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TOWARDS A CONCEPTUALISATION OF TRUST IN IS OUTSOURCING

Vers une Conceptualisation de la Confiance envers L'externalisation des SI

Completed Research Paper

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Abstract

Despite the implicit recognition of trust in IS outsourcing, comparatively few research could be found in this area. While addressing the nature of trust in IS outsourcing, we found surprisingly many aspects on the concept of trust which have not been captured in the mainstream research on IS outsourcing. This paper presents an interdisciplinary view on trust and attempts to call for a greater understanding and focus on the role and impact of trust in an outsourcing context. It is argued that trust does play a significant role in many aspects of IS outsourcing and potentially could be one of the key elements that contributes to the success of an outsourcing activity. The paper suggests a multidimensional approach to the exploration of trust in outsourcing relationships with a greater focus on multi-faceted aspects of trust as well as the mediating factors that influence the success and/or failure of IS outsourcing activities.

Keywords: Trust, IS outsourcing, interdisciplinary literature review

Résumé

Malgré la reconnaissance de son importance, la recherche sur la confiance dans le domaine de l'externalisation des SI est encore limitée. Le présent article propose une approche multi-dimensionnelle d'exploration de la confiance. Nous nous focalisons principalement sur les différentes facettes de la confiance et les facteurs médiateurs influençant le succès et/ou l'échec de l'externalisation des SI.

Абстракт

Несмотря на то, что доверие играет важную роль в отношениях между клиентом и поставщиком в сфере ИТ аутсорсинга, мы обнаружили сравнительно мало литературы в этой области. После проведенного литературного анализа, мы построили теоретическую модель, охватывающую весь спектр работ в области доверительных отношений.

Introduction

There has been over a decade of Information Systems (IS) outsourcing research that has produced a considerable volume of reflections, theories and propositions around outsourcing (see Cullen 2005). Currently, outsourcing as a means of meeting organizational Information Systems needs is a commonly accepted and growing practice, continually evolving (Dibbern et al. 2004) and emerging as a major strategic option in IS management (Lee et al. 2008). The number and value of outsourcing deals have increased with the number of client organizations that are willing to outsource a wide range of IS services. Gartner analysts estimate that global IS outsourcing deals totalled about \$176.8 billion in 2003 and forecast its growth to \$235.6 billion and \$253.1 billion, for 2007 and 2008 accordingly (Souza et al. 2004). According to Gartner Group reports, almost 70% of companies engage in some form of IS outsourcing (Dibbern et al. 2004). However, despite the estimated annual growth rate of 12.2% in outsourcing deals and generated revenues, outsourcing investments do not guarantee automatic returns (Lee et al. 2008).

IS outsourcing relationships are complex (Kern and Willcocks 2001) and multifaceted. Building and sustaining a flexible relationship between clients and vendors of IS outsourcing is one of the ways to create a value and achieve benefits from this business practice (Willcocks and Kern 1998). Improving the quality of the outsourcing relationship between the client and the vendor has been suggested as an important means to meet the outsourcing challenge (Lee et al. 2003), and to sustain over strategic planning horizon in the globalised outsourcing market today (Lee et al. 2008). It is not surprising that trust is a critical issue given the nature of business initiatives in the contemporary business today. The ever growing complexity of the business (including the relationship between partners, suppliers, vendors, clients, customers) and the business activities emphasizes the importance of building and maintaining sound personal and business relationships. In detail, many researchers speak for a cooperative partnership between the client and the vendor (e.g. Fitzgerald and Willcocks 1994) based on an effective and flexible relationship, wherein trust has an indirect impact on the success of the outsourcing deal (e.g. Cong and Chau 1997; Sabherwal 1999). Based on the premise that overreliance on an outsourcing contract and/or other form of formal controls does not necessarily deliver a successful outsourcing partnership and/or outcomes (Bekmamedova et al. 2008), we assume that trust should be one of the centerpieces of the good outsourcing relationship. Arguably, overreliance on contract is not only (potentially) prohibited expensive and overly complicated, but it may have a detrimental effect on the relationships between the parties involved. With trust, outsourcing organisations could cooperate and collaborate beyond a system of formal rules and legal norms. On the other hand, a strained relationship can detract a significant value from the expected outcomes of the outsourcing activity and the value in terms of cost reduction, increased innovation and improved flexibility is degraded by the greater need for excessive monitoring, auditing and reporting.

Trust as a social phenomenon has an intrinsically complex and multifaceted nature as well as the variety of unites and levels of analysis to which trust can be applied (Zaheer et al. 1998). Such divergences depend partially on the model of the human nature and/or of social interaction underlying research theories, i.e. whether a man is primarily seen as a rational egoist, or whether a social interaction is viewed as being informed by either moral considerations

or by cultural scripts and meaning systems (Lane 2000). Divergences might also arise both from the object and context of trust in which the trust-based relationship is situated, while many scholars however, hold that the nature of trust will vary with the stage of a relationship reached (Lane 2000). For example, trust has been widely recognized as a facilitator of successful relationships between buyer and seller in many domains such as social exchange literature (e.g. Barber 1983; Luhmann 1979), economics (e.g. Williamson 1975; 1985), marketing (e.g. Mohr and Spekman 1996; Morgan and Hunt 1994), management and organizational studies (e.g. Mayer et al. 1995; Rousseau et al. 1998; Zaheer et al. 1998), and is one of the most desired qualities in any close relationship (Mayer et al. 1995). Within the information systems discipline, trust has been studied in multiple contexts such as e-commerce and online environments (e.g. McKnight et al. 2002; Pavlou and Gefen 2004; Ratnasingam 2005), virtual collaborative relationships (e.g. Gallivan 2001; Jarvenpaa et al. 1998; Paul and McDaniel 2004) and IS outsourcing (e.g. Kern and Willcocks 2000; Lee et al. 2008; Sabherwal 1999).

Despite the wide recognition of trust, we found very few strong theoretical works and solid research frameworks addressing the nature of trust in IS outsourcing. In particular, within the IS outsourcing domain, there is only a handful of research done with regards to trust that aims to achieve specific goals (e.g. Cong and Chau 2007; Lee et al. 2008; Sabherwal 1999), wherein the richness of the literature on trust has not been addressed. To fill this gap, this paper attempts to conceptualise trust via the consolidated knowledge of the wide interdisciplinary literature and proposes a research framework which is developed from multiple theoretical perspectives including diverse aspects of trust.

Exploring Past Research on Trust: Origins and Themes

Recently, research on trust has gained a prolific interest from many discipline schools and researchers. In this section, we look at the evolution of themes in trust research across many disciplines, in particular, epistemology of trust, its intricate nature as the researched concept, significant works and major milestones occurred during its evolution.

The word 'truste' or 'traust' (from Old Norse language) dated back to 13th century Middle English and has its etymological roots in older expressions denoting faithfulness, loyalty and confidence. The phenomenon of trust is related to the earliest forms of human gatherings (Möllering et al. 2004). For example, Confucius had already considered trust to be a prerequisite and major foundation for all social relations (Möllering et al. 2004). Many classical writers in philosophy and social sciences have highlighted the vital role of trust in reducing social vulnerability in social settings. Political scientists and philosophers trace the basic foundations of trust to the time of Hobbes, Locke and Hume (Dunn 1988; Hollis 1998). Sociologists also find some insights concerning trust issues in early works of 'founding fathers' of sociology such as Durkheim (1858-1917) and Simmel (1858-1918) (Möllering et al. 2004, p.557), while psychologists find similar issues described in the classical monographs of Freud, and others (see Möllering et al. 2004).

Before the 1960s, research on trust was mostly sporadic and characterised by initial contributions to the literature of trust by the limited number of authors (e.g. Deutsch 1949; 1958; Loomis 1959; Weber 1946). However, there was a burgeoning of 'trust theories' from the 1960s onwards to the present day in what we could describe as a wide and fruitful arena of interdisciplinary exchange between many fields, such as psychology, economics, sociology, philosophical and other social studies as well as the still relatively nascent disciplines of organizational and management studies. An empirically-oriented focus on trust became prominent at that time (e.g. Barber 1983; Deutsch 1973; Rotter 1967) and thus can be organized around the theme and focus of the research. Axelrod (1984) and Dasgupta (1988) followed the game-theoretical approach in trust interpretation and were experimenting with the theoretical implications of the Prisoner's Dilemma game (for further details, see Kee and Knox 1970; Wrightsman 1966). Last, it should be noted that Luhmann's study (1979) on trust led to the differentiating between personal trust and system trust, embracing trust in "generalised media of communication" (i.e. truth, love, money and power) (see Möllering et al. 2004, p. 558), thereby concentrating on the social complexity-reducing function of trust.

Another important milestone in the trust research could be attributed to Zand's study (1972), which was one of the most influential researchers at that time. Following the ideas already suggested by Blau (1964), Zand suggested that trust should be developed gradually and might be self-reinforcing. Meantime, a so-called 'spiral reinforcement model of dynamics of trust' was introduced by Zand (see Zand 1972), upon which trust was referred as reciprocal and self-reinforcing, so that the total stock of trust in small groups increased gradually as individuals in groups developed trust expectations of each other as they observed each other's communication, influence, and control

behaviors. However, Williamson (1975; 1985) presented trust as a social mechanism that in addition to price and authority, was vital to make a transaction cost theory more complete and realistic (for further details, see Cummings and Bromiley 1996; Ring and Van de Ven 1992).

Consequently, new perspectives on trust emerged in the 1990s. For example, in much-cited contributions by Mayer et al. (1995) and edited volumes by Lewicki and Bunker (1996), Kramer and Tyler (1996) trust concepts have been explored through business management and (inter)-organizational contexts. The latter however, led to a quite independent research stream on trust through the interorganizational foci (e.g. Sako 1992). Until the end of the 1990s, the research on trust across the disciplines was heavily conceptual. However, more recently there has been an increasing number of scholars conducted empirical investigations in trust research by testing series of posed hypotheses and modeling trust behaviours (e.g. McKnight et al. 2002; Paul and McDaniel 2004).

The contemporary research on trust issues has recognized the role of emotion, violation and repair in addition to the globalised international environments and cross-cultural contexts as the new dimensions in addressing trust (e.g. Lewicki et al. 2006; Schoorman et al. 2007), while the increased interest in trust at interpersonal, interorganisational and systemic levels, has resulted in the appearance of special issues on the trust research in *Academy of Management Review* (Zaheer et al. 1998), *Organization Studies* (Bachmann et al. 2001), *Organization Science* (McEvily et al. 2003), and consolidated book volumes (Bachmann and Zaheer 2006; Lane and Bachmann 2000). Thus, it is acknowledged that the boundaries between different schools of trust are at time blurred, while an exploration of the role and impact of trust in any field is based on unilateral perceptive, yet should be approached within the multiple contexts. In particular, in the field of IS and IS related, a number of scholars were among the first pioneers who have recognised the role of trust at the stage of forming alliances and partnerships (e.g. Sako 1992) and outsourcing of IS (e.g. Fitzgerald and Willcocks 1994; Grover et al. 1996), while the empirical research in this area has extended our understanding of the initial role of trust in the formed partnerships and outsourcing arrangements (e.g. Babar et al. 2007; Cong and Chau 2007; Lacity and Willcocks 1998; Lee and Kim 1999; Willcocks and Kern 1998). What is more, it represents the epoch of novel research focused on relational mechanisms (including trust) that might drive the outsourcing arrangement to success (e.g. Kern 1997; Kern and Willcocks 2000; Willcocks and Lacity 1998). Of particular interest, Sabherwal (1999) studied the role of trust in outsourced IS development projects by highlighting the importance of such elements as trust, performance and structure, arguing that they are dependent on each other, and suggesting that formal mechanisms (i.e. contract associated activities) is not the only key component that contributes to the success of an outsourcing activity. Further, a number of studies have been directed to investigate the nature of relationship between trust and controls (e.g. Barthélemy 2003; Woolthuis et al. 2005).

In sum, theories and studies around trust as the researched theme have been transforming along with the core shifts in the disciplines and changes in the world. Given the multiple interpretive contexts of trust across diverse disciplines, trust still remains very complex, somewhat elusive and ambiguous concept to address.

Addressing Trust

Trust with all its connotations has been studied in numerous disciplinary fields, and it reflects important research opportunities and applications for scholars from many field disciplines. While acknowledging the different opinions in addressing the nature of trust, we attempt to present the collected interdisciplinary knowledge with regard to the nature of trust by contending that there are multiple constellations in perceived views of defining, characterising and classifying trust at the different levels, and unlikely as an attempt to provide an explicit notion of trust.

Trust: Its nature and concept

Trust has been defined from divergent perspectives across many disciplines and studies. It is one of those constructs that escapes a clear and widely accepted definition. Indeed, McKnight and Chervany (1996) argue that the concept of trust encompasses seventeen different meanings. In diverse academic literature different theories provide alternative and complimentary approaches to defining trust via the context of beliefs, personal and organizational settings, or by stressing its technical, psychological and economic aspects. The lack of a general consensus on the meaning of trust and other challenges associated with its conceptualization is well-documented and has been summarised by Mayer et al. (1995). In particular, a lack of clarity in the relationship between trust and risk, a confusion between trust, its antecedents and outcomes and also, confusion at the level of analysis – they all have been reported by various authors. Costa et al. (2001) also argue that diverse interpretive contexts of trust have been

proposed across disciplines without any effort to come to a common agreement. While some scholars merely take the concept of trust for granted and position themselves only with the functional consequences of trust (e.g. trust *reduces* perception of risk or *acts* as deterrent of opportunistic behaviour), which is according to Möllering (2001) "...unfortunately a far too general approach" (p. 404).

McKnight and Chervany (2001), while working on the definition of trust, once said that "researchers have remarked and recoiled at the literature confusion regarding the meanings of trust...[t]he problem involves both the proliferation of narrow intra-disciplinary research definitions of trust and the multiple meanings the word trust possesses in everyday use" (p. 27). Earlier on, Marsh (1994) in his work on formalising trust in computer science argues that "...we are all 'experts' on trust...and there is the problem, since, as there are so many different 'experts', each of which could define trust differently, there are as many differing definitions, and thus views, of trust. This does not make life any easier when we wish to study the phenomenon" (p. 19). Although disagreement is observed, there are some common features prevailing across ample definitions of trust. Widely accepted definitions of trust might be found in sociology (see Gambetta 2000), social psychology (see Deutsch 1962), organization studies (see Mayer et al. 1995) and management (see Rousseau et al. 1998). For example, "the willingness to be vulnerable" worded by Mayer et al. (1995, p. 712) is one of the most cited definitions of trust and has played a central role in many conceptualizations such as made by Bromiley and Cummings (1995) or by Mishra (1996). Alternatively, different terms have been used to propose the same interpretation such as the "willingness to rely on another party" (Doney et al. 1998, p. 604), the "increase of one's vulnerability to another" (Deutsch 1962; Zand 1972, p. 230), and the "intention to accept vulnerability" (Rousseau et al. 1998, p. 395). Some authors however, think that favourable expectations regarding other people's actions and intentions underlie the trust concept. For example, Lewicki and Bunker (1996) suggest that trust involves "confident positive expectations about another's motives" (p. 117), whereas Elangovan and Shapiro (1998) assume that trust is "a unique set of optimistic expectations" (p. 549). To some extent, all these definitions converge to a general meaning of trust and as such it is considered as the basis for individual risk-taking behaviour (Coleman 1990; Cummings and Bromiley 1996), co-operation (Gambetta 2000), reduced social complexity (Luhmann 1979), order (Misztal 1996), social capital (Coleman 1988; Putnam 1995) and so on (see also Sztompka 1999).

Most definitions of trust have recognized that the concept is related to individual attributes about other people's intentions and motives that underlie their behaviours (Smith and Barclay 1997), while these attributes influence and are influenced by common beliefs and expectations judged by individuals about the treatment they will receive from others (Mayer et al. 1995). In turn, these are closely interrelated to the engagement and behaviours of trust when interacting with others (Deutsch 1962; Kramer et al. 1996). Many authors address trust from different perspectives and diverse academic domains, and therefore giving birth to many useful observations and even theories. Therefore, we try to organise this huge corpus of contributions and research works by capturing the essence of such a variety of trust connotations and present them in Table 1.

| Table 1. Defining a core theme in addressing the nature of trust across disciplines | | |
|--|--|---|
| <i>Core themes in trust</i> | <i>Trust across disciplines: in-depth view</i> | <i>Interdisciplinary literature</i> |
| Reputation in trust | "There is trust only if we know the partner. Reputation is a capital asset" (sociology: Dasgupta 1988). "Reputation systems can solve the problem of dealing with strangers in online environments" (IS discipline: Resnick et al. 2000). | Dasgupta (1988); Kramer (1999), Pavlov et al. (2004); Resnick et al. (2000) |
| Risk in trust | "Trust is a benefits/risks balance, the goal is to maximize profits and to minimize costs" (economics: Williamson 1985). | Bromiley and Cummings (1995); Cummings and Bromiley (1996); Coleman (1990); Mayer et al. (1995); Mishra (1996); Williamson (1985) |
| Expectations in trust | "Trust is a set of social expectations about partners, about organisations and institutions in which we live, and about natural and moral social orders" (sociology: Barber 1983). | Barber (1983); Elangovan and Shapiro (1998); Gambetta (2000); Lewicki and Bunker (1996) |

| | | |
|---------------------------|---|---|
| Mental attitudes in trust | <p><i>“Distinction between trust, familiarity, confidence, faith and hope”</i> (sociology: Luhmann 1988).</p> <p><i>“Trust is an attitude of an agent who strongly believes that another agent has a given property. Thus, trust is given by the sincerity, credibility, cooperativity, vigilance, validity and completeness of trustor’s beliefs”</i> (IS discipline: Demolombe 2001).</p> | Demolombe (2001); Deutsch (1958; 1962); Doney et al. (1998); Luhmann (1988) |
| Trust and (ir)rationality | <p><i>“It is not easy to explain why we trust: social or economical theories developed since the Enlightenment have not succeeded in resolving the contrast between trust and rationality”</i> (economics/organisations: Hollis 1998).</p> | Coleman (1990); Hollis (1998); Gambetta (2000) |
| Trust and technology | <p><i>“Technology and security are not a panacea for trust problems”</i> (sociology: Nissenbaum 2001).</p> | Nissenbaum (2001); Tan and Thoen (1999) |
| Trust and morality | <p><i>“Trust is needed precisely because there are no guarantees”</i> (sociology: O’Neill 2002).</p> <p><i>“Trust is an accepted vulnerability to another’s possible but not expected ill will toward one”</i> (philosophy: Baier 1994)</p> | Baier (1986; 1994); Barber (1983); O’Neill (2002); |

Early on Bigley and Pearce (1998) chronicled the different meanings of trust by showing both how various definitions were similar and how they were diverge. As seen in the table above, trust as the concept is very complex and is dependent on differences in perceived perspectives and thus, there can be no single definition of trust appropriate for all contexts. So that trust has been widely studied in many disciplines, but each discipline has its own understanding of the concept and different ways to operationalise it (Wang and Emurian 2005). For example, Barber (1983) when writing from a sociological perspective, argues that trust is nothing more than a set of social expectations, rather than Luhmann (1988) who contends that trust should embrace mental attitudes of the individuals. While for obvious reasons, trust has been studied long before the emergence of the Internet and online environments, and has been conceptualised within different disciplines (Wang and Emurian 2005), and therefore recent studies around trust within such online context, have been circulating around buyer-seller online transactions (e.g. Pavlou et al. 2007; Ratnasingam 2005), signals and incentives (Pavlou and Gefen 2005), reputation-based communications (e.g. Resnick et al. 2000) and so on. However, within this context, we reflect the distinction drawn by McEvily et al. (2003, p. 93) in their study that trust is seen via the three-edged prism of the *expectation, vulnerability* and *a risk-taking behaviour* which is more applicable to such ‘knowledge rich’ and ‘risk prone’ phenomenon such as IS outsourcing. In particular, Zaheer et al. (1998) have consolidated the knowledge on trust in interorganisational relationships and defined trust as the expectation that a party will act predictably, will fulfill its obligations and will behave fairly even when the possibility of opportunism is present. Accordingly, Klepper (1995) contends that trust has a number of long-term benefits; first, it enables to focus on long-term objectives, with less worry about routine reporting issues; second, it suppresses opportunism and increases the cooperation between client and vendor; and third, it enables risk-taking and reduces conflict. As mentioned earlier, the core themes identified in trust research across the studies, have the direct relationship with the outsourcing context, such as the relationship between the outsourcing parties is based on the partnership and reputation (e.g. vendor’s outsourcing expertise and client’s outsourcing profile), wherein the parties are dependent and expect to reach the set goals of maximizing profits and minimizing costs in the frame of the uncertain business environment. Thereby, this is the environment in which IS outsourcing is operating on.

Initially, two common approaches have been observed towards addressing the nature of trust, a predictive approach and a fiduciary approach (Oza et al. 2006). According to Hoffman (2002), a predictive approach denotes the condition of trust under which the trustor trusts the trustee while predicting that the latter at least will not harm the trustor in a circumstance in which the trustor’s interests depend on the trustee’s behaviour (e.g. Coleman 1990; Dasgupta 1988; Gambetta 2000). While the other camp of scholars prefers to conceptualise trust through the trustee lens, in which the trustor believes that the trustee has a responsibility to fulfil the trust placed in him even if it is

meant sacrificing some of his/her (trustee's) own benefits (e.g. Cheung and Lee 2006; Hollis 1998; Kegley and Raymond 1990). However, there are some challenges associated with adopting these approaches. Williamson (1993) argues that the underlying challenge in the predictive definition of trust is that trust and trusting relationships are subsets of risk and risk-taking behaviour, wherein trust implies some sort of risk-taking, however risk-taking does not necessarily imply trust. Hoffman (2002) asserts that in the fiduciary approach, the concept of obligation successfully distinguishes trust from the broader category of risk. Moreover, a predictive approach towards defining trust is more likely applicable to the outsourcing settings (Oza et al. 2006). In particular, within the outsourcing context, organisations act rationally and assess risk in trust but are unlikely to consider risk-taking as trust (Lacity and Hirschheim 1993a), while an emphasis on the obligatory functions of trust does not fit with the underlying *rational* behaviour of outsourcing sides (the obligations of the both sides do not go outside the outsourcing contract) and thus, this asserts that a fiduciary approach is less likely appropriate to the outsourcing settings.

In sum, acknowledging the complex nature of trust as the researched concept, the presence of multiple connotations of trust in the literature is likely due to the two reasons. First, trust is an abstract concept and is often used interchangeably with dimensions of trust (e.g. credibility, reliability, or confidence in ecommerce studies) and second, trust is a multi-faceted concept that incorporates cognitive, emotional, and behavioural dimensions (Lewis and Weigert 1985) and diverse contexts of interpretations at different levels of analysis.

Levels of Trust

Given the fact that trust is viewed across many disciplines, the diverse levels of analysis have been applied to its investigation. For example, several studies in marketing have examined interpersonal trust between individuals (e.g. Ganesan and Hess 1997), while others have investigated organisational trust between an individual and the partner organisation (e.g. Anderson and Weitz 1989). In particular, trust might be viewed at the interpersonal level as a “multidimensional social reality” that can bridge the micro and macro levels (Lewis and Weigert 1985, p. 967). At the micro level, trust is envisaged both between individuals and between organisations (Lane 2000). Macro trust by contrast, is “something other than micro trust...Instead of measuring trust...we may have been measuring the well-functioning of institutions” (Beugelsdijk 2006, pp. 372, 382). In other words, macro level of trust analysis encompasses societal factors (e.g. Fukuyama 1995) and institutional sources (e.g. Zucker 1986) to be taken onboard. Further, interorganizational trust is viewed at the organizational level and [trust] is placed in the partner organization by the members of the focal organization (e.g. Zaheer et al. 1998), while interpersonal trust is placed by the individual to his/her individual opposite member (e.g. Rotter 1967).

According to Ganesan and Hess (1997) in the area of buyer-seller relationships, there are typically four distinct elements to address: 1) the buying organisation, 2) the buyer – the individual who represents the buying organisations; 3) the vendor organisation, and 4) the vendor oneself – the individual who represents the vendor organisation. Accordingly, in the domain of IS outsourcing, there are at least two organisations that represent both sides of the outsourcing relationship, the client and the vendor. Within this context, *interpersonal trust* can exist between an individual client and a vendor. The client and the vendor as individuals might have different levels of trust in the client and vendor organisations respectively, which is usually referred as *organisational trust* (e.g. Ganesan and Hess 1997). Also, there is also trust that emerges between the client and the client organisation, and accordingly, between the vendor and the vendor organisation. This level of trust has been extensively covered in the organisational behaviour literature (e.g. Long and Sitkin 2006; McAllister 1995), and known as *intraorganisational trust* between an employer and an employee. Finally, trust can exist between organisations. Since organisations are multiple clusters of people working within different internal environments, *interorganisational trust* reflects an agglomeration of individual level of trust that exists between multiple individuals and at multiple hierarchical levels across the two organisations (Larson 1992). However, within this paper, we limit our research focus to the two levels of trust, interpersonal and interorganisational.

Dimensions of Trust

One important question was asked two decades ago by Golembiewski and McConkie (1975) as cited by McKnight and Chervany (1996): “if one researcher defines trust differently from another researcher, how can the theoretical formulations and the empirical results of researchers be built on each other?” (p. 12). Without attempting to identify the elements that are pertinent to trust building, it is difficult to derive effective and reliable principles or implications on enhancing trust within the outsourcing context.

Across many disciplines, researchers have been trying to identify those dimensions (e.g. Mayer et al. 1995; McKnight and Chervany 2001; Pavlou and Gefen 2005). For example, Mayer et al. (1995) proposed ability, benevolence and integrity as the key characteristics of the trustee, while Cunningham and MacGregor (2000) and Mishra (1996) have both made very convincing arguments for the inclusion of predictability (or reliability) into such conceptualisation. Usually, the term *trustworthiness* is mentioned along with the dimensions of trust, so that the extent of trust placed in a trustee can be explained by the trustworthiness of the trustee (Mayer et al. 1995). So, trustworthiness is a “quality that the trustee has”, while trusting is “something that the trustor does” (Mayer et al. 1995, pp. 711, 729). In general, these dimensions all refer to factors that can produce a sense of trustworthiness or even to determine whether individuals (or organisations) will trust each other or not.

In particular, the first dimension is *benevolence* which is the belief that the trusted party will act beyond self-interested motives and protect the interests of the trusted side (Mayer et al. 1995; McKnight and Chervany 2001). The second dimension is *integrity* is the honest belief in the trusted party about his or her adherence to the expected code of ethics and moral principles (Mayer et al. 1995; McKnight and Chervany 2001). Third, *predictability* which relates specifically to the consistency and regularity of trustee actions (whether good or bad) that are forecasted in a given situation (McKnight and Chervany 2001). Finally, *ability* or *competence* (McKnight and Chervany 2001) is the set of skills and competencies that enable the trustee to enjoy a position of influence within the specific context (Mayer et al. 1995; McKnight and Chervany 1996). Arguably, ability is the most important expectation in a trust-based relationship and an important belief about the competence of the trustee to fulfill the duties based on which the relationship is built. Similarly, the importance of such trust characteristics have been denoted by the IS scholars and outsourcing researchers as well. For example, the ecommerce literature mostly distinguishes between three primary dimensions of trust, competence, integrity, and benevolence (Pavlou et al. 2007) and have been seen foremost as antecedents to overall trust (Wang and Emurian 2005). Following the Oza et al.’s operationalisation (2006), *ability* within the outsourcing context is defined as the client’s belief that the outsourcing vendor is competent enough to deliver the client requirements as outlined in the contract, while *benevolence* reflects the client’s belief that the vendor will act in a legitimate manner, so that the client’s interests are protected. Moreover, an importance of integrity in the personal relations was emphasized not once by McFall (1987), while within the outsourcing context, integrity characterizes the client’s perception that the vendors are honest in their dealings and will maintain their commitments. At the organizational level however, the characteristics of trust might be good facilitators to the long-term goodwill between the outsourcing partners. For example, organizational benevolence might be very crucial predictor of commitment, whereas organizations create commitment by demonstrating a genuine concern for their partners through sacrifices that exceed a purely selfish profit motive (Ganesan and Hess 1997).

These preceding studies provide important reflections with regard to the place and role of dimensions of trust. As mentioned earlier, the dimensions of trust are to be seen as antecedents of trust building between partners (as individually and at the organisational level) that should be considered upfront as they form a solid ground for the ongoing cooperation and collaboration of the business partners.

Classifying Trust

Many influential categorizations of trust, either classifications of trust (Lewicki and Bunker 1996) or types of trust (e.g. Oza et al. 2006; Sabherwal 1999), make explicit reference to the idea that trust can be produced in various analytically distinct but practically complementary ways, for example, process-based, characteristic-based and institutional-based trust by Zucker (1986), or cognition-based and affect-based trust are explained by McAllister (1995), or calculus-based, knowledge-based and identification-based trust by Lewicki and Bunker (1996). It is obvious that there are various categorizations and/or classifications of trust. Although there are interesting debates and discussions stemming from the above mentioned categorizations, it is not our intention in this paper to extend and/or join these debates. However, we would like to highlight Sabherwal’s (1999) classification of trust stemming from his work in IS outsourcing. He proposed four types of trust such as calculus-based, knowledge-based, identification-based, and performance-based which are built upon another classification of trust proposed earlier by Lewicki and Bunker (1996) complemented with performance-based trust. Still, in the area of IS outsourcing, Lander et al. (2004) have recognized three levels of trust (i.e. deterrence-based, knowledge-based and identification-based) and applied this categorization on trust-building mechanisms in outsourcing projects, while Miranda and Kavan (2005) argue that characteristic-based trust and process-based trust in particular are the essentials for the governance of IS outsourcing relationships.

Calculus-based trust (Sabherwal 1999) is widely recognized in the management and sociology literature (e.g. Zucker 1986) and has gained much attention in the outsourcing field (e.g. Babar et al. 2007). In particular, the formation of the outsourcing relationship depends largely on the initial *contractual* stage, since it greatly influences the quality of the relationship (Fitzgerald and Willcocks 1994; Lacity and Hirschheim 1993a), while a formal contract specifies in detail the exchange of services, financial matters, service enforcement, monitoring methods, communication and information exchange, which all indeed to form the general working context of the outsourcing relationship (Kern 1997). Thus, *calculus-based trust* (Lewicki and Bunker 1996; Rousseau et al. 1998) or *contractual trust* is primarily rooted in the rewards and punishments associated with a particular project (e.g. Babar et al. 2007; Sabherwal 1999). It is also used interchangeably with deterrence-based trust (Rousseau et al. 1998). However, unlike the calculative trust which is based on a rational choice and is broader in scope accounting both costs and benefits of violations (Paul and McDaniel 2004; Saparito et al. 2004; Shapiro et al. 1992), deterrence-based trust exists when both parties can be trusted to keep their word and accounts for the costs of violation of trust only (Saparito et al. 2004).

Another type of trust identified by Sabherwal is *knowledge-based trust* which is based upon a prior history of transactions between two parties, so that the two parties know each other well (Lewicki and Bunker 1996; Sabherwal 1999). Knowledge-based trust relies on information rather than deterrence and it develops over time, largely as a function of the parties having a history of interaction that allows them to develop a generalized expectancy that the other's behaviour is predictable and that (s)he will act honorably (Lewicki and Bunker 1996). Within the outsourcing context, usually the most common source for knowledge-based trust is shared experience between client and vendor on other projects (Sabherwal 1999). As the relationship between the parties develops, information based on regular communication between the parties (Rousseau et al. 1998; Shapiro et al. 1992) and their past experiences allow them to predict the likely actions of each other (Deutsch 1958), whereas the latter has been called as *courtship* (Shapiro et al. 1992).

The *characteristic-based trust* (or sometimes *identification-based* as defined by Lewicki and Bunker 1996) is based on certain attributes of the other party and followed from the two parties identifying with each other's goals (Sabherwal 1999). Strong identification-based trust implies when "the parties effectively understand and appreciate what the other's wants" (Lewicki and Bunker 1996, p. 122), while the mutual understanding is developed to the point that each can effectively act for the other. Moreover, characteristic-based trust usually is rooted in the expectation that the parties with similar commonalities (e.g. geographical location, cultural background) are more likely to act in an anticipated fashion (Miranda and Kavan 2005; Paul and McDaniel 2004). Within the IS outsourcing, identification-based trust is developed through the shared goal (e.g. system success) and early team-building efforts for the sake of undertaking a particular project (Oza et al. 2006; Sabherwal 1999).

The fourth type of trust is *performance-based trust* which is more likely to be relevant to the outsourcing context. In particular, performance-based trust has been referred as the trust developed on the basis of a project's early successes (Sabherwal 1999) and is characterised by a celebration of key interim deliverables and periodic demos and pilots.

Alternatively, there is a stream of research that distinguishes the initial forms of trust (e.g. McKnight et al. 1998) within the interpersonal lens. The *cognition-based trust* is based eventually on 'first impressions' rather than interaction between the parties or any prior experience (Lewis and Weigert 1985; Zucker 1986). This form of trust is characterised by the extent of trust placed by a person in another depends on the mental categorization which the trustor makes about the trustee and prior experiences are not essential in this case. Second, *transference-based trust* (or *reputation-based*) which is the trustor's willingness to trust an unknown person, based on a reference of trustworthiness from a known third party in whom the trustor has developed strong trust based on past experience (Milliman and Fugate 1988). Such trust is perceived at a higher level of trust than information-based trust or calculative-based trust (e.g. Doney et al. 1998). Among the potential sources via which trust can be transferred can be individuals with whom the trustor has prior experience with (Uzzi 1996), a place which is a source of trust for the trustor (Henslin 1968), and even an institution or an industry association (Milliman and Fugate 1988; Zucker 1986). Within the outsourcing context, such trust could be gained from 'referrals' from other organizations.

To sum up, we have presented and analysed the classifications of trust occurred at the individual and organisational levels that would serve as the initial forms of trust building based on the premise that the individuals and organisations hold the initial trusting beliefs towards each other that also could characterise the nature of their relationship.

Addressing Trust in IS Outsourcing

The growing concern of organizations either evaluating or actively involved in IS outsourcing is the management and the ensuing development of what many researchers in the literature have coined the outsourcing partnership (Kern 1997) or what Kern and Willcocks (2000) defined as ‘sharing knowledge with other organizations’. It is well-known that the outsourcing relationships are generally based upon contracts (or contractual agreements). To achieve a win-win situation, both sides have to create a close relationship that operates within the “spirit of the contract” (Kern 1997, p. 37). A natural consequence of this relationship is an issue of dependency (Cheon et al. 1995; Kern and Willcocks 1996; McFarlan and Nolan 1995) and opportunistic behaviour from each side (Lacity and Hirschheim 1993b). Also, trust acts as an obstacle to opportunistic behavior (Babar et al. 2007) that arguably helps to ease the development process with a smoother requirements process (Humphrey 1990). Although the contractual agreements outline many issues and their consequences, it is unthinkable to cover all contingencies in the contracts. Moreover, resorting to the contracts every time is an issue and is not only time consuming but also may prove to be costly. Arguably, in order to achieve the expectations and accomplishments for and from both outsourcing sides, trust should be one of the centerpieces of such relationship.

According to the transaction cost economics (TCE) logic, as exchange hazards rise, so must contractual safeguards (Williamson 1985), which act to minimise the costs arising from such hazards and help to build initial relationship between the outsourcing parties (Goo and Nam 2007). Following the logic of TCE which explains that complete contracting is often impossible, while incomplete contracts give rise to subsequent renegotiations when the balance of power is set (Gottschalk and Solli-Saether 2005), relational attributes of exchange may play a role precisely instead of or along with incomplete contracts. By initiating trust, whereby organisations will lower the costs of monitoring and enforcing contract and reduce an opportunistic behaviour of the other party. In all, those transactors who have established relational norms based on goodwill that can ease and lubricate the renegotiation process can reasonably expect to incur lower *ex post* bargaining costs (Gottschalk and Solli-Saether 2005) and the *de facto* formal controls than those who have not. However, due to complexity of IS outsourcing as the business practice and accompanied opportunistic behaviour, trust alone is not sufficient for guaranteed returns and expected outcomes. Thereby, trust-based emphasize in the outsourcing relationships along with the applied formal structural controls needs to be ‘balanced’ in order to adequately respond the ongoing changes (Bekmamedova et al. 2008).

Trust as a construct is very complex, multidimensional and may vary from one context to another. Trust can be perceived in general as the result of cognitive processes (e.g. Lewis and Weigert 1985), namely the outsourcing party’s expectations about the outcome of the outsourcing contract; as the result of a rational decision-making (e.g. Zucker 1986) in such a way that an organisation should trust the decision about outsourcing the information services in order to achieve certain benefits (e.g. cost reduction, improved quality, etc.); and as the aspect of social interactions (e.g. Barber 1983; Deutsch 1962), where trust arises when team members share common values and goals within the outsourcing project. For example, Kern and Willcocks (2000) in their research, define trust as the belief that a promise is reliable and that it will be fulfilled as stated in the agreement. In general, researchers seem to agree that trust refers to a relational aspect in IS outsourcing, in which the parties are willing to accept risk for commitments that will result in a positive desired outcome.

Our search through the IS outsourcing literature and adjacent domains such as marketing, business management and organization studies has produced a plethora of works done in this area with the focus on relationship, wherein trust has been given a role of facilitator or at least a catalyst of the quality of relationships (see Table 2).

| Table 2. Research on trust related to IS outsourcing and adjacent domains | | |
|--|--|--|
| Time period | Research on trust | |
| | <i>Trust as a transparent and thus minor object of studies</i> | <i>Trust as one of the main objects of studies</i> |
| Before 90s | Dwyer et al. (1987); Golembiewski and McConkie (1975) | Schurr and Ozanne (1985); Sullivan and Peterson (1982) |

| | | |
|--------------|--|--|
| 1990-1995 | Fitzgerald and Willcocks (1994); Humphrey (1990); Keil and Carmel (1995); Lacity et al. (1995); Loh and Venkatraman (1992); McFarlan and Nolan (1995); Willcocks and Choi (1995) | Anderson and Narus (1990); Gulati (1995); Klepper (1994; 1995); Mohr and Spekman (1994); Morgan and Hunt (1994); Sako (1992) |
| 1996-2000 | Aubert et al. (1996); Davis (1996); Kern and Willcocks (1996); Loof (1997) | Grover et al. (1996); Hart and Saunders (1997); Kern (1997); Kern and Willcocks (2000); Lee and Kim (1999); Sabherwal (1999); Sako (1997); Willcocks and Kern (1998) |
| 2001-2005 | Feeny et al. (2005); Kern and Willcocks (2002); Kishore et al. (2003); Koh et al. (2004) | Barthélemy (2003); Goles and Chin (2005); Lander et al. (2004); Langfield-Smith and Smith (2003); Miranda and Kavan (2005); Pyysiäinen (2003); Woolthuis et al. (2005); Zviran et al. (2001) |
| 2006-current | Fleming and Low (2007); Goo et al. (2006); Goo and Nam (2007) | Babar et al. (2007); Cong and Chau (2007); Lee et al. (2008); Mathrani et al. (2007); Oza et al. (2006); Siakas et al. (2006) |

Until the 1990s, the mainstream of research on trust was presented by works from the adjacent areas of marketing, theory of joint ventures and etc. (e.g. Dwyer 1987; Sullivan and Peterson 1982), where the relationship between buyer and seller were arguably not that dissimilar to those formed between the client and the vendor in the IS outsourcing. The following five years of IS outsourcing research were mostly influenced by the dominating role of contractual agreements as the main approach to investigate the outsourcing phenomenon. Trust as the object of study was also under this contractual pressure and foremost was described through the prism of power and control mechanisms (e.g. Fitzgerald and Willcocks 1994; Willcocks and Choi 1995). However, in the mid 1990s onwards, there seems to be a slight shift of focus as an increasing number of researches focused on performance issues and the role of informal elements in the outsourcing efforts (e.g. Aubert et al. 1996; Grover et al. 1996). For example, Grover et al. (1996) investigated the relationship between trust as an element of partnership and the perceived achievement of benefits in the outsourcing relationship. The importance of trust in a client-vendor working relationship was emphasized by the participants in Kern's (1997) in-depth interviews. Trust was found to be a characteristic of successful outsourced IS development projects (Sabherwal 1999), while Lee and Kim (1999) found trust to have a significant effect on outsourcing success.

Further, a number of studies on trust issues have increased since 2001. They were mainly focused on exploring trust issues from organizational lenses. For example, Barthélemy (2003) studied the impact of contractual hazards and trust on IS outsourcing outcomes, while Woolthuis et al. (2005) contributed to the debate on the relation between trust and formal contracts in the management of interorganisational relationships. Similarly, Langfield-Smith and Smith (2003) argued that the relationship between management control systems and trust might be actively used to achieve greater control in interfirm relationships, whereas Goles and Chin (2005) placed trust as one of the relationship factors in the successful IS outsourcing relationship. From the IS outsourcing development perspective, Lander et al. (2004) described the trust-building mechanisms (for further details, see Long and Sitkin 2006) along the course of the outsourced IS development project. Only several years ago the outsourcing scholars seemed to realise that trust was indeed an important subject to explore. A number of studies in IS outsourcing relationships have been emphasizing the role of trust in the outsourcing success and/or performance and trying to capture the nature of trust through empirical studies (e.g. Babar et al. 2007; Cong and Chau 2007; Oza et al. 2006), while Lee et al. (2008) studied the theoretical implications and took a bilateral perspective in investigating mutual trust, its role and impact in the outsourcing relationship. In all, trust takes time to develop and in most cases it evolves with the appearance of a good track record of accomplishing stipulated terms in the outsourcing contracts (as found in Kern and Willcocks 2002; Lacity and Willcocks 2001 in detailed case studies). Hence, it will require more time to be investigated as what has been reflected in the trust research records.

Besides, trust has been referred to as a meso-concept integrating micro and macro facets, characteristics, processes that make this concept exceedingly 'elusive' (see Gambetta 2000) and complex to investigate. Within the

outsourcing context, researchers mainly focus on trust at the organizational level (e.g. Grover et al. 1996; Kern 1997; Kern and Willcocks 2000; Lee and Kim 1999). Even though, the above examples with studies on trust have been addressing the importance of trust in IS outsourcing, there is no a generally accepted definition of trust in this area which, given the concern stated by Golembiewski and McConkie (1975) (please refer to “Dimensions of Trust” section of this paper), may prove to be somewhat confusing and problematic. However, despite some disagreements the way trust is conceptualized within the outsourcing context, there is a number of elements common to its characterisation, such as rational decision, positive expectations and the element of risk (or possibility of opportunism) that underlie the acting behavior of each party. Some researchers define trust as confidence in expectations, while others define trust as confidence in expectations that others will “do what is right” as quoted in Oza et al. (2006, p. 346).

Given the extensive interdisciplinary literature review that we made in prior sections, especially with regard to IS studies and IS outsourcing, our working context of trust within the outsourcing context should encompass individual and organisational contexts as the outsourcing parties are consist of both individuals (client and vendor) and groups of people working in either of organisations. We present our reflections in Figure 1.

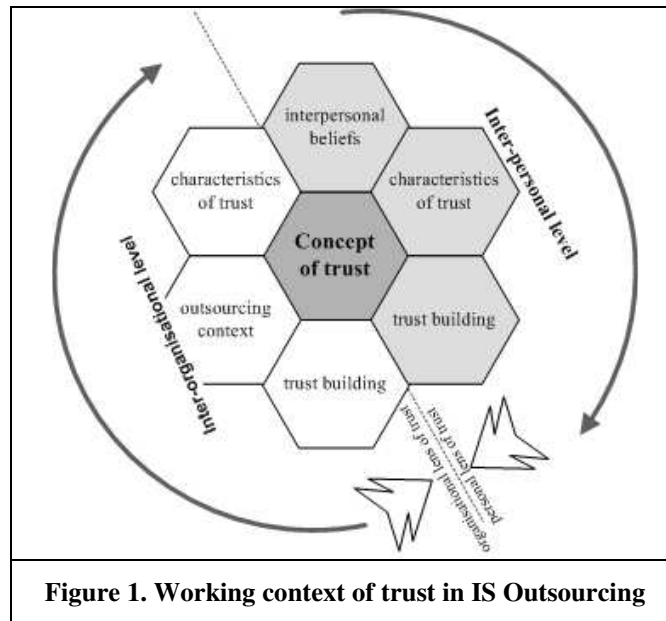


Figure 1. Working context of trust in IS Outsourcing

In particular, at the individual level, the interpersonal nature of trust involves interpersonal trusting beliefs (such as positive behavior and expectations, intentions to accept vulnerability), characteristics of trust (such as the described earlier dimensions of trust that serve as the prerequisites for initial trust building) and the processes of trust building itself occurred between individuals. On the other hand, at the organisational level, the characteristics of trust will include those organisational patterns and values maintained in the organisations towards achieving better communication, mutual understanding and commitment between each other. The working context in which the outsourcing organisations are operating on is characterised by the risky and uncertain business environment that apparently influences the process of trust building between the two organisations as the business parties should act in accordance with the obligations limited by the contractual agreement. Meanwhile, *a priori* self-interests that influence the way of acting of the outsourcing parties, also makes the parties to manage and maintain the relationship under umbrella of own rational decisions and enables to behave rationally and predict carefully the expectations from each side.

Given the extensive literature review in this area and having critically evaluated different approaches towards addressing the nature of trust in this domain, we could summarise with the concept of trust that should be characterised by the situation, wherein the outsourcing sides have positive expectations of each other’s behavioural actions and that every party will fulfill its obligations as stipulated in the formal agreement and the rational behind this agreement is to maintain the relationship under umbrella of self-interests in the awareness of the risk in those expectations. Although, the articulated conceptualisation of trust is somewhat opaque and cannot embrace the entire complexity and multifaceted nature of trust, yet by now we accept this conceptualisation as the working context.

Being Realistic about the Role of Trust in IS Outsourcing

In IS research studies, the scholars have remained on the path of testing and measuring various trust constructs, such as McKnight et al. (2002), who developed an instrument to test and measure trust constructs in the context of e-commerce, or Gefen and associates who tested various trusting beliefs as opposed to behavioural intentions for online transactions (e.g. Gefen et al. 2003). In the area of IS outsourcing, research on the role and implications of trust remain scarce. However, interesting research endeavors are emerging currently in this area. For example, Cong and Chau (2007) while exploring the role of interpersonal trust in successful IS outsourcing, developed an empirical measurement instrument for revealing the correlations between the levels of trust (interorganizational and interpersonal) and the knowledge sharing (referred as a mediating effect) towards achieving the outsourcing success. By contrast, Lee et al. (2008) proposed a trust-based relationship research model to assess the perceived IS outsourcing success in terms of achieving mutual trust between the outsourcing parties with its temporal dimensions of initial trust and distrust, and knowledge sharing with the moderating effect on mutual dependency.

Inspired by the review of the research done in this area and in-depth review of the interdisciplinary literature on trust, we proposed an initial research framework (see Figure 2) that captures multi-faceted aspects of trust and its role in the success of IS outsourcing. The framework is constructed based on the understanding that trust should be a component that needs to be addressed appropriately in the IS outsourcing relationship in order to improve the chance of success. Yet, the outsourcing success will depend on a myriad of factors intricately woven that not only one factor can determine the success and/or failure of outsourcing, and trust in this case, is of no exception. Hence, in our looking at trust as an element that may contribute to the success, we are aware of the so-called ‘mediating’ effects such as trust consequences, contract associated activities and external factors that all influence (or mediate) the ongoing development of the outsourcing process.

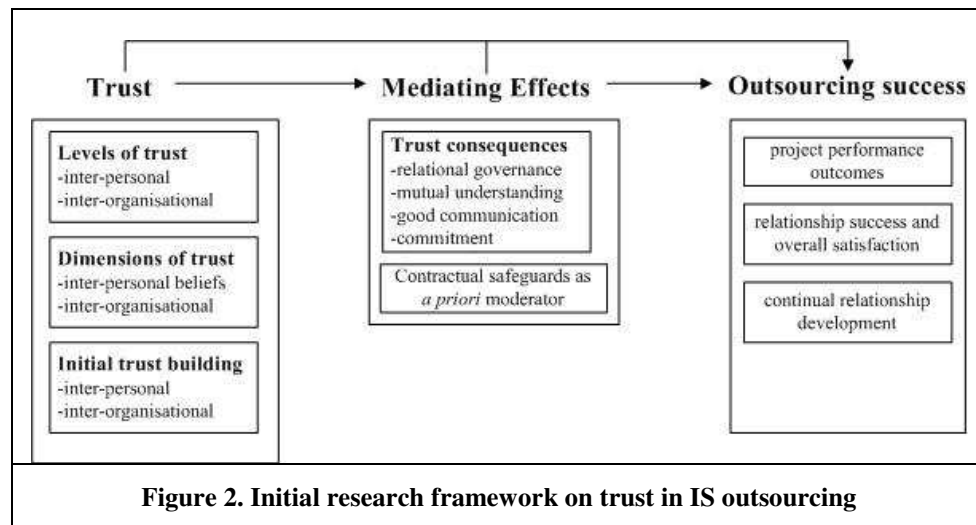


Figure 2. Initial research framework on trust in IS outsourcing

In conceptualizing the framework, we observed the work of McEvily and Zaheer (2006) on performance effects of trust and interdisciplinary model and discussions derived from McKnight and Chervany's works on trust issues (1996; 2001) and reflections derived from Lee et al.'s (2008) study on integrative model of trust in IS outsourcing. Our core proposition (summarized in Figure 2) asserts that the collected knowledge on trust constructs (i.e. levels, dimensions and initial forms of trust building) may enhance the outcomes in the outsourcing effort under the impact of mediating effects, which have been quite often labeled by the outsourcing researchers as enabling factors in the development of trust between the parties involved. In particular, many authors mark that the enhanced trust between the parties might positively impact the outcomes achieved in IS outsourcing (e.g. Cong and Chau 2007; Lee et al. 2008). The framework distinguishes the trust box into three major categories, namely levels of trust, dimensions of trust and initial stages of trust development. First, we propose a theoretical basis upon which interpersonal and inter-organizational trust could be conceptualised as related, but distinct levels. On the basis of our literature review, we would argue that whereas trust inherently originates between individuals (please refer to "Levels of Trust" section), the object of trust may be another person or entities, including a collective entity such as an organization. The majority part of research focuses on trust at the organizational level (Cong and Chau 2007). Since within the context

of outsourcing, there are two organizations being involved, the interorganizational trust denotes the collectively held trust by members of one party (organization) toward another (McEvily and Zaheer 2006).

Second, the dimensions of trust could be considered as the cognitive (individual) perceptions of the trustee. Interpersonal beliefs refer to the extent to which one believes, with feelings of relative security, that the other person has characteristics beneficial to one (McKnight and Chervany 2001), while at the organizational level, such dimensions involve similar individual expectations but are transferred to a business environment. Indeed, the fact that trust is intrinsically complex and multifaceted concept (Zaheer et al. 2006) and that interorganisational relationship performance consists of multiple dimensions (Heide and Stump 1995) means that an important question surrounds the dimensions of trust which affect performance outcomes. Addressing this question is also important for assessing the robustness and generalisability of the trust-performance relationship within the outsourcing context. Research on trust in the context of interorganizational relationship has predominantly highlighted the importance of expectations regarding others' competence, goodwill, ability, competence and predictability, etc. For example, many outsourcing scholars claim that the ability and competence of either of outsourcing parties in accordance with the contract conditions may increase the confidence about the achieving the expected outcomes in the outsourcing project (Siakas et al. 2006).

Third, interorganizational trust plays a critical role in the development of long-term relationships and in facilitating exchange relationships. This type of committed and long-term relationship is perceived as a dynamic process as the outsourcing parties mutually demonstrate their trustworthiness through specific sequential interactions (Lee et al. 2008). Based on these demonstrations, such trust is dynamic because there is time factor involved and historical element implied here (i.e. the history accumulates with information about the partner's outsourcing background and which is transmitted further during the development of their relationship and after the completion of the project). However, within the outsourcing context, there are not only organizations that interact with each other but individuals (client and vendor as individuals) who bear their own expectations and beliefs with regard to another. Thus, for example, McKnight and Chervany (1998) derived five different forms of initial trust, while Lewicki and Bunker (1996) articulated stages of trust development, starting from the calculus-based trust (i.e. based on the rational behavioural patterns), then trust gradually develops into knowledge-based trust (i.e. based upon a prior history of transactions between the parties) and reaches the peak of identification-based trust (i.e. based on identifying with each other's goals and common attributes of the sides). Accordingly, outsourcing scholars have been following the consistency in describing stages of trust development and applying them to the outsourcing settings (e.g. Babar et al. 2007; Lander et al. 2004; Oza et al. 2006). For example, for the calculus-based trust, researchers theorise that the outsourcing parties will make trust choices based on rationally derived costs and benefits (Lee et al. 2008; Lewicki and Bunker 1996) within the signed contract which apparently forms the working context of outsourcing relationships (Kern 1997) through the system of rewards and punishments associated with a particular outsourcing project. Other research suggests that the cognition-based trust is the form of trust involved in the process of development of a successful outsourcing relationship between *individuals* (Lee et al. 2008).

According to Cong and Chau (2007), trust in any social exchange activities always starts from the upper managers then flows downward through each organization. Closer bonds between the parties (client and vendor as individuals) are critical for attaining benefits and value added and what is more, they help to develop a win-win scenario for the both parties. However, there are scholars who argue that there are so-called enabling factors which mediate the process of development of the outsourcing relationship with the achievement of the outsourcing success (e.g. Cong and Chau 2007; Lee et al. 2008). In particular, they vote for the existence of those effects due to a number of reasons, namely IS outsourcing is not limited to a 'tangible product' only but also includes 'intangible assets' such as relationship-driven effects (Levinthal and Fichman 1988). For example, when the size of the exchange increases and the importance of that exchange is recognised, the level of mutual dependency is high which in turn, may result in a higher quality of the relationship (Lee and Kim 1999). In general, the described mediating effects should be divided according to the framework into so-called trust-driven consequences including relational governance (Goo and Nam 2007; Koh et al. 2004), resulted mutual dependency and understanding between the parties (e.g. Kern and Willcocks 1996; Lee et al. 2008), well grounded good communication (e.g. Sabherwal 1999) and commitment (e.g. Ganesan and Hess 1997); and control-driven consequences that have been reflected by contractual safeguards which are caused by the application of structural mechanisms and other reporting and nearby monitoring management activities that help to maintain the working condition of the outsourcing project. These all have been labeled as mediating effects caused by the presence of trust being involved in the development of the outsourcing relationship, and therefore, they result in benefits associated with the continuation of the relationship (Cong and Chau 2007), gaining an overall success and improve performance outcomes (e.g. McEvily and Zaheer 2006). Subsequently, the

accumulated attempt of the parties to build trust-based efforts within the working outsourcing relationship at the both individual and organisational levels (e.g. between the project teams), will enable to set a good and mutual environment and team dynamics to work with. In addition, a trust-based initiative allows to set a successful management of the outsourcing relationship which is laid when a client begins to communicate to potential vendors about its intention to outsource certain services and the successful management of outsourcing relationship depends on the way the requirements are defined, the way the objectives are described, the way a vendor is chosen, and the way a contract in line with the service level agreement is negotiated and subsequently written.

Discussion and Future Research

One of the most important reflections of this study is that for the understanding of the role and impact of trust in the outsourcing relationship, we need a consolidated knowledge of trust collected from diverse disciplines. While the articulated multidimensional approach has been called a purely conceptual and trust plays an important role in the outsourcing relationship, we have proposed an initial research framework that encompasses the collected view of trust and mediating effects that influence the success and/or failure of the outsourcing activity. Although, the proposed research framework has been regarded as a starting point towards investigating the nature of trust, yet it needs more elaboration with regard to revealing more thorough logical links between its main elements.

As the starting point of our research reflections, we assume that this is the type of phenomenon that would be served well by interpretive research. More specifically, the multiple case study approach will be used as the main research method to investigate the articulated problem, while the chosen narrative inquiry will be served as the supplementary research method further at the stage of data analysis. We firmly believe that the interpretive data collected for this study should be based on the derived individual perceptions of trust judged by the outsourcing stakeholders and key players from case to case, rather than empirical hypotheses aimed to test and measure different elements of the framework.

As the potential implications of this study, we may say that IS outsourcing is not just a contract signed between two parties. It is a relationship, which has to be managed from day one of the contract. However, due to the complex outsourcing cases today, it requires a new breed of managers that should be able to manage the outsourcing relationship, wherein its success is not determined by the following some metrics to the contract letter and there are 'soft factors' that need to be considered and maintained. And such trust-based efforts initiated by the either of the parties will enable to meet the expectations and interests of the parties, increase flexibility and fill the cultural gap.

Conclusion

The paper highlighted the different opinions on trust and how trust is being conceptualized in the IS outsourcing research. More importantly, the paper drew an attention towards the significance of 'trust' in the outsourcing relationship. The paper advocated that the prevalent focus on outsourcing contracts was not sufficient in ensuring the success of IS outsourcing activities. Hence, further research in the area of trust and IS outsourcing was called for. In our attempt to address this complex phenomenon, we proposed a framework that captured the multi-faceted aspects of trust. The framework referred to multiple level of analysis, both from individual and organizational point of view; dimensions of trust as being characteristics of the trustee (which plays a significant role along the way of testing and measuring various degrees of trustworthiness); and finally, implications about different stages of trust development (which may dynamically change and transform throughout the relationship). The framework also considered the enabling factors that mediate the process of achieving a successful outsourcing outcome, as well as continuously building trust and the outsourcing relationship. It is acknowledged that currently the presented model is a purely conceptual piece of work that has been derived from an extensive analysis of the literature. However, empirical work based on this model is currently underway and it is hoped that the result will provide a richer understanding of the role of trust in IS outsourcing.

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