

Establishing and Sustaining Trust in Virtual Organizations

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INTRODUCTION

The past decade has seen dramatic changes in the modern organization with virtual organizations (VOs) becoming an increasingly common form of economic enterprise (Lucas & Baroudi, 1994). Much of this change has been accelerated by advances in information and communication technology (ICT) as well as a contemporary globalized knowledge economy. Virtualization allows organizations to transcend traditional organizational boundaries and the limitations of time and geographic dispersion to ultimately explore and realize opportunities that traditional organization forms could not possibly consummate.

There is consensus among practitioners and scholars that trust plays an essential role in the development and survival of VOs, where vertical control, hierarchical authority, and formalized organizational procedures and policies yield to self-management. In such organizations trust acts as a substitute for traditional control mechanisms (Morris & McManus, 2002), it lessens transaction costs (Bromiley & Curley, 1992), it minimizes uncertainty and risk (Grabowski & Roberts, 1999), and it helps in conflict and friction resolutions (Jarvenpaa, Knoll, & Leidner, 1998).

Although trust is pivotal in ensuring the existence and successful functioning of VOs, literature on trust development in VOs is relatively underdeveloped. It is therefore the intention of this article to enhance the understanding of trust development in VOs by examining then enhancing a key theory on trust in traditional organizations then applying it to VOs.

DEFINITIONS

Virtual Organizations

While there is no universally accepted definition of the term VO due to the numerous forms and structures VOs take, a number of common characteristics can be identified. First, VOs are ICT-enabled due to their geographi-

cally dispersed nature (Bosch-Sijtsema, 2002). Although it is not known with certainty whether the rapid expansion of ICT is driving the design and change of organizational structure or whether organization requirements are driving the advances in ICT, it is very clear that without the support of ICT, VOs would not exist. Second, VOs are opportunistic in nature, in that they are intended to exploit a specific opportunity (Morris & McManus, 2002). Third, trust-based cooperation is crucial for the functioning and success of VOs. Unlike in a traditional organization context, in VOs hierarchical control and legal frameworks are not readily available to monitor and regulate the formation, operation, and dissolution of the organization. Thus, trust acts as the substitute of traditional control mechanisms (Morris & McManus, 2002). Last, the bonds among VO members are temporary. Member organizations, groups, or individuals come swiftly together, contribute their best and greatest competency, and upon the exhaustion of the opportunities, the VOs dissolves (Bleecker, 1994).

Given the above characteristics, we define VOs as: *A contemporary organization form characterized by a temporary collection of geographically dispersed individuals, groups, or organizations who must trust each other and work together with the support of advanced information communication technology in order to explore a business opportunity that could otherwise not be explored.*

Trust

Trust is a concept that has received attention in fields as diverse as philosophy, sociology, psychology, economics, political science, and management (Lewicki & Bunker, 1995; Tyler & Kramer, 1996). However, little consensus has been reached on the definition of trust due to disciplinary diversity and insufficient effort to integrate the differences in disciplinary perspectives. For the purpose of this article, we integrate several characterizations of trust that best suit the context of VOs.

Trust embodies two key elements: risk and dependence. Risk is an indispensable component of both trust and VOs. It also makes trust pivotal and problematic in a

virtual working context. As noted by Baier (1986), trust is “accepted vulnerability to another’s possible, but not expected, ill will (or lack of good will) toward one” (p. 235). This vulnerability and possible but not expected ill will are also referred to by some researchers as risk (Deutsch, 1962) or uncertainty (Gambetta, 1988). Furthermore, in a VO, each member organization, group, or individual come together in a swift manner and attempts to integrate their competencies with the hope of establishing a “best-of-everything organization.” In this value-adding partnership, self sufficiency is scarce and every member depends on other members to successfully achieve the ultimate goal of the VO. Dependence is indubitably what a VO is built on, and is also an essential element in a trust relationship. If one does not have to depend on others, one does not need to trust the other. Thus, some researchers also describe trust as a dependence or reliance (Lewis & Weigert, 1985).

Based on the above discussion, we define trust as:

The willingness to depend on other parties regardless of the other parties’ possible ill will.

This definition is appropriate in the VO context because it is an integration of characterizations that identify risk and dependence as essential to a trusting relationship.

LITERATURE

Although various models and theories on trust building have been developed, of particular interest to this article is a model developed by Lewicki and Bunker (1995, 1996) on stages of trust evolution. This model has been chosen for evaluation not only because it is consistent with both the instrumental and noninstrument models, the two most influential perspectives in trust literature, but also because we believe that it has some significant relevance to the VO context.

Lewicki and Bunker (1995, 1996) formulated a dynamic model of trust which proposes that trust is a dynamic phenomenon, trust dynamics differ at each stage of work relationships, and trust develops over a period of time. Calculus-Based Trust (CBT), Knowledge-Based Trust (KBT), and Identification-Based Trust (IBT) relate to different stages of work relationships, and are “linked in a sequential iteration in which trust evolves from CBT, to KBT, to IBT. Achievement of trust at one level subsequently leads to the development of trust at the next level,” (p. 119). Figure 1 depicts Lewicki and Bunker’s trust development model. However, they caution that in some relationships trust may not develop fully; consequently, trust may not progress beyond the first or second level of a work relationship.

CBT

CBT is grounded in both the fear of punishment and the rewards for preserving the trusting relationship (Lewicki & Bunker, 1996). It assumes that people base their decision to trust on their calculation of the punishment and rewards. This assumption is consistent with the central theme of the rational/instrumental models of trust building (Tyler & Kramer, 1996).

KBT

KBT relies on information which contributes to behavioral predictability of the involved parties. The assumption is that when one has enough information about others, he/she will be in a better position to predict their actions more accurately (Kelley & Stahelski, 1970). Accurate predictions are derived from information collection conducted overtime through multidimensional personal interactions. “Regular communication and courtship” are critical in building KBT in that they put people in touch and facilitate exchange of information about each others’ wants and preferences. In turn, predictability improves trust (Lewicki & Bunker, 1996; Shapiro, Shepard, & Cheraskin, 1992). KBT assumes that people rely on the behavioral predictability of the involved parties to make rational choices of whether or not to trust. This again is consistent with the rational choice model of trust building (Tyler & Kramer, 1996).

IBT

IBT is grounded in mutual understanding and appreciation of each others’ wants, desires, and intentions. At this level, mutual understanding and empathy develop to such an extent that each has fully internalized each other’s preferences and can effectively act on each other’s stead (Lewicki & Bunker, 1996; Sheppard & Tuchinsky, 1996). It has been well demonstrated that people in the same community, group, or organization tend to behave in a more trustworthy manner toward each other than to others outside the community, group, or organization. Thus, high identification with a group or an organization induces IBT, which in turn makes it possible for a person, a group, or an organization to act on each other’s behalf knowing that their interests will be protected and met (Sheppard & Tuchinsky, 1996). In short, IBT suggests that people or organizations have noninstrumental motivations to engage in trusting and cooperative relationships and this is consistent with the essence of noninstrumental models of trust building.

Over the years this model has been repeatedly applied to studies involving trust development in traditional brick-

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