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**What Matters to Whom?
Managing Trust Across Multiple Stakeholder Groups**

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Abstract

Trust has been widely recognized as a key enabler of organizational success. Prior research on organizational trust, however, has not distinguished between the potentially varying bases of trust across different stakeholder groups (e.g., employees, clients, investors, etc.). We develop a framework that distinguishes among organizational stakeholders along two dimensions: *intensity* (high or low) and *locus* (internal or external). The framework also helps to identify which of six potential antecedents of trust (benevolence, integrity, competence, reliability, transparency, and identification) will be relevant to which type of stakeholder. We test the predictions of our framework using survey responses from 1,296 respondents across four stakeholder groups from four different organizations. The results reveal that different antecedents of trust are indeed relevant for different stakeholder types, and provide strong support for the validity of the intensity and locus dimensions.

Key words: Trust, Stakeholders, Organizational Trust, Managing Trust

INTRODUCTION

Trust has been widely recognized as a key enabler of organizational success. Trust has been shown to facilitate efficient business transactions (Williamson, 1988; Williamson, 1993; Noteboom, 1996), increase customer satisfaction (Dwyer, Schurr et al., 1987; Ganesan, 1994; Morgan and Hunt, 1994; Doney and Cannon, 1997; Geyskens, Steenkamp et al., 1999), and enhance employee satisfaction. More generally, trust promotes cooperative behavior within organizations and between organizational stakeholder groups, as it fosters commitment and motivation (Ganesan, 1994; Lewis, 1999; Osterloh and Frey, 2000), along with creativity, innovation and knowledge transfer (Nahapiet and Ghoshal, 1998; Tsai and Ghoshal, 1998; Clegg, Unsworth et al., 2002; Politis, 2003). Finally, trust has been shown to facilitate successful organizational transformations (Scott, 1980; Miles, Snow et al., 1997; Lusch, O'Brien et al., 2003). As such, by strengthening relationships between the firm and its various stakeholders (e.g., employees, customers, investors, etc.), trust can serve as a source of competitive advantage for the organization (Barney and Hansen, 1994).

However, for this to happen—i.e., for a firm to successfully build trust with its various stakeholders—management needs to understand the basis on which stakeholder trust is predicated. The goal of this paper is to investigate different potential antecedents of trust and to develop a framework for trust development across diverse stakeholders. In particular, we present a framework that identifies meaningful dimensions along which different stakeholders might be categorized, and then develop hypotheses regarding stakeholder-specific antecedents of organizational trust. We then test the propositions of

this framework using data from 1,298 respondents across four different stakeholder groups from four different organizations.

TRUST AND ITS ANTECEDENTS

While definitions of trust vary across disciplines (Rousseau, Sitkin et al., 1998), most conceptualizations of trust include the element of risk or vulnerability. In particular, trust exists when parties are willing to make themselves vulnerable to the discretionary behavior of others. Here, following Rousseau and her colleagues (1998), we define trust as the willingness to be vulnerable to the actions of another party based on positive expectations regarding the motivation and behavior of the other (Mayer, Davis et al., 1995; Shankar, Urban et al., 2002; Ferrell, 2004)

Trust, defined as the psychological willingness to be vulnerable, should be distinguished from *antecedents* of trust, which entail attributions of the other party along relevant characteristics (e.g., integrity, competence, etc.) that create in the trustor the willingness to accept vulnerability. For example, trust increases when the other party is perceived as having integrity (Mayer, Davis et al., 1995). Trust, however, is context-specific (Coleman, 1990; Zey, 1998). Depending on the situation, there are several potential attributions which might serve as antecedents of trust (Boersma, Buckley et al., 2003). Mayer et al. (1995) identify attributions regarding “ability”, “benevolence” and “integrity” as three primary antecedents of trust. Mishra (1996) includes attributions regarding “openness” and “reliability” as potential antecedents, while Shockley-Zalabak, Ellis and Ruggiero (1999) focus on the role of “identification” in their framework.

For our purpose, which is to analyze the role that different factors may play in developing trust across various stakeholders, we work with a comprehensive list of six potential antecedents. Each of these has been identified as a significant facilitator of trust across multiple studies focusing on organizational trust. These antecedents are perceptions of *competence* (Mayer, Davis et al., 1995; McAllister, 1995), *integrity* (McAllister, 1995; Tschannen - Moran and Hoy, 2000; Pavlou, 2002), *benevolence* (Mayer, Davis et al., 1995; Tschannen - Moran and Hoy, 1998), *transparency* (Rotter, 1971; Morgan and Hunt, 1994; Pavlou, 2002), *reliability* (Rotter, 1971; Pavlou, 2002) and *identification* (Fukuyama, 1995; Ellis and Shockley-Zalabak, 1999). We briefly describe each of these antecedents in turn.

Competence-based trust is relevant to stakeholders that must rely on the organization's *ability* to perform in the manner that is expected or promised. For example, if customers are to trust the organization, they must have confidence in the organization's ability to deliver high quality products or services. Investor trust might also be predicated on attributions of organizational competence. For example, investors might question whether the top management team is capable of competing and thriving in the market (Ellis and Shockley-Zalabak, 1999; Jarvenpaa and Tractinsky, 1999; McKnight and Chervany, 2002).

Integrity-based trust is based on perceptions of the organization (i.e., organizational decision makers) as honest and forthcoming, such that they will uphold their promises and commitments and not act immorally or unfairly (Whitener, Brodt et al., 1998; Hoy and Tschannen - Moran, 1999; Pavlou, 2002). Mishra and Spreitzer (1998) emphasize that stakeholders need to see a 'track-record' of ethical and honest behavior

which suggests a willingness to honor trust even when such behavior does not obviously meet the organization's self-interest (Elangovan and Shapiro, 1998).. For example, customer trust might increase when a firm voluntarily issues a recall of products suspected to be defective; forced recalls may lead trust to diminish.

Benevolence-based trust stems from the belief that the organizations cares about the particular stakeholder and will thus act in ways that are in the stakeholder's best interest. Organizational stakeholders perceive benevolence when concern, care and interest are expressed by the organization (Edmondson, 1999). For example, an employee might trust the organization because management has consistently provided merit raises, even when the organization has not been doing well financially.

Transparency-based trust is relevant to stakeholders who are interested in evaluating the routines, processes, and decisions of the organization. For example, investors may want to have access to information that reveals how management is making the decisions that are necessary to secure the long-term viability of the organization; employees who want to ensure that their jobs and pensions are secure might want similar information. Transparency has come to be seen as a key element of organizational trust, especially in the wake of recent corporate scandals such as those involving Enron (Turnbull, 2002; Dervitsiotis, 2003).

Reliability-based trust stems from a stakeholder's experience that the organization has behaved consistently and predictably in ways that meet expectations. Importantly, in the context of trust, these expectations are positive—we do not think of trust in relation to a serial killer, even if he behaves predictably (Baier, 2001). Reliability may be important to stakeholders that have little information regarding the motives or integrity of the

organization, but who still rely on consistent and dependable behaviour. Suppliers who expect to be paid on time and customers who expect timely delivery of their goods seem to meet these criteria.

Finally, identification-based trust stems from value congruence, and the perception of a shared identity. Due to sensemaking needs and dissonance reduction demands, stakeholders examine the extent to which they share goals, values, norms and beliefs associated with the organizational culture (Schein, 1985; Shockley-Zalabak and Morley, 1994; Shockley-Zalabak, Ellis et al., 1999). Ellis and Shockley Zalabak (1999) argue that if members identify with an organization, they are more likely to report higher levels of organizational trust and effectiveness. In contrast, if they feel more alienated from the organization, they will describe lower levels of organizational trust and effectiveness (Morley, Shockley-Zalabak et al., 1997; Shockley-Zalabak, Ellis et al., 1999). In the *inter-organizational* context, identification and similarity “can generate homogenous expectations and common assumptions regarding a partner and partnership” and thus lead to trust and cooperation (Parkhe, 1998; Pavlou, 2002).

As this discussion suggests, all six of these antecedents—or bases—of trust are potentially relevant to different stakeholders. Hence, when we consider all stakeholders together (i.e., if we do not distinguish between stakeholder types), we should find that organizational trust is positively influenced by attributions regarding each of these antecedents.

Hypothesis 1. Trust across stakeholder groups is a function of perceived competence, integrity, benevolence, transparency, reliability and identification.

TOWARDS A FRAMEWORK OF STAKEHOLDER TRUST

Because trust is situation specific (Coleman, 1990; Zey, 1998) it is possible for the organization to be trusted by some of its stakeholders, but not others. Accordingly, the *antecedents* of trust (i.e., the factors which promote trust between the organization and its stakeholders) are likely to differ across stakeholders. For example, employees may trust the organization because management is seen as benevolent towards employees, whereas clients and investors may *distrust* the organization because its management is seen as incompetent (Mayer et al., 1995). This underscores the argument that, because different stakeholders face different types and degrees of vulnerability, they will differ with regards to the factors that underlie their decision to trust the organization

Thus, organizations that are interested in building trust with a diverse set of stakeholders may wish to consider which factors will lead to trust development across different stakeholders.

Stakeholder Types

Our conceptualization of trust—i.e., the *willingness to be vulnerable* based on *positive expectations*—suggests two dimensions along which stakeholders may vary: the degree of vulnerability they expose themselves to and the type of expectation they have towards an organization. The first dimension, which we label *intensity*, distinguishes between stakeholders that have frequent and intensive contact with the organization, and those that have infrequent and low intensity contact with the organization (Lewicki and Bunker, 1996; Kenning, 2001). Intensity of contact is likely to affect both the degree to which the stakeholder is vulnerable, and also the ability of the stakeholder to obtain

information that helps to mitigate risk perceptions. The second dimension, which we label *locus*, relates to the position of the stakeholder vis-à-vis the organization; here, based on stakeholder theory we distinguish between stakeholders that are internal to the organization and those that are external (Freeman, 1984; Donaldson and Preston, 1995). Because internal and external stakeholders face different types of vulnerabilities (Ogden and Watson, 1999), they generate different positive expectations regarding organizational behavior. Hence external and internal stakeholders will base their trust on different aspects.

These two dimensions—Intensity and Locus—that we consider to be largely orthogonal, suggest four archetypes of stakeholder groups: internal/high-intensity, internal/low-intensity, external/high-intensity, and external /low-intensity. Figure 1 provides a graphical representation of these archetypes using a 2x2 cell design. Figure 1 also categorizes four stakeholder groups—employees, clients, investors and suppliers—according to the relationship these stakeholders often have with organizations. (Our empirical analysis uses data from each of these four stakeholder types.) For example, a supplier who may deliver only sporadically to the organization is an *external, low intensity* stakeholder. In contrast, a senior manager within the organization is a *high intensity, internal* stakeholder.

It is worth noting that stakeholder groups in the real world will not be perfectly aligned with any of these four archetypes; a stakeholder's relationship with the organization may be of “moderate” intensity. It is also the case that some organizations will tend to have investors of high intensity (for example, in family owned businesses),

and clients of low intensity. As such Figure 1 should be interpreted as more of a “map” representing four quadrants, rather than a table with clearly defined four cells.

Figure 1 about here

The Intensity Dimension

According to Luhmann (2000), relationships can be differentiated according to the degree of uncertainty involved. In relationships with low intensity, where interactions between the organization and the stakeholder are sparse, uncertainty about the behavior of the other party is likely to be high. According to Hardin (2002) and McKnight, Cummings and Chervany (1998), when there is little previous interaction, information asymmetry is high, and *all* trust-relevant information is scrutinized. In such instances, transparency is likely to play a significant role in the development of trust. For example, corporate communication initiatives and newly developed reporting standards (e.g., the Global Reporting Initiative) are aimed at building trust with a variety of stakeholders. In particular, current corporate governance regulations are specifically aimed at reducing information asymmetry and create a level playing field for stakeholders (e.g. investors) who have insufficient knowledge regarding the organization’s motives and behaviors. Arguably, transparency is becoming a more important antecedent of trust in low intensity relationships due to recent corporate scandals involving questionable auditing and accounting practices (DiPiazza, 2002; Turnbull, 2002)

In addition to transparency, attributions of integrity are likely to play an important role in trust development with low intensity stakeholders. In his work, Granovetter (1985)

argues that generalized morality—or integrity—plays a crucial role during the formative stage of a relationship, and, more generally, in the sustenance of ‘weak tie’ (i.e., low intensity) relationships. Thus, in low-intensity relationships that entail high levels of uncertainty, perceptions of integrity may be necessary to induce the degree of trust relevant for coordination and cooperation.

We therefore hypothesize that trust with low-intensity stakeholders will be based on transparency and perceived integrity.

Hypothesis 2. Trust among low-intensity stakeholders will be predicated on transparency and perceived integrity.

When relationships become more intense and anticipated frequency of contact increases, this creates a demand among stakeholders for consistency in the behavior of the organization. As a result, reliability becomes a crucial factor in the development of trust. Rousseau et al. (1998) explain that when intensity is high, “reliability and dependability in previous interactions with the trustor give rise to positive expectations about the trustee's intentions...Repeated cycles of exchange, risk taking, and successful fulfillment of expectations strengthen the willingness of trusting parties to rely upon each other and expand the resources brought into the exchange. Thus, an exchange can evolve from an arm's length transaction into a relationship: from a "fair day's work for a fair day's pay" arrangement to a high-performance employment relationship characterized by mutual loyalty and broad support. (pp. 399)” Thus, in high intensity relationships, the need for reliability will replace the need for transparency.

Intense relationships entail not only the need for, but also the capacity for more information exchange. As contact with the organization increases, the stakeholder's vulnerability increases, but so does its ability to better evaluate the trustworthiness of the organization. As a result of this dynamic, perceived organizational benevolence begins to play a significant role in high intensity relationships (McAllister, 1995; Shaw, 1997). Whereas integrity refers to an organization's general tendency (or propensity) to act fairly and ethically, benevolence refers to the organization's targeted concern for a particular stakeholder. Unlike low-intensity stakeholders, high-intensity stakeholders have greater need for—and greater access to—information that signals organizational benevolence (McAllister, 1995; Mayer and Davis, 1999). Those who are highly involved with the organization (e.g., employees) will continue to value integrity, but will also learn whether the organization is willing to look out for their best interests even when fairness or equity does not demand it (e.g., will the employee be laid off during an economic downturn?).

We therefore hypothesize that high-intensity stakeholder trust will be based not only on perceptions of integrity, but also on perceptions of reliability and benevolence.

Hypothesis 3. Trust among high-intensity stakeholders will be predicated on perceived integrity, perceived reliability, and perceived benevolence.

The Locus Dimension

Stakeholder trust is based not only on the perceived *motivation* of the organization (as captured by integrity and benevolence), but also on the perceived *ability* of the organization to behave in ways that benefit the stakeholder (McAllister, 1995; Mayer and

Davis, 1999). However, following Ogden and Watson (1999), who argue that internal and external stakeholders will have different (and potentially divergent) interests and concerns, we propose that these two types of stakeholders will differ with regards to the aspect of competence that they find most relevant.

In particular, following Madhavan and Grover (1998) we distinguish between two types of competence—*managerial competence* and *technical competence*—and argue that the relevance of each type depends upon the locus of the stakeholder (see also Tan and Libby, 1997). For example, Parmigani and Mitchell (2005) have argued that the extent to which suppliers (i.e., external stakeholders) trust the organization is highly dependent upon the technical expertise of the buying organization and the standards applied. Similarly, Morgan and Hunt (1994) argue that customer trust (also external) is based on satisfaction with the quality of the product or the service offered, which again implicates the technical aspect of competence.

Internal stakeholders, on the other hand, such as employees and investors, are likely to care more about managerial aspects of competence, such as decision-making ability and strategic vision, which are key to long term survival and competitiveness. For example, Shockley-Zalabak and Morley(1994) argue that employees (internal stakeholders) evaluate the competence of the organization based on whether it will survive and be able to compete. Likewise, Mayer and Gavin (2005) and Davis, Mayer, Schoorman and Tan (2000) offer empirical evidence that employees trust organizations more because of high managerial competence and enduring success in the market place, and less because of technical expertise or product quality. Also consistent with this, investor trust has been shown to be based in larger part on the perceived managerial

competence of the firm's management team, and less on product quality (Ellis and Shockley-Zalabak, 1999; Manigart, Korsgaard et al., 2002).

Thus, we hypothesize that organizational trust among external stakeholders will be largely predicated on technical aspects of competency, such as good service, high quality products, and high technical expertise, while organizational trust among internal stakeholders trust will be on aspects of managerial competency, such as the ability to manage a diverse workforce and to adapt to changing market demands.

Hypothesis 4. Trust among internal stakeholders will be predicated on perceived managerial competence.

Hypothesis 5. Trust among external stakeholders will be predicated on perceived technical competence.

Locus can affect trust development in another way. While external stakeholders are not a part of the organization (by definition), internal stakeholders have, at some point, made the decision to join the organization. Because the act of becoming an internal stakeholder requires a conscious decision to associate closely with the organization, this increases vulnerability: the internal stakeholder faces not only financial risks at the discretion of organizational decision makers, but also identity risk (Giddens, 1991). In order to mitigate identity risks, stakeholders will have to evaluate the degree to which their own values are congruent with those of the organization. Thus, following Rousseau et al. (1998), we argue that the relationship between an organization and its internal stakeholders will be based in part on perceptions of value congruence, and more

generally, on identification. Similarly, Shockley-Zalabak and Ellis and Cesaria (1999) posit that identification is a critical aspect of the trusting relationship between employees and their organizations. Likewise, the emergence of “social” mutual funds, which invest in firms that are considered to be socially / environmentally friendly (and might thus under perform the benchmark index), suggests that investors (internal stakeholders) may be willing to forego investment returns in order to support organizations with which they identify.

We therefore hypothesize that trust among internal stakeholders will be based, in part, on perceptions of value congruency, or identification.

Hypothesis 6. Trust among internal stakeholders will be predicated on identification.

Figure 2 provides a visual representation of the hypothesized antecedents of trust across the different stakeholder types.

Figure 2 about here

METHODS

The study was conducted using surveys of stakeholders from four different organizations in Western Europe. Organization 1 is a small to medium-sized firm in the manufacturing industry in Switzerland; Organization 2 is a large logistical company based in Germany; Organization 3 is a Western European branch of an international

consulting firm; Organization 4 is a public university in Switzerland. The survey was conducted primarily over the Internet.

The stakeholders we surveyed are investors (internal), employees (internal), clients (external), and suppliers (external). Because different stakeholder groups from different organizations were being surveyed, slightly different approaches were needed to receive an adequate sample size. Employees were largely contacted by the organization via emails that contained a link to the survey. Clients, suppliers and investors were sampled randomly, or through snowball sampling. All stakeholders were contacted via email or through direct contact (in which case they were asked to fill out paper surveys). An introductory page described the survey and explained the measure that would ensure anonymity. Stakeholders were also given the contact address of the research team and were encouraged to make contact if they had concerns about confidentiality or about the process in general. In order to increase response rate, the length of the survey was designed as not to take more than 10 minutes for completion. The data was collected over a period of 5 months.

Sample

Overall, 1,298 usable responses were received. (EM Imputation was used to deal with missing data). Clients were the largest group (N=601), followed by employees (N=423), suppliers (N=141) and investors (N=133). (Table 1 provides a breakdown of the number of stakeholders from each organization that are in the analysis.) 73.8% of the respondents were male; the age groups of 18-30 (43.3%) and 31-45 (41.9%) were most highly represented. 51.4% of the respondents reported that they had been in contact with the organization for more than 7 years; 23.3% reported 4-7 years of contact; 18.6%

reported 1-3 years. 59.2% of the respondents reported more than 100 prior interactions with the organization; 14.7 % reported between 50 and 100 interactions. Due to the snowballing procedure for clients, suppliers and investors, a response rate is difficult to establish. The response rate for employees contacted through the organization ranged from 8 to 10%, except for organization 1, where 63% of the employees responded. Table 1 provides more descriptive statistics regarding the sample.

By definition we categorize clients and suppliers as external stakeholders, and employees and investors as internal stakeholders. In addition, we categorized (a priori) customers and employees as high intensity stakeholders, and suppliers and investors as low intensity stakeholders. The data on prior stakeholder-organization interactions supports this classification. 85% of employees and 70% of clients reported more than 50 interactions with the organization. Significantly fewer investors (60 %) and suppliers (65%) reported more than 50 interactions. While this data confirms our prior belief that employees and clients tend to be relatively higher in intensity than investors or suppliers, we also conducted a separate set of analyses (for all hypotheses involving intensity), in which we categorized stakeholders as high or low intensity based entirely on whether they had more or less than 50 interactions with the organization (regardless of their stakeholder group). All of these supplementary analyses replicated the results we share below, suggesting that our categorization is reasonable, and that the results are robust.

Measures

Independent Measures. Drawing on the work of Mishra (1996), Tschannen-Moran and Hoy (1999) and Shockley-Zalabak, Ellis and Cesaria (1999), we created survey items to measure organizational trust for each group of stakeholders. Responses

to these items were marked using a 5-point scale that had endpoints labeled “strongly disagree” (1) and “strongly agree” (5). Following a procedure similar to Hoy and Tschannen-Moran (1999) we identified 3 to 4 items per antecedent of trust that demonstrated high convergent and discriminatory validity using exploratory factor analysis (Ross and Lacroix, 1996). The items measuring each antecedent of trust are listed in Appendix A.

The exploratory factor analysis was based on Maximum Likelihood Extraction (MLE) combined with a Promax rotation. This is considered an appropriate method when there is reason to expect the factors to be correlated (Hair, Anderson et al., 1998). A test for multivariate normality had been conducted prior to the analysis, which yielded positive results (skewness and kurtosis of all items below 1). In confirmatory factor analysis (CFA) these results were confirmed and two items that did not show clear convergent and discriminatory validity were deleted (Fit of the model was high; CFI: 0.951). The scale reliabilities were very high, with Cronbach alphas ranging from .85 to .93. Notably, and as expected, the competence factor consisted of two separate aspects. Two of the four items loaded on aspects of “managerial competence” and two items loaded on aspects of “technical competence”.

Dependent Measure: Based on the work of Tschannen-Moran (2000) and Shockley-Zalabak and Ellis (1999), two items measure the stakeholder’s level of trust in the organization: “The organization is trustworthy”, and “I trust the organization”. The alpha for these two items was .80. Descriptive statistics and correlations between all variables are exhibited in Table 2.

Control Measures. When conducting regression analyses we controlled for demographic variables (age and gender), organization (1, 2, 3, or 4), and whether the stakeholder was a 'multidimensional' stakeholder (e.g., someone who was both an employee and an investor). Only 28,9% of the sample consisted of multidimensional stakeholders.

RESULTS

To test hypothesis 1, we regressed *trust in the organization* on all independent measures, across all stakeholders simultaneously. The analysis revealed highly significant effects for integrity (beta =.295, $p < .001$), benevolence (beta =.093, $p < .001$), reliability (beta =.130, $p < .001$), identification (beta =.253, $p < .001$), technical competence (beta =.157, $p < .001$), and managerial competence (beta =.087, $p < .001$). The only antecedent that did not have a significant effect on organizational trust (in the aggregate analysis) was transparency (beta =-.022, $p > .336$).¹ Indeed, transparency was not a significant predictor of trust in any of the stakeholder-specific analyses we conducted. We discuss the implications of this in the general discussion.

Intensity: Perceptions of Integrity, Benevolence, and Reliability

It was predicted that for stakeholders with low intensity relationships, trust in the organization would be influenced by perceptions of *transparency* and *integrity* (Hypothesis 2). Meanwhile, for high intensity relationships, trust in the organization would be based on perception of integrity, reliability, and benevolence (Hypothesis 3). Data from investors and suppliers was used to analyze the determinants of low intensity

¹ Adjusted $R^2 = .736$. While multi-collinearity exists it does not seem a critical issue since the Variance Inflation Factors are well below 5 (McDaniels, 2005).

stakeholders. Data from employees and customers was used to analyze the determinants of high intensity stakeholders.

Low Intensity: As predicted, integrity was a significant predictor of trust for both suppliers (beta =.361, $p < .001$) and investors (beta =.264, $p < .001$). Also, as predicted, trust among suppliers and investors was *not* related to perceptions of reliability (beta=.013, $p = .894$; beta= -.021, $p = .799$) or perceptions of benevolence (beta=.035, $p = .70$; beta =.062, $p = .361$).

High Intensity: As predicted, trust among high intensity stakeholders (employees and customers) was based on attributions of benevolence (beta =.096, $p < .05$; beta =.132, $p < .005$), reliability (beta =.221, $p < .001$; beta = .127, $p < .01$), and integrity (beta=.220, $p < .001$; beta=.324, $p < .001$).

Thus, the results lend considerable support to both hypothesis 2 and hypothesis 3. The one exception is with regards to the predicted effect of transparency for low intensity stakeholders. We considered the possibility that transparency might only play a role when stakeholders have extremely few interactions with the organization (i.e., in *very* low intensity relationships). To test this, we analyzed a sub-sample of stakeholders (across all groups) who had reported the fewest number of prior interactions with the organization (1-10); again, no significant effects of transparency were found.

Locus: Perceptions of Competence

It was predicted that for internal stakeholders (employees and investors), trust in the organization would be influenced by perceptions of managerial competence (Hypothesis 4). Meanwhile, for external stakeholders (customers and suppliers), trust in the organization would be based on perceptions of technical competence (Hypothesis 5).

Our results reveal an “interaction effect” of sorts that was not predicted. In particular, both hypotheses were supported for high intensity stakeholders, but provided mixed results for low intensity stakeholders. As such, for clarity, we break apart our analysis here by *intensity*.

High Intensity: As predicted, internal stakeholder trust (employees) was based on perceptions of managerial competence (beta = .155, $p < .001$), but not based on perceptions of technical competence (beta = .025, $p = .479$). In contrast, and as predicted, external stakeholder trust (customers) was based on perceptions of technical competence (beta = .195, $p < .001$), but not based on perceptions of managerial competence (beta = -.001, $p = .987$). This pattern of results provides strong support for hypotheses 4 and 5.

Low Intensity: The pattern changes when we look at low intensity stakeholders (investors and suppliers). It appears that for low intensity stakeholders, perceptions regarding *both* types of competence serve as the basis for trust. Specifically, investor trust was based on perceptions of managerial (beta = .136, $p = .051$) as well as technical competence (beta = .300, $p < .001$). Likewise, supplier trust was based on perceptions of managerial (beta = .325, $p < .001$) as well as technical competence (beta = .185, $p < .005$). We return to this unexpected finding in the general discussion.

The Effect of Identification on Trust

We predicted that identification would be a basis for trust among internal (but not external) stakeholders (Hypothesis 6). The results suggest, however, that perceived identification and value congruence enhances trust for all stakeholder: employees (beta = .360, $p < .001$), investors (beta = .227, $p < .005$), customers (beta = .206, $p < .001$), and suppliers (beta = .160, $p < .05$). This result is intriguing in the context of prior research

(Lewicki and Bunker, 1996) which suggests that identification is a relevant factor in very few relationships. We discuss this further below.

DISCUSSION

Prior research on trust within and between organizations has not distinguished between the potentially varying bases of trust across stakeholders (e.g. Morgan and Hunt, 1994; Mayer and Davis, 1999; Lusch, O'Brien et al., 2003; Mayer and Gavin, 2005). The results of our analyses, however, suggest that different antecedents of trust are relevant for different stakeholders. This is consistent with the perspective that trust is situation-specific (Zey, 1998). Furthermore, the results suggest that there are identifiable dimensions along which stakeholders vary, and that these dimensions help to meaningfully distinguish between relevant and irrelevant antecedents of trust.

We find that both of the dimensions we studied—intensity and locus—have significant predictive power. Those stakeholders that have low intensity relationships (e.g., suppliers and investors) base their trust in the organization largely on perceptions of integrity. Trust among high intensity stakeholders (e.g., employees and clients), on the other hand, is based on perceptions of integrity, benevolence and reliability. Thus, perceptions of integrity are relevant to trust attributions for all stakeholders. The key distinction between high and low intensity stakeholders is the role of perceived benevolence and reliability. While some (e.g. Dirks and Ferrin, 2001) have tried to combine the constructs of benevolence and integrity (as “character”), our results suggest that these are meaningfully distinct (cf., Mayer et al., 1995), at least in the context of organizational trust.

The *locus* dimension also provides meaningful insight into how organizations might best manage trust across different stakeholders. We find that trust among employees is based on perceptions of managerial competence, while trust among customers is based on perceptions of technical competence. However, when stakeholders are of low intensity (e.g., investors and suppliers), perceptions of both managerial and technical competence are important antecedents of trust. Why might this be? One possibility is that low intensity stakeholders, because they have less access to relevant information than do high intensity stakeholders, are more inclined to consider any factor that might signal trustworthiness. Another possibility is that low intensity stakeholders may not have enough information to know which type of competence is most relevant to reducing their vulnerability, and so they judge the organization on both dimensions. Clearly, additional research will be needed to test these (or other) interpretations.

An interesting—and unexpected—result of this analysis is that identification-based trust seems relevant to all stakeholder groups in the sample. This result is somewhat surprising in the context of Lewicki and Bunker's (1996) argument that *few* relationships are likely to reach a point at which identification with the other is relevant to trust. Our results reveal that identification and integrity were the two antecedents of trust that were relevant across all stakeholders. This suggests that the decision to trust others—even in relationships that are not extremely close or intense—may be more personal and more relevant to one's self identity than is typically assumed.

Another intriguing finding is the seeming insignificance of transparency across all stakeholder groups; even investor trust in our sample is not affected by perceptions of transparency. One explanation for the null result is that we measured the effect of

transparency after having controlled for all other variables (e.g., perceptions of integrity, reliability, etc.). It may be that transparency is only necessary when accurate assessments of these other variables cannot be made! If you already know that the organization has integrity, and is benevolent and competent, perhaps you no longer need them to be transparent.

The results also suggest a number of managerial implications. In particular, organizational actors that are interested in managing trust with various stakeholders might be well advised to consider the type of relationship they have with the target stakeholder. Rather than to assume the generalized need to enhance transparency, to engage in acts of benevolence, or to signal competence, organizations should seek to understand the specific types of attributions that are relevant to the stakeholder whose trust is sought. For example, a company that tries to project an image that it cares about each of its individual customers or investors (i.e., benevolence), might be wasting resources; if these are low intensity customers or investors, you might more effectively build trust by signalling that your management has high ethical standards (i.e., has integrity). As another example, organizations might try to focus on building identification across *all* stakeholders (and not simply with their employees and customers). Finally, the current results suggest that the wide variety of policy proposals that are aimed at enhancing transparency (in the shadow of Enron's collapse) might be of limited help in boosting investor trust. What may be required, instead, is a stronger signal by individual firms that they have integrity and are competent.

The framework developed here provides an initial step towards a stakeholder model of organizational trust. There are a number of limitations (and associated "next

steps”) that are worth delineating in part. First, while our framework focused on four primary stakeholders, it is likely to be extended to secondary stakeholders as well, such as NGO’s and society. Future studies might test whether the dimensions suggested in this paper accurately predict the trust behaviors of these and other stakeholders. The current analysis also suggests a need to better understand the seemingly expansive role of identification, to more thoroughly study the revealed distinction between managerial and technical competence, and to further our understanding of when transparency might be important. We believe that the framework we have developed can provide guidance in approaching and answering these and other important questions regarding organizational trust.

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FIGURE 1
Categorization of Stakeholders

external	Clients	Suppliers	
LOCUS			
internal	Employees	Investors	
	high	INTENSITY	low

FIGURE 2
Hypothesized Antecedents for Stakeholder Groups

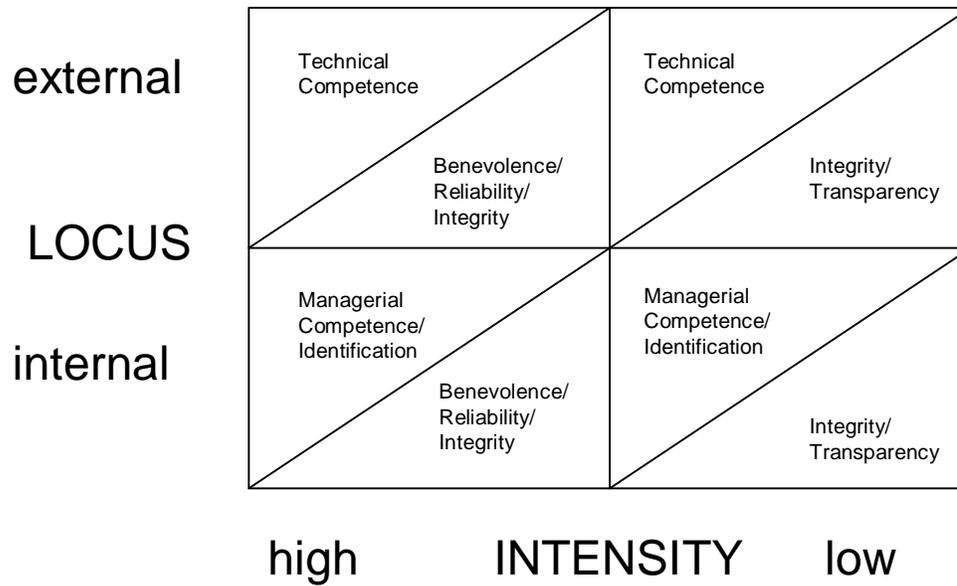


TABLE 1
Breakdown of Stakeholders across Organizations in the Sample

Stakeholder	Organization				Total
	1	2	3	4	
Customers	23	512	66	0	601
Employees	43	153	117	110	423
Suppliers	22	115	4	0	141
Investors	4	40	89	0	133
Total	93	876	404	110	1298

TABLE 2
Descriptive Statistics and Correlations Among Key Variables

Descriptive Statistics and Correlations for Study Variables										
	Mean	Std. Deviation	Transparency	Technical Competence	Managerial Competence	Identification	Reliability	Integrity	Benevolence	Trust
Transparency	3.03	0.90	(.871)							
Technical Competence	3.80	1.04	0.57	(.85)						
Managerial Competence	3.47	1.12	0.63	0.71	(.871)					
Identification	3.17	1.19	0.60	0.63	0.64	(.928)				
Reliability	3.30	0.98	0.74	0.73	0.75	0.69	(.856)			
Integrity	3.42	1.01	0.69	0.64	0.60	0.68	0.77	(.852)		
Benevolence	3.15	0.95	0.71	0.61	0.60	0.70	0.75	0.78	(.883)	
Trust	3.53	1.05	0.66	0.72	0.70	0.76	0.78	0.78	0.74	(.80)

n=1296. Alpha coefficients are on the diagonal in parentheses.

All correlations are significant at $p < .01$

APPENDIX A

Scale Items Measuring Each Construct

Managerial Competence

The organization...

- can successfully adapt to changing demands.
- is able to reach set goals.

Technical Competence

The organization...

- is very competent in its area.
- generally has high standards.

Reliability

The organization...

- is consistent when dealing with stakeholders.
- communicates regularly important events and decisions.
- does what it says.
- is reliable.

Transparency

The organization...

- explains its decisions.
- says, if something goes wrong.
- is transparent.
- openly shares all relevant information.

Integrity

The organization...

- does not try to deceive.
- has high moral standards.
- treats its stakeholder with respect.

Benevolence

The organization...

- is caring.
- listens to my needs.
- is fair.
- does not abuse stakeholder.
-

Reputation

- The organization enjoys a high reputation.
- People I know speak highly of the organization.

- Stakeholders are positive towards the organization.

Identification

- I can identify with the organization.
- My personal values match the values of the organization.
- I feel connected with the organization.

