus to break existing paths and/or create new ones (Crouch & Farrell, 2004; Sydow et al., 2004). The present contribution does not aim to deny that regardless of a history of trust, one sufficiently grave breach of trust by one actor may be able to break down trust permanently. It simply focuses on relatively stable paths of trust as a hitherto understudied phenomenon.

Secondly and more importantly, our approach revealed a distinctive movement of trust between the interpersonal micro and the organizational meso level. This finding applies, on the one hand, to the object of trust. Interpersonal trust in a representative can be translated into organizational trust through facework (depending among other things on the competence and goodwill of the representative, and on internal trust relations with constituents); subsequently, existing organizational trust can serve as a background for the building of further interpersonal trust. On the other hand, the source or subject of trust, too, can be seen to move between levels. Through the dynamics of institutionalization, individual trusting behavior can transcend the interpersonal level and become an attribute of the organization; this orientation subsequently feeds into further trusting conduct of its members. Indeed, since this is the origin of the "collective orientation" in the terms of which Zaheer and colleagues (1998) define interorganizational trust, it may seem even more useful to speak of an "institutionalized trust orientation" in this context.

As a direct result of the above we have seen that trust situated on the (inter)organizational level does indeed warrant consideration in its own right. It could be argued that the institutionalization perspective adopted here has provided an affirmative answer to the classic question: can organizations trust? (Sydow, 2006) Our insights even indicate that organizations are capable of "active trust" (Giddens, 1994). We do not, however, consider it of prime importance whether or not we may speak of organizations as "trustors". We regard this as a largely semantic question, depending crucially on the definition of trust adopted, especially

whether it refers primarily to observable action or to psychological or emotional states; (Currall & Inkpen, 2002; Janowicz & Noorderhaven, 2006). Rather, our core finding here is that as seen from an institutionalization perspective, interorganizational trust unfolds complex dynamics which cannot be reduced to individual behaviors. Its status as a distinct construct becomes apparent through the path dependence effects that interorganizational trust histories exert on trusting conduct.

The model, as presented in such confined space, obviously had to remain limited in scope, but is open to augmentation. The applicability of the basic model is not necessarily restricted to an interorganizational context, but could be used to investigate intraorganizational relations. Trust *within* organizations, too, can be institutionalized in roles and routines and its influence on interaction symbolically mediated. An obvious and fruitful extension would be the inclusion of trust on the systemic macro level, especially with regard to the translation of interpersonal and organizational trust into "system trust" (Luhmann, 1979; Giddens, 1990). (Indeed, a corresponding project is in the planning stage.) Lastly, a complex, but particularly promising extension of the model could consider symbolic expressions of power as well as trust, and the ways in which the intertwined expressions of the two are institutionalized and reproduced over time.

For the present time, however, we hold that our approach has made a meaningful contribution to the study of trust by outlining the dynamics of its institutionalization and reproduction, and by identifying a movement of trust across analytical levels which is constitutive of all interorganizational trust. We are confident that it will prove a fruitful basis for further inquiry into this important topic.

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## Notes

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<sup>1</sup> This is not meant to imply that macro level factors are insignificant in trust building, but merely that they had to remain outside the central focus of this paper. Although the model presented is able to accommodate explanatory factors at all analytical levels, we would have to focus on a different set of processes and translation mechanisms for a methodical inclusion of macro level variables. For an insightful example of this, see Lane & Bachmann (1996, 1997). Also note that we do not pursue a dogmatic institutionalism. Our analysis aims less at developing institutional theory than at advancing substantive insights into the topic of interorganizational trust.

<sup>2</sup> Note that institutionalization can take place on the organizational level, or on the *team level* within the organization. While we do not mention this in every instance to avoid unnecessary repetition, this should be noted with regard to all institutionalization dynamics treated here.

<sup>3</sup> The study, carried out to establish the basic validity of our conceptual ideas, consisted of 21 in-depth qualitative interviews (of one to two and a half hours) with senior executives in some of the major UK trade publishers, as well as some of their external partners. Interviewing

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techniques were based on a combination of "focused" and "depth interviews" (Sarantakos, 1993); data analysis employed a content analysis methodology (Lamnek, 1989).

<sup>4</sup> Note that our present interest is in the stability, or the successful "deepening", of institutionalized trust. This focus of the analysis is not meant to imply lack of change in the object studied; nor to deny that attempts at maintaining and/or reinforcing trust may fail, or may not even be undertaken. Even after a long history of successful institutionalization and reproduction, trust can start spiralling downwards or break down suddenly. We are aware that actors' agency and creativity enables them to reinterpret, change, sidestep or ignore existing institutional roles and routines. Our focus here arises from a fascination with the *possibility* of relative stability over time.

<sup>5</sup> This graph effectively "unrolls" the cycle depicted in fig. 1, with each rhythm representing a turn of the cycle. This conception enriches our framework with insights from structuration theory (Giddens, 1984; Barley & Tolbert, 1997). This blending of constructionist and structurationist frameworks was already implicit in our treatment of the structures of institutionalized trust.

<sup>6</sup> The short quotes were contributed by a Production Director at a major London publisher.

<sup>7</sup> We could also see parallels to the Foucauldian concept of "power/knowledge" (1979, 1980) here. In the case quoted, the power of the boundary spanner is at least partially derived from their expert knowledge as a publisher. Importantly, however, we would argue that it is not just these "theoretical or systematized bodies of knowledge" (which most theory has tended to focus on), but also "informal knowledges ... in specific localized settings" that may play a decisive role (Knights & Morgan, 1994: 137). These informal knowledges may concern both the uncodifiable understanding of the creative process shared between editor and author, and the tacit knowledge necessary to understand and navigate the economic and social networks involved (also see McCabe, 2010: 154; Hudson & Wong-Mingji, 2001: 397).



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## **Biography**

Frens Kroeger is Lecturer in Organisation Studies and Deputy Director of the newly established Centre for Trust Research, University of Surrey. Prior to this, he completed his PhD at the Department of Sociology and Corpus Christi College, University of Cambridge. His research interests revolve around the issue of trust within and between organisations, which he approaches from a strongly conceptual, sociologically informed, and broadly neoinstitutionalist perspective. *Address*: Surrey Business School, University of Surrey, Guildford GU2 7XH, UK. Email: [f.kroeger@surrey.ac.uk](mailto:f.kroeger@surrey.ac.uk)

Figures

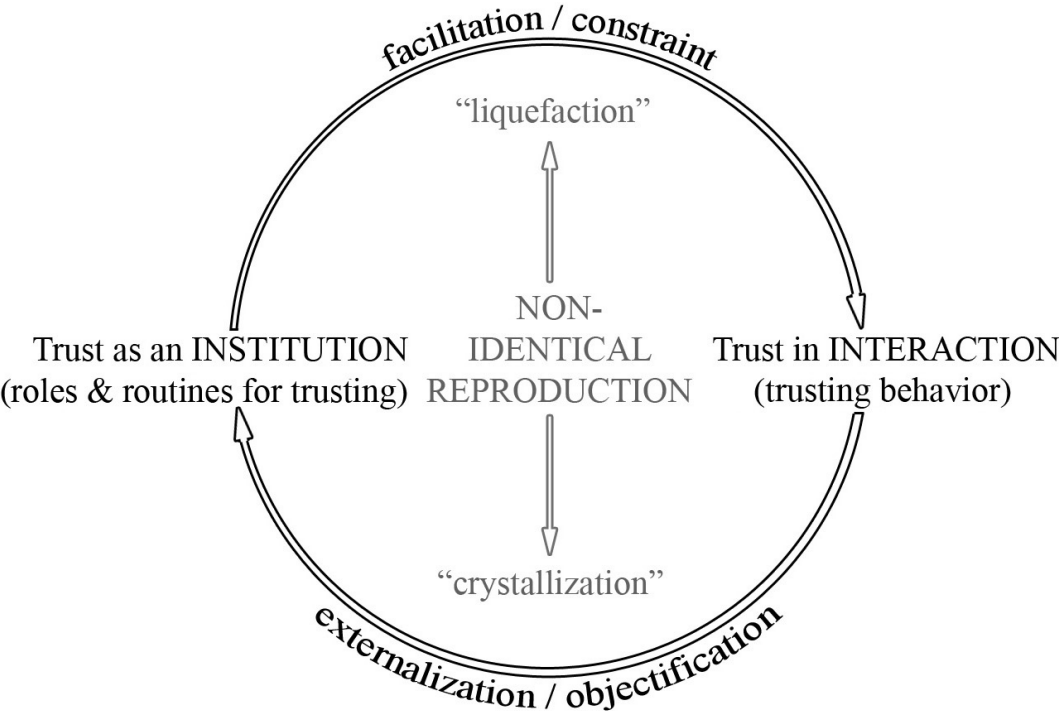


Figure 1: The institutionalization cycle of trust

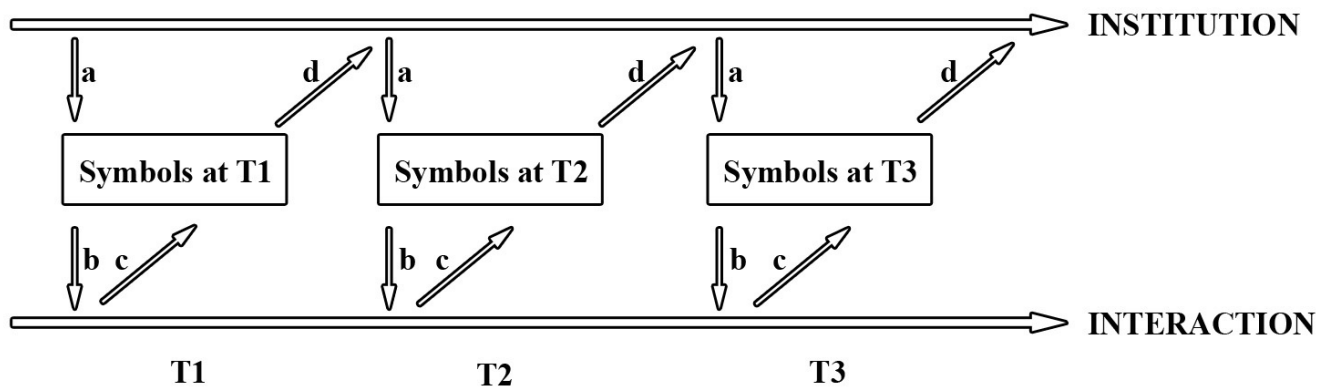


Figure 2: The symbolic mediation of institutionalised trust (adapted from Barley & Tolbert 1997)  
 (Key: a = encode, b = interpret and enact, c = replicate or revise, d = externalize and objectify)