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## Development of Trust in Low-Trust Societies

*Abstract:* The article focuses on the issue of trust development in low-trust societies. Based on a review of the existing literature, we discuss the types of trust as well as mechanisms of trust creation. On this basis, we propose a dynamic four-stage model of trust development. The model is based on the assumption of gradual accumulation of various trust forms on a social level. The article also discusses the implications of the model as well as the possible future routes of empirical research it may open.

*Keywords:* trust, organization, stage-models.

### Introduction

The benefits of trust within organizational settings have been extensively examined in the existing literature (Bachmann and Zaheer 2006, Bromiley and Cummings 1995, Fukuyama 1995, Gambetta 1988, Kramer 2010, Lane and Bachmann 1998). Trust is crucial for cooperation; the relationship between individuals' trust in other people and their willingness to engage in interactions is well documented (Latusek and Cook 2012). Putnam (1993) observed that this relationship is of a circular and inherently self-reinforcing nature: "cooperation breeds trust" (p. 171). However, as Sztompka (1999b) highlighted, while trust breeds this virtuous cycle, similar qualities characterize its opposite: distrust. Distrust can give rise to a vicious cycle in which cooperation is avoided. Therefore, in the spirals of trust and distrust, the starting point is extremely important. Those who start with high trust are clearly better off at the start, while those who start with distrust or low trust may be doomed to failure. This is the first premise of our paper.

The second premise of our paper is the conviction that, in order to understand people's behavior in organizations, it is essential to consider the social context within which that behavior is embedded (Salancik and Pfeffer 1978). According to the embeddedness perspective (Granovetter 1985), economic transactions are rooted in social structures formed by social ties among actors, which set the terms of exchange within networks. As Schilke and Cook (2013: 294) observed, "evolution of many organizational processes is contingent on the particular context in which these processes are embedded."

Thus far, research on trust at different levels has existed in isolation, with studies focusing on a single level of analysis. This focus on within-level research, while significant

for many purposes, has left some important questions regarding trust dynamics and processual nature of trust unanswered. But, as in many areas of organizational studies, in order to more fully grasp how trust operates, we must understand how different levels of analysis interact (Klein and Kozlowski 2000). Although previous research has recognized time as crucial element of each theory (George and Jones 2000), very few researchers have looked at trust from a dynamic perspective. The ones who did, tend to limit their research on trust evolution to micro-level interactions (Jones and George 1996). We hope to address this gap by proposing a multilevel stage model of trust development over time. The conviction that trust requires an overarching dynamic perspective is the third and final premise of our paper.

Kenneth Arrow (1974) argued long ago that trust has implications for the economy as well as society. For thinkers such as Arrow (*ibid.*) and Luhmann (1979), trust has more than just purely economic value; it is an important lubricant of a social system. Trust not only saves on transaction costs (Williamson 1985), but it also increases the overall efficiency of a system. However, trust cannot be simply produced on demand, and it cannot be bought and sold on the open market. In fact, Arrow (1974) was not at all sure how it could be produced in societies in which it does not exist. Although we had influential studies of the role of trust in one's social life after Arrow (Putnam 2000, Fukuyama 1995), the problem of how to build trust in unfavourable social conditions remains unresolved today (Cook and Schilke 2010, Latusek and Cook 2012). In this article, we would like to address this gap by approaching it from one specific angle: how can collective trust be built in unfavourable social conditions of low public trust?

The problem of low trust in social life is most often visible in transition economies. This is especially true in countries transitioning from their time under communist rule (Lakis 2009, Bukowski et al. 2014, Mierina 2014, Zagórski 2011). Extant research shows that such countries are rich in what Cook and Gerbasi (Cook and Gerbasi 2009) call "thick" trust. This type of trust arises within social relations that are close, such as family ties and long-term friendships. Thick trust is analogous to a combination of cognitive trust (under which individuals are certain that others will fulfil their obligations) and affective trust (under which both parties have an emotional investment in each other (McAllister 1995)). Whereas relational trust can be highly beneficial in many arenas, it cannot carry the burden of making the social life on the macro scale function properly (Cook 2008, Latusek and Cook 2012).<sup>1</sup> The type of trust that enhances broader social relationships is "thin" trust. This form encompasses trust outside of close relationships such as trust in acquaintances, colleagues, neighbours, strangers, foreigners, etc. The absence of "thin" trust makes relationships (even trivial ones) outside of close personal network difficult.

The question of how to move from a "thick" to a "thin" type of trust is a matter of continuous debate, and it has been addressed, for example, from a network perspective (open and closed networks; see Burt 2005) and from a social capital perspective (bridging and bonding social capital; Putnam 2000). The problem we encounter in this paper refers to these debates by asking a question of high-trust organizations (collective thin trust at the

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<sup>1</sup> For the sake of clarity of discussion, we intentionally leave aside the topic of the negative sides of relational trust, or the so-called "dark side" of socially dysfunctional trust between people (Latusek and Cook 2012, Portes 1998, Putnam 2000, Smith-Doerr and Powell 2005).

organizational level) that emerge within a low-trust society (collective social level). The mechanisms of how to move from interpersonal trust to more collective forms of trust have not yet been analytically unpacked. Kramer (2010: 84) notes that, as we conceptually move in the trust analysis from relational cases to more complex collective contexts, “it isn’t entirely clear that this sort of deep, historical, or ‘thick’ interpersonal trust will necessarily generalize readily or fully to a larger aggregate or collection of interdependent social actors. In such collective contexts, individuals may be just as deeply interdependent with, and dependent on, other people, but they are unlikely to have the requisite detailed, personal knowledge of each other that provides the usual foundation for interpersonal trust.”

We proceed as follows. First, we discuss the current literature, outlining four main types of trust. Then we present the stage model of trust development and discuss it. In the closing part of the paper, we debate the possible application of this model in future research and outline some of its limitations.

### Conceptual Background

In this conceptual section, based on the literature review, we distinguish four types of trust that will be used later to develop a dynamic model. Table 1 below presents an overview of the types of trust, including their definitions that are further discussed below.

Table 1  
Types of Trust in Existing Literature

Type of trust	Literature (examples)	Definition
Relational trust	Baier 1986, Cook et al. 2005b, Hardin 2002, Rousseau et al. 1998	“a psychological state comprising the intention to accept vulnerability based upon positive expectations of the intentions or behavior of another” (Rousseau, Sitkin, Burt & Camerer 1998: 395)
Organizational trust	Kramer 2010, McEvily et al. 2003, Dirks and Skarlicki 2009	“a form of generalized expectation or belief that is predicated upon, and co-extensive with, shared membership in an organization” (Kramer 2010: 85)
Institutional trust	McKnight et al. 1998, Sztompka 1999b, Zucker 1986	“the security one feels about a situation because of guarantees, safety nets, or other structures” (McKnight et al. 1998: 475)
Generalized trust	Fukuyama 1995, Lewis and Weigert 1985, Putnam 2000	“the expectation that arises within a community of regular, honest, and cooperative behavior, based on commonly shared norms, on the part of other members of that community” (Fukuyama 1995: 26)

#### Relational Trust

Relational trust is of cognitive character, and it accumulates with time (Baier 1986, Cook et al. 2005b, Hardin 2002). It is based on strong, often emotional ties. Typically this type of trust is a feature of close relationships; for example family or friendship ties. It is rooted

in a rich context of shared experiences and common history (Kramer 1999, Rousseau et al. 1998) and involves “a psychological state comprising the intention to accept vulnerability based upon the positive expectations of the intentions or behavior of another” (Rousseau, Sitkin, Burt & Camerer 1998: 395). It “entails that one does not expect to be harmed by a partner, even though she has both the opportunity and the incentive to be opportunistic” (Nooteboom 1999: 203). These and other definitions of trust indicate that trust consists of a subjective state of positive expectations (Das and Teng 2001) and that the partner and the partner’s behavior are the objects of trust (Inkpen and Currall 2004). They further imply that trust involves choice, uncertainty, risk and the acceptance of vulnerability (Das and Teng 2001, Luhmann 1988, Mayer et al. 1995, Newell and Swan 2000). Trust also involves an exchange partner’s expectation that the other party can be relied on, will behave as predicted and will act fairly (see Zaheer et al. 1998: 143). Thus, reliability, predictability and fairness are essential components of trust (Mesquita 2007, Poppo et al. 2008). Moreover, trust encompasses the belief in the goodwill or positive intentions of a partner and the perception that it adheres to acceptable values (Mayer et al. 1995, Serva et al. 2005). Such expectations of trustworthiness are confirmed “when parties (1) demonstrate reliability by carrying out their promises, (2) act fairly when dealing with each other, and (3) exhibit goodwill when unforeseen contingencies arise” (Krishnan et al. 2006: 895). The expectations are further reinforced and supported through “social-psychological bonds of norms, sentiments and friendships” as well as the faith in the morality and goodwill of others (Ring & Van de Ven 1994: 93; see also Uzzi 1997).

Even though relational trust facilitates some actions, at the same time it constrains others (Cook 2005). Sociologists give numerous empirical examples of limitations that closed trust networks may bring. For example, Yamagishi and Yamagishi (1994) argue that confidence based on past relationships may be detrimental, because they lock people into closed circles and prevent them from accessing valuable outside opportunities. A similar process of interaction takes place among people who are related by kinship or ethnicity (Cook 2005). Because trust networks tend toward closure (Coleman 1988), they discourage interactions with those outside the network; therefore, the actual trustworthiness of outsiders often remains untested. Closed networks structure the flow of resources in ways that may not be optimal for their members. Relying only on trust might make our relationships comfortable, but not necessarily satisfactory or mutually beneficial. In economic terms, it is possible to under-invest or over-invest in trust (Wicks et al. 1999). As a consequence, they may restrict opportunities to access resources of value. Instead of building a more abstract form of trust, these networks, in which exchanges primarily occur within group boundaries, may actually reduce the trust of outsiders or make it difficult to create such trust (Rose-Ackerman 2001a, Rose-Ackerman 2001b).

### Organizational Trust

Organizational trust is “a form of generalized expectation or belief that is predicated upon, and co-extensive with, shared membership in an organization” (Kramer 2010: 85). Over time, it assumes that a taken-for-granted quality becomes inculcated into organizational culture. Trust is an important component of organizational action (McEvily et al. 2003)

that can improve intra- and inter-organizational performance (Dirks and Skarlicki 2009, Zaheer et al. 1998). Kramer (2010: 83) sees organizational trust as a collective phenomenon that “arises when a variety of institutional, social and psychological elements are in place. Loosely construed, collective trust constitutes a kind of psychological tipping-point phenomenon: when sufficient reassuring factors are perceived to be in place, collective trust tends to be present. When they are insufficient or absent, it does not.” In a collective setting, such as organizations, trust assumes a different character than in dyadic relationships; in collective cases, intimate knowledge of the other party is in most cases unattainable, and judgemental underpinnings of trust become more complicated. This trust has a less personal, less direct and less individuated form (Kramer 2010).

What is of particular importance for organizational trust are individuals’ expectations regarding other group members’ trustworthiness in shaping their own willingness to engage in trusting behaviors themselves. Social scientists have devoted considerable attention to identifying the foundations of trust within organizations (Arrow 1974, Cook et al. 2005a, Cook and Hardin 2001, Creed and Miles 1996, Granovetter 1985, McEvily et al. 2003, Zucker 1986). Loosely speaking, they indicate that organizational forms of trust can be based on (1) rule systems, (2) professional/social roles, and (3) leadership and management practices enacted within organizations (Kramer 2010). Powell (1996) conceives trust as similar to human or moral capital operating distinctly differently from physical forms of capital. The supply of trust, he argues, increases with use rather than decreasing in value. Trust is not depleted in the same way that physical capital is over time, when used.

In order to understand how organizational trust develops, it might be helpful to borrow the framework set forth by Schilke and Cook (2013) from their study of the trust development process in an interorganizational relationship. We borrow their framework here, indicating two micro-foundations of institutionalization identified earlier by Tolbert and Zucker (1996): objectification and habituation. Objectification refers to the development of general, social meanings by a set of social actors (*ibid.*). This common understanding is developed through communication and workplace interaction. As Schilke and Cook (2013: 290) write, “During various conversations, organizational members convey their expectations, values, beliefs, and assumptions to other members, resulting in a diffusion of interpretations throughout the organization.” Habitualization refers to the development of patterns in problem solving in response to particular stimuli (Tolbert and Zucker 1996). This happens when distinct organizational routines emerge within the organization. With time, these routines become taken-for-granted strategies for action.

### **Institutionalized Trust**

In a historical study of the US economy, Zucker (1986) identified three basic modes of trust production in society. First, there is process-based trust that is tied to a history of past or expected exchange. Trust-based exchanges then are rooted in reputation that provides accurate information that can easily be disseminated in a network of communal relations. This kind of trust works best in small societies or organizations and requires personal knowledge. The second mode of trust production is characteristic based. Here, trust emerges on the grounds of personal characteristics that make a person part of a group. It is then tied to,

for example, ethnicity or family background. The third type of trust is institutional-based trust, which ties trustworthiness to formal societal structures that function to support cooperation. Such structures include third-party intermediaries and professional associations or some forms of certification. Legislation also provides the institutional background for cooperation, lowering the risk of default or opportunism (cf. Bukowski et al. 2014). The requirement for this type of trust is reliability, transparency and efficiency of institutions. As communities grow, the move from one type of trust to the other is inevitable. This type of trust constitutes generalized, public trust—the type that Fukuyama (1995) and Putnam (1993, 2000) write about. As some argue, when the move from the second to the third type of trust is disrupted by some turbulence or by the lack of strong institutional backing, pathologies emerge, working as functional substitutes of trust (Kang 2002, Rose-Ackerman 2001a, Rose-Ackerman 2001b, Sztompka 1999b, Wei 2001). Ideally, strong personal networks that characterize process-based trust and characteristic-based trust should support the transition towards the system of more complex exchanges with strangers (Schilke and Cook 2010). But it can be problematic and risky, locking communities and societies into exchanges within closed networks of trusted associates (Cook and Gerbasi 2009, Portes 1998, Radaev 2002). Summarizing, when uncertainty is high and there is no institutional framework to resort to, it is more difficult to end a committed relationship, because there is no external “safety net” available. Closed networks structure the flow of resources in ways that may not be optimal for their members. Consequently, trust and trustworthiness can improve the workings of organizations only when they complement structured incentives, monitoring, and enforcement mechanisms (Cook and Schilke 2010; see also Arrow 1974).

### Generalized Trust

Terms such as public trust (Harris and Wicks 2010), generalized trust (Sztompka 1999a), and general/social trust (Lewis and Weigert 1985) are often used interchangeably (Cook and Schilke 2010) to denote the average social level of trust towards people outside of the closed circles of people we personally know well; e.g., first-time encounters, foreigners, neighbours, casual acquaintances. It is the broader conceptualization of trust, concerning macro-scale, where it is seen as a social resource (Putnam 2000), important to the point that it is sometimes treated as the most important component of social capital (Czapiński 2013, Putnam 2000). This type of trust supports social interactions on a broader scale and is considered crucial for collective well-being (Lewis and Weigert 1985, Möllering 2006). A low level of public trust may impede interacting with others and may block cooperation opportunities in many important areas of social life.

The work on generalized trust investigates the role of trust in the provision of public goods and in public life more generally. As these researchers argue, without generalized trust, the collective action problems of our day cannot be solved easily (Ostrom and Walker 2003). Without public trust, many of the institutions that provide the foundations for smooth functioning of society are weakened if not made wholly ineffective.

Generalized trust emerges when trust, institutionalized formally, becomes also a socially accepted informal institution (North 1990). Thus, it becomes a generally accepted

attitude governing the behaviour of social actors. Contradictory orientations or imbalance regarding trust between two types of institutions may impede the accumulation of trust. As informal institutions are based more on relational types of networks, they may tend towards closure and prohibit generalized forms of trust from emerging (cf. Helmke and Levitsky 2004, Lauth 2000).

### The Dynamics of Trust

The literature review concerning forms of trust paints a complex picture of a domain in which concepts at different levels of analysis have co-evolved somewhat in isolation to one another. This is particularly evident in the case of dynamics of trust. Although previous research has recognized that time is a crucial concept in the process of theory building (George and Jones 2000), due to isolation occurring between different levels of trust, very few researchers have approached the subject from a dynamic perspective. Among the few who ventured to propose the model of trust evolution were Gareth R. Jones and Jennifer M. George (1996), who analysed how trust tends to evolve in organizations and how it influences cooperation and teamwork. Authors assuming a symbolic interactionism perspective decided to focus on the micro level of the trust formation process. They described the process of moving from conditional to unconditional trust (1996: 535–538) and developed a model illustrating the influence of unconditional trust on trust in the organizational setting (1996: 540). Despite interesting findings, they did not, however, extend this line of logic to wider conceptualizations of generalized or inter-organizational trust.

When conceptualizing the dynamics of trust, one needs to find a suitable model that would be flexible enough to incorporate dynamics at the micro and macro levels of analysis. Researchers dealing with dynamics of organizational analysis report that there are roughly four types of models used to describe changes occurring in an organizational context: life cycle, evolutionary, metamorphosis, and stage models (Baird and Meshoulam 1988; Milliman et al. 1991).

Life cycle models are based on an assumption that the process of development occurs similarly to building blocks, in which case earlier stages provide the foundation for later stages (Kimberly et al. 1980). These models often vary in terms of number and content of stages, the naming of which usually adheres to the process of human life, including birth, growth, maturity, and decline. Due to a strong relationship with living being a metaphor, life cycle models are not suitable for abstract concepts such as trust.

Proponents of evolutionary models argue that organizations do not follow a deterministic life cycle path that inevitably ends in death but are able to constantly reform and renew themselves to fit the environment (Aldrich and Pfeffer 1976; Aldrich and Ruef 2006). As a result, evolutionary models focus much more on environmental factors and forces that shape the fate of a given organization. Such models could provide valuable insight into later stages of the debate about dynamics of trust, especially in terms of the relationship between trust and its environment. In the first stages, however, a much more inward-oriented approach is necessary.

Metamorphosis models focus on major shifts and disruptions rather than small incremental steps in the process of development. Proponents of these models argue that growth

is not a smooth, continuous process (Starbuck 1965) and that change occurs only when there is an immediate threat to an entity’s survival (Chandler 1962). Although metamorphosis models provide interesting insights into the nature of revolutionary forces within the organization, in the context of trust, it is difficult to position revolution as a major force in the process of trust building.

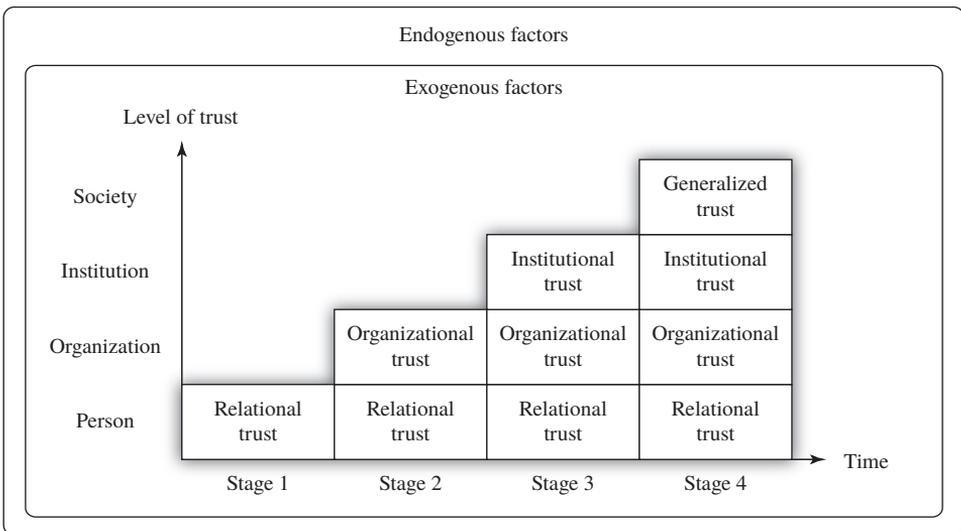
This leaves us with stage models, which are based on the assumption that, although organizations need to be environmentally responsive, actions and strategic choices of organizational actors can often significantly influence their destiny (Chandler 1962). In this article we decided to employ stage models due to their generic character and the possibility of application not only at the organizational level but also at the interpersonal or meta-organizational levels of analysis. Additionally, stage models permit space for actors’ actions, which is crucial in research on trust evolution (Jones and George 1996). Finally, stage models incorporate the logic of sequential building blocks, which can be extremely useful when conceptualizing the gradual process of trust development.

### Stage Model of Trust Development

The model we present is a descriptive model depicting the ideal, conceptual trajectory of trust evolution. The main aim of the proposed model was to combine and arrange a number of concepts appearing in the literature concerning trust.

Figure 1

Stage Model of Trust Development



The model consists of two dimensions: time (represented by *x* axis) and level of trust (represented by *y* axis). The dimension of time is based on a simplified premise of undis-

turbed organizational growth, followed by societal development, following a path corresponding with commonly known stage models of the organizational life cycle. Levels of trust, on the other hand, are based on the premise of the gradual widening of relations of trust from person to person and from organization and third-party institutions to society.

At each stage of development, intra- and inter-organizational transactions conducted to obtain necessary organizational resources are based on different types of trust. This is based on the assumption that networks involving trust relationships are dominant vehicles for social exchange, and consequently the number of potential opportunities for exchange is limited to those whom one knows personally or is linked to through close ties (Cook *et al.* 2005a: 169). These networks can, however, become gradually developed and widened. The main premise of the model is that, as organizations grow, subsequent types of trust will be built upon the fundamentals of existing ones. Consequently, each of these forms of trust represents a new level of trust and increases the scope of transactions that can be performed and resources that can be obtained. Additionally, this approach draws attention to the fact that different types of trust do not usually exist in isolation but coexist with, substitute for, or can themselves be substituted by other forms of trust. An example of substitution might be the tendency to resort to relational forms of trust when institutional trust is lacking (Rose-Ackerman 2001a, Rose-Ackerman 2001b).

The process of evolution does not, however, occur automatically, and it is not deterministic. It occurs as a result of embeddedness and the influence of multiple endogenous and exogenous factors as well as the gradual accumulation of knowledge and experience within an organization (Schilke and Cook 2013, Granovetter 1985). Endogenous factors might include organizational elements such as organizational size, age, industry, location, and strategy, while exogenous factors might include institutional and legal environments, level of economic development, and education. Level of trust indicates the outcome of the evolutionary process as a result of which a person gradually learns to trust a larger number of people and eventually trusts abstract groups such as society. In the following paragraphs we conceptualize how organizations functioning in low-trust societies might gradually move from relational to generalized trust.

### **Stage 1: Management Based on Relational Trust**

In low-trust societies, people tend to exhibit wariness in dealing with others they do not know personally. Research on economies in transition and on entrepreneurship shows that usually the market for exchange is limited to close circles of family and friends. Businesses are usually funded in cooperation with partners that one has personal relations with, characterized by high levels of relational trust. Such organizations are characterised by cozy, family-like organizational climate, thick personal relations, as well as informal and often not transparent ways of conducting business. In such organizations, putting stress on integrity and benevolence often takes precedence over pressures to possess or develop professional abilities. Trust in such organizations is usually based on shared characteristics (for ex. same family or nationality), and is much more long-term, history-oriented (e.g., same school). As a result, in such organizations, past shared experience is often valued more than current formal roles or the future expectancy of short-term gains. Such organizations can therefore

possess high trust but at the same time be risk averse and limited in their ability to grow, as they are not able to let outsiders in and capitalize on opportunities in the environment. This may be the case, for instance, of many family businesses in which admitting outsiders into the internal circle of decision-makers can be a problem. As long as trust in these organizations remains past-oriented and relational, they will be constrained by the limits of personal contact. If, however, such organizations come across an opportunity that can be realized through their limited resources, it might be expected to capitalize on it much more efficiently than others, due to its thick communication and the commitment of its members. As a result, it will inevitably face challenges related to organizational growth.

### **Stage 2: Developing Organizational Trust**

As an organization grows both in size and scope, relational trust becomes more abstract and gradually spills over organizational structures and processes.<sup>2</sup> This happens through formalization and institutionalization, when trust becomes a taken-for-granted rule in the organization. Rules and norms begin to emerge, emulating an organizational climate inspired by initial relational trust. Relational trust constitutes a foundation and a point of reference for newly established norms and plays a vital role of an important resource that may be mobilized through leadership, particularly in crisis or urgent situations. Development of organizational trust is embodied in the development of organizational culture based on shared social meanings, expectations, values, beliefs, and assumptions that drive common patterns of behaviour. This in turn drives the development of organizational routines and taken-for-granted strategies for action. Trust in such an organization is no longer based solely on shared characteristics but on a formal system of rules and professional roles assigned to each organizational member. Trust is also no longer solely past-oriented, as roles and formal rules facilitate future expectation of certain outcomes of social exchange within the boundaries of organization. Trust also becomes more impersonal and directed towards organization and organizational roles rather than people themselves. As a result, trust becomes much more process based, but as long as such organizations function in low-trust societies, it is still constrained to their boundaries. Despite being able to achieve high internal trust based on formal rules and strong organizational cultures, such organizations once more face limitations of their growth, resulting from hostile low-trust environment. These limitations exist, however, on the macro level of inter-organizational trust rather than micro level of interpersonal trust, so the transition to the next stage requires significant change in the environment.

### **Stage 3: Development of Institutionalized Trust**

As organizations become more recognized members of the general public and as they undertake more complex challenges requiring the cooperation of multiple organizational actors, trust increasingly becomes an inter-organizational issue that needs to be supported by

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<sup>2</sup> This is an analytical simplification that facilitates the building of the stage model. It rests on the assumption that the positive effects of relational trust outweigh its negative consequences that prohibit trust from accumulating.

formal societal structures. Such structures can rarely be established *ad hoc* in a top-down manner. In order to work effectively, they need to be grounded on existing foundations of relational and organizational trust instead. Well-known business leaders, respected families, and codes of conduct from companies committed to excellence and with a reputation for honesty all provide foundations for the development of independent societal structures that will become guardians of public trust. Examples of third-party enforcers may include legal institutions that enforce contracts, managers who supervise employee relationships with clients, professional associations that investigate the unethical behavior of their members, and boards that inhibit malpractice. They not only boost the probability of reliable behaviors but also create the conditions for cooperation and trust. The backdrop of third-party enforcement gives individuals confidence to treat each other as if they are trustworthy at least in those domains in which violations of trust will be punished or in which little is at stake. This may enable individuals to learn more about each other, to begin to take risks with each other, and in time to become trustworthy for each other. Such behaviours, in turn, become the grassroots of generalized trust.

#### **Stage 4: Development of Generalized Trust<sup>3</sup>**

Generalized trust is understood as a person's trust towards the broader society, including strangers. This type of trust is not common, and it is not easily achieved; therefore, it is often portrayed as a scarce and valuable resource. In the fourth stage of the model, generalized trust evolves on the basis of all previous types of trust, facilitating previously impossible interpersonal and inter-organizational transactions. The evolution of generalized trust is based on the assumption of the uninterrupted development of types of trusts in previous stages. An individual person who in their lifetime has experienced close family-like relations in their workplace, took part in a trustworthy organizational culture, and witnessed the development of trustworthy institutions guarding public life has no reason to doubt other people or the society as a whole and therefore experiences generalized trust. The feeling of safety and assurance that a person can rely on public guardians, their organizations, and finally the networks of their closest friends minimizes the risk associated with trusting strangers. Consequently, the more positive experiences one has, the highest possibility one has of developing generalized trust. On the other hand, if one of the underlying types of trust is missing or if an individual had negative experiences in the past, generalized trust will be difficult to develop. Given the number of personal, work-life, and institutional interactions one conducts, maintaining a perfect record of trust in one's lifetime is virtually impossible. As each experience of the breach of trust slows down the process of generalized trust evolution, it is reasonable to expect that social change in that direction might take entire generations rather than a single lifetime.

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<sup>3</sup> For the sake of brevity of discussion, we intentionally left out an in-depth description of transition from institutionalized to generalized trust. An in-depth analysis of this complex macro-scale phenomena can be found in abundance in the existing literature (Levi 1998; Braithwaite & Levi 2003; Rothstein & Uslaner 2005; Farrell 2009; Rothstein 2013).

## Discussion

The model described above conceptualizes the process of trust development from relational to generalized trust, which enhances the formation of social capital. However, the fourth stage is by no means the final stage of development. If, as Fukuyama (1995) argues, the ability of companies to move from large hierarchies to flexible networks of smaller firms depends on the degree of trust and social capital in the broader society, then this process will be likely to continue in a self-reinforcing way. Therefore, understanding how trust emerges and how it varies across time is important in the effort to analyze what makes for economic success in different settings. Fukuyama (*ibid.*) reasons that social trust generates the conditions under which specific forms of organization emerge that facilitate competitive economic enterprise. It is the lack of social trust that Fukuyama (*ibid.*) identifies as the reason that organizations adopt a more hierarchical form (including large networks of organizations created by contracting). The more flexible networks of smaller firms that engage in exchange require trust. It is precisely the ability to be flexible and to form networks of small companies that can be responsive to change that Fukuyama (*ibid.*) identifies as central to economic growth and prosperity. Cultures that fit this motif are poised for economic success in the global economy. Ironically, he argues that it is precisely those cultures with strong and large families that have lower social trust and national prosperity. Fukuyama (*ibid.*) refers to this claim as the “paradox of family values.” The model presented and described in the preceding paragraphs illustrates this paradox while opening a floor for discussion and research on a number of crucial issues.

First of all, the model presented in this article brings attention to the issue that the culture of trust observable in a given society is, first and foremost, a product of history and experiences accumulated over the years. Future empirical studies undertaking the issue of trust development should therefore be historical in their nature and approach the issue from a long-term perspective. The second interesting topic is how and to what extent organizations in low-trust societies manage to build high-trust organizational cultures—a question that has been pondered over by a number of researchers (Kornai, Rothstein & Rose-Ackerman 2004). Since organizations in these contexts cannot rely on trust in society, they need to establish their own “secluded worlds.” In such a case, it is interesting to see what kind of values they base these worlds upon, their relationship with larger society, and how they manage to move from one stage to another. Another interesting issue relates to the way in which the process of trust evolution is influenced by endogenous or exogenous factors. For example, some point out that the high-tech industry in which knowledge diffusion and knowledge sharing occurs extremely rapidly enhances the development of generalized trust (Golonka 2015). Future research might focus on identifying a number of such factors and clarify their influence on each type of trust and each stage of its development. The final topic worth pursuing could be the nature of connections between different types of trust and their change over time. The coexistence of different forms of trust makes the conceptual landscape extremely complex, and it raises a number of questions about boundaries of different forms of trust, about their ideal proportions, and about possibilities and consequences of substitution. Given the elusive nature of trust as a concept, these questions will not be easily answered. However, tackling them through empirical research projects will

undoubtedly result in valuable insights into the chemistry of trust within organizations and societies.

The model presented in this article is purely conceptual, and as such, it is by no means free from limitations. First of all, the timespan of the stage in the model is deliberately left somewhat unclear. The stage can indicate different amounts of time; e.g., for a year, a decade, or a generation. The reason for that ambiguity is the lack of understanding of the process of trust development. Although we can conceptualize that the development of relational trust of a certain individual will take significantly less time than the development of generalized trust in a broader society, there is no way of knowing how long each of these processes will take. The second limitation is related to ambiguity related to the conceptual meanings of an organization, society, and institution. Depending on the definition of each of these concepts, the content of the model will inevitably need to undergo some modification. Finally, we are fully aware that there will be a number of exceptions from the ideal process of trust development illustrated by the model. These exceptions can result from exogenous factors such as the disruptive influence of some societal or organizational crisis as well as from endogenous factors such as distinctive characteristics of an industry in which a given company operates. The existence of these exceptions can only enrich the empirical research on trust development and does not undermine the value of understanding the underlying process. Moreover, the theoretical character of our work places it as a source of potential hypotheses that need to be tested in future research. As it is presented in the literature review form, it may require also a parallel work that would examine the existing empirical findings that may support or refute the model. Some preliminary data, for instance, may be taken from published statistical evidence from post-transformation Poland (see, for instance, [Staszyńska 2011](#), [Zagórski 2011](#)).

### Conclusions and Limitations

Cook *et al.* (2005a: 169) observed that, “although we know something about the conditions under which trust declines, we are only just beginning to systematize knowledge about how to build trust where it does not exist and how to reconstruct it when it dissolves—or, what is more likely, *how to look for alternative bases for cooperation*” [emphasis added]. In this article, we have tried to articulate in a few domains how personal relations of trust, organizational-level trust, and general social trust are linked. But there is more work to be done on this topic, theoretically, methodologically, and empirically. The main theoretical implication of this article and the presented model is that, in the process of trust development, micro and macro levels are not isolated, but highly intertwined. Our work thus redirects the current thinking by suggesting that trust at any one level does not occur in a vacuum but needs to be considered in the context of trust at other levels as well as the endogenous and exogenous factors, such as for example the influence of development of new IT technologies. Additionally, the model implies the need for longitudinal studies concerning trust, as its development is a complex evolutionary process occurring over long periods of time. Finally, despite its conceptual nature, this article has some practical implications as well. So far, it shows that trust-building initiatives, in order to be effective, need to be very spe-

cific about which level and which type of trust they target. Once we know more about the interconnections between these different types and the factors that influence them, it might finally be possible to plan society-wide initiatives and engage in the effective creation of social capital.

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