

## TRUST REPAIR AFTER AN ORGANIZATION-LEVEL FAILURE

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We propose a systemic, multilevel framework for understanding trust repair at the organizational level. Drawing on systems theory, we theorize how each component of an organization's system shapes employees' perceptions of the organization's trustworthiness and can contribute to failures and effective trust repair. We distinguish the framework from prior work grounded in dyadic assumptions and propose underlying principles and a four-stage process for organizational trust repair. Finally, we explore the implications for research and practice.

A fundamental assumption inherent in most employment relationships is that the employer will operate in a trustworthy manner (Galford & Drapeau, 2003). High trust levels are common early in such relationships (Robinson, 1996), with trustworthiness a "given" in the absence of contrary evidence (McKnight, Cummings, & Chervany, 1998). But what happens when one's employer acts in a manner that undermines this perception of trustworthiness?

Prominent examples of such incidents—what we term *organization-level failures*—include accounting frauds (e.g., Enron, WorldCom, Parmalat); deceit (e.g., plagiarized and fabricated reports by the *New York Times*); incompetence (e.g., the U.S. Federal Emergency Management Agency's response to Hurricane Katrina); fatal, avoidable accidents (e.g., Union Carbide's chemical spill at Bhopal, BP's Texas City refinery fire, Townsend Thoresen/P&O's ferry sinking at Zeebrugge); exploitation of vulnerable people (e.g., use of child labor sweatshops); massive compulsory job losses (e.g., IBM in the 1990s); and bankruptcies and catastrophic collapses in organizational finance (e.g., AIG, Freddie Mac and Fannie Mae, Northern Rock).

There are several potential consequences of organization-level failures. Although employees will differ in their emotional and behavioral responses (Bies & Tripp, 1996; Mishra, 1996), the

distress and uncertainty can be profoundly unsettling for those who have invested their effort, reputation, and career ambitions in the service of a now discredited organization. The loss of trust and resulting distrust may manifest in employees' reduced willingness to display the kind of trust-informed behaviors that contribute to effective operational functioning (Dirks & Ferrin, 2001), as well as withdrawal (Robinson, 1996) and even obstructionism and acts of retaliation (Bies & Tripp, 1996). The failure can lead to a breakdown or renegotiation of internal and external relationships.

Research suggests that broken trust can be repaired (Bottom, Gibson, Daniels, & Murnighan, 2002; Mishra, 1996), with much depending on the violator's response (Korsgaard, Brodt, & Whitener, 2002; Schweitzer, Hershey, & Bradley, 2006). However, most organizations respond poorly to trust failures (Schwartz & Gibb, 1999), typically acting too late, with inappropriate equivocation, and with less regard for internal relations than for external relations. Given the prevalence of trust failures in organizations (Mishra, 1996; Robinson, 1996) and the seriousness of their consequences, knowing how to repair trust has become a "critical management competency" (Lewicki & Bunker, 1996). Yet, to date, little attention has been paid to repairing trust at the organizational level.

Drawing on prior research and theory on trust, systems and multilevel theory, crisis management, and strategic organizational change, we propose a framework for analyzing and repairing

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employees' perceptions of their organization's trustworthiness. In developing our framework, we first define organizational trustworthiness and organization-level failures and briefly review prior research on trust repair. We then conceptualize organizations as multilevel systems and identify the components that contribute to perceptions of the organization's trustworthiness, as well as to failures. With these foundations in place, we identify the underlying mechanisms and principles for organizational trust repair and illustrate how these operate through each system component and each stage of our trust repair process. In the final section we describe the implications for research and practice.

## DEFINITIONS

### Organizational Trustworthiness

In this paper we focus on employees' perceptions of the trustworthiness of their organization and the processes required for repairing these perceptions once they are damaged by an organization-level failure. Perceived organizational trustworthiness relates to the set of "confident positive expectations" employees have about the intentions and likely future actions of their employer (Lewicki, McAllister, & Bies, 1998). Mayer, Davis, and Schoorman (1995) identified three dimensions of trustworthiness, which we adapt to the organizational level: (1) *ability* (the organization's collective competencies and characteristics that enable it to function reliably and effectively to meet its goals and responsibilities), (2) *benevolence* (organizational action indicating genuine care and concern for the well-being of stakeholders), and (3) *integrity* (organizational action that consistently adheres to moral principles and a code of conduct acceptable to employees, such as honesty and fairness).

Employees use these characteristics to evaluate a variety of targets, including immediate working relationships (Butler, 1991), senior management (Mayer & Davis, 1999), internal groups, and the organization itself (Robinson, 1996). In making judgments about the *overall* trustworthiness of their organization, employees consider these multiple actors, as well as sources of evidence drawn from multiple organizational components and levels (Galford & Drapeau, 2003; Nooteboom, 2002). Hence, trust is a "meso"

concept (Rousseau, Sitkin, Burt, & Camerer, 1998), integrating microlevel psychological processes and group dynamics with macrolevel organizational and institutional forms. Our level of analysis is primarily at the individual level—that is, employees' perceived organizational trustworthiness. However, following Morgeson and Hofmann (1999), we also see organizational trustworthiness as a collective construct—a sensemaking heuristic originating at the level of individuals' perceptions but that, in the aggregate of collective impressions, can operate as a shared reputation in the organization.

### Organizational Failure

We draw on prior research on failures, crises, and betrayal in organizations to define organization-level failure as a single major incident, or cumulative series of incidents, resulting from the action (or inaction) of organizational agents that threatens the legitimacy of the organization and has the potential to harm the well-being of one or more of the organization's stakeholders. We now describe each condition.

First, to manifest at the organizational level, the failure must be of sufficient magnitude to threaten the *legitimacy* of the organization itself (Anheier, 1999). The crisis of legitimacy may stem from the failure's calling into question (1) the organization's capacity to fulfill its fundamental mission or one of its essential responsibilities (e.g., safe transport for P&O Ferries, accurate journalism for the *New York Times*) and/or (2) the organization's adherence to commonly endorsed ethical standards (e.g., to avoid lethal, exploitative, or dishonest work practices). In trust terms, the organization has failed in its responsibility to meet reasonable standards of ability, benevolence, and/or integrity in its conduct toward its stakeholders.

Second, the perceived potential or actual harm arising from the failure may not necessarily be borne by the employees themselves but, rather, by other stakeholders, such as customers, shareholders, or the wider community. Nevertheless, this can affect employees profoundly by undermining their faith in their employer, with which much of their social identity is inextricably bound (cf. Tajfel & Turner, 1985), as well as by inducing a sense of shame and guilt by

association<sup>1</sup> and by damaging job security. Harm to another stakeholder also indicates that the organization is capable of similar conduct toward its own employees.

Third, the failure is understood as having occurred as a consequence of actions, or negligent inaction, from organizational agents who have acted as authorized, instructed, or otherwise facilitated by the organization. The locus of control for the failure is internal to the organization, even though the context for the failure may involve external influences.

To qualify as an organizational failure, each condition is necessary but not sufficient, and together they distinguish organization-level failures from more minor transgressions. Even when each condition is met, failures will vary in magnitude, depending on the extent of each condition: the harm caused may be hypothetical (e.g., successful product recalls) or very real (e.g., loss of life, jobs, or invested money), the threat to legitimacy may be modest and short-lived (e.g., the *New York Times*) or catastrophic (e.g., WorldCom), and the organization may have had total or partial control over the (in)action leading to the failure.

For parsimony, our point of entry is postattribution—that is, once the failure *has* occurred and *has* damaged employees' perceptions of organizational trustworthiness. While individual employees may differ in their attributions and perceptions, our assumption is that organization-level failures are of a magnitude that damages *most* employees' perceptions.

### TRUST REPAIR: PRIOR THEORY AND RESEARCH

Empirical studies on trust repair in organizational settings have examined the conditions under which trust is broken and which remedial

activities are most effective in repairing the relationship. Recommended actions include Lewicki and Bunker's (1996: 131–133) four-stage process: (1) acknowledge that a violation has occurred, (2) determine the causes of the violation and admit culpability, (3) admit the act was destructive, and (4) accept responsibility for the consequences. The transgressor should then engage in action designed to undo the violation and rebuild the trust. Tomlinson, Dineen, and Lewicki (2004) similarly have urged violators to *always* apologize and admit culpability where relevant. However, this contradicts Kim, Ferrin, Cooper, and Dirks' (2004) finding that apologies are more effective for competence-based violations, whereas denials are more effective for violations of integrity.

Fewer studies have focused on *substantive* (as opposed to verbal) actions. Bottom et al. (2002) have reported that offers of penance elicit cooperation more effectively than verbal responses alone, while Dirks, Kim, Cooper, and Ferrin (2005) have reported that punishment and regulation of the transgressor both effectively increase trust following a violation. Nakayachi and Watabe (2005) found that voluntarily introducing monitoring systems and sanctions helped restore perceived organizational trustworthiness from the perspective of consumers.

Although this literature provides valuable insights for interpersonal trust repair, its focus and assumptions do not translate well to the *organizational* level. First, studies focus primarily on interpersonal trust between a single violator and victim, yet, as we have argued, perceived organizational trustworthiness is influenced by *multiple sources of evidence* and *actors* operating at *multiple organizational levels*. Second, experimental studies limit the choice of remedial options, often to a unitary verbal response (e.g., denial or apology). Following an organization-level failure, a single response will rarely be sufficient. Trust repair will instead involve a protracted process requiring several complementary responses at multiple levels. Third, experimental studies minimize input from beyond the immediate interaction. Typically, the victim has limited information about the guilty party; the act and its aftermath are private to the dyad, and the consequences of the failure and decisions regarding reconciliation are minimal and transient. These conditions do not apply to organization-level failures; many

<sup>1</sup> Schwartz and Gibb note that "when a company finds itself pilloried by the press and/or its customers, the consequences are real for both the organization and the individuals involved" (1999: xiii). They cite incidents of Shell employees after the Ken Saro-Wiwa incident wrestling with "the shock of finding themselves blamed for the tragedies—even their children were being harassed at school" (1999: 28), workers at Union Carbide "crying at their desks . . . in the weeks after Bhopal" (1999: 170), and the CEO of Nike conceding that part of the motivation for their code of conduct was to make workers at Nike "feel better about ourselves" (1999: 54).

employees have extensive history and inside information about the organization's conduct, and there are very real consequences for them and the organization. The failure is often in full public view, and external groups or forces may influence the trust repair process. Finally, in dyadic situations the transgressor knows what caused the violation and what his or her role was in making it happen. In contrast, blame and responsibility typically are more diffuse in organizational failures, with multiple contributors. In summary, there is little theory or research to guide trust repair at the organizational level. We propose that a systemic, multilevel, and multiactor framework is needed to guide trust repair at this level.

### A SYSTEMIC FRAMEWORK FOR ORGANIZATION-LEVEL TRUST REPAIR

To understand organization-level trust repair, we first need to identify what factors both influence employees' assessment of the organization's (un)trustworthiness and contribute to organizational failures. To date, no coherent theory or model exists to guide such an understanding. Our framework is informed by systems (Burke, 2002; Katz & Kahn, 1978) and multilevel theories (Klein & Kozlowski, 2000; Morgeson & Hofmann, 1999).

Systems theory depicts organizations as converting external inputs (e.g., resources, investment, new recruits) into outputs (e.g., products and services) via a "throughput" stage, which comprises the organization's entire operations and activities. From this perspective, an organization-level failure results from faults in the throughput, which damage the quality and supply of outputs and/or relations with input suppliers (e.g., investors, customers, future employees) and, hence, the organization's reputation for trustworthiness (Burke, 2002: 47).

The throughput stage comprises multiple organizational system components. We focus on six—four internal and two external (see Figure 1). Drawing from models of strategic change (Burke & Litwin, 1992; Nadler & Tushman, 1997), prominent *internal* components include leadership and management practice; culture and climate; strategy; and structures, policies, and processes. In turn, these components are influenced by variables from the organization's environment. Two external factors pertinent to under-

standing organizational trustworthiness are external governance and the organization's public reputation.

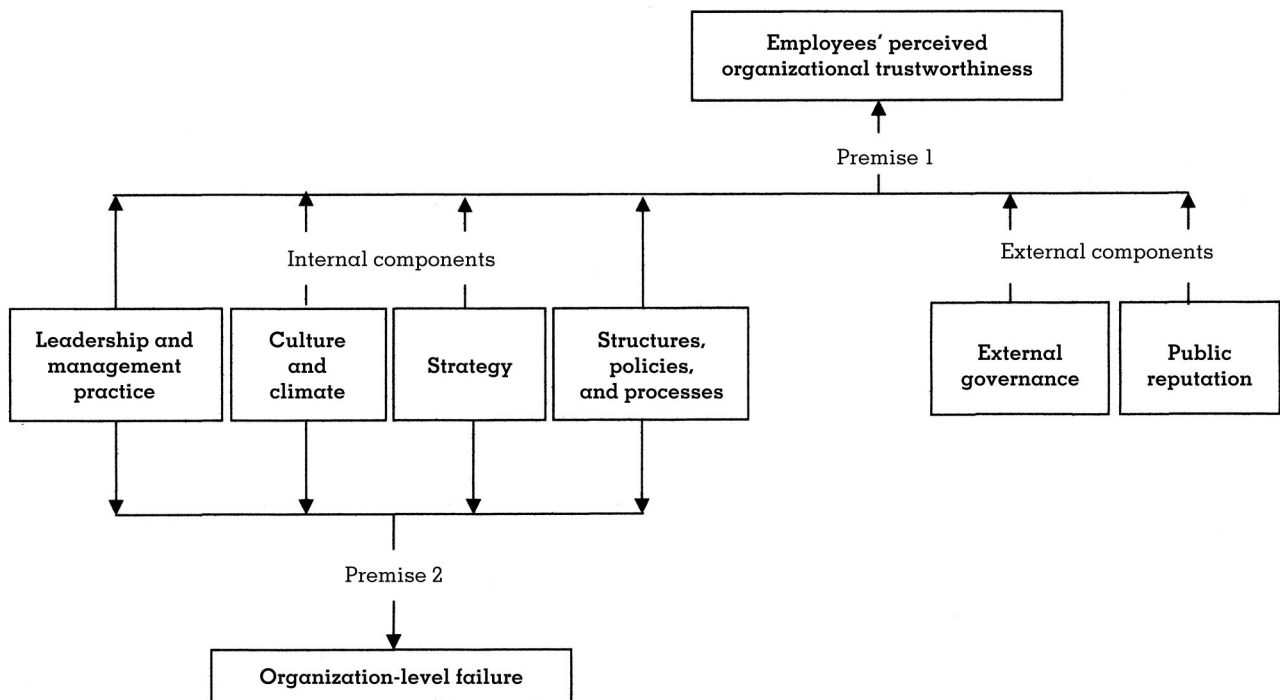
Both systems and multilevel theory highlight that the organization's various components operate at multiple levels and that activities within one component and level can influence and be influenced by those occurring in other components and levels (Rivkin & Siggelkow, 2003). Micro phenomena, such as perceptions of organizational trustworthiness, are influenced by macrolevel factors, while macro phenomena, such as an organizational failure, often emerge through the interactions of lower-level elements (Klein & Kozlowski, 2000). Pertinent to our framework is the view that an organization's reputation for trustworthiness forms as a result of interactions among agents and groups in a multilevel network (e.g., senior leadership, line management, employees in each work unit): "Only through interaction does a construct acquire meaning and structure" (Morgeson & Hofmann, 1999: 256). Through the influence of the interconnected organizational components, certain interactions are facilitated and reinforced and, if repeated regularly over time, form institutionalized patterns of behavior and thinking ("event cycles"; cf. Morgeson & Hofmann, 1999). These provide the cumulative evidence for employees to judge their employer's trustworthiness. Thus, the organization does not display trustworthiness—its members do, through interactions and event cycles sanctioned by, and embedded in, the organization's system components.

### Organizational Trustworthiness: Systemic Contributors

Each subsection that follows supports our first foundational premise that each of the six system components identified in Figure 1 sends cues about the organization's ability, benevolence, and integrity, and these cues influence, either positively or negatively, employees' perceived organizational trustworthiness.

**Leadership and management practice.** An organization's senior leaders and levels of management symbolize and shape the conduct of the organization (Smircich & Morgan, 1982). By virtue of their authority and accountability, senior leaders' actions directly inform employees' impressions of the organization's trustworthiness (Kouzes & Posner, 2002). At the pivotal work

**FIGURE 1**  
**Organizational System Components and Their Effects on Employees' Perceptions of Organizational Trustworthiness and Organization-Level Failures**



unit level, an employee's relationship with his or her line manager often acts as a lens through which the employee learns about and interprets the rest of the organization. If employees distrust their immediate manager, this taints their perception of the broader organization's trustworthiness (Kouzes & Posner, 2002). Through their own behavior as role models (Schein, 1990) and their influence and discretion over other system components (e.g., rewards, appraisals, cultural values), managers at all levels send signals about what is expected of employees, including whether untrustworthy or even unethical behaviors might be tolerated and even tacitly encouraged (see Dickson, Smith, Grojean, & Ehrhart, 2001).

**Culture and climate.** Organizational culture, subcultures, and work unit climates influence the development of commonly held mental schemata and employees' shared interpretations of organizational actions and events (Schein, 1990; Victor & Cullen, 1988). Employees' perceptions of their organization's trustworthiness can be derived from shared cultural beliefs; values and norms (Nooteboom, 2002); forms of cultural con-

trol (Das & Teng, 1998; Perrone, Zaheer, & McEvily, 2003); and artifacts, such as work stories, legends, and value statements. Case studies attest to organizational and work unit norms exerting strong pressure on employees to act in untrustworthy ways, and even justifying questionable behavior (Dickson et al., 2001; Treviño, 1986).

**Strategy.** Organizational strategy, including financial, operational, and human resource strategies, determine work unit goals, resources, budgets, policies, and procedures, which, in turn, send signals to employees about expected behavior and the organization's *real* values and priorities (Burke & Litwin, 1992). The coherence and effectiveness of the strategy can directly affect interpretations of organizational competence. The strategy also signals the organization's intention to act with integrity and benevolence toward its stakeholders. Several prominent failures have involved questionable strategies amounting to incompetent "overreach" (e.g., see Probst & Raisch, 2005: 92–94) or disregard for certain stakeholders (e.g., cost cut-

ting to the detriment of health and safety), each of which undermines trustworthiness.

**Structures, policies, and processes.** By "structures," we mean reporting lines, checks and balances, distribution of responsibility and authority, and work formalization. By "policies and processes," we mean the rules, guidelines, and procedures governing decision making, communication, employee conduct, and human resource management (HRM). Together, these set parameters around acceptable behaviors and can instill and even control members' (un)trustworthiness by assigning roles and expectations for incumbents and constraining discretionary actions (Perrone et al., 2003; Shapiro, 1987). Conversely, absent, unclear, or unused arrangements can facilitate or fail to prevent incompetent and dishonest behavior. In this manner structures, policies, and processes can powerfully influence organizational trustworthiness. The fairness and consistency of structures, policies, and processes, both in design and implementation, are indicative of benevolence and integrity, while coherence and effectiveness imply ability. HRM policies in particular have been shown to influence employees' perceptions of organizational trustworthiness (see Mayer & Davis, 1999).

**External governance.** In addition to these internal components, expectations of what constitutes trustworthy behavior are embedded within external governing structures and rules that constrain the organization's conduct. Forms of *institutional-based* trust (Zucker, 1986) include legislation and regulatory mechanisms from government, professional and trade associations, industry networks (Ring & Van de Ven, 1992), and, increasingly, consumer and environmental bodies. To the extent that these "impersonal structures" are trusted, they can provide a basis for trust in the organization by proxy (McKnight et al., 1998: 474). However, as Arthur Andersen's collusion with the Enron fraud highlights, the institutional environment may *lack* adequate constraining mechanisms or may contain opportunities and even *incentives* for parties to engage in untrustworthy activities.

**Public reputation.** Finally, employees also take cues from how their organization's reputation for ability, benevolence, and integrity is perceived by external stakeholders (e.g., by customers, industry representatives, the media). Cues come from judgments about the organization's products and services, the familiarity of its

brand, and its standing among industry and stakeholder networks (Klein, 1997). Employees take pride in, and are reassured by, a stable external reputation for trustworthiness (Shaw & Post, 1993), whereas public dismay over poor-quality goods or services or inappropriate treatment of stakeholders will undermine employees' perceptions of their organization's trustworthiness.

We anticipate that the salience of each component for employees' perceptions will vary across organizations and sectors, as well as among employees. Our essential point here is that each component communicates cues that, in the aggregate, form the collective construct of perceived organizational trustworthiness. This leads to our first foundational premise.

*Premise 1: Employees' perceptions of organizational trustworthiness are influenced by multiple cues from the organization's six system components: leadership and management practice; culture and climate; strategy; structures, policies, and processes; external governance; and public reputation.*

### Organizational Failures: Systemic Contributors

As illustrated in the previous subsections, each component can engender organizational trustworthiness but can also facilitate untrustworthy behavior, which increases the likelihood of an organizational failure. Our second foundational premise is that *multiple* organizational components and agents contribute to the dysfunctional interactions and event cycles that result in organizational failures: "Unethical or illegal actions cannot take place without opportunity" (O'Connor, Priem, Coombs, & Gilley, 2006: 486)—nor, we suggest, can incompetence or avoidable accidents. Even when an individual's lone actions seem to have caused the failure (e.g., Nick Leeson's risky trading "single-handedly" destroying Barings Bank), these actions are typically facilitated by a deviant or inadequate culture, strategy, or management and/or by ineffective constraining structures, policies, and processes (all of the above in Leeson's case). We do not anticipate that every component will be implicated; rather, failures of a magnitude that threaten the organization's legitimacy will have multiple contributory causes.

This premise is supported by systems and multi-level theory and by research and case studies on organizational failures and crises (see Haunschild & Sullivan, 2002; O'Connor et al., 2006; Pearson & Clair, 1998; Rivkin & Siggelkow, 2003).<sup>2</sup>

We distinguish the role of internal and external system components in organizational failures. While every organization is constrained by external governance structures (or enabled by their absence or incentives therein), organizational members nevertheless retain considerable discretion over how they respond (Katz & Kahn, 1978), including whether they act in a trustworthy manner or not. As the equifinality principle (Gresov & Drazin, 1997) states, alternative strategies exist for how organizations respond to the same circumstances and, hence, how they choose to coordinate the system components. Not all firms in a sector "fail," although all face the same difficult external factors. Thus, only the *internal* components contribute *directly* to organization-level failures (see Figure 1).

*Premise 2: Organization-level failures are systemic in nature, yet only the multiple internal organizational components contribute directly to organization-level failures.*

## PRINCIPLES FOR REPAIRING ORGANIZATIONAL TRUSTWORTHINESS

The two preceding premises are foundational since they provide an understanding of the *systemic* construction of perceived organizational

trustworthiness and the *systemic* factors contributing to organizational failures that need consideration in designing trust repair interventions. We now describe two underlying mechanisms for trust repair and the principle of congruence, and we illustrate how these operate through each system component. Because our entry point is postattribution, we focus on trust repair strategies that deal with the aftermath of the failure, rather than attempts to reposition perceptions of the failure itself.

### Underlying Mechanisms for Trust Repair

People undergo a cognitive reappraisal of the relationship following a trust failure, with a tendency to privilege negative evidence over positive evidence (Kim et al., 2004; Slovic, 1993). During this fragile period, people are strongly motivated to avoid risk, are "hypervigilant" to suggestions of future untrustworthy behavior, and are susceptible to "paranoid cognitions" and "sinister attribution error" (Kramer, 1996). These cognitive biases can lead to overconstrued and negative inferences about the motives, character, and competence of the organization and its management, impeding accurate sensemaking and learning about the failure (Haunschild & Sullivan, 2002) and hampering trust repair efforts. Thus, the primary objectives of any trust repair process are to overcome these salient negative expectations and to restore confident positive expectations about the violator's future trustworthiness (Kim et al., 2004). We draw on the distinction between trust and distrust (see Lewicki et al., 1998) to identify two complementary mechanisms that underlie organization-level trust repair: *distrust regulation* and *trustworthiness demonstration*.

**Distrust regulation.** This mechanism attempts to overcome employees' distrust—the confident negative expectations (cf. Lewicki et al., 1998) and "expectation of injurious action" (Luhmann, 1979: 72)—arising from the failure. It does so through actions designed to *avoid and prevent future trust transgressions*, by dealing with the faults that led to the failure—both direct and contributory. If these faults remain in place, the likelihood of a recurrence is high, and this potentiality will further undermine employees' confidence. Trust repair is much more difficult after repeated violations than after an initial failure (Lewicki & Bunker, 1996).

<sup>2</sup> The investigation into the Space Shuttle Columbia disaster (CAIB, 2003) identified as contributory causes NASA's culture (which diminished safety), management practices (which prevented communication), an inappropriate chain of command, resource constraints, fluctuating priorities, and scheduling pressures. BP's 2005 Texas City refinery fire was initially attributed to mistakes by individual employees, but the official investigation revealed complex interconnected causes, including management lapses; unclear responsibilities and accountabilities; lack of training; inadequate maintenance; poor communication, reward, and performance management processes; and a "fragmented culture" characterized by "resistance to change" and "distrust." The report into the Enron collapse concluded that it was "the result of failures at many levels and by many people," identifying among the key contributors financial incentives, conflicts of interest, inadequate controls, and a "culture [that] appears to have encouraged 'pushing the limits'" (Powers, Troubh, & Winokur, 2002: 27–28).

Distrust regulation interventions are designed to modify the organization's dysfunctional components and errant interactions and event cycles that contributed to the failure, replacing them with a new "admissible range" of behaviors. This mechanism involves implementing sufficient regulatory controls to prevent or constrain organizational members and groups from acting in ways that could lead to future violations, including the removal of incentives that may encourage untrustworthy behavior. This reflects Nooteboom's observation (2002) that organizational trustworthiness is founded largely on an organization's ability to foster and control its members' trustworthiness. The aim is to reduce and eventually dissipate fears and skepticism about the organization's intention and ability to avoid future transgressions.

These "legalistic remedies" (Sitkin & Roth, 1993) include regulations, rules, contracts, monitoring processes, and controls. Embedded in these approaches are deterrents in the form of punishments and sanctions imposed on those who engage in untrustworthy behavior (e.g., being fined, fired, demoted, or ostracized, or losing accreditation, privileges, membership, status, or social capital). The presence of such punishment sends clear signals that the behavior is unacceptable and offenders will "pay a price."

Research suggests that these regulatory systems can significantly enhance and repair perceived organizational trustworthiness (Sitkin & Roth, 1993; Slovic, 1993), particularly when introduced voluntarily rather than imposed externally (Dirks et al., 2005; Nakayachi & Watabe, 2005). When regulations are imposed (e.g., by the government), compliance may be attributed to the desire to avoid sanctions, raising concerns that the organization may get around or weaken the constraints. In contrast, a voluntary effort will be seen as diagnostic of the organization itself (Heider, 1958), implying that it has learned a lesson and is intrinsically committed to, and confident in its ability to, act differently (Nakayachi & Watabe, 2005).

*Proposition 1a: After an organizational failure, the voluntary implementation of interventions that constrain untrustworthy behavior by organizational agents increases employees' perceptions of the organization's trustworthiness.*

We anticipate that employees will accept the legitimate need for the organization to impose regulations on itself and its agents in order to prevent future failures. The magnitude of the organization-level failure provides a clear and powerful motivation.

**Trustworthiness demonstration.** Overcoming negative expectations and distrust is essential to trust repair, but it does not go far enough. As Lewicki et al. argue, "Removal of foundations of distrust . . . does not necessarily facilitate the emergence of trust" (1998: 452). It is also necessary to restore positive expectations (Kim et al., 2004) and a sense of good faith and fair dealing (Rousseau et al., 1998). This second mechanism, trustworthiness demonstration, is about *the positive promotion of renewed trustworthiness* through behaviors and verbal responses that *actively demonstrate* ability, benevolence, and integrity. It is focused on sending repeated, clear, and consistent signals that employees can anticipate beneficial conduct and desirable actions from the organization, resulting in a sense of hope, faith, and assurance (Lewicki et al., 1998: 444–445).

This mechanism includes expressions of regret, acknowledgment of responsibility, apologies, and offers of reparations, as well as general displays of competence, benevolence, and integrity in the organization's initial and ongoing response to the failure (e.g., meeting new commitments). Hence, this mechanism is distinct from distrust regulation, since it focuses on symbolic and actual displays of positive trustworthiness, rather than on regulating negative behavior related to the cause of the failure (e.g., apologizing and offering reparations demonstrates benevolence and fairness but does not directly prevent a future transgression). This mechanism is *complementary* to distrust regulation, since repeated and/or enduring displays of such positive signals over time help restore employees' confidence in the organization.

*Proposition 1b: After an organizational failure, the implementation of interventions that demonstrate and symbolize the organization's ability, benevolence, and integrity increases employees' perceptions of the organization's trustworthiness.*

Table 1 provides illustrative examples of how the distrust regulation and trustworthiness dem-



**TABLE 1**  
**Examples of Trust Repair Interventions for Each Organizational System Component**

Component	Distrust Regulation: Constrain Untrustworthy Behavior	Trustworthiness Demonstration: Signal Renewed Trustworthiness
Leadership and management practice	<ul style="list-style-type: none"> <li>● Suspend operations and/or withdraw faulty product(s)</li> <li>● Reprimand, discipline, or remove culpable parties</li> <li>● Investigate practices, conduct, and attitudes</li> <li>● Ensure enactment and compliance of reforms; influence other system components to regulate trustworthiness (e.g., change incentives and reporting structures)</li> </ul>	<ul style="list-style-type: none"> <li>● Enact transformational leadership: act as a role model, symbolizing organizational values and conduct; create a shared, value-driven vision and goals</li> <li>● Issue trust-enhancing communications</li> <li>● Enhance the trustworthiness of other system components (e.g., procedural fairness, ethical strategic goals and implementation)</li> <li>● Commit resources to trust repair effort (e.g., money, time, manpower)</li> </ul>
Culture and climate	<ul style="list-style-type: none"> <li>● Use cultural interventions (e.g., induction, socialization) to instill values and norms that discourage trust violations</li> <li>● Impose sanctions for breaches of trust-related norms</li> <li>● Create "cultural artifacts" that act as deterrents (e.g., ethical codes of conduct, public statements)</li> </ul>	<ul style="list-style-type: none"> <li>● Use cultural interventions to instill values and norms around integrity, honesty, competence, responsibility, reliability, and respect</li> <li>● Create "cultural artifacts" that symbolize and promote trustworthiness and affirm its priority over competing imperatives (e.g., codes of conduct, commemorative events, legends and stories)</li> </ul>
Strategy	<ul style="list-style-type: none"> <li>● Shape organizational and unit-level priorities and goals (e.g., primacy of safety and integrity), resource allocations, and the content of policies and procedures</li> <li>● Direct behavior in line with organizational strategies</li> </ul>	<ul style="list-style-type: none"> <li>● Revise strategy to be consistent with espoused trust-based values</li> <li>● Reform strategy to show an enduring commitment to treat stakeholders benevolently and with integrity</li> <li>● Promote ethical conduct and corporate social responsibility</li> </ul>
Structures, policies, and processes	<ul style="list-style-type: none"> <li>● Revise decision-making authority and accountability</li> <li>● Impose checks, balances, and disciplinary procedures</li> <li>● Standardize work processes and training to compensate for lack of skills and/or knowledge</li> <li>● Offer coaching and mentoring to assist employees facing ethical dilemmas or difficult decisions</li> </ul>	<ul style="list-style-type: none"> <li>● Revise policies and procedures to ensure employees perceive them to be fair, effective, and just (e.g., transparent and equitable appraisal systems, dispute resolution and whistleblowing procedures).</li> <li>● Use recruitment, selection, induction, and training procedures, emphasizing personal integrity and organizational values symbolizing trustworthiness</li> </ul>
External governance	<ul style="list-style-type: none"> <li>● Comply with external regulatory codes of conduct and monitoring (e.g., professional, industry, consumer)</li> <li>● Gain external accreditation, licensing, approval, or audit</li> </ul>	<ul style="list-style-type: none"> <li>● <i>Voluntarily</i> engage with external regulatory bodies</li> <li>● <i>Seek</i> licensing/accreditation (e.g., SA8000 on ethical conduct)</li> <li>● Campaign government for sector-wide regulations</li> </ul>
Public reputation	<ul style="list-style-type: none"> <li>● Make public statements committing the organization to uphold reformed strategies, operations, and targets</li> <li>● Internally publish the diagnosis, evaluations, and audits</li> </ul>	<ul style="list-style-type: none"> <li>● Use trust-enhancing communications, marketing, and branding</li> <li>● Offer public apologies and reparations (where appropriate)</li> <li>● <i>Voluntarily</i> communicate to the public the diagnosis and evaluations</li> </ul>

onstration mechanisms can operate through each organizational system component.

### The Principle of Congruence

Because multiple organizational components contribute to both perceived organizational trustworthiness (Premise 1) and organization-

level failure (Premise 2), trust repair requires that the "signals" emanating from the different components reinforce, not undermine, renewed trustworthiness. Given employees' likely hyper-vigilance and paranoia, any further transgressions, lapses, or inconsistencies, however minor, can significantly impair the fragile trust repair effort. Isolated interventions to only one

component are unlikely, therefore, to provide sufficient evidence to convince employees that a predictable and *sustainable* difference in organizational trustworthiness has been realized. Rather, a coordinated set of interventions across the multiple components contributing to the failure will be required. In line with systems thinking, we propose that *congruence* is key to effective trust repair.

We define congruence as the degree to which signals emanating from each component are consistent together in demonstrating cues of renewed organizational trustworthiness and in preventing future untrustworthy behavior. For example, interventions emphasizing ethical codes of conduct during socialization and training activities are unlikely to change behavior if workplace norms encourage questionable behavior and performance management practices focus solely on target achievement at any cost. Since a lack of trustworthiness in just one component may undermine employees' confidence, we do not see interventions across different components as playing a strictly additive or incremental role. Rather, a level of congruence must be achieved before an appreciable increase in organizational trustworthiness can be realized. This echoes the idea of alignment among interdependent organizational elements (see Siggelkow, 2002) and of "internal fit" from strategic HRM (Wood, 1999). Congruence is achieved when the organizational components are *realigned* into an *internally coherent* configuration that consistently signals reasonable standards of ability, benevolence, and integrity, with no contradictory signals or competing imperatives elsewhere in the system. Just as behavioral integrity—the alignment of leaders' words and actions (Simons, 2002)—has been shown to be central to interpersonal trust and credibility (Kouzes & Posner, 2002), congruence is pivotal to effective organizational trust repair.

*Proposition 2: The effectiveness of trust repair interventions is moderated by the extent to which they achieve congruence across organizational components in (a) constraining untrustworthy behavior by organizational agents and (b) demonstrating the organization's trustworthiness. The greater the congruence, the stronger the impact of the interventions on*

*employees' perceptions of the organization's trustworthiness will be.*

Implicit in our use of the two underlying mechanisms is the need to regulate distrust and demonstrate trustworthiness across each of the three dimensions of ability, benevolence, and integrity. This has merit since organizational failures often involve faults in multiple dimensions of trustworthiness. For example, investigations into the 1987 Zeebrugge ferry sinking and into the NASA Space Shuttle disasters revealed that these resulted not only from a lack of competence but also from a disregard for safety. Employees' interpretations of failures may also differ from one another and may not settle on a single dimension; evidence of failure across all three dimensions may be evoked, albeit to varying degrees. Controlled laboratory studies that have deliberately manipulated only one type of violation (e.g., ability or integrity) have shown that perceived trustworthiness in the other dimension also declines (Dirks et al., 2005; Kim et al., 2004). Furthermore, employees' hypervigilance in response to a failure is likely to apply across all three dimensions.

While violations in one dimension may contaminate perceptions in another, it does not follow that the repair of one dimension necessarily will enhance perceptions of other dimensions. This view is supported by research indicating that, after a trust violation, people pay more attention and attribute more significance to negative than positive evidence (Slovic, 1993) and that individuals tend to weigh positive information more heavily than negative information when evaluating *ability* but tend to weigh negative information more heavily than positive information when evaluating *integrity* (Kim et al., 2004: 107–108; Snyder & Stukas, 1999). Consequently, it is unlikely that positive new evidence in one dimension will transfer to other dimensions. As we elaborate later (see Propositions 7a and 7b), this suggests that different types of interventions are required to repair different aspects of trustworthiness. Hence, interventions addressing only one dimension will be inadequate to restore a robust reputation of trustworthiness.

*Proposition 3: The effectiveness of trust repair interventions is moderated by the extent to which they address each of the three dimensions of trust-*

worthiness, rather than just one dimension. The more multiple dimensions are addressed, the stronger the impact of the interventions on employees' perceptions of the organization's trustworthiness will be.

### A PROCESS FOR REPAIRING ORGANIZATIONAL TRUSTWORTHINESS

In this section we argue that robust, organization-level trust repair involves a four-stage process (see Figure 2). The stages are informed by the trust and strategic change management literature (Burke & Litwin, 1992; Lewicki & Bunker, 1996) and systems and multilevel theory, as well as analysis of case study accounts of responses to failures. We describe the aims, rationale, and propositions for each stage and show how distrust regulation and trustworthiness demonstration underlie trust repair actions.

#### Stage 1: Immediate Responses

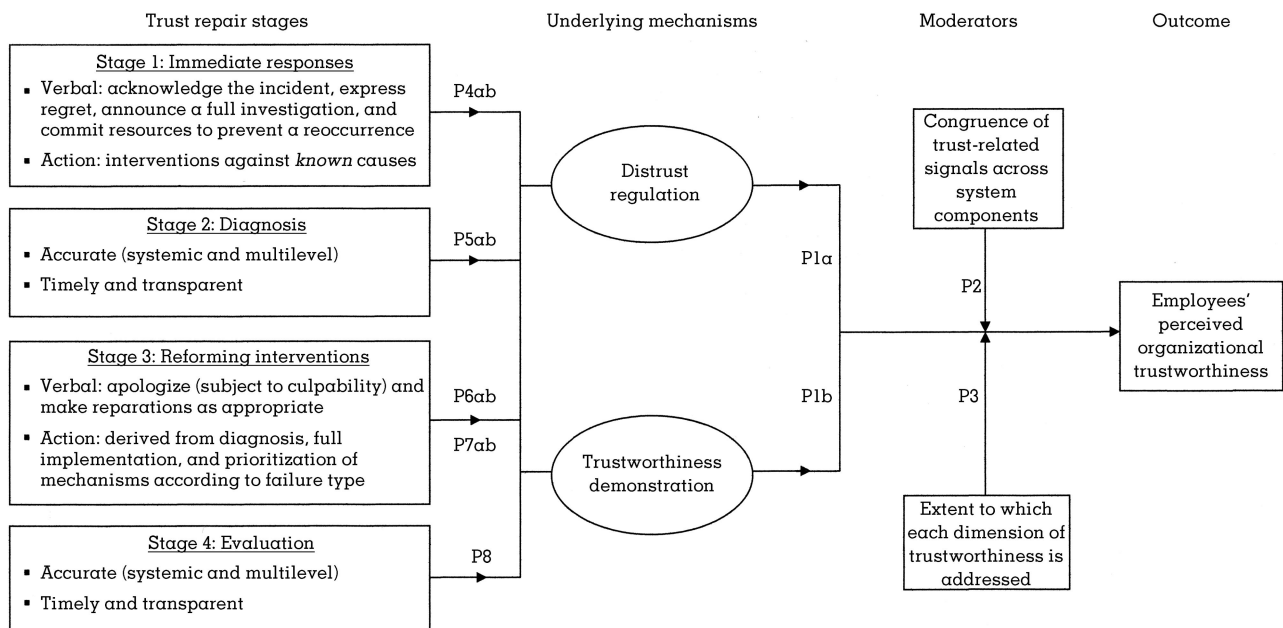
A critical and urgent step for organizational representatives is an initial communication to employees and affected stakeholders about the failure. As the organization's first attempt to re-

establish its reputation, this response needs to be well considered, timely, and credible.

Research suggests that the choice and sequence of verbal responses impact trust repair. From the range of available options, we do not see denying the failure has happened or excusing the organization as credible responses. In the context of organizational failures, responsibility lies by definition at least in part with the organization, and duplicitous impression management has been found to be ineffective (Bottom et al., 2002) and unsustainable in the face of evidence of guilt (Kim et al., 2004). Rather, an overarching standard for our trust repair process is accuracy and transparency (Korsgaard et al., 2002).

We propose that senior leaders' first communication requires an acknowledgment that the failure has occurred and an expression of sincere regret for the consequences. Research suggests these verbal responses aid forgiveness and trust repair (Bottom et al., 2002). Committing to a full investigation into the causes of the failure and to measures to prevent future reoccurrences is also essential. Together, these responses reassure employees, and they signal the organization's concern for stakeholders (benevolence), commitment to understanding how

**FIGURE 2**  
Propositions for the Principles and Four-Stage Process of Organization-Level Trust Repair



the violation occurred (integrity), and ability to avoid a reoccurrence. Not offering any communication conveys a lack of concern and integrity, as well as incompetence. Such "reticence" has proven ineffective for trust repair (Ferrin, Kim, Cooper, & Dirks, 2007). For example, Exxon's "no comment" stance immediately after the 1989 Exxon Valdez oil spill alienated employees, communities, and the media, damaging its credibility further.

Subsequent communications will be required to convey the causes of the failure, the organization's full remedial response, and, where appropriate, an apology and offer of reparations. However, rarely are the precise direct and indirect causes immediately known (see Premise 2), and a full diagnosis is likely to take considerable time. Therefore, we suggest that such communications are not made until the diagnostic investigation is complete (see Stage 3), to avoid premature and possibly inaccurate conclusions, inappropriate blame, and ineffective responses that may undermine trustworthiness further and leave the organization more vulnerable to legal action and public condemnation.

*Proposition 4a: A timely initial communication acknowledging the occurrence of the failure, expressing sincere regret for the (potential) consequences, and announcing a full investigation and commitment to prevent future reoccurrences will positively impact employees' perceptions of the organization's trustworthiness.*

With the announcement of the diagnostic investigation, immediate interventions are required to rectify any causes of the failure that can be established confidently prior to the diagnosis and that continue to pose a risk to stakeholders (distrust regulation). Inaction in the face of this awareness will be highly damaging to the organization's reputation, signaling incompetence, questionable integrity, and even malevolent intent, whereas swift interventions will communicate the organization's commitment to restoring its reputation (trustworthiness demonstration). Examples include suspending those people directly implicated, closing down or limiting operations, withdrawing goods, and warning stakeholders of the problem. Given the short time frame, we expect these efforts to focus on two internal components: (1) leadership and

management and (2) structures, policies, and processes. In contrast to the other components, these are more amenable to rapid changes and interventions (see Burke & Litwin, 1992).

*Proposition 4b: Timely, initial interventions that prevent or constrain a reoccurrence of the failure will positively impact employees' perceived organizational trustworthiness.*

## Stage 2: Diagnosis

The aim of the diagnosis is to systematically identify what contributed to the failure and what needs to change so as to prevent similar incidents in the future, as well as any other actions required to restore trust. We propose that the effectiveness of the diagnosis for trust repair will be influenced by three qualities: accuracy, transparency, and timeliness.

**Accuracy and transparency.** The perceived adequacy of explanations is key to overcoming negative reactions. Any diagnostic account must provide "sufficient substance . . . to be believable" and match in its scope the magnitude of the offence (Bottom et al., 2002: 499). In line with Premise 2 and our principle of congruence, an accurate diagnosis requires system-wide scope, extending beyond those agents and components that appear most directly associated with the failure to explore the role played by each component in enabling and facilitating, or failing to prevent, the failure. A partial diagnosis may result in ineffective attempts to repair trust. Accessing the accounts and tacit knowledge of a representative cross-section of organizational members about dysfunctional organizational components will help to reduce bias and enhance diagnostic accuracy.

Diagnostic processes can be manipulated, however. Organizations may try to keep their involvement in questionable practices covert, to recast the failure and damage in a more benign light (Greenberg, 1990), or to isolate blame to a contained source ("scapegoats"). However, such "cheap talk" is rarely sufficient (Bottom et al., 2002), and dishonest tactics can backfire (Kim et al., 2004; Schlenker, Pontari, & Christopher, 2001). Apart from the lack of integrity in presenting a dishonest or inaccurate diagnosis, doing so is risky because some employees will have insider status, networks, and/or knowledge giv-

ing them substantial evidence on which to judge the failure's *real* causes. They may expose inaccuracies, cover-ups, and whether the potential for repeat failures remains to colleagues and wider networks (whistleblowing; see Miceli & Near, 1985), engendering cynicism and hampering the repair effort.

The effects of making the diagnostic findings *transparent* are currently underexplored. Full disclosure enables the accuracy of the diagnosis to be evaluated, which, if accepted, provides a shared understanding of the causes of the failure and recommended reforms, enabling all organizational members to consciously avoid and constrain the conditions contributing to the failure. Without such information employees will not know the rationale for the interventions and will likely be uncommitted to them. Hence, a transparent diagnosis facilitates distrust regulation. The effects of transparency on trustworthiness demonstration, however, are more complex. Paradoxically, full and frank disclosure of the organization's faults may damage employees' trustworthiness perceptions further in the short term, especially if failures of benevolence or integrity are implicated (cf. Snyder & Stukas, 1999). Yet *not* disclosing the findings and evidence supporting them is likely to have an even more deleterious effect, suggesting the organization has something to hide and has not learned from the failure. Adverse reactions are likely, given employees' hypervigilant state. Moreover, we anticipate that when disclosure is enacted voluntarily for the purpose of organizational learning (Haunschild & Sullivan, 2002) and to prevent future violations, the positive signals this sends about the organization's integrity and benevolence (Nakayachi & Watabe, 2005) will counteract any potentially damaging effects from the content of the findings.

*Proposition 5a: The impact of the diagnosis on employees' perceptions of the organization's trustworthiness is moderated by its accuracy and transparency. When both accuracy and transparency are high, the diagnosis will positively affect perceived organizational trustworthiness; when either is low, there will be a negative effect.*

**Timeliness.** As argued in Stage 1, a rushed diagnosis does little to enhance, but rather may damage, employees' perceptions of trustworthi-

ness. However, as stakeholders' patience quickly wears thin, the diagnosis needs to be conducted and reported as soon as is practical. A timely diagnosis is also important for ensuring accuracy, since information, people, and other sources of "evidence" become less reliable and accessible over time.

A sense of urgency also demonstrates the organization's concern to prevent future transgressions and its ability to respond effectively. A slow response signals incompetence and a lack of benevolence for those affected, and it enables system faults to fester unnecessarily, increasing the risk of future trust transgressions. Furthermore, in the absence of an explanatory diagnosis, employees will rely on subjective interpretations and rumors to make sense of the failure (Kramer, 1996).

Given research suggesting that third parties tend to amplify and accentuate negative over positive information (Burt & Knez, 1996), countering the inevitable rumor machine with a timely diagnosis is vital for trust repair. Interim diagnostic reports summarizing *verifiable* preliminary findings can help in this regard. In summary, we argue for a curvilinear effect for timeliness on employees' perceived organizational trustworthiness.

*Proposition 5b: The timeliness of the diagnosis has a curvilinear relationship with employees' perceived organizational trustworthiness. A premature or too slow diagnosis will be associated with low trustworthiness, whereas a timely diagnosis will be associated with high trustworthiness.*

### Stage 3: Reforming Interventions

The diagnostic information provides the foundation to devise and plan reforming interventions, including which organizational components to target. Examples of trust-enhancing interventions for each component and underlying mechanism are given in Table 1. In this section we first discuss the communications required postdiagnosis. We then consider how the relative effectiveness of the two trust repair mechanisms (distrust regulation and trustworthiness demonstration) depend on the dimension of trustworthiness targeted.

**Communication postdiagnosis.** Where the diagnosis reveals organizational responsibility, apologies (i.e., acknowledgement of responsibility and guilt) and offers of reparations to affected stakeholders (i.e., forms of penance) can substantially aid trust repair (Bottom et al., 2002; Kim et al., 2004; Tomlinson et al., 2004). However, organizations often face legal, commercial, and/or shareholder pressures to "save face" and "never admit culpability," potentially closing off these conciliatory remedial responses in the minds of management. Yet apologies are a prerequisite for reconciliation (Lewicki & Bunker, 1996), and taking responsibility for the consequences of its actions in the face of such repercussions strongly indicates an organization's integrity and concern for those affected (Korsgaard et al., 2002). For example, BP's decision to admit responsibility for the 2005 Texas City fire and to compensate bereaved families was heralded as "very brave" by industry commentators (*The Guardian*, 2005). These responses also signal a commitment to prevent future violations, whereas avoidance of responsibility and reasonable compensatory actions may damage trustworthiness still further, particularly if legal battles and/or public condemnation ensues.<sup>3</sup>

Apologies will be most effective when an *internal* versus external attribution of responsibility is used (Kim, Dirks Cooper, & Ferrin 2006; Tomlinson et al., 2004), with the sincerity of acknowledging direct responsibility (internal attribution) outweighing the negative implications from conceded guilt. In contrast, alternative responses—excuses, reticence, or citing external attributions—will be viewed as deceptive and will therefore be less effective (Schlenker et al., 2001), given the diagnostic evidence of the organization's partial or full responsibility for the failure, coupled with employees' "insider knowledge."

*Proposition 6: Following the diagnosis of an organizational failure, (a) an apology with internal attribution will be more effective than no apology or*

*an apology with external attribution, and (b) offers of reparations to affected stakeholders will be more effective than no offers of reparations in restoring employees' perceived organizational trustworthiness.*

**Trust repair mechanisms.** To reiterate, individuals tend to weigh positive information more heavily than negative information when related to *ability*, but negative information more heavily than positive information when related to *integrity* (Snyder & Stukas, 1999). Reeder and Brewer's (1979) notion of "hierarchically restricted schema" suggests this is because the "scope of infection" differs for failures of ability versus failures of integrity. After an ability violation, positive demonstrations of competence will reduce the likelihood the violation will be seen as a reliable indicator of *incompetence*, because people believe intuitively that those with competence can exhibit performance at a variety of levels, whereas those who are incompetent cannot (Kim et al., 2004). In contrast, failures of integrity or, we suggest, benevolence are inherently moral in nature and tend to be viewed as reflecting grievous and enduring deficiencies of character that can be generalizable to other circumstances in the future (Kim et al., 2004). After an integrity or benevolence failure, a positive display of these qualities is likely to be discounted as a signal of renewed trustworthiness, given that those both with and without integrity and benevolence can "display" honesty and concern in certain situations. Consequently, these failures will be more difficult to remedy on the basis of positive trustworthiness demonstration. Interventions designed to constrain future malevolent behavior (distrust regulation) will be more convincing and effective. Hence, while both mechanisms are important for trust repair, we propose the following.

*Proposition 7a: Trustworthiness demonstration mechanisms will be more effective for repairing employees' perceptions of organizational trustworthiness after an ability failure than after integrity or benevolence failures.*

*Proposition 7b: Distrust regulation mechanisms will be more effective for repairing employees' perceptions of organizational trustworthiness after in-*

<sup>3</sup> The reputation of Union Carbide (now part of Dow Chemical) remains besmirched two decades after the Bhopal chemical leak, largely because of the company's failure to effectively apologize and offer fair penance in the eyes of victim groups and much of the public. The incident remains the subject of class action in New York City courts.

*egrity and benevolence failures than after an ability failure.*

*employees' perceived organizational trustworthiness.*

#### Stage 4: Evaluation

Evaluations assessing the progress and effectiveness of the interventions function as a distrust regulation mechanism, identifying any persistent problem areas in the organization's defense against future violations. They provide ongoing diagnostic data to refine and embed reforming interventions and, importantly, achieve congruence in the trust-related signals emanating from the multiple organizational components. Given the difficulty of achieving congruence and repairing trust system-wide, successive cycles of evaluation followed by reforming interventions are likely to be required. By institutionalizing the measurement of trust levels, regular evaluations maintain attention and effort on the trust repair process, enhancing its effectiveness and sustainability over time.

We do not consider an evaluation to be *essential* for trust repair, since restoring perceived organizational trustworthiness is possible without an evaluation. Rather, an evaluation will augment the effectiveness of trust repair efforts and will strengthen perceived organizational trustworthiness. If the evaluation stage is skipped, it will be difficult to know how effective the repair efforts have been, and outstanding problems in the organizational system that damage organizational trustworthiness will not be detected and, hence, will remain unresolved.

Similar to the diagnosis, an effective evaluation needs to be accurate, systemic, multi-level, timely, and transparent. With these qualities, the act of conducting evaluations, feeding back results, and implementing further reforms based on the results signals ability (i.e., due diligence), benevolence (i.e., seeking input and reinforcing concern to rebuild relationships), and integrity (i.e., openness, honesty, and ensuring commitments are fulfilled). In this respect, evaluations function also as a trustworthiness demonstration mechanism.

*Proposition 8: Evaluating the effectiveness of the reforming interventions and acting on the results will enhance*

#### IMPLICATIONS FOR RESEARCH AND PRACTICE

Despite the frequency of organizational failures reported in the media, to our knowledge, this is the first paper to provide managers and consultants faced with the formidable challenge of restoring employees' trust after a failure with a framework of principles, underlying mechanisms, and a recommended process to guide organizational trust repair.

Our framework highlights a number of dilemmas inherent in the trust repair process, which deserve further attention. One is the tension between the need for a "speedy response" and the time required to ensure "due process." Prioritizing speed risks not appreciating all factors contributing to the failure, resulting in superficial actions that tackle symptoms but not the cause(s). Yet too slow of a response is likely to engender frustration and cynicism and risks leaving the causes of the failure "live." The timeliness of the interventions may, therefore, influence perceived trustworthiness in a curvilinear fashion (similar to Proposition 5b). Stage 1 of our trust repair process aims to balance both requirements. Future research is needed to explore the relative effectiveness of strategies for managing this tension and the factors that influence the perceived timeliness of responses (e.g., Do interim reports help? Should interventions first target the organizational components most amenable to change?).

A second consideration is the cost-benefit analysis of full trust repair versus a more limited response. While we have argued for the necessity and merits of a comprehensive approach, this is not without potential costs and risks. A systemic diagnosis and set of interventions involves substantial time, effort, and resources and may require widespread adaptation to organizational components to achieve congruence. This diversion of resources may impede the organization's competence in other areas. A transparent "warts and all" diagnosis may further damage the organization's internal and external reputation for trustworthiness, at least in the short term. Research is required to explore this potential paradoxical effect and

whether it is ameliorated by a voluntary diagnosis, as we suggest.

Where the organizational failure results in harm to other stakeholders, an implication of our framework is that restoring employees' perceptions of trustworthiness requires reparative actions toward other affected stakeholders. This raises the challenge of balancing the potentially incompatible concerns, needs, and expectations of employees with those of customers, investors, and regulators. To what extent and under what circumstances, therefore, is reparative action toward other stakeholders pivotal to repairing employees' trust?

We confine our discussion of the interconnectedness of the organizational components to the conceptual level, proposing that a systemic, multilevel approach, coupled with the principle of congruence, is central to effective trust repair. Further research is required to understand the specific interactions and interdependencies among the six components and how these influence trust repair. Following Klein and Kozlowski (2000: 20–21), are interventions to components "proximal" to the direct experience of employees (e.g., structures, policies, and processes; work unit management practice and climate) more effective than interventions to more "distal" components (e.g., cultural change, revised strategies, new senior leadership)? Or is proximity to the failure—addressing the most apparent causes and components—more important? How might the influence of each component differ across organizations and for employees in different roles, levels, and locations?

Our framework assumes that employees' perceptions of organizational trustworthiness are damaged by the failure. However, this may not be a universal response (Schwartz & Gibb, 1999: 37). Research is required to investigate perceptions of organizational failures and what explains different reactions. To operationalize organization-level failures, researchers can examine employees' impressions of the magnitude of the three conditions (within the organization's locus of control, causing actual or potential harm, threatening the organization's legitimacy). We further suggest that while intentionality is not a necessary condition, it will moderate the damage to perceptions of trustworthiness by contributing to interpretations of the failure's magnitude. If the organization's (in)action is perceived as delib-

erate or premeditated (e.g., Firestone/Bridgestone's keeping secret known potentially deadly faults with their tires; BBC Online, 2000), the damage will be worse than if it is perceived as unintended.

Another intriguing avenue for future research is to examine our assertion that the assumptions and recommendations for interpersonal trust repair are not readily transferable to the organizational level. Organizations have capacities for trust repair unavailable to individuals, such as replacing "guilty" agents with new agents who symbolize a change in values, obtaining external validations of integrity and competence (e.g., accreditations), and using public relations and marketing activities to change their reputation.

When field studies into live trust repair processes are difficult to secure, we encourage retrospective case study methods (cf. Elangovan & Shapiro, 1998), including document analysis and interviews, to explore organizational decision making and its outcomes, and thereby to test aspects of our framework. Examining different companies' responses following a sector-wide breakdown in trust (e.g., accounting firms' consultant-auditor conflicts of interest post-Enron) would help control for external factors and provide a clearer evaluation of different repair strategies. Role play and scenario experiments could also be used to test the relative influence of different trust repair strategies in a controlled way.

A concluding remark: While the influence of the external environment should not be overstated, amoral and malevolent organizational choices and errors often occur in response to structurally embedded pressures and constraints (e.g., performance targets, tight budgets, competitor tactics). A common impression is that the imperatives and incentives that invite unethical opportunism are increasing while the strength of countervailing constraints is decreasing (e.g., deregulation, ineffective monitoring), resulting in an external environment that is more demanding, more unpredictable, and more conducive to trust failures (Thompson, 2003). Yet even in this hostile context, signals about which behaviors are rewarded and punished are sent by all of us, as citizens, customers, investors, advisors, and employees.



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