

Chapter 18

Social Networks and Trust– Building Processes: Implications for Organizational Environments

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ABSTRACT

One of the major debates currently in the literature about trust and management relies on the perspective of trust-building in organizations. In this chapter we draw on graph-based structures in order to investigate the role of individuals' social networks as tools for enhancing potential trust-building processes at interpersonal level. The chapter relies on two main aspects. First, we propose a theoretical approach establishing a linkage between agents' social networks and trust-building processes among unknown agents. Second, we carry out an experimental investigation focused on a laboratory experiment developed with students of Management and Economics bachelor degrees. Furthermore, we outline some implications for managers.

INTRODUCTION

Trust is a psychological state comprising the intention to accept vulnerability based on positive expectations of the intentions or behavior of another. Trust-building processes in organizations

constitute one of the major debates currently in the literature about trust and management (Li, 2008). Indeed, prior works have stressed the urgent need to solve the puzzles of trust and trust-building (Li, 2007).

According to social network theory, the structure of a social network influences the behavior

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displayed by its members toward other individuals belonging to such network. Recent literature has highlighted that social network structures affect how information is distributed within a group (Wong & Boh, 2010). Moreover, studies have consistently demonstrated that individual network dimension (i.e., an individual's number of contacts) affects that person's ability to diffuse information to more people (Katz & Lazarsfeld, 1955; Rogers, 1995).

Literature has focused on proposing the importance of social networks and trust-building in several management areas, such as organizational-knowledge-sharing (Chow & Chang, 2008) and new venture's innovative capability (Chen & Wang, 2008). Nonetheless, the central question of how social networks structure and dimension affect trust-building processes in organizational environments by influencing individuals' trusting expectations and behaviors remains basically unexplored.

Individuals' trusting expectations and behaviors constitute the basis for trust-building processes at an organizational level. In this context, social networks play a key role as initiators of trust-building processes among individuals, since they provide insightful information about other agents. Henceforth, the influence of agents' social networks structures and dimensions on their trusting expectations and behaviors toward other individuals is of great importance.

The chapter is organized into four additional sections following this introduction. In the second section we review the management literature about trust and trust-building processes. In the third section, we propose an integrative approach in which social networks and graph-based structures are used to explain the potential trust-building processes that may emerge between the members of a dyad (i.e., a trustor and a trustee). The fourth section provides an empirical investigation based on a laboratory experiment. Finally, section five summarizes the main conclusions and points out some managerial implications.

TRUST AND TRUST BUILDING: THEORETICAL BACKGROUND

Trust has become a major concept in social sciences, such as psychology (Johnson-George & Swap, 1982; Rotter, 1967; 1980), philosophy (Baier, 1986), sociology (Barber, 1983; Luhmann, 1979; Shapiro, 1987), economics (Arrow, 1974; Williamson, 1975), and organization theory (Zand, 1972; Zucker, 1986). Moreover, trust is increasingly demanded within organizations (Handy, 1995; Kramer & Tyler, 1996), between organizations (Moorman, Zaltman, & Deshpande, 1992), and in international affairs (Michalos, 1990).

Several definitions of trust have been proposed in the literature about management (Bhattacharya, Devinney & Pillutla, 1998; Mayer, Davis & Schoorman, 1995; Rousseau, Sitkin, Burt & Camerer, 1998). Specifically, in this chapter we adopt the definition presented by Rousseau *et al.* (1998), according to which trust can be defined as a psychological state comprising the intention to accept vulnerability based on positive expectations of the intentions or behavior of another. Every trust interaction is made up of two agents: the trusting agent, called the trustor, and the trusted agent, the trustee.

Prior studies have investigated why a given party has a greater or lesser amount of trust for another party. One approach is to consider attributes of the trustee. Among all the characteristics addressed in the literature, three common elements appear in almost all works: ability, benevolence, and integrity. Ability is that group of skills, competencies, and characteristics that enable a party to have influence within some specific domain. The specificity of the domain is crucial in this definition, since an employee may be very keen with programming but may have a low ability for selling the product. Moreover, benevolence is the extent to which a trustee is believed to want to do good for the trustor. Finally, integrity involves the trustor's perception that the trustee adheres to a set of principles that the trustor finds

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