A COMPREHENSIVE REVIEW ON THE ISSUE OF TRUST

Volkan YUNCU
Afyon Kocatepe University, Afyonkarahisar, Turkey
vyuncu@aku.edu.tr
Yusuf KARACA
Afyon Kocatepe University, Afyonkarahisar, Turkey
karaca@aku.edu.tr

Abstract
In pursuit of a great many corporate crises and financial scandals undermining the public's trust in organizations, which are referred as black swan events in literature, trust in an organization has become staggeringly pivotal to entrench legitimacy and corporate reputation within the environment that organization subsists since legitimacy and corporate reputation are correlated with a variety of covetable business outcomes. Hence, within the scope of this research, in which an extensive theoretical review was conducted largely in management and marketing literature, trust as a relational and social construct is discussed systematically in a way that clarifies the way trust is conceptually embraced. Moreover, the role of trust in building corporate reputation and trust in the context of internet were also discussed.

Key words: *blackswan events, corporate reputation, customer loyalty, public trust, trust*

JEL Classification: M10, M20, M30

I. INTRODUCTION

Trust and its role within organizational life and organizations' relations with the environment are now focal issues to be handled in business management literature as it needs a better understanding. Since the very beginning of this century, certain black swan events undermined the public's trust in business. This is mainly because people previously thought in general that all swans were white. Hence, by the time they first came across black swans, which eventually led to deterioration of the implicit trust relationship between companies and society, these people were literally baffled (Rothaermel, 2017:13). As a result, today, stakeholders distrust organizations more than those organizations trust them. (Burke et.al.2011:247). In the wake of numerous corporate crises, financial scandals, and worldwide turmoil, public scrutiny of organizations has become prevalent (McCorkindale and DiStaso, 2013:500), and possibly more important than ever. Therefore, stakeholders tend to be prudent about what to have faith in about an organization and they look for ways to ascertain whether what they are being told regarding an organization is accurate or not. For this reason, companies of this age are and must be diligent in establishing and maintaining trust, which in turn affects organizational reputation, which is correlated with a range of desirable business outcomes, including customer satisfaction, loyalty, trust and positive word of mouth (Walsh and Beatty, 2007) and ultimately stakeholder decisions such as recommending or purchasing goods or services (McCorkindale and DiStaso, 2013:501).

II. METHODOLOGY

In this comprehensive review of the literature offered in numerous resources, the research was conducted with an objective to contribute to understanding the several dimensions of trust, and therefore; to determine the common ground between management and marketing theoretical approaches concerning the role of trust within organizational life and organizations' relations with the environment.

III. THE WAY TRUST IS EMBRACED

In the marketing management literature, trust is popularly recognized as a prerequisite to build customer relationships and as a preceding state for the development of commitment (Garbarino and Johnson, 1999) and described as a central quality of interpersonal relationships as well as reputations. Trust and distrust has been studied at various levels and dimensions of analysis across multiple disciplines (Lewicki and Bunker, 1996; Lewicki et al., 1998; Zucker, 1986). Indeed, the scientific study of trust as a construct is an old, multi-faceted, complex, and most importantly multi-disciplinary issue. Over the past few decades, it has been closely associated with corporate reputation since trust is regarded as one of the necessary components to gain a positive organizational reputation. Also, the connection between trust and organizational reputation has grown into more featured issue by virtue of the expansion of virtual relationships among numerous market actors (Burke et.al.2011:307).

As mentioned above briefly, trust is studied scholarly at so many dimensions of analysis across multiple disciplines. Hereby, definitions of trust indicates that there is a multi-dimensional nature of trust because these definitions attribute to notions such as future orientation, a level of perception versus reality, a relational position and a level of uncertainty. For example, Rousseau et al. (1998), who obviously accepts the divergent conceptualizations of trust defines it as “a psychological state comprising the intention to accept vulnerability based on positive expectations of the intentions or behaviours of another”. Beyond any doubt, in a great many definitions far more attributes can be observed. For example, on the basis of a meta-analysis of 80 definitions of trust as a concept, McKnight and Chervany (Einwiller, 2013; McKnight and Chervany,1996) who suggest that trusting intention of an individual stems from a his/her confidence that an exchange partner owns these attributes, encountered a long list of attributes as shown in the table below:

Table 1. List of attributes on trust

Broad Category	Comporate Personality Attributes Implying Trustworthiness	Appearance in Literature (count)
Competence	Competence	10
	Expertness	3
	Dynamism	3
Predictability	Predictability	6
Benevolence	Goodness/morality	6
	Goodwill/intentions	10
	Benevolent/caring/concern	14
	Responsiveness	4
Honesty	Honesty	7
	Credibility	1
	Reliability	6
	Dependability	5
Other	Openness/open-minded	2
	Careful/safe	2
	Shared understanding	0
	Personal attraction	1
		Total:80

Source: Einwiller (2013)

IV. CONCEPTUALIZING TRUST AS A RELATIONAL AND SOCIAL CONSTRUCT

Trust is a valuable property which is required for all organizations, yet it could be lost in an instant. As Kiley and Helm (2009) refers to, “Trust is the most perishable of assets. Polling in recent months shows that increasing numbers of consumers distrust not just the obvious suspects – the banks – but business as a whole”. Trust, which requires foreseeable behaviour in any relationship rather than surprises, is the willingness of one person or group to have faith or confidence in the goodwill of another person, even though this puts them at risk. It is also relational and usually developed socially over time via using certain principles in personal and business relationships (Davies, 2006:90). It is not merely a compilation of acts, but it is an internalized belief in the reliability of the compilation. For some scholar in the field, it is the cornerstone of the social exchange relationship between an organization and the public and the basic currency of human intercourse; it makes it possible for individuals to interact with each other at all levels by means of letting transactions ‘on credit’ that paves the way for new initiatives and future paybacks rather than deals settled ‘on the nail’ (Davies, 2006:11).

As it is often developed among social actors that are in a complicated web of existing and potential future relationships, without a fundamental level of trust relationships, they are usually unstable and unproductive. Because it has an important role in sharing information and developing interpersonal relationships. Strong relationships are built on trust, honesty and integrity. Hence, responding to the needs of customers, treating them as partners and providing them with information help organizations earn a great authenticity and also innovative ideas that will be transferred into practice in new products or services (Ramaswamy, 2008). Once trust is obtained, we would probably approach an organization, which has earned our trust over a period of time, with a greater tendency to accept what we are told. Stakeholders of an organization have a tendency to exhibit their positive intentions via collaborating and offering information which makes it far easier to trading goods and services (Jones and George, 2016:106).

It has also been observed by Edelman (McCorkindale and DiStaso, 2013:500; Edelman, 2011) that trust has an impact on the way stakeholders rationalize information. In his survey he came up with the result that 57% of the participants felt they would attach credence to negative information regarding an organization which they do not trust whereafter hearing it solely once or twice. Nevertheless, this rate dropped to 25% agreeing that they would credit negative news regarding an organization they do trust upon hearing it once or twice. When trust is lost, however, it becomes quite hard to regain it and such a loss of trust brings about inevitable consequences which could be referred as trust damages. In this regard, the size of damage depends on the amount of trust lost. In an effort to clarify the levels of loss of trust, Honey (2009:16) suggests a 5 level scale model given below based on different stakeholders' responses by using rates from 1 to 5.

Table 2. Stakeholders' responses scale

Level	Stakeholder Reaction	Trust Damage	Characteristics
5	Outrage	**Trust completely lost** – not recoverable	Fraud, embezzlement, illegal or criminal activity
4	Disgust	**Trust severely damaged** – never fully recoverable	Incompetence, poor management decision making
3	Concern	**Trust diminished** – recoverable at considerable cost	Accident or safety issue e.g. product recall
2	Surprise	**Trust dented** – recoverable with time and good PR	Poor judgement or lack of control e.g. supply chain problems
1	Disappointment	**Trust questioned** – but recoverable speedily	Inconsistent behaviour e.g. gap between policy and reality

Source: Honey (2009)

V. HOW TO BUILD TRUST

Companies with good reputations are often observed to have earned public trust in four different ways. First one is reducing risk perceptions, second is signalling organizational competence. Third, avoiding to engage in unfavourable behaviours to empower customers' confidence and (Keh and Xie, 2009) building a strong brand identity that is well understood and experienced by the customers will also help in developing trust (Karmark, 2013:447).

Firstly, while building public trust, reducing risks is of great importance and leaders and executives who have such an awareness know that no organization is able to manage risks completely unless it gains the trust of society and divergent individual groups surrounding the organization itself. The notion of reputation has recently become a momentous source of differentiation and competitive advantage especially if brand experiences aggressive competition in marketplace, brand personality and reputation of the brand help the organization to be perceived differently and distinguished from the offerings of current rivals as strong brand identity that is well understood by its stakeholders helps organizations develop trust.

A favourable reputation, arising from trust, has the power to strengthen customers' confidence as well as reducing risk perceptions when public make judgments on organizational performance. This also means that it is high time traditional risk management strategies expanded beyond financial matters and included some other factors including speculations, destabilizing trends and events evolving out of society (de Kluyver and Pearce, 2015:60). For instance, as long as an organization remains open to its customers and provides important information to create a better relationship, it will build more trust in its relationship. In other words, transparency, which is extremely needed if a lack of trust is existing in a relationship, and a good communication is also important while building public trust which requires both a mutual acceptance and understanding of what is right and what is not. Because it enables different stakeholders to affirm the organizational assertions and therefore acts like guarding body against puffery or defamation. However, transparency is not easy for companies because it is unending and new information constantly needs to be provided (Gower, 2006) and it is not merely about revealing a set of information randomly. Indeed, Rawlins (McCorkindale and DiStaso, 2013:502; Rawlins, 2009) suggests three fundamental elements of transparency. These are:

a. being truthful, substantial, useful

b. having participation of stakeholders
c. being objective, balanced, and accountable.

Furthermore, transparency is one of the instruments through which a strong public trust is built. Particularly, trust is one of the most crucial and central concepts that are vital for reputation as they fold into each other (Smudde and Courtright, 2013:405). It generates trust and allowes an organization to operate on principles rather than rules. Here, principles represent the values embedded in the organization and underlie the policies and activities driving its own business (Davies, 2006:117). In addition to this, transparency also enables a creative dialogue that fosters trust between firms and their customers.

Concordantly, dialogue brings about an eminent level of interaction, engagement, loyalty, common-learning, and good communication between the organizations and the costumers as it offers a chance for stakeholders to integrate their opinions into the value-creation process and gives another chance to organizations to understand their stakeholders better. Organizations in almost all environments manage their images and reputations through communication. In other saying, provided that an organization succeeds at its communication to influence its internal and external stakeholders, those stakeholders who are exposed to such a successful communication becomes more liable to perceive it eligibly and evaluate it as being trustworthy (Hatch and Schultz, 1997). Today, academicians from various fields of social sciences are increasingly drawing attention to the necessity of stakeholder involvement and effective communication for the building of trust and reputation.

Secondly, as to signalling competence, widely acknowledged good marketing practices assert that companies are likely to signal organizational competences and mission values via brands and consistent branding as they promote said commitments as well as a foundation of trust by means of linking the corporate name to a brand image, associating with virtues like trust and esteem (Burke et.al.,2011:167). In this sense, organizational public esteem is the degree to which the public likes, trusts, admires, and respects an organization (Carroll, 2009). Public trust is the basis of all brand values. In a global online economy, brands build trust and reinforce value. Brands provide a guarantee of reliability and quality (de Kluyver and Pearce, 2015:100). However, reputation is more than a brand especially at corporate level. Reputation depends on the economic performance of the organisation and its product brands but is distilled into a deeper level of trust (Davies, 2006:105). Integrity, objectivity, accountability, openness and honesty are, on the other hand, the basic building blocks of this trust. In other words, without a basic level of trust we lack necessary incentives to sustain relationships with organizations around us. This could be through employment, investing, product consumption, or social reasons (Burke et.al., 2011:203).

Finally, as it was mentioned above, a strong identity experienced by the customers who are satisfied with organizational performance will also help in developing public trust. In this regard, word-of-mouth marketing comes into prominence depending upon the results of survey of Cheong and Morrison (2008) who determined that individuals intention of trust about the information provided by fellow consumers is higher than organization-generated one (McCorkindale and DiStaso, 2013:501).

VI. THE ROLE OF TRUST IN CORPORATE REPUTATION

The notions of corporate reputation and public trust could mostly be considered as analogous terms. Indeed, reputation is regarded as a function of trust in general manner, and these two terms are simultaneously handled by public relations activities and backed up by marketing efforts. Though this is not completely true, these terms are closely associated with each other as trust is used as a common element in most corporate reputation measurement scales (Coombs, 2013:268). Fombrun (1996) brings forward that the value of trustworthiness is as essential as some other values including credibility, reliability and are central to multiple stakeholders' perceptions of a corporate reputation. In general, corporate reputation is defined as the trust, goodwill, and confidence others have in a company and trust is described as a central quality of interpersonal relationships as well as reputa-tions (Holladay, 2013:21). Along with the corporate identity and corporate image, confidence and trust are the building blocks of reputation that is often involved in a brand. However, confidence is largely based on past performance and experience with a company and it is is a substantial factor while generating relational trust. Trust is based on such common values as morality, benevolence, integrity, inferred traits and intentions, fairness and caring (Burke et.al.2011).

In their survey, Keh and Xie (2009), who define public trust as the customer's overall perception towards the ability, benevolence, and integrity of the provider, investigated the way corporate reputation affects customer behavioural intentions. They proposed the conceptual model in which customer identification and customer commitment are the key intervening factors between corporate reputation and customer purchase intention and willingness to pay a price premium. As a result of the research, they ascertained that corporate reputation had positive influence on customer trust. The model links the organizational reputation to customer purchase intention and willingness to pay a price premium, via 3 different, yet relational constructs one of which is customer trust.

Over and above this, an organizations *reputation, which is built on public trust*, with its stakeholders is a valuable and a vivid strategic asset that can generate lasting competitive advantage. (Davies, 2006:44). A good corporate reputation is a valuable endorsement of trust and has many pivotal advantages. It motivates organizational stakeholders to do business with good reputations. Also, it improves profitability, business and ability to obtain resources from stakeholders (Engardio and Arndt, 2007). A good corporate reputation for being trustworthy will also reduce transaction costs and generate loyalty as well as confidence among consumers.

VII. TRUST, WITHIN THE SCOPE OF CYBER WORLD

In a day when organizational reputation does not only stem from traditional sources, companies struggle far more to gain corporate reputation on the internet. More clearly, today it is widely accepted that a brand of an organization is no stronger than its reputation and will increasingly hinge on what comes up when you are Googled (Phillips and Young, 2009; 154).

Internet and particularly social media offers organizations a novel medium for building trust. However, even though the internet is rapidly changing the dynamics of business, building trust over the internet seem to remain as an unresolved issue. Social media as a novel and common part of internet, however, has literally blazed a trail in the cyber world and become a phenomenon that could peak or tear down a business within a day. Hence, today’s organizations from all sectors find it necessary to make use of social media to build trust via making sure that the environment is receiving a steady message while being transparent (McCorkindale and DiStaso, 2013:508).

However, in this virtual world, where public trust is regarded as a set of expectations shared by all those involved in an exchange, the source of trust is not only the actions realized by organizations but also everybody in that environment (Zucker 1986).

Surveys on consumer behavior indicates that consumers choose to select from a variety of trusted brands (Foxall and James, 2003). So, earning public trust is one of the most salient challenges for e-businesses since numerous online visitors are generally reluctant to provide their credit-card information. Local or conventional retailers, the names of which are relatively steady, are observed to have had an advantage over many online companies owing to the fact that the consumers have been familiar with their names or brands for years and consequently these online companies enjoy a much higher degree of trust by consumers. Furthermore, as is in many occasions, customers of internet-based businesses also opt for investing in or purchasing from prestigious and well-known companies with high reputations. Amazon.com and Schwab are good examples of such recognized, stablished and therefore trusted firms (de Kluyver and Pearce, 2015:56).

VIII. DISCUSSIONS AND CONCLUSIONS

The primary purpose of this research is to address the concept of trust largely within the frame of management and marketing paradigms in order to provide an integrative perspective that reflects the old, multi-faceted, complex, and multi-disciplinary nature of the term. Depending on the extensive literature review conducted, we suggest that with an interdisciplinary point of view, trust has become a crucial element more important than ever for the last a few decades. In particular, on the internet and social media it grew into a much complicated issue to be handled. As a prerequisite to build customer relationships and a component of perceived corporate reputation, trust is a challenging path through which a positive corporate reputation is gained and sustained. It is a *sine qua non* of the social exchange the fundamental currency of human intercourse since it enables individuals to interact with each other at all levels and could be built in at least for ways. A favourable *reputation built on public trust* is a valuable and a valuable strategic asset that bears a great many advantages such as generating sustainable competitive advantage, loyalty and reducing transaction costs.

IX. REFERENCES

1. Rothaermel, F.T. (2017). Strategic Management, third edition. New York, NY: McGraw-Hill Education
2. Burke, R.J.; Martin, G.; Cooper, C. (2011). Corporate reputation: Managing opportunities and threats. Surrey: Gower Publishing.
3. McCorkindale, T and DiStaso, M.V. (2013). The Power of Social Media and Its Influence on Corporate Reputation. The handbook of communication and corporate reputation. (Ed: Carroll, C.E). West Sussex: John&Sons. s. 497-512.
4. Walsh, G. and Beatty, S.E. (2007). Customer-based corporate reputation of a service firm: Scale development and validation, Journal of the Academy Market- ing Science, 35, 127–143.
5. Garbarino, E., & Johnson, M. S. (1999). The different roles of satisfaction, trust, and commitment in customer relationships. Journal of Marketing, 63(2), 70−87.
6. Lewicki, R. J. and Bunker, B. B. 1996. Building and maintaining trust in work relationships. Trust in organizations: Frontiers of theory and research (114–39). Thousand Oaks, CA: Sage.
7. Rousseau, D. M., Sitkin, S. B., Burt. R. S. and Camerer, C. (1998). Not so different after all: A cross-discipline view of trust. Academy of Management Review, 23, 393–404.
8. Einwiller, S. A. (2013). Corporate Attributes and Associations. The handbook of communication and corporate reputation. (Ed: Carroll, C.E). West Sussex: John&Sons. s. 293-305.

9. Karmark, E. (2013). Corporate Branding and Corporate Reputation. The handbook of communication and corporate reputation. (Ed: Carroll, C.E). West Sussex: John&Sons. s. 446-458.
10. Kiley, D. and Helm, B. (2009) 100 best global brands: The great trust offensive. BusinessWeek, 4148, 38–42.
11. Davies A. (2006). Best practice in corporate governance: Building reputation and sustainable success, Hants: Gower Publishing.
12. Ramaswamy, V. (2008). Co-creating value through customers' experiences: The Nike case. Strategy and Leadership, 36(5), 9–14.
13. Gareth R. Jones Jennifer M. George Jesse H. Jones (2016). Contemporary Management, 9th edition. Graduate School of Business Rice University.
14. Honey, G. (2009). A Short Guide to Reputation Risk. Surrey: Gower.
15. C. A. de Kluyver and J.A. Pearce (2015). Strategic Management: An Executive Perspective. Business Expert Press Strategic Management Collection
16. Gower, K.K. (2006). Truth and transparency. In K. Fitzpatrick and C. Bronstein (eds), Ethics in Public Relations. Thousand Oaks, CA: Sage, pp. 89–106.
17. Hatch, M.J. and Schultz, M. (1997). Relations between organizational culture, identity and image. European Journal of Marketing, 31, 356–365.
18. Carroll, C. E. (2009). The relationship between firms' media favorability and public esteem. Public Relations Journal, 4(4), 1–32.
19. Coombs, W.T. (2013). Situational Theory of Crisis: Situational Crisis Communication Theory and Corporate Reputation. The handbook of communication and corporate reputation. (Ed: Carroll, C.E). West Sussex: John&Sons. s. 262-278.
20. Fombrun, C.J. (1996) Reputation: Realizing Value from the Corporate Image. Boston: Harvard Business School Press.
21. Holladay S. J. (2013). Corporate Reputation and the Discipline of Interpersonal Communication. The handbook of communication and corporate reputation. (Ed: Carroll, C.E). West Sussex: John&Sons. s. 20-29.
22. Smudde P. M. and Courtright, J. L. (2013). Form Following Function: Message Design for Managing Corporate Reputations. The handbook of communication and corporate reputation. (Ed: Carroll, C.E). West Sussex: John&Sons. s. 404-417.
23. Keh, H.T. and Xie, Y. (2009). Corporate reputation and customer behavioral intentions: The roles of trust, identification and commitment. Industrial Marketing Management, 38(7), 732–742
24. Engardio, P. and M. Arndt (2007). What price reputation? Business Week, 9 and 16 July, pp. 70-79
25. Zucker, L.G. (1986). Production of trust: Institutional sources of economic structure (1840– 1920). In B.M. Staw and L.L. Cummings (eds), Research in Organizational Behavior (Vol. 8). Greenwich, CT: JAI Press.