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# WHY TRUST? WHY DISTRUST?

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## ABSTRACT

*In this commentary on Trustscapes . . . , The American University in Bulgaria Case section is praised. Its rich description of how those working to build a new university, who came from societies with different levels of generalized trust, struggle to create an organization with structures, policies and practices that reflect their own propensities to trust or distrust. The Case generated extended discussion of the power of distrust, governments' roles in the production of trust and distrust, and how individuals seek to make sense of the multiple conflicting cues regarding whether to trust or distrust in their organizational settings.*

## INTRODUCTION

Please do read *The American University in Bulgaria Case* in *Trustscapes . . .*; it is an excellent description of how trust at multiple levels can interact and influence one another. I begin with this suggestion because I fear that few readers would get to it otherwise. The first half of *Trustscapes . . .* reads like no social science with which I am familiar. It consists of a long, very long, string of assertions supported neither by existing literature, nor by logical argument. I fear that those readers who were not compelled to read *Trustscapes . . .* would abandon it by the second page. However, I was asked to write this commentary and so discovered the buried treasure of the *American University in Bulgaria Case* (AUB Case). Before commenting on the treasure, I will quickly dispense with the critique.

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## CRITIQUE

The first half of *Trustscapes* . . . was a particularly frustrating experience for two reasons. First, provocative claims are made with no support at all. To take just one example: trust and distrust are asserted to be based on genetics, with biological self-selection operating on trust and distrust such that they are biologically "inherited generationally." This caught my attention. At first, I thought this might mean that the genome decoders had found genetic markers for individuals' well-known differences in propensity to trust. Surely such a discovery would have made the covers of *Nature* and *Time Magazine*; how did I miss that? We know there are differences among people in their propensity to trust, but explanation has centered on early childrearing experience (Rotter, 1971) or immediate situational cues (Good, 1988). Yet, after reading *Trustscapes* . . . in its entirety, I am not so sure this is what the author meant by biological self-selection. None of the biological terms are defined, and no evidence or logic are marshaled to support causal claims; what exactly is genetically determined about trust, and how, are never specified. Instead we find interspersed assertions that genetics matter.

Which begs the question: matter to what? Matter to individual differences in propensity to trust? Or cultural or sub-group differences in propensity to trust? Or is this a rhetorical flourish hinting that trust is central to the human condition, evolutionarily selected over the millennia? Readers need to know exactly what is genetically determined, or to see some evidence or argument for such assertions, in order to evaluate genetics' contribution to trust. This is just one example of the kinds of sweeping claims unsupported by careful definitions or logical argument that characterize *Trustscapes* . . . outside the two cases descriptions.

The second reason the chapter is frustrating is because I suspect that Reeves-Ellington has some novel insights that could enrich our understanding of trust at different levels of analysis. There is a lot here that is probably genuinely new, and he clearly is willing to tackle large questions. But readers are busy people, and so a new framework must solve their intellectual problems, address real practitioner needs, or be entertaining. Time-pressed readers simply will not invest their valuable time struggling to try to guess what those insights might be.

## THE AMERICAN UNIVERSITY IN BULGARIA CASE

So much for my obligatory critique, let's move on to the treasure, the *American University in Bulgaria Case*. I call this case a treasure because it contains a well-documented analysis of how trust at different levels of analysis can interact in an actual situation. The interaction between American faculty members at a new

university in transitional Bulgaria and the local Bulgarian administrators, staff and students is described. Further, Reeves-Ellington does a commendable job of testing whether or not the differences documented in previous research are reflected in his own case.

Cross-national differences in levels of generalized trust ("Would you think that one can trust other people or should one be careful with others?" World Values Survey, 1994) are well established. I, among others, have argued that such societal differences are reflected in individuals' actions in organizational settings (e.g. Pearce, 2001; Putnam, 1993; Redding, 1990). The ways societal differences in generalized trust are worked out to create an organization are detailed in the AUB Case. It contains engaging, detailed descriptions of how individuals from societies differing in generalized trust expectations struggle to construct a shared organization that reflects their divergent expectations.

In this university the Bulgarians, who expected to distrust and that others will do likewise, and the Americans, who expected trust to be common, struggled to create organizational structures and practices that reflected their own differing expectations. Usually such cultural clashes have taken place in settings where one subgroup is so dominant that their expectations and organizational preferences prevail. Yet in the American University in Bulgaria the groups were nearly evenly matched: Americans arrived as the university experts brought in to create an "American university education," while the Bulgarians had the advantage of native societal setting and numbers. Enough detail is provided so we can understand their struggles over such organizational features as rules, hierarchical relations and communication.

With the exception of Putnam's (1993) path-breaking book describing how new regional governments were shaped to reflect the differing expectations and assumptions of Northern and Southern Italians, previous work has rarely focused on how societal patterns are worked out behaviorally. Rather, most have sought to explain how existing cultures (Redding, 1990) or governments (Pearce, 2001) make certain organizational practices more adaptive. However, such accounts always run the risk of being "just so stories," ones that pull out one or two causal explanations in complex over-determined systems. Very rarely do we have the opportunity to isolate exactly how individuals create societal-level structures (as Putnam, 1993, describes) or the converse, how societal-level practices foster differing organizational forms, as in AUB. Reeves-Ellington's contribution is to find that rare case where what the organization will be is not over-determined, in a setting with divergent individuals who struggled to create the organizations they would find most congenial. At the AUB, ultimately, the advantages of place, permanence and numbers triumphed over the wishes of the expert few, brought in temporarily to create an organization in their own image. We are left to judge what this bodes

for the long-term viability of an American University that comes to look more Bulgarian than American.

### **THE POWER OF DISTRUST**

This excellent description has the potential to be quite fertile, since it provides enough data to allow readers to pursue multiple explanations. For example, Reeves-Ellington suggests that the ultimate triumph of the Bulgarian distrust-dominated view was driven by the Bulgarians' advantages of place and numbers. No doubt. However, the literature on trust suggests that the Bulgarians' triumph may owe as much to the power of distrust to drive out trust (Axelrod, 1984; Hardin, 1993). Axelrod's (1984) work indicates that trustors will trust as long as they are not cheated or betrayed, but once they have that experience they quickly shift to distrust. Distrustors never have the opportunity to have their distrust tested, since their distrust prevents them from taking risks. Hardin (1993) agreed that distrustors avoid cooperative activities (because they expect exploitation), and so have fewer opportunities to discover that they can trust. Thus, the AUB Case is a rich real-world description of the pattern of mutual influence of those who trust and distrust that Hardin (1993) and Axelrod (1984) found in the laboratory.

### **GOVERNMENTS AND THE PRODUCTION OF TRUST**

Certainly this detailed case is suggestive. I have a personal interest in the description of the mechanisms by which differences in societal-level general trust play themselves out in organizational interaction. I have argued that non-facilitative governments foster generalized distrust, and have proposed a way of conceptualizing governmental effects on managerial behavior and organizations (Pearce, 2001). Governments may range from those that facilitate independent organization to those that impede independent organization. Facilitating governments are supportive of organizations and provide predictable laws and regulations that the governments are capable of enforcing. Governments that are relatively less facilitative are less supportive of organizations, more erratic, and weaker.

Building on the work of North (1990), Fligstein (1996) and Redding (1990), non-facilitating governments are proposed to affect organizations and the behavior of their participants by reducing unpredictability in economic exchange because they establish stable structures for human interaction, those reliable conditions under which organizations form, compete, cooperate, and exchange (Fligstein, 1996; North, 1990). Fligstein (1996) suggests that governments can vary in their

capacity to intervene, and such incapacity can be doubly costly – both in the absence of this necessary facilitating function and in the unpredictability of erratic, partial enforcement. I added “supportive” to these two dimensions of government facilitation because many communist governments were sufficiently strong and predictable, but they were hostile to independent organization. Non-communist governments also might impose excessive legislative burdens or create market-unfriendly policies producing similarly unsupportive pressures on organizations.

How to organize if governments are non-supportive, erratic, or weak? If governments create a hostile environment hindering independent businesses, those managing organizations will have to develop personal relationships or networks of mutually committed relationships to manage these critical dependencies. Without facilitative government, impersonal relationships are insecure, and when government does not support impersonal dealings, organizing is more likely to depend on personal relationships (Pearce, 2001). A hallmark of modern societies has been the institutional arrangements that can produce impersonal trust among strangers – when the scope of business activity expands beyond what can be accommodated by a friendship or kinship circle (Parsons & Smelser, 1956; Weber, 1947; Zucker, 1986). If governments are unwilling or incapable of providing the infrastructure to support extensive impersonal exchange, individuals have no choice but to continue to rely on the only means available to them – the personal relationships they build themselves. Personal relationships secure protection, are a reliable source of information, and can be used to manage their critical dependence on weakly constrained government officials. This is in many ways a return to traditional practices, albeit with organizations that superficially look like modern, complex organizations. The increased importance of personal relationships under less facilitative governments has been found by Pearce (2001), Pearce and Branyiczki (1997), Whitley et al. (1996), and Xin and Pearce (1996).

While less facilitative governments have implications for many aspects of organization and management, trust is chief among them. Organizing dependent on personal relationships has long been recognized, and has been called organizing by trust (Arrow, 1974; Bradach & Eccles, 1989). However, many who have observed behavior in relationship-dependent organizational contexts have remarked on the lack of interpersonal trust. For example, Yang (1994) describes the long process of testing her fellow-students underwent in establishing their relationships with one another. She argues that the slow development of trust and self-disclosure among Chinese students was sustained by living under a government in which betrayal to the authorities by one's fellows was a real possibility. Similar descriptions of wary, distrustful relationships are found in scholarly descriptions of workplaces operating without facilitating governments: Banfield (1958) and Gambetta (1988) in Southern Italy, Boisot and Child (1988) and Redding (1990) in China,

Voslensky (1984) in the Soviet Union, and Haraszti (1977) in a Hungarian factory in the communist period. Pearce, Branyiczki and Bigley (2000) report that employees working under the non-facilitative government of transitional Lithuania reported less trust in one another than did comparable employees working under the more facilitative United States government. Further confirmation of the negative relationships between government non-facilitation and trust can be found in cross-country surveys. Rao and Pearce (2003) developed an index of government facilitation based on surveys from the World Bank, Transparency International, and the World Competitiveness Report, and found that the greater the government facilitation the greater the generalized distrust across over forty nations. This is consistent with the differences in trust reported in the AUB Cases. But rather than taking such differences in generalized trust as a cultural "given," it might be worth exploring the roles of governments.

Why should those working in organizations under non-facilitative governments distrust others more than those in the impersonal organizations possible under facilitative governments? After all, they depend more on their relationships, shouldn't that mean they trust more? Gambetta (1988) proposed that unpredictability in sanctions leads to distrust and restricted cooperation. Pearce et al. (2001) suggest it is because the absence of universalistic organizational practices fosters organizational fragmentation into the mutually suspicious and distrustful "feildoms" described by Boisot and Child (1988). Personal relationships are partial, incomplete and unsatisfactory solutions to the organizational problems posed by non-facilitative governments – producing distrust and wariness among those who must work in these organizations. The strong relationship between generalized trust in others and the trust in institutions of law and order (a central feature of non-facilitative governments) has been found by Rothstein (2002), LaPorta (1997) and Inglehart (1999). Rothstein (2002) has argued that if people believe that institutions responsible for handling treacherous behavior are fair and effective, then they will believe that the chance of others getting away with treacherous behavior is small. Thus, individuals will believe that more people can be trusted. Finally, Yamagishi and Yamagishi (1994) attempted to explain the persistent finding of lower interpersonal trust in Japan (with more managers bound by mutually committed personal relationships) compared to managers and employees in the United States (who are less bound to one another) by proposing that those bound in mutually committed relationships have less need to trust. Pearce (2001) suggests that such relationships are better described as relationships of mutual dependence, rather than of trust.

Reeves-Ellington's work provides further support in another setting for the link between government non-facilitation and distrust. The AUB Case takes place in a Bulgaria that is in transition from a communist government, and thus

governed by a fragile, non-facilitative state. In Bulgaria, as in other countries in transition from communism, the pervasive distrust makes the creation of facilitative governments doubly difficult. Facilitative governments work through modernist organizational means, such as rules and impersonal hierarchy, and the ways in which those organizational practices are structured by those who distrust described here implies that these distrusters may not be able to build strong, supportive governments able to enforce the rule of law.

### WHETHER TO TRUST OR DISTRUST?

Finally, the rich AUB Case raises other theoretical questions. To suggest just one more: How does the interplay of trust and distrust evolve in actual settings with ample conflicting signals? In laboratory settings the environments are stripped of complexity to allow the isolation of independent variables so that causality can be clarified. So, Axelrod's (1984) subjects switched quickly from trust to distrust when their partners so unambiguously betrayed their trust. However, in on-going organizations participants have multiple, sometimes conflicting cues about whether or not they should trust or distrust others. The AUB Case may have been extreme in how far apart the Americans and Bulgarians were in their expectations of trust, but surely differences among individuals' trust in the face of ambiguity and multiple conflicting signals would be common in most organizational settings. How do individuals weigh such conflicting cues? What leads people in such complex settings to shift from trust to distrust or vice versa?

One way to understand how such shifts occur in the face of multiple conflicting cues is to draw on recent work on what has been called "tipping points." Gladwell (2002) borrowed from sociologists who used the term to explain the point at which as integrated neighborhood "tips" into a massive "white flight." A tipping point is the point at which an unfamiliar idea crosses some unseen point at which it suddenly spreads. What is the tipping point for trust and distrust? How do the numerous ambiguous cues interact and weigh in individuals' trust or distrust? Do some actions or situations have primacy? Or is there a tipping point, where individual incidents accumulate until the avalanche falls. Does it operate differently for the trust-to-distrust shift than for the distrust-to-trust shift? What led the Americans in AUB to finally acquiesce in the creation of a distrust-based organization? Were they overwhelmed by the Bulgarians' local and permanence advantages, or does persistent distrust always drive out trust, regardless of the circumstances? Like all good social science the American University in Bulgaria Case raises more such questions than it can answer.

## LEVELS OF TRUST AND DISTRUST

In conclusion, Reeves-Ellington's American University in Bulgaria Case is a rich description of how individuals who differ in their expectations for trust or distrust struggled to create a new organization that reflected their own societal-based assumptions. I have suggested just two ways in which this case enriches our understanding and poses further questions. Yet, I am sure this analysis of how differences in societal-level generalized trust get played out in individual's action and counter-actions will inspire many more.

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