Does Trust Still Matter?
Research on the Role of Trust in Interorganizational Exchange

By

Bill McEvily
Tepper School of Business
Carnegie Mellon University
Pittsburgh, PA 15213
bmcevily@andrew.cmu.edu

Akbar Zaheer
Carlson School of Management
University of Minnesota
Minneapolis, MN 55422
azaheer@csom.umn.edu

Chapter prepared for inclusion in

Handbook of Trust Research,
R. Bachman A. Zaheer (eds.) (2005)
Cheltenham: Edward Elgar

Acknowledgements: We would like to thank Reinhard Bachmann and Jared Harris for helpful comments on an earlier draft of this chapter.
What is the nature of interorganizational trust? Is the concept even meaningful? If so, what role (if any) does it play in affecting the performance of interfirm exchange? These questions were at the heart of what motivated our study ‘Does trust matter? Exploring the effects of interorganizational and interpersonal trust on performance’ (Zaheer, McEvily and Perrone, 1998). At the time of our study, there was considerable theoretical doubt and ambiguity about the influence of trust, an inherently individual-level concept, on exchange performance, an organizational-level outcome. Our goal was to provide some conceptual clarity on the topic and our approach was three-fold. First, we proposed a theoretical basis upon which interpersonal and interorganizational trust could be conceptualized as related, but distinct constructs. We argued that whereas trust originates from individuals, the object of trust may be another person or entity, including a collective entity such as an organization. Thus, while interpersonal trust is the trust of one individual in another, interorganizational trust is the collectively-held trust orientation by members of one organization toward another organization. Second, we developed a theoretical model that related trust at the two levels of analysis, interpersonal and interorganizational, to exchange performance. Our core proposition (summarized in the figure below) advanced the idea that trust, both interorganizational and interpersonal, enhanced performance by lowering the transaction costs of exchange. Third, we empirically tested our model with survey data from a sample of buyer-supplier relationships.
The results of our study empirically validated the notion of trust as existing at each level of analysis. While interpersonal trust and interorganizational trust were strongly related, our discriminant analysis also confirmed that they were empirically distinct constructs. Consistent with this evidence, we also found that interpersonal trust and interorganizational trust operate quite differently in affecting exchange performance. Specifically, we observed that interorganizational trust was strongly related to lowered transaction costs and increased performance, while interpersonal trust was only indirectly linked to these outcomes through interorganizational trust.

The results of our study provided some initial evidence that trust improves performance of interfirm exchange by reducing transaction costs, but the findings were preliminary and raised a number of additional questions. Given that a number of other studies have since been published on the topic of trust and exchange performance, we are now able to address several of the questions that our initial study had raised. Our objective in this paper is to review the subsequent research on trust in interfirm exchange relationships in order to: ascertain the degree to which the research has cumulated, summarize the key findings, establish how the literature has
advanced both theoretically and methodologically, and identify key challenges that lie ahead. More generally, we are curious to know - does trust still matter?

To address these questions we conducted a review of recent research. We used the Web of Science database to identify studies related to our own. We identified a total of 91 published papers citing Zaheer et al. (1998). We then reviewed each paper to determine its topic and focus. We eliminated from further review those papers that did not address questions relating to the performance effects of trust in interfirm exchange and theoretical papers without an empirical component. After screening each paper we determined that a total of 16 were directly relevant to the topic of the role of trust in interfirm exchange.

We have intentionally limited the scope of our review to research that directly relates to the performance effects of trust and to trust at different levels of analysis. Our review provides a focused and in-depth discussion of research in this area and based on the work reviewed develops a theoretical model of the performance effects of trust. For a broader and comprehensive review, including the antecedents and nature of interorganizational trust, see Zaheer and Harris (2005).

The remainder of this paper summarizes our review of these studies. We begin our review by discussing research examining the performance effects of trust. Next, we consider studies that have specifically investigated the relationship between trust across levels in the context of interorganizational exchange. We conclude the review with a discussion of key issues for future research.
Performance effects of trust

Since the publication of Zaheer et al. (1998) a number of other studies have investigated the relationship between trust and performance in the context of interorganizational exchange. A key finding emerging from this growing body of research is that our preliminary results linking trust to performance have been corroborated across a number of different economic and organizational contexts. The precise form of the performance effect on trust varies quite considerably, however. We also observed that subsequent work extends in several important ways the basic theoretical model we initially proposed. In particular, recent research has built upon our model in three important ways (see figure below). First, subsequent research has considered additional causal mechanisms, to the transaction cost variables we had proposed, that mediate the relationship between trust and performance. Specifically, research has considered transaction costs, relational governance, and transaction value as mediators, as shown in the figure below. Second, recent studies have explored a variety of contingency factors that explain the conditions under which trust affects performance – i.e., conditions that moderate the effect of trust on performance. In the figure below the vertical arrow between performance enhancing conditions, performance reducing conditions, and factors that substitute for or complement trust represents the moderators that have been studied. Third, current research has greatly expanded the dimensionality of both performance outcomes (satisfaction, continuity, completion time, and financial outcomes) and of trust (levels, dimensions, and trust-based governance). Each of these three areas of research – mediators, moderators, and dimensionality of trust and performance – represent important advances and we use them to organize our review.
### Performance Effects of Trust: Expanded Theoretical Model

**Moderators**

<table>
<thead>
<tr>
<th>Performance Enhancing</th>
<th>Performance Reducing</th>
<th>Substitute or Complement</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Information Processing Abilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Relational Risk &amp; Interdependence</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Relationship Learning</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Contractual Safeguards</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Trust**

**Mediators**

<table>
<thead>
<tr>
<th>Levels</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Interorganizational</td>
</tr>
<tr>
<td>- Interpersonal</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Dimensions</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Competence</td>
</tr>
<tr>
<td>- Goodwill</td>
</tr>
<tr>
<td>- Credibility</td>
</tr>
<tr>
<td>- Combined</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Trust-based Governance</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Norm of Trust</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Transaction Costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Negotiation</td>
</tr>
<tr>
<td>- Conflict</td>
</tr>
<tr>
<td>- Ex ante</td>
</tr>
<tr>
<td>- Ex post</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Relational Governance</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Joint Planning</td>
</tr>
<tr>
<td>- Joint Problem Solving</td>
</tr>
<tr>
<td>- Joint Responsibility</td>
</tr>
<tr>
<td>- Mutual Adjustment</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Transaction Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Exchange of proprietary information</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Satisfaction</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Goal Attainment</td>
</tr>
<tr>
<td>- Task Performance</td>
</tr>
<tr>
<td>- Performance Objective</td>
</tr>
<tr>
<td>- Impact</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Continuity</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Completion Time</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Financial Outcomes</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Return on Investment</td>
</tr>
<tr>
<td>- Sales per Asset</td>
</tr>
<tr>
<td>- Return on Assets</td>
</tr>
<tr>
<td>- Sales Growth</td>
</tr>
</tbody>
</table>
Mediators

The results of our initial study (Zaheer et al., 1998) broadly supported the thesis that trust influences transaction costs and performance, although the empirical findings we observed differed somewhat from the theoretical model we had proposed. Specifically, our results confirmed our prediction that trust lowers transaction costs, in the form of eased negotiations and reduced conflict, but the relationship between trust and performance was not mediated by the reduction in these transaction costs as we had expected. Instead, we found a direct link between trust and performance, and no connection between transaction costs and performance. This pattern of results raised the obvious question of what accounts for the effect of trust on performance given our lack of support for one aspect of transaction costs (i.e., negotiation processes). One possibility is that transaction costs do indeed mediate the trust-performance relationship, but not in the way we had expected. Consistent with this idea, subsequent research has investigated the possibility that alternative specifications of transaction costs mediate the relationship between trust and performance. We also speculated on two other possible mediating mechanisms, both of which have subsequently received research attention. First, we suggested that the eased negotiating process we observed might be part of a broader effort on the part of exchange partners to jointly manage and coordinate their relationship, an approach referred to as relational governance in the transaction cost literature. Second, we raised the possibility that trust may affect performance through not only lowered transaction costs, but also increased transaction value. We review the research in each of these areas next.
**Transaction costs**

Given the strong theoretical foundation linking transaction costs to performance, our lack of results for this relationship were surprising. Fortunately, research by Dyer and Chu (2003) pursued this question further by considering an alternative specification of transaction costs that included ex ante (search and contracting) and ex post (monitoring and enforcement) components, consistent with the theory. As these authors noted, while previous studies have combined the two forms of transaction costs, they need not be perfectly correlated. The results of Dyer and Chu’s (2003) study of 344 auto suppliers in Japan, Korea, and the U.S. supported the positive effect of trust on lowering ex post, but not ex ante, transaction costs. They further report evidence showing that suppliers’ perceptions of a buyer’s (i.e., automaker’s) trustworthiness is negatively related to buyer transaction costs and positively related to buyer profit performance (10 year average return on assets). While the results were based on a very small sample from the buyer side (n = 8) and the buyer performance data precedes rather than follows the trust data, this pattern of findings is consistent with the view that trust effects performance by lowering transaction costs, but only those transaction costs incurred ex post. Thus, trust appears to be more relevant during the execution of exchange agreements than during the search-contracting stage. This study makes an important contribution by both substantiating transaction costs as a key mediating mechanism in the trust-performance relationship, and providing a more precise understanding of the type of transaction costs that are most meaningful to this process.

Recent research has also supported the mediating role of conflict in the relationship between trust and performance. Shrum, Chompalov, and Genuth (2001) examine 53 scientific collaborations in physics and find that trust is unrelated to performance. However, they conclude that trust is nevertheless important for the success of the collaborations because of its property of
lowering conflict, although the researchers did not directly test for a relationship between conflict and performance. Interestingly, they did not find that prior relationships had higher trust than relationships without prior ties.

Research in this area could further build on the work thus far by adopting more robust research designs. In particular, it would be compelling to model the entire causal chain linking trust to transaction costs to performance with an integrated set of data (Dyer and Chu examined some parts of the model with supplier data and other parts with buyer data) and with a more fully specified model of performance that is tested with a larger sample.

Relational governance

A closely related mechanism through which trust may influence performance is relational governance. Also referred to as bilateral governance, relational governance is a mode of organizing exchange that involves the integration of activities – such as decision making, planning, and problem solving – across the relationship in an effort to reduce transaction costs (MacNeil, 1980; Heide and John, 1990; Williamson, 1991; Zaheer and Venkatraman, 1995). Undertaking such close collaboration, however, requires a greater level of trust among exchange partners due to heightened risks (e.g., exploitation or appropriation of information) and interdependencies (e.g., reliance on a partner to provide resources or perform activities). From this perspective, trust is an enabling condition allowing exchange partners to pursue relational governance mechanisms that in turn improve the performance of the relationship.

Several studies have substantiated the idea that relational governance mediates the relationship between trust and performance. In a study of 164 buyer-supplier dyads from a cross-section of industries Johnston, McCutcheon, Stuart and Kerwood (2004) found that
supplier representatives’ trust in buyer organizations was positively related to purchasing managers’ assessment of relationship performance, through the bilateral governance mechanisms of shared planning and mutual adjustment (‘flexibility in arrangements’) for adapting to changes. Trust was also positively associated with joint responsibility, but the link between joint responsibility and performance was not supported. Using a measure of joint problem solving similar to that of Johnston et al.’s (2004) mutual adjustment, Claro, Hagelaar, and Omta (2003) report similar results in their study of 174 Dutch suppliers. Specifically, these authors found that trust was positively related to joint planning and joint problem solving (resolution of disagreements), and that both of these relational governance mechanisms were positively associated with the supplier’s growth in sales, but only joint problem solving was positively related to the supplier’s perceived satisfaction with the relationship. Taken together these studies provide consistent support for the effect of relational governance in mediating the relationship between trust and performance. An important extension of this work would be to link it to the work focusing on transaction costs as a mediator of the trust-performance link to address the questions of whether trust is an enabling condition of relational governance and in turn if relational governance lowers transaction costs.

Transaction value

In contrast to the view that trust affects performance by lowering transaction costs, Zajac and Olsen (1993) have suggested that it is through the enhancement of transaction value that trust results in improved performance. Drawing on these ideas to interpret our results we noted that trust may facilitate ‘cooperation in the exploration of new information and coordination technologies, new market opportunities, and product and process innovation’ (Zaheer et al. 1998:
Research by Dyer and Chu (2003) considered this possibility. Specifically, these authors report evidence from their study of auto suppliers indicating that trust increases the sharing of confidential and sensitive information (such as costs and proprietary technology) that creates value in the relationship, though they did not test for a mediated relationship between information sharing and performance.

These initial findings regarding the enhanced value created from trust are encouraging and suggest that additional research is called for that can investigate whether trust does indeed promote collaboration in the areas identified and if the pursuit of these opportunities translates into value enhancing performance outcomes such as innovation and learning (Lane, Salk and Lyles, 2001). At the same time, the research thus far has just begun to explore the notion that transaction value is a key part of the reason why trust enhances performance. Clearly, there is ample opportunity for future research to consider more detailed and systematic models of transaction value that focus on collaboration processes, such as knowledge transfer (McEvily, Perrone and Zaheer, 2003), and key outcomes such as innovation. We see this as one of the most important area for future research and one where there is the great opportunity given the limited research to date.

**Moderators**

In addition to investigating different causal mechanisms linking trust to performance, recent research has also examined how the direct relationship between trust and performance is contingent upon several organizational and economic characteristics of the exchange relationship. Research has identified *performance enhancing* conditions that further strengthen the positive effect of trust on performance, *performance diminishing* contingencies that decrease
the effect of trust on performance, and factors that can either substitute for or complement trust’s effect on performance.

Performance-enhancing contingencies

Our basic theoretical model of the performance effects of trust implicitly assumed that the trustworthiness of a counterpart is perceived with a relatively high degree of accuracy and that exchange partners will be better able to sense and adapt to environmental changes due to superior information sharing. Recent research by Carson et al. (2003) relaxed these assumptions and allowed for the possibility of misplaced trust and varying abilities to interpret and respond to external change. Drawing on transaction cost theory these authors argued that a key implication of the bounded rationality of decision makers is that the information-processing abilities of organizations will affect how accurately they assess a counterpart’s trustworthiness and their ability to converge on common interpretations of environmental changes. In their study of 129 outsourced product R&D projects Carson et al. (2003) find that the positive effect of trust-based governance (use of trust to support ex post revisions to an incomplete contract) on task performance is larger when the R&D client has requisite information processing abilities (i.e., skills that are less tacit, skills that are related to the outsourced R&D task, and internal tasks that overlap with outsourced tasks). These findings suggest that in order to fully exploit the performance enhancing potential of trust it needs to be accompanied by the capability to accurately decipher a counterpart’s trustworthiness and effectively adjust the exchange relationship to respond to unforeseen contingencies. This study also suggest that an important area for future research is to consider other organizational capabilities that are important for managing and exploiting trust-based relationships to achieve high performance.
The notion that environmental change affects the strength of the relationship between trust and performance is also the underlying premise of a second study investigating moderators of the trust-performance relationship. In a study of 255 international strategic alliances in China, Luo (2002) argues that long-term relationships such as alliances are subject to changes in the economic and social environment. Accordingly, the role of trust in enhancing performance is also likely to differ at different stages of the relationship. Consistent with these arguments, Luo found that the effect of trust on performance (return on investment) is amplified when the alliance is younger, as trust aids in overcoming the liability of newness and foreignness, and when market uncertainty is higher. The results also supported the notion that trust plays a stronger role in increasing performance (sales per asset and return on investment) when the reliance on resources, risk sharing, and reciprocal commitment between alliance parties is greater. Taken together, the results of this study suggest that the effect of trust on performance is contingent upon the stage of the relationship and on environmental uncertainty. Future work in this area would benefit from the development of a theoretical model that integrates the broad set of factors moderating the trust-performance link. For instance, the factors studied by Luo seem to generally fall into the categories of the level of risk and interdependence inherent in a relationship, which have been identified as key conditions creating the need for trust (Rousseau et al., 1998). A study designed to test such a model would be beneficial.

*Performance reducing contingencies*

In contrast to research focusing on how the performance effects of trust may be amplified by certain contingencies, work has also considered the conditions under which trust may diminish performance. Selnes and Sallis (2003) concur that sensing and responding to environmental
change is critical for the performance of exchange relationships and they argue that relationship learning plays a critical role in promoting effective adaptation. These authors view relationship learning as a joint activity between exchange partners involving the sharing, interpretation, and integration of information into relationship-specific behaviors. Relationship learning is highly similar to the relational governance mechanisms (information sharing, joint problem solving, and joint planning) that mediate the trust-performance relationship and indeed Selnes and Sallis’s (2003) study of 315 buyer-supplier dyads confirm the mediating role of these mechanisms. However, these authors also find that the positive effects of relationship learning level off and eventually diminish under high levels of trust. In these circumstances, there is a risk that exchange parties will be less inclined to share and seek out critical information and will become less objective, thereby limiting the ability of the parties to effectively adapt. This study makes an important contribution by demonstrating the limits to trust. Given that most research focuses on the positive outcomes of trust, identifying other conditions under which trust may adversely affect performance is an important area for research.

_{Substitutes or complements_}

Rather than treating the moderators of trust as either enhancing or diminishing performance a third area of research on contingency factors allows for both possibilities. Lui and Ngo (2004) advance the perspective that trust and contractual safeguards are both important determinants of relationship performance, which may be mutually reinforcing in some cases and contradictory in others. Specifically, these authors argue that goodwill trust is a substitute, while competence trust is a complement, for contractual safeguards designed to protect against opportunism. Since goodwill trust reflects confidence in a partner’s _intention_ to fulfill obligations, safeguards would
be unnecessary and the use of both trust and safeguards as a means to protect against
opportunism would represent an inefficient allocation of resources. In contrast, competence trust
reflects confidence in a partner’s *ability* to fulfill obligations without regard to intentions,
suggesting that safeguards would further enhance performance. In their study of 233
architecture-contractor alliances in Hong Kong, Lui and Ngo found that goodwill trust,
competence trust, and safeguards appear to be unrelated to performance (completion time and
satisfaction) when considered independently. As predicted, however, the joint effects of trust
and safeguards complement each other to improve performance in the case of competence trust
and counteract each other to reduce performance in the case of goodwill trust. The results of this
study add an important piece of evidence that helps reconcile the seemingly contradictory views
of the performance enhancing and diminishing effects of contingency factors. Gallivan (2001),
building on Das and Teng (1998), identifies other substitutes for trust. Specifically, he content
analyzes studies of Open Source Software (OSS), and concludes that trust is not a necessary
condition for project performance. Rather, control of the conditions of collaboration, and of
norms of behavior, obviate the need for trust in these virtual organizations.

We believe that examining the substitutes and complements for trust is a most promising
approach for future research as it permits the integration of trust into broader models of
exchange. Along these lines recent work by Poppo and Zenger (2002) tested the idea of
relational governance as a substitute or complement for formal contracts within a broader
transaction cost framework. Such an approach raises an interesting set of questions about the
tradeoffs involved in treating trust as an efficient allocation of resources by recognizing that the
creation of trust is not costless.
Dimensionality of trust

Another way that recent research has extended our 1998 study is by both expanding the dimensionality of trust and broadening the range of performance outcomes studied beyond our basic model of trust and performance. In our initial formulation, we treated trust as a unidimensional construct (at two different levels of analysis) and focused on a single indicator of performance, goal attainment. Adopting this approach provided us with a general sense of whether trust affects performance, but limited our ability to assess if the overall effect is driven by a particular form of trust and if the performance effect on trust is limited to a subset of outcomes. The fact that trust is intrinsically complex and multifaceted (Corazzini, 1977) and that interfirm relationship performance consists of multiple dimensions (Noordewier, John and Nevin, 1990; Heide and Stump, 1995) raises the important question of ‘Which dimensions of trust affect which performance outcomes?’ Addressing this question is also important for assessing the robustness and generalizability of the trust-performance relationship.

Trust has been conceptualized and operationalized in many different ways (McEvily et al., 2003). Despite the heterogeneity in theoretical orientations many agree that at its core trust is the willingness to be vulnerable based on positive expectations about another’s intentions or behaviors (Mayer, Davis and Schoorman, 1995; Rousseau et al., 1998). Research on trust in the context of interfirm relationships has predominantly emphasized expectations regarding others’ competence, goodwill, predictability, and calculativeness. Overall, the findings are stronger for competence and goodwill than for predictability and calculativeness.
Competence

Expectations about another’s intentions or behaviors includes ‘technically competent role performance from those involved with us in social relationships and systems’ (Barber, 1983: 9). This form of trust has also been referred to as ability (Mayer et al. 1995) and dependability or reliability (Rempel, Holmes and Zanna, 1985). Competence is considered to be a domain-specific form of trust based on the technical area within which an actor has a set of skills and expertise to perform certain tasks (Mayer et al., 1995). Several studies have investigated the link between competence trust and performance. In a comparative case study of ten virtual collaborative relationships between health care providers, Paul and McDaniel (2004) found that competence trust had a positive impact on health care delivery at remote sites. Lui and Ngo (2004) found that competence trust is related to alliance performance (although only in conjunction with contractual safeguards as discussed above). Further, Johnston et al. (2004) found that competence trust was positively related to the performance of buyer-supplier relationships (through its effect on bilateral governance as noted above). Taken together these studies provide fairly consistent findings for the relationship between competence trust and performance.

Goodwill

The idea that an exchange partner will look out for one’s best interests is another critical component of trust (Ring and Van de Ven, 1992). Also referred to as benevolence (Mayer et al., 1995), goodwill is the perception that a counterpart has positive intentions and motives. Some also describe goodwill trust in terms of fairness or refraining from behaving opportunistically given the chance (Anderson and Narus, 1990; Bromiley and Cummings, 1995). Interestingly,
each of the three studies finding an association between competence trust and performance (i.e., Paul and McDaniel, 2004; Lui and Ngo, 2004; and Johnston et al., 2004) also support a relationship between goodwill trust and performance, suggesting that these two forms of trust are independent and mutually reinforcing (an issue specifically considered by Paul and McDaniel, 2004 and discussed below in the section on ‘combinations’). In addition to these three studies, Pavlou (2002) also found that trust in the benevolence of a community of sellers was positively linked to transaction success in an online business-to-business marketplace. Based on these studies there seems to be broad support for goodwill as a dimension of trust that is related to performance.

*Predictability*

Predictability refers to the degree of consistency in intended behavior and the expectation that an exchange partner can be relied on to fulfill obligations (Anderson and Weitz, 1989). The recent study by Pavlou (2002) mentioned above also investigated the effect of predictability (referred to as credibility) on transaction success in an online, business-to-business marketplace. This study provides support for predictability as a dimension of trust that is distinct from other dimensions (i.e., goodwill) and as an antecedent of performance. Additional research that corroborates these initial findings and explores the potential relationships between predictability and other dimensions of trust would be valuable.

*Calculativeness*

One of the more controversial dimensions of trust is calculativeness (Lewicki and Bunker, 1996; Rousseau et al. 1998). This represents a highly rational view of trust that is based on
consideration of the costs and benefits associated with making oneself vulnerable to a counterpart (Coleman 1990). Williamson (1993) has taken issue with labeling such a belief as trust and has argued that it is more accurate to refer to such expectations as risk. Nevertheless, those who advocate consideration of calculativeness as trust maintain that there are conditions under which the evidence of failure to perform can be readily determined, but that there is nevertheless limited or short-term exposure to vulnerability.

Paul and McDaniel (2004) found that calculative trust had a positive impact on health care delivery at remote sites in a comparative case study of ten virtual collaborative relationships between health care providers. These authors further found, however, that the effect of calculative trust is conditional upon the level of other forms of trust, an issue we discuss next. Given the limited evidence on calculativeness, and the important arguments leveled against the notion of calculative trust, we see this as an important area for future research.

**Combinations**

Although several different forms of trust have been considered, few studies have investigated the extent to which different dimensions of trust interact to effect performance. One noteworthy exception is Paul and McDaniel’s (2004) comparative case study of ten virtual collaborative relationships referred to above. These researchers investigated the independent and combined effects of competence, goodwill (referred to as relational), and predictability (referred to as credibility) trust on relationship performance. They found that while all three forms of trust independently had a positive effect on health care delivery, trust forms also interacted in important ways. Specifically, Paul and McDaniel concluded that a neutral or positive assessment of the other party’s competence is a necessary but not sufficient condition if performance is to be
positive. Positive assessments of all three types of trust are necessary if performance is to be strongly positive. If any one type of trust is negative, then it is very likely that performance will not be positive. However, positive performance is still possible if at least one type of trust is positive and the others are neutral. In addition, the researchers found that calculative trust plays an accentuating role, implying that it tends to sharpen the differentiation delineated by competence trust. In contrast, goodwill trust plays an attenuating role where it tends to temper the differentiation delineated by the other types of trust. Overall, their study suggests that it is important to consider the combined effects of different forms of trust on performance.

Additional research that corroborates the preliminary findings of this comparative case study would be valuable, particularly given the theoretical emphasis on trust as a multifaceted concept consisting of distinct, but related, components.

*Trust-based governance*

Carson et al.’s (2003) study is also relevant to the discussion of different forms of trust. Rather than studying trust per se, these authors examine the effect of what they call trust-based governance (use of trust to support ex post revisions to an incomplete contract) on the performance of outsourced R&D relationships. Carson et al. reason that trust-based governance is a relational norm that is valuable to supporting ex post renegotiations. Work by Poppo and Zenger (2002) similarly treat trust as an aspect of relational governance. Such a view shifts the role of trust in a model of exchange performance from being a behavioral orientation to a mechanism for governing relationships – akin to contracts, equity-based alliances, ownership, etc. – based on social processes. This body of work raises an important theoretical question about whether trust (and norms) is best conceptualized as a mode of organizing, consistent with
the relational governance literature, or as an expectation about a counterpart’s behavioral orientation, consistent with the trust literature. One advantage of adopting the trust as relational governance perspective is that it broadens the range of options available for measuring what is an inherently interpersonal-level concept at the interorganizational-level of analysis. Doing so, however, may come at the expense of stretching the concept of trust beyond its actual meaning. Clearly, this is an area that warrants additional research.

**Dimensionality of performance**

Like trust, the performance of interfirm exchange relationships has been conceptualized as multidimensional (Anderson and Narus, 1990; Noordewier et al., 1990; Heide and Stump, 1995). In particular, research to date has considered four key aspects of relationship performance: *satisfaction, continuity, completion time* and *financial outcomes*.

**Satisfaction**

Perhaps the most commonly used, and most heterogeneous, metric against which performance has been assessed is satisfaction with the interfirm exchange relationship. Anderson and Narus (1990) argue that satisfaction is an important consequence of interfirm exchange and is a close proxy for perceived effectiveness as well as other performance outcomes. Some have studied the effect of trust on satisfaction from the perspective of one exchange partner (i.e., a *within-partner design*). For instance, in our initial paper, we related the purchasing manager’s trust in the supplier contact and supplier organization to the purchasing manager’s assessment of whether the supplier had fulfilled key goals (i.e., competitive pricing, timeliness of delivery, quality of supply). Along similar lines, Carson et al. (2003) considered the effect of trust-based
governance on satisfaction, in terms of task performance (technological contribution, goal attainment, timeliness, and innovativeness), from the perspective of clients in outsourced R&D relationships. Within-partner effects of trust on satisfaction were also found by Lui and Ngo (2004) in architect-contractor partnerships, by Claro et al., (2003) in flower supplier-distributor relationships, and by Pavlou (2002) in a study of industrial buyers in an online business-to-business marketplace. Mora-Valentin et al., (2004) adopted a similar approach, but considered the within-partner effects of trust on satisfaction for both parties to an interorganizational relationship. In their study of R&D cooperative agreements between private firms and government run research organizations they found that trust and satisfaction were unrelated for both research organizations and private firms.

Other studies have examined the effect of trust on satisfaction using a between-partner design: i.e., one party’s trust on the counterpart’s assessment of satisfaction. For instance, Johnston et al., (2004) found that suppliers’ trust of buyers is positively related (through relational governance) to buyers’ assessment of satisfaction with the relationship and attainment of performance objectives (e.g., profitability, growth, innovation, costs, quality, and service).

Still other studies used a combined-partner design to examine the effect of trust on satisfaction. Along these lines, Selnas and Sallis (2003) related the joint trust of buyers and suppliers to the joint satisfaction (in terms of how worthwhile, equitable, productive, and satisfying they found their relationship) and found both direct and indirect effects as described above. Similarly, Paul and McDaniel (2004) used coded qualitative data from both parties to virtual collaborative relationships between health care providers to create indicators of the level of trust and perceived impact (in terms of access, quality, and cost) of the relationship, which were positively related as discussed above. Lane, Salk, and Lyles (2001) use a multidimensional
measure of international joint venture (JV) performance (such as goal attainment and profitability) using data from both JV parents and find a direct relationship of trust to performance. Relatedly, they did not find the expected relationship between trust and JV learning.

Clearly, there is a considerable amount of research supporting the relationship between trust and satisfaction - based on data from a single party, both parties, and combined reports. The consistency in results across research designs and studies is encouraging. At the same time, a critical issue for future trust research relying on satisfaction as a measure of performance is to establish the connection to less subjective indicators of performance. Along these lines, the next three areas of performance we discuss represent attractive alternatives for providing more objective indicators of performance.

**Continuity of relationship**

A second way that the performance of an interfirm relationship has been assessed is by the willingness of the parties to continue doing business together in the future. Continuity is generally defined as the intention to extend the relationship into the future. Such a long-term orientation has been found to enhance performance (Noordewir, John and Nevin, 1990) and represents a commitment to the relationship (Anderson and Weitz, 1989). Two studies have examined the effect of trust on continuity. Pavlou (2002) found that industrial buyers’ trust in a community of online business-to-business sellers was positively related to their expectation of future transactions with sellers. Similarly, in their study of R&D cooperative agreements between private firms and government run research organizations Mora-Valentin et al., (2004) found that trust and continuity are related for research organizations, but not for private firms.
Taken together, these two findings provide some preliminary support for the effect of trust on the longevity of a relationship, but additional research corroborating these results and exploring how different dimensions of trust affect continuity is warranted.

*Completion time*

Another way of gauging the level of performance in interfirm relationships is completion time. This is a particularly important indicator of performance in relationships that are project-based. For instance, in Lui and Ngo’s (2004) study of architect-contractor relationships, project delays result in labor and material cost overruns and revenue losses for the property developer. These researchers found that different forms of trust (goodwill and competence) interact with contractual safeguards to affect the likelihood of a project completing on schedule. This study provides a valuable addition to the range of performance outcomes considered and the effect of different dimensions of trust. Clearly, more studies that replicate such a finding would further enhance this finding as would research that considers more fine-grained approaches to capturing completion time. For instance, indicators such as actual versus targeted number of days may provide a more meaningful indicator of performance in some contexts.

*Financial outcomes*

Clearly, financial outcomes are among the most relevant and compelling indicators of interfirm relationship performance and recent research has begun to investigate the effects of trust on financial outcomes. Luo (2002) found that the general manager’s trust for the partner firm interacts with relational risk and interdependence to increase sales per asset and return on investment in his study of international strategic alliances in China (summarized above).
Similarly, Dyer and Chu (2003) found that automakers’ assessment of supplier trustworthiness is positively related to automaker’s pretax return on assets. And, Claro et al., (2003) found that flower suppliers’ trust in distributors is positively related (through relational governance) to suppliers’ growth in sales. These initial studies linking trust to financial outcomes are encouraging, particularly the study by Luo (2002) which reported results from a relatively larger sample of relationships than the other studies and relied on archival, as opposed to self-report, financial data. Future research would benefit by considering the relationship between trust, financial outcomes, and other (subjective and objective) indicators of performance with an eye toward identifying tradeoffs and complementarities.

**Trust across levels**

In addition to examining the performance effects of trust, a second major contribution of Zaheer et al., (1998) was the explicit recognition that trust between organizations was a multi-level phenomenon. We went on to identify different trust concepts at the interorganizational and interpersonal levels of analysis, to theorize about the consequences of each, and to measure the constructs and demonstrate that they were distinct, using discriminant validity and a second organizational respondent. The paper then tested the theorized relationships about the consequences of trust at the two levels of analysis. Results showed that interorganizational, rather than interpersonal trust, was a predictor of exchange performance, but it operated directly rather than through the mediators of reduced conflict and negotiation costs as we had theorized. However, the link between interpersonal and interorganizational trust suggested that both levels of trust played a role.
Since the publication of our study, further theoretical and empirical development of the idea of multilevel trust between organizations has taken place, although researchers have dedicated relatively little attention to this important topic. One stream of research has further developed the theory of trust across levels of interorganizational exchange. A second stream of empirical research has focused on the outcomes of trust across levels, in essence testing whether interpersonal or interorganizational is the stronger of the two. A third research stream has further explored the relationship between trust at different levels, and has also begun to distinguish the significance of interpersonal trust between members of partner organizations at different hierarchical levels.

Theory of trust across levels
Symbolizing the first stream of research is a recent paper by Currall and Inkpen (2002), which theorized about multilevel trust in the context of international joint ventures (IJVs). These authors have argued that treating trust as a multilevel phenomenon is particularly relevant to IJVs due to the complexity of interactions which occur at the interpersonal, intergroup, and interfirm levels. Based on this, they further suggest that trust occurs at all three levels (e.g., person to person, group to group), occurs across levels (person to group, organization to person, etc.), and trust at one level affects trust at other levels (interpersonal affects intergroup). It is worth noting that Currall and Inkpen’s (2002) framework explicitly endorses the idea that organizations (and groups) can trust, in contrast to the position we took in our paper. Specifically, we argued that organizations themselves do not trust, since they would be inappropriately anthropomorphized in that case – rather interorganizational trust is the ‘collectively-held orientation’ of a group of organizational members toward another organization. However, Currall and Inkpen (2002)
directly challenge the assertion that organizations cannot trust. They argue that firms can in fact be construed as trusting if trust is conceptualized as an action rather than an expectation. Thus, a firm’s trusting actions toward another firm would constitute the interorganizational trust of one firm vis-à-vis another. Curall and Inkpen (2002) go on to define three levels of trust – the firm, the group, and the individual – and argue that measures at each level are, and should be, different. For example, within-group correlations should be used to aggregate group level trust, and routines, such as corporate statements, may be used to measure firm level trust. Taken together, Curall and Inkpen’s (2002) multilevel theory presents a number of intriguing ideas, all of which remain to be empirically evaluated.

Outcomes across levels

A major empirical paper symbolizing the second stream of research, that of establishing the relative strength of trust at different levels of analysis, is a study by Luo (2001), who finds, in a study of Chinese joint ventures, that ‘personal attachment’ (which he sees as closely related to trust) creates a stable context within which interorganizational trust is developed and routines institutionalized. He operationalizes ‘attachment’ only at the individual level, and finds that personal attachment has a direct effect on performance, which he contrasts with the finding for trust in Zaheer et al., (1998), where it is only the interorganizational level that has a performance effect. However, since he does not directly evaluate trust in his model, the question remains whether personal attachment and trust are interchangeable. In addition, the findings for interpersonal attachment on performance are difficult to evaluate relative to our findings for trust and performance given that neither interorganizational attachment nor interorganizational trust
were examined along with personal attachment. With these additional effects included, the findings for personal attachment may differ.

Paul and McDaniel (2004) argue that their ‘finding of a positive association between integrated interpersonal trust and performance … contradicts prior research’ by Zaheer et al., (1998) which did not find support for the relationship. They suggest a methodological reason; their use of ‘facet theory’ relies on less restrictive data assumptions concerning linearity of relationships between variables than structural equation modeling. The research, however, also does not control for interorganizational trust. The research design focused on interpersonal relationships only, not interorganizational ones, and like the conclusions of Luo (2001), need to be considered with caution for that reason.

In contrast, Hagen and Choe (1998) have little trouble with idea that organizations can trust. In particular, these authors cite the case of a bank trusting its borrowers even if the lending officers rotate. It may be interesting to ascertain the precise conditions under which interorganizational trust and interpersonal trust are relatively more important in interorganizational relationships. One possibility, we raised, and also in Hagen in Choe, is that the strength of the institutionalization patterns – in Hagen and Choe at the societal level, and in our study at the firm level – will moderate the higher level relationship. The institutional bases of trust are strongly drawn upon in Bachmann (2001) who uses structuration theory and other sociological theories, to argue that trust and power are alternate means of controlling interorganizational relationships. He writes, “Stable institutions reduce the risk of being betrayed in that they constitute a ‘world in common’ with shared norms and solid standards of behavior” (2001: 346).
Relationship between levels

A third stream of research develops the notion of levels into a finer-grained analysis and develops the connections between the levels to a greater extent (see also Janowicz and Noorderhaven, this book). Zaheer, Lofstrom and George (2002) in inductive research based on six case studies, theorize that all levels of interpersonal trust are not equally important – trust between CEOs matters to a far greater degree in affecting outcomes than does trust between boundary-spanners at lower hierarchical levels. Further, the importance of interpersonal trust at different hierarchical levels changes as the interfirm relationship evolves – interpersonal trust at the top matters more in the early stages and again, if things go wrong. The paper also details the connections between interorganizational and interpersonal trust in a dynamic context as it is affected by low performance, reversing the causal link between trust and performance. If the interfirm relationship starts to underperform, interorganizational trust drops first and thereafter induces a drop in interpersonal trust as well.

Discussion and conclusion

We began this review by revisiting the question we originally posed in our (1998) paper: Does trust (still) matter? In other words, does subsequent research continue to support our initial findings that trust enhances interorganizational performance? As well, does trust operate at multiple levels of analysis the way we had proposed? After an extensive review of the nearly 100 studies that have followed ours, we respond with a highly qualified ‘Yes.’ In the most optimistic sense, we find a number of studies have produced results that are consistent with our findings that trust enhances interorganizational performance. However, from a more conservative perspective and given the methodological limitations with organizational research,
it is difficult to point to any single exemplar, including our own, that unequivocally answers the question in the affirmative. While the pieces are coming together, the puzzle is not yet complete and the image not yet clear. Given this, the best we can do is to point to the weight of evidence that collectively supports the assertion that trust does in fact matter; at least some form of it, depending on other factors. Inevitably, though, a survey such as ours raises more questions than it answers. While we have pointed to the more specific ones in the body of the paper, in this concluding section we raise some broader issues.

**Internal validity**

Possibly the most critical issue, as in all organizational research, is the methodological one of internal validity. Invariably, the methodological challenges of field research compromise internal validity enough that we are unable to unambiguously make the causal connection between trust and performance from any single study. In this regard, recent advances in experimental research, including on trust, are noteworthy. While some of these advances are taking place in our own or related fields, such as psychology, developments in experimental economics are also promising.

For instance, one clear exemplar of promising developments in experimental economics is the expanding body of research based on the trust (or investment) game (Berg, Dickhaut and McCabe, 1995; also see McEvily et al., this volume for a recent application). This game-theoretic paradigm has the benefit of capturing trusting behaviors in a way that is highly realistic and meaningful in terms of subjects’ economic welfare. Moreover, given the controlled experimental context, alternative explanations and confounding effects can be ruled out. In addition, the standardized format of the trust game greatly facilitates the cumulation of findings
across studies. At the same time, a drawback of the trust game is its limited ability to accurately replicate ongoing relationships that are embedded in an organizational and historical context.

Another important issue concerning internal validity, and one that seems to have become a standard recommendation in research on trust, is to call for future studies to conduct longitudinal research. It is a sad reality that despite the clear-cut causal strengths of longitudinal designs, in field settings such research is still relatively rare. Nevertheless, it remains an important and worthy goal. However, we also recognize that the obvious difficulties of doing longitudinal field research are compounded by short tenure clocks, long journal lead times, and the increasing non-research demands on faculty.

Another promising methodological direction for examining the development of trust over time is through the use of simulations (Axelrod, 1984). For instance, Lin and Li (2003) develop a simulation model of trust in an intra-organizational context that could be usefully adapted to the inter-organizational context. In general, we believe that researchers can profitably use data from existing empirical studies of trust in interorganizational exchange to derive a set of realistic assumptions upon which to build a simulation model. While not without its limitations, simulations are useful for generating theory and identifying new and interesting relationships that can later be tested in field settings.

In sum, to strengthen the internal validity of research on trust in interfirm exchange we encourage researchers to look beyond our immediate field and recognize promising methodological developments in closely related fields. We also strongly recommend the value of combining methods. For example, one may start with examining an initial relationship in the lab, and look at the same or even the subsequent relationship in the field. We also want to stress the increasing importance of studying the effect of trust on performance over time. Given the
lack of longitudinal studies thus far, the potential of such a study to make a valuable contribution to the field is considerable.

**Cumulative research**

Apart from internal validity, building a tradition of cumulative research is critical to advance our field. We believe that there are two key issues hindering the development of a cumulative body of research. First, too many studies adopt measurement scales for trust afresh, reinventing the wheel each time. Although several well-developed and psychometrically-validated scales now exist for measuring trust (e.g., Cummings and Bromiley, 1996) virtually no empirical studies use standard scales (for a review see McEvily and Tortoriello, 2005). These scales can be adapted as necessary for the specific context, but at minimum, doing so will provide the field of trust research with a common starting point. Unless we begin to adopt a uniform approach to measuring trust it will be exceedingly difficult to compare findings across studies and draw general conclusions.

A second problem limiting the cumulation of research findings is the lack of studies that build on existing research. For example, as we have discussed earlier in this review, we believe that a number of studies may have prematurely concluded that interpersonal trust mattered for performance, noting that this was contrary to the findings of Zaheer et al., (1998). While we are by no means wedded to our findings, it is clear that in the absence of a control for interorganizational trust, which is a major part of our initial model, such a claim is not well founded. The reason of course is that interorganizational and interpersonal trust are related constructs, and the addition of interorganizational trust into the model may render the effect for interpersonal trust non-significant. Thus, it is important from the point of view of research
cumulation to consider the factors that have been shown in previous research to affect performance, and to control for them before drawing strong conclusions.

Thus, in order for the field to make progress, studies are needed with a more consistent and standardized approach to trust measurement, and more systematic efforts at building on previous work. However, we also recognize that it is practically infeasible to control for all factors shown to be significant in previous research. We thus recommend a middle-range theory approach (Merton, 1957) where relationships that have shown conflicting findings are specifically examined, and factors that are closely related to the key factors are taken into account.

**Top five research questions for future research**

Building on the broad research issues we have identified above, we lay out below what we see as the fundamental theoretical and methodological questions that reflect current tensions at the frontier of research on interorganizational trust. As we approach these research questions, an important issue to keep in mind is the criteria used to evaluate trust. Much of the research we have reviewed, including our own initial study, adopts the view that trust be evaluated from the perspective of efficiency and transaction cost minimization. However, other criteria exist in the literature and warrant attention. For instance, from an embeddedness perspective (Granovetter, 1985) individuals are also driven to develop trust due to the social-psychic benefits derived from personal attachment or group membership. In addition, motivations of corporate social responsibility might play a role in promoting the development of trust in interfirm exchange (Banarjee, Bowie and Pavone, this volume; Jones and Bowie, 1998). Put differently, firms may choose to invest in trust in an effort to stay consistent with a socially responsible and ethical
mission. Given these diverse views, it is important to consider the research questions we discuss below not solely from the perspective of trust as an efficiency enhancing property of interfirm exchange. The questions that follow, presented in no particular order, chart out a research agenda for the future.

1. What kind of trust matters?

Organizations are inherently multi-level entities, which is part of what sets the field of organization theory apart from other fields of social science. Consequently, understanding the multilevel antecedents and consequences of phenomena is critical. In our original paper we took the position that interorganizational and interpersonal trust both mattered to explaining exchange performance, although our evidence seemed to suggest that interorganizational was the overriding driver. Few empirical studies in the area have simultaneously considered interpersonal along with interorganizational trust to build on our findings and explore the complex interplay between trust at the two levels of analysis further. A fertile area of research lies in investigating the moderators and contingencies of the relationships between trust at each level and performance. Such inquiry will help answer the question of the conditions under which interpersonal trust matters more than interorganizational.

A related issue concerns the different dimensions of trust, since trust is inherently complex and multidimensional (Corazzini, 1977). Dimensions include competence, goodwill, predictability, and calculativeness, among others. Research has only begun to separate the antecedents and consequences of the different dimensions and components of trust and additional work is needed in this area.
2. Can organizations trust?

An elemental issue in this research area is whether organizations themselves can in fact trust. Our original paper takes the position that organizations cannot trust, since to imply that organizations can would be tantamount to anthropomorphizing the organization as a sentient entity. Rather, we viewed interorganizational trust as a collectively held orientation in one organization towards a partner organization. However, as noted previously Currall and Inkpen (2002) directly challenge the notion that organizations cannot trust and see trust at the organizational level as embedded in routines and processes. Given their position, how can we reconcile a definition of trust based on expectations or psychological states with trust at the organizational level. Is it feasible for organizations to have expectations and psychological states? Other scholars too (see Janowicz and Noorderhaven, this volume) challenge the notion that organizations cannot trust and advocate the use of hierarchical levels to reflect trust at the organizational level. Accepting such an approach opens up the possibility for a wide range of research at the organizational level. Instead of relying solely on psychometric surveys, observing actions and behaviors of organizations provides an approach to ascertaining organizational trust and moreover, to evaluating whether interorganizational trust is more properly conceptualized and measured in this manner.

3. Transaction costs or transaction value?

An enduring, often referenced, but little researched question concerns the issue of transaction value versus transaction cost (Zajac and Olsen, 1993). Simply put, is it more accurate to suggest that trust lowers transaction costs or does it actually enhance transaction value? Or does it depend? Perhaps in some cases trust lowers transaction costs in others it enhances transaction
value. Much more work exists on the transaction cost lowering effect of trust than its transaction value enhancing role. We suggest that contexts, contingencies, and conditions need to be identified when and where trust plays one role or the other to a greater extent. A beginning in this regard is the work of Dyer and Chu (2003), but considerable scope exists for exploring this question further. For example, we were not able to identify any studies that examined innovativeness as a performance outcome of trust, which could be one example of the enhancement of transaction value.

4. Substitutes or complements?

A promising direction for future research is identifying the substitutes and complements of trust. Issues around this question deal with both performance enhancing and diminishing effects of factors that complement trust, and thereby play the role of moderators in the relationships between trust and outcomes. However, considering complements of trust provides a way of linking trust to other governance mechanisms, such as contracts. Moreover, considering the substitutes to trust recognizes the costs of creating trust, treating it as a problem of optimal resource allocation and one that can be situated in a strong theoretical model of transaction cost governance, and thereby evaluated with an efficiency criterion (Poppo and Zenger, 2002). As mentioned above, other criteria besides efficiency exist for evaluating the role of trust in governing exchange.

5. Is trust merely calculativeness?

Williamson (1993) leveled a serious critique about incorporating the notion of trust into theories of organization and in particular, interfirm exchange. In short, he argued that what people refer
to as trust is really risk, and is calculative in nature. Trust, he maintained, in its pure, uncalculative state, should be restricted to intimate personal relationships, such as those with immediate family. While this position has attracted a great deal of attention, few have taken the critique seriously from an empirical standpoint. For instance, few studies explicitly incorporate risk as a control (see Saparito, Chen and Sapienza, 2004 for an exception). However, we believe that Williamson’s critique warrants greater attention since trust and risk are closely related. In deed, Rousseau et al., (1998) identified risk, along with interdependence, as a condition creating the need for trust. The threat of not taking this seriously is that much of what we are ascribing to trust may in fact be better explained by existing theories of risk.

At the same time, we believe that Williamson’s position can be challenged on several grounds. For instance, although Williamson views trust and risk as synonymous, the organizational literature on trust sees the two concepts as theoretically distinct. Empirically, establishing the discriminant validity between trust and risk is an important area for future research. In addition, the organizational literature on trust argues that initially calculativeness prevails, but over time this form of trust is replaced with more relational forms of trust (see Rousseau et al., 1998; Lewicki and Bunker, 1996). Further, it can be argued that Williamson’s analysis ignores temporal dynamics associated with trust. Williamson’s argument is also inconsistent with the view that the lack of complete trust does not imply calculativeness, and that trust and calculativeness can co-exist (Bromiley and Harris, this volume).

Concluding remarks

Does trust still matter? Based on our review, we would conclude that trust does indeed continue to be of great interest and concern to organizational researchers. At the same time, we believe
that much important work remains to be done. The agenda that we have set out is undoubtedly challenging, but the insights to be gained from pursuing it are even greater.
References


Bromiely, P. and J. Harris (2005), ‘Trust, transaction costs economics, and mechanisms,’ In R. Bachmann and A. Zaheer (eds.) Handbook of Trust Research, Edward Elgar Publishing.


