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TRUST IN PUBLIC ORGANIZATIONS

Yoon Jik Cho

Introduction

Trust matters. It can be divided roughly into two types, institutional and interpersonal trust, each with their own values. From a macro- or meso-perspective, the former works as a valuable political resource. Citizens’ trust in government is a representative example of it. When a government conducts any policy, citizens’ trust works as a powerful driver for successful policy implementation. On the contrary, without trust in its political leaders, a government will have difficulty finding momentum to initiate new policies. For example, in South Korea, a recent presidential administration faced public distrust in its early period because of its policy toward US beef imports, which became one factor that frustrated other items on its policy agenda. When citizens’ trust in government is high, compliance to public policies increases. Scholz and Lubell (1998) found that people are more willing to pay taxes without resistance when they trust the government. On the other hand, with micro-perspective, interpersonal trust concerns interpersonal relationships within organizations. It works as a valuable managerial resource. It is expected to decrease transaction costs and the necessity of monitoring while increasing job satisfaction, information sharing, and performance (Dirks and Ferrin 2001; Creed and Miles 1996; Culbert and McDonough 1986). A lack of trust brings negative outcomes such as low commitment, low motivation, and cynicism (Carnevale and Wechsler 1992).

This chapter focuses on interpersonal trust within organizations, and discusses why trust matters and how it works in the public organizational context. Building trust may be even more necessary in the public sector than in the private sector, because it may supplement managerial authority and discretion. Reviews of public–private comparisons commonly report that public-sector leaders have less authority over their subordinates as a result of institutional constraints coming from excessive rules and regulations (Ingraham, Sowa, and Moynihan 2004; Rainey and Bozeman 2000; Perry and Porter 1982). This assertion is supported by the reports from the Volcker Commissions in the United States in 1989 and 2003, which called for a deregulation of personnel systems to free public managers from excessive constraints. Their low level of discretion is related to their lack of capacity to reward or punish subordinates. Because of difficulties in tying rewards to performance, public leaders face greater challenges in motivating employees than do their private-sector counterparts (Rainey and Bozeman 2000; National
Commission on the Public Service 1989; National Commission on the State and Local Service 1993; Perry and Porter 1982). Even within those constraints, however, one can still observe public leaders who successfully motivate their subordinates. Their common characteristic is their competence in building trust with their followers (Rainey and Thompson 2006; Riccucci 1995; Doig and Hargrove 1987). Accordingly, trust may work as a more valuable resource within public organizations and it is worthwhile to investigate how to engender it.

This chapter reviews the role of interpersonal trust in public organizations. First, it defines trust, and illustrates its effects. The section explains theories supporting the positive effects and expected outcomes of trust. It also explains how trust works by modifying Cho and Ringquist’s (2011) heuristic model. They sought to integrate trust and management literature to understand the role of trust within organizations. The revised framework considers trustworthiness as an antecedent of trust, suggesting that managerial attention should focus on the factors developing and maintaining trust. Finally, this chapter considers Mayer et al.’s (1995) synthesis of the factors of trustworthiness, finding three factors, including ability, benevolence, and integrity, with the potential to build trust.

**What is trust?**

**Definition**

Scholars in various disciplines emphasized different foci in defining trust, including belief (Levi 1998), expectation (Golembiewski and McConkie 1975), willingness to be vulnerable (Mayer et al. 1995; Zand 1972), attitude (Griffin 1967), and rational assessment (Hardin 2006). Scholars such as Farris, Senner, and Butterfield (1973: 145) emphasize personal characteristics by explaining that trust is “a personality trait of people interacting with the peripheral environment of an organization.” Similarly, Lieberman (1981) and Good (1988) insist that trust depends on factors such as trustee behavior, competence, and integrity. Other scholars focus on expectations shaped by external actors or environments. Rotter (1967: 651), for example, defines trust as “an expectancy held by an individual or a group that the word, promise, verbal or written statement of another individual or group can be relied upon.”

After reviewing numerous definitions of trust, Rousseau et al. (1998) conclude that most scholars investigating interpersonal trust commonly emphasize its psychological aspect. They define trust as “a psychological state comprising the intention to accept vulnerability based upon positive expectations of the intentions or behavior of another” (Rousseau et al. 1998: 395). The Mayer et al. (1995: 712) definition is also widely adopted in trust research: “the willingness of a party to be vulnerable to the actions of another party based on the expectation that the other party will perform a particular action important to the trustor, irrespective of the ability to monitor or control that other party.” In sum, trust is a psychological state of willingly taking some risks based on positive expectation of outcomes.

**Types of trust and expected outcomes**

Rousseau et al. (1998) insist that trust depends on factors such as trustee behavior, competence, and integrity. Other scholars focus on expectations shaped by external actors or environments. Rotter (1967: 651) provides three forms of trust: calculative, relational, and institutional. Calculative trust resembles economic exchange in that trust emerges when a trustor perceives that a trustee performs an action in order to benefit. On the other hand, relational trust is based on repeated interactions between the trustee and trustor. Relational trust differs from calculative
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because it has emotional elements. Intimate reciprocity is formed based on frequent and long-term interactions (McAllister 1995). However, both of them can be categorized as interpersonal trust because, regardless of different motivations, the object of trust is a person. In contrast, institutional trust resides in certain institutions: for example, citizens’ trust in government.

The trend of trust research can be classified by these forms of trust. One can roughly divide trust research into two streams: one focusing on institutional trust and the other dealing with interpersonal trust. Many political science studies employ the former approach by considering trust in institutional settings (Cho 2008). Scholars demonstrate that, by effectively managing stakeholder groups and policy recipients, trust helps successful policy implementation (Lubell 2004; Scholz and Lubell 1998). For example, in the regression analysis, after controlling citizens’ perception of punishment risks, citizens’ trust in government and each other decrease non-compliance with tax laws (Scholz and Lubell 1998). Similarly, Habibov (2014) demonstrated that people with a high level of institutional trust have more positive attitudes toward welfare expenditure. Another study found that citizens with high levels of institutional trust are more likely to participate in local government activities including municipal meetings and participatory budget meetings (Mendoza-Botelho 2013).

The interpersonal approach is adopted by management studies, which deal with trust as an internal organizational resource. Numerous studies demonstrate the value of interpersonal trust within organizations. As a lubricant of organizational functioning, trust increases job satisfaction, commitment, and individual and organizational performance (Dirks and Ferrin 2002; Culbert and McDonough 1986; Bennis and Nanus 1985; Zand 1972). A lack of trust, in contrast, leads to negative workplace outcomes, including low commitment, low motivation, and cynicism (Carnevale and Wechsler 1992; Kanter and Mirvis 1989).

Effects of trust

Theoretical support

One can find several theories supporting the positive effect of trust. From managerial perspective, trust in higher authority is commonly investigated in that managers play a major role in motivating members of organizations. For example, Dirks (2000) emphasizes that trust in leadership makes a team willing to accept a leader’s activities, goals, and decisions, and work hard to achieve them. If we focus on that type of trust, leadership theories can serve as a theoretical ground to explain the effect of trust.

Leader-member exchange (LMX) theory seems to be the most relevant theory to explain the effects of trust in higher authorities. The theory adopts the transactional framework between leader and subordinate, but addresses both the material and psychological benefits of transactions (Duchon, Green, and Taber 1986). It argues that interactions between leaders and followers have a significant influence on organizational effectiveness (Graen and Uhl-Bien 1995; Bass 1990). In a high-quality LMX, where trust is a representative indicator of LMX quality, leaders and organizations have more committed subordinates with less turnover and better performance (Graen and Uhl-Bien 1995; Deluga 1994; Liden and Graen 1980). Based on this reasoning, LMX theory can serve as a theoretical foundation explaining the positive effects of trust in higher authorities.

Besides the LMX theory, many scholars value trust as the core of effective leadership (Zand 1997; Hogan, Curphy, and Hogan 1994; Fairholm 1994; Bass 1990). One current trend of leadership research emphasizes the inspirational aspect of leaders (Robbins and Judge 2008). Such theories, including transformational and charismatic leadership, treat trust as an important attribute for effective leadership (Kirkpatrick and Locke 1996; Podsakoff et al. 1990). Dirks and
Ferrin (2002) distinguish two theoretical perspectives on trust in leadership: relationship-based perspective and character-based perspective. The former focuses on the nature of the leader–follower relationship, whereas the latter focuses on the perception of the leader’s character and how it influences a follower’s sense of vulnerability in a hierarchical relationship (Dirks and Ferrin 2002). Although the expected causal mechanisms are different, both perspectives anticipate positive effects of trust in higher authorities.

Besides leadership theories, scholars from different disciplines also nominate trust as a valuable managerial resource. For example, Zand (1972) assumes that high levels of trust decrease social uncertainty, which facilitates information sharing among group members. This enhanced information sharing is assumed to increase problem-solving capacity. The assumption is demonstrated by his experiment, in which high-trust groups showed a better problem-solving ability than low-trust groups.

In discussing the second generation model of rational choice, Ostrom (1998) places reciprocity, reputation, and trust at the core of the model. During social dilemma situations such as free rider problem, cooperative behaviors are explained by three reinforcing factors: trust that individuals have in others, investment of others in their own reputations of trustworthiness, and the probability that participants will reciprocate (Ostrom 1998: 12). This model implies that trust is at the core of cooperation. Although cooperation can emerge solely from a control mechanism within organizations (Cook, Hardin, and Levi 2007), trust still plays a substantial role in its creation.

Scholars of transaction cost theory argue that trust reduces transaction costs by decreasing opportunistic behaviors, which in turn saves monitoring and negotiation costs (Zaheer, McEvily, and Perrone 1997; Cummings and Bromiley 1996; Creed and Miles 1996; Zaheer and Venkatraman 1995; Williamson 1993; North 1990). The reduced costs then lead to more flexibility and better performance. One can expect these benefits in intra- as well as inter-organizational settings. Within organizations, trust helps supervisors effectively manage subordinates with minimal supervision. In organizational networks with high levels of trust, the related organizations increase the effectiveness of collaboration by saving on the costs of negotiating with and monitoring each other.

Finally, scholars from various disciplines provide theoretical reasoning expecting the positive influence of trust. Although the underlying reasons are different, they seem to agree that trust works as a valuable resource within organizations.

**How trust works**

Then, how does trust work within organizations and reveal its expected effects? To explain that, this chapter modifies Cho and Ringquist (2011)’s heuristic model of trust, which integrates trust and management research streams. From a trust research perspective, one can think of how trust plays roles within organizations. Kramer (1999) provides three routes through which trust affects performance: decreasing transaction costs, facilitating altruistic behaviors, and increasing voluntary deference. First, as scholars of transaction cost theory argue, trust relieves transaction costs within organizations and the saved resources can be utilized to enhance performance. Second, trust expedites altruistic behaviors, such as organizational citizenship behavior (OCB). By helping others without expecting extra pay or rewards, OCB enhances cooperation, communication, and collective goods within organizations. These positive outcomes are expected to bring better organizational performance. Finally, trust contributes to performance by increasing voluntary compliance. When the trust level is high, employees are more likely to follow organizational rules and procedures (Kramer and Tyler 1996). Accordingly, without much effort, management can obtain employee agreement with its policies.
On the other hand, from management research, one can think of the role of management in enhancing performance. Numerous studies have demonstrated that management matters for enhancing performance. The various roles of management can be classified into three categories: managing the external environment, cultivating a positive organizational culture, and managing internal resources (Cho and Ringquist 2011). Related to the concept of “managing upward” (Moore 1995), cultivating a favorable external political environment is sometimes critical to better performance. Establishing networks with external actors may help an organization obtain some useful resources. Cultivating organizational culture is also a key role of management. As a social glue, an organizational culture strengthens the unity of organizational members by guiding appropriate behaviors and norms, while it also engenders commitment to an organization that goes beyond individual self-interest (Robbins and Judge 2007). Finally, managing internal resources effectively is critical for performance. Efficient allocation of resources has been traditional role of management. Management is also responsible for establishing fair treatment of personnel in various aspects of human resource management. All these managerial efforts will pay off through increased employee motivation and organizational performance.

The heuristic model in Figure 9.1 takes the features of the above discussion and integrates them into a single framework. In addition, it assumes managerial trustworthiness as the antecedent of trust. The basic logic is that managerial trustworthiness builds interpersonal trust within organizations, which has positive influence in both direct and indirect ways, nurturing the positive behavior of organizational members. The direct effect of interpersonal trust – such as reduced monitoring and greater rule adherence – is presented by Avenue 1. Trust indirectly affects organizational outcomes by elevating the effectiveness of managerial practices. In other words, while each type of managerial effort – managing the external environment, cultivating an organizational culture, and managing internal resources – directly contributes to improving organizational performance, such effects are further escalated when interpersonal trust level is high. Regarding managing external environments, interpersonal trust increases the effectiveness of managing external environments by helping managers to focus on those activities. As stated, with a high level of trust, managers do not need to pay lots of attention to their subordinates. Organizational rules and procedures are observed closely, and subordinates conduct their roles without much external control or supervision. Resources and effort usually spent on internal management can be redirected to conduct external managerial activities.

This moderating effect of trust is presented by Avenue 2. Interpersonal trust also enhances the effectiveness of managerial activities in cultivating organizational cultures. By facilitating altruistic behaviors, trust helps to nurture cooperative cultures. For example, by engaging in various types of OCBs, employees may help absent or busy co-workers. They are also willing to help newly hired employees by conducting informal job training and work extra hours without expecting additional pay or rewards. All of those activities will enhance the effectiveness of managerial effort to cultivate a cooperative culture. In other words, efforts to strengthen social bonding show better outcomes when conducted within high levels of interpersonal trust. The route is presented by Avenue 3.

Finally, Avenue 4 indicates the indirect effect of trust in advancing the effectiveness of internal resource management. As stated, because trust increases one’s willingness to accept organizational rules and procedures, the internal management process will operate more smoothly when trust level is high. That is, the overall level of trust and complaints or opposition to managerial decisions are negatively associated, and the effectiveness of internal management will upsurge under conditions of high levels of trust. As a result, one can summarize the ways in which trust affects organizational outcomes in terms of four routes, one direct and three indirect. Each route can be investigated further.
Managerial Trustworthiness

Interpersonal Trust

Managing External Environment

Managing Internal Resources

Cultivating Organizational Culture

AVENUE 2

AVENUE 3

AVENUE 4

ORGANIZATIONAL OUTCOMES

Figure 9.1 Heuristic model of trust
Source: Modified from Cho and Ringquist (2011)'s framework

Trustworthiness and trust

Trustworthiness as antecedent of trust

If one believes that trust matters for organizational effectiveness, the next logical question is, “How do we build trust?” Drawing on Figure 9.1, this chapter finds the answer in the concept of managerial trustworthiness. Trustworthiness, being an antecedent of trust, means “worthy of trust or confidence; reliable” (Oxford English Dictionary 1989). One can find empirical support that trustworthiness leads to trust (e.g., Davis et al. 2000). Thus, based on the concept and empirical evidence, trustworthiness is a necessary condition for trusting someone.

Differentiating trust from trustworthiness is not always easy. In some contexts, an evaluation of someone’s trustworthiness becomes trust in him or her (Hardin 2002). However, one cannot ignore the distinction. Trust focuses on a trustor’s psychological state, which indicates that he or she is willing to take risks for a trustee regardless of whether monitoring or control are present. But trustworthiness focuses on the characteristics of a trustee: for example, whether the trustee is reliable or behaves in a trustworthy manner. The fact that a trustee is trustworthy is conceptually distinct from whether a trustor is willing to take risks for him or her.

Just as many scholars have emphasized the importance of trust as a managerial resource, they have also identified elements of trustworthiness as antecedents of trust. Based on interviews with 84 managers, Butler (1991: 648) summarized ten conditions of trust: availability, competence, consistency, discreetness, fairness, integrity, loyalty, openness, promise fulfillment, and receptivity. Other elements, such as trustworthy intentions (Cook and Wall 1980), value congruence (Sitkin and Roth 1993), and personal attraction (Griffin 1967), are also nominated as antecedents of trust.

After reviewing relevant studies, Mayer et al. (1995) synthesized these elements into three core antecedents of trust: ability, benevolence, and integrity. Ability means a trustee’s competence in a given role within an organization. From a rational perspective, ability is the basis on which to build trust because, in a trusting relationship, a trustor expects a trustee to do
something. In many cases, the phrase “A trusts B” means that “A trusts B to do C” (Hardin 2006). The implication is that B has enough competence to do C. In other words, if B does not have the ability to do C in the first place, trust cannot be generated. While ability is critical, it is not enough to be considered trustworthy. An affective element, benevolence, also constitutes trustworthiness. Benevolence is “the extent to which a trustee is believed to want to do good to the trustor, aside from an egocentric profit motive” (Mayer et al. 1995: 718). It means that a trustee has a positive personal attachment to a trustor. When a trustee pays attention to a trustor’s personal well-being, the trustor is more likely to show his or her vulnerability. Integrity is a broad concept encompassing many issues, such as “the consistency of the trustee’s past actions, credible communications about the trustee from other parties, belief that the trustee has a strong sense of justice, and the extent to which the trustee’s actions are congruent with his or her words” (p. 719). The importance of integrity is well known from organizational justice literature. Fair treatment by leadership largely forms the subordinates’ perception of how much risk one can take in a relationship with a leader, which is related to the level of trust.

**Theoretical support for trustworthiness**

Social exchange theory provides a good explanation of the effect of trustworthiness on the building of trust (Aryee, Budhwar, and Chen 2002; Whitener et al. 1998). Social exchange means the “voluntary actions of individuals that are motivated by the returns they are expected to bring … from others” (Blau 1964, p. 91). As it includes both material and psychological benefits, social exchange differs from a purely economic exchange (Whitener et al. 1998; Yukl 1994). In social exchange, there is no specified obligation for the action and the expected benefits are rarely specified in advance (Aryee et al. 2002; Blau 1964). Such social exchanges are frequent in the workplace, and trust is built based on repeated exchanges among individuals within organizations (Aryee et al. 2002; Blau 1964). A minimum level of trust is required to initiate an exchange, and supervisors commonly become the initiators of trust building (Gould-Williams and Davies 2005; Eisenberger, Fasolo, and Davis-Lamastro 1990). They begin social exchanges by showing their trustworthiness, which gives subordinates a reason to trust them. Through reciprocity, trust is developed and maintained among organizational members.

**Conclusion**

This chapter has reviewed the definition of trust, the expected outcomes of trust, how trust works, and trustworthiness as an antecedent of trust. The role of trust is influential and critical to enhance organizational effectiveness. More attention from top management to this valuable resource is required. Scholars may want to examine various direct and indirect effects of trust, and Figure 9.1 can serve as a guide. Simultaneously, it is important to pay some attention to negative side of trust as well, as it sometimes brings negative outcomes. For example, under high levels of trust, organizational members are very closely connected, which may make them hesitant to raise opposition as well as reluctant to accept external criticism toward their organization. This is the so-called groupthink problem which negatively affects organizations. Thus, efforts to explore roles of trust and establish comprehensive understanding of it should continue.

In addition, attention needs to be paid to trustworthiness factors. While this chapter introduced the factors of perceived trustworthiness identified by Mayer et al. (1995), it is likely that other new factors may be found as contexts change. There may be some factors unique and distinctive to the public sector context. Consequently, there are practical benefits and guidance to be obtained by researching trust and trustworthiness.
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